EXHIBITS

TABLE OF CONTENTS

1–Exhibit VI. D.	Incorporation Documents
2–Exhibit VI. F.	GCGC Organization Chart
3–Exhibit VI. P.1.	Incorporation Documents
4–Exhibit VIII. A.2.a	Cost Summaries
5–Exhibit VIII. A.3	Global Market Advisors: Gaming Market Assessment Report
6–Exhibit VIII. A.6.a	Balance Sheets
7–Exhibit VIII. A.7.b	Financial Statements
8–Exhibit VIII. A.8.c.	GCGC Business Facilities Table
9–Exhibit VIII. B.7.b	Draft Organization Charts
10–Exhibit VIII. C.1.a	Land Options and Survey
11–Exhibit VIII. C.4	Program Overview
12–Exhibit VIII. C.5	Site Rendering
13–Exhibit VIII. C.21	Direct Construction Jobs
14–Exhibit IX.A.1.a	Support Documents
15-Exhibit X	Signed Agreements

EXHIBIT

1–Exhibit VI. D.

1

INCORPORATION DOCUMENTS

Delaware

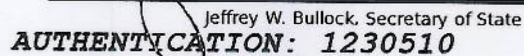
The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF "FLORIDA ACQUISITION CORP.", FILED IN THIS OFFICE ON THE TWENTY-FIRST DAY OF MARCH, A.D. 2014, AT 5:13 O'CLOCK P.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

5498748 8100

140366434



Jeffrey W. Bullock, Secretary of State

AUTHENTICATION: 1230510

DATE: 03-21-14

You may verify this certificate online
at corp.delaware.gov/authver.shtml

State of Delaware
Secretary of State
Division of Corporations
Delivered 05:47 PM 03/21/2014
FILED 05:13 PM 03/21/2014
SRV 140366434 - 5498748 FILE

CERTIFICATE OF INCORPORATION

OF

FLORIDA ACQUISITION CORP.

The undersigned, in order to form a corporation under and pursuant to the provisions of the General Corporation Law of the State of Delaware, does hereby certify as follows:

FIRST: The name of the corporation is Florida Acquisition Corp. (the "Corporation").

SECOND: The address of the Corporation's registered office in the State of Delaware is 2711 Centerville Road, Suite 400, Wilmington, New Castle County 19808. The name of its registered agent at such address is Corporation Service Company.

THIRD: The purposes for which the Corporation is formed are to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware (the "DGCL") and to possess and exercise all of the powers and privileges granted by such law and any other law of Delaware.

FOURTH: The total number of shares of stock that the Corporation shall have authority to issue is Five Thousand (5,000) shares of Common Stock each with a par value of $.001.

FIFTH: The name and mailing address of the Incorporator are as follows:

Name	Address
Ivy M. Shapiro	Blank Rome LLP One Logan Square Philadelphia, PA 19103

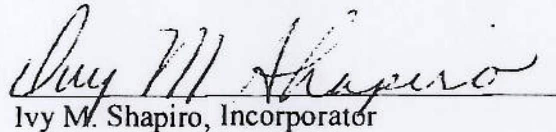
SIXTH: In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors of the Corporation is expressly authorized and empowered to make, alter or repeal the bylaws of the Corporation, subject to the power of the stockholders of the Corporation to alter or repeal any bylaw made by the Board of Directors.

SEVENTH: The Corporation reserves the right at any time and from time to time to amend, alter, change or repeal any provisions contained in this Certificate of Incorporation, and other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, in the manner now or hereafter prescribed by law; and all rights, preferences and privileges of whatsoever nature conferred upon stockholders, directors or any other persons whomsoever by and pursuant to this Certificate of Incorporation in its present form or as hereafter amended are granted subject to the right reserved in this Article.

EIGHTH: The election of directors need not be by written ballot, unless the bylaws of the Corporation shall so provide.

NINTH: To the fullest extent permitted by the DGCL as the same exists or may hereafter be amended, a director of this Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that this Article shall not eliminate or limit the liability of a director for (i) any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL or (iv) for any transaction from which the director derived an improper personal benefit.

IN WITNESS WHEREOF, the undersigned has caused this Certificate of Incorporation to be executed this 21st day of March, 2014.



Ivy M. Shapiro, Incorporator

Form **SS-4** (Rev. January 2010) Department of the Treasury Internal Revenue Service

Application for Employer Identification Number

(For use by employers, corporations, partnerships, trusts, estates, churches, government agencies, Indian tribal entities, certain individuals, and others.)

▶ See separate instructions for each line. ▶ Keep a copy for your records.

OMB No. 1545-0003

EIN

Type or print clearly.

1 Legal name of entity (or individual) for whom the EIN is being requested
Florida Acquisition Corp.

2 Trade name of business (if different from name on line 1)

3 Executor, administrator, trustee, "care of" name
c/o Jeff Parr

4a Mailing address (room, apt., suite no. and street, or P.O. box)
22 St. Clair Avenue East, Suite 1700

5a Street address (if different) (Do not enter a P.O. box.)

4b City, state, and ZIP code (if foreign, see instructions)
Toronto, Ontario M4T 2S3

5b City, state, and ZIP code (if foreign, see instructions)

6 County and state where principal business is located
Ontario, Canada

7a Name of responsible party
Jeff Parr

7b SSN, ITIN, or EIN
Not a US Citizen

8a Is this application for a limited liability company (LLC) (or a foreign equivalent)? . . . . ☐ Yes ☑ No

8b If 8a is "Yes," enter the number of LLC members . . . . ▶

8c If 8a is "Yes," was the LLC organized in the United States? . . . . ☐ Yes ☐ No

9a **Type of entity** (check only one box). **Caution.** If 8a is "Yes," see the instructions for the correct box to check.

☐ Sole proprietor (SSN)
☐ Partnership
☑ Corporation (enter form number to be filed) ▶ 1120
☐ Personal service corporation
☐ Church or church-controlled organization
☐ Other nonprofit organization (specify) ▶
☐ Other (specify) ▶

☐ Estate (SSN of decedent)
☐ Plan administrator (TIN)
☐ Trust (TIN of grantor)
☐ National Guard ☐ State/local government
☐ Farmers' cooperative ☐ Federal government/military
☐ REMIC ☐ Indian tribal governments/enterprises
Group Exemption Number (GEN) if any ▶

9b If a corporation, name the state or foreign country (if applicable) where incorporated
State: **Delaware**
Foreign country: **Not Applicable**

10 **Reason for applying** (check only one box)

☑ Started new business (specify type) ▶ **Corp.**
☐ Hired employees (Check the box and see line 13.)
☐ Compliance with IRS withholding regulations
☐ Other (specify) ▶

☐ Banking purpose (specify purpose) ▶
☐ Changed type of organization (specify new type) ▶
☐ Purchased going business
☐ Created a trust (specify type) ▶
☐ Created a pension plan (specify type) ▶

11 Date business started or acquired (month, day, year). See instructions.
March 21, 2014

12 Closing month of accounting year **December**

13 Highest number of employees expected in the next 12 months (enter -0- if none).
If no employees expected, skip line 14.

Agricultural	Household	Other
0	0	0

14 If you expect your employment tax liability to be $1,000 or less in a full calendar year **and** want to file Form 944 annually instead of Forms 941 quarterly, check here. (Your employment tax liability generally will be $1,000 or less if you expect to pay $4,000 or less in total wages.) If you do not check this box, you must file Form 941 for every quarter. ☐

15 First date wages or annuities were paid (month, day, year). **Note.** If applicant is a withholding agent, enter date income will first be paid to nonresident alien (month, day, year) . . . . ▶ **Not Applicable**

16 Check **one** box that best describes the principal activity of your business.
☐ Construction ☐ Rental & leasing ☐ Transportation & warehousing
☑ Real estate ☐ Manufacturing ☐ Finance & insurance
☐ Health care & social assistance ☐ Accommodation & food service ☐ Other (specify)
☐ Wholesale-agent/broker ☐ Wholesale-other ☐ Retail

17 Indicate principal line of merchandise sold, specific construction work done, products produced, or services provided.
Real Estate Holding Company

18 Has the applicant entity shown on line 1 ever applied for and received an EIN? ☐ Yes ☑ No
If "Yes," write previous EIN here ▶

Third Party Designee

Complete this section **only** if you want to authorize the named individual to receive the entity's EIN and answer questions about the completion of this form.

Designee's name: **Ivy M. Shapiro, Paralegal, Blank Rome LLP**
Designee's telephone number (include area code): (215) 569-5784
Address and ZIP code: **One Logan Square, Philadelphia, PA 19103**
Designee's fax number (include area code): (215) 832-5784

Under penalties of perjury, I declare that I have examined this application, and to the best of my knowledge and belief, it is true, correct, and complete.

Name and title (type or print clearly) ▶ **Jeff Parr, President, Secretary and Treasurer**

Applicant's telephone number (include area code): (416) 413-6013

Applicant's fax number (include area code): (416) 925-5753

Signature ▶ Date ▶

Do I Need an EIN?

File Form SS-4 if the applicant entity does not already have an EIN but is required to show an EIN on any return, statement, or other document.[1] See also the separate instructions for each line on Form SS-4.

IF the applicant...	**AND...**	**THEN...**
Started a new business	Does not currently have (nor expect to have) employees	Complete lines 1, 2, 4a–8a, 8b–c (if applicable), 9a, 9b (if applicable), and 10–14 and 16–18.
Hired (or will hire) employees, including household employees	Does not already have an EIN	Complete lines 1, 2, 4a–6, 7a–b (if applicable), 8a, 8b–c (if applicable), 9a, 9b (if applicable), 10–18.
Opened a bank account	Needs an EIN for banking purposes only	Complete lines 1–5b, 7a–b (if applicable), 8a, 8b–c (if applicable), 9a, 9b (if applicable), 10, and 18.
Changed type of organization	Either the legal character of the organization or its ownership changed (for example, you incorporate a sole proprietorship or form a partnership) [2]	Complete lines 1–18 (as applicable).
Purchased a going business [3]	Does not already have an EIN	Complete lines 1–18 (as applicable).
Created a trust	The trust is other than a grantor trust or an IRA trust [4]	Complete lines 1–18 (as applicable).
Created a pension plan as a plan administrator [5]	Needs an EIN for reporting purposes	Complete lines 1, 3, 4a–5b, 9a, 10, and 18.
Is a foreign person needing an EIN to comply with IRS withholding regulations	Needs an EIN to complete a Form W-8 (other than Form W-8ECI), avoid withholding on portfolio assets, or claim tax treaty benefits [6]	Complete lines 1–5b, 7a–b (SSN or ITIN optional), 8a, 8b–c (if applicable), 9a, 9b (if applicable), 10, and 18.
Is administering an estate	Needs an EIN to report estate income on Form 1041	Complete lines 1–6, 9a, 10–12, 13–17 (if applicable), and 18.
Is a withholding agent for taxes on non-wage income paid to an alien (i.e., individual, corporation, or partnership, etc.)	Is an agent, broker, fiduciary, manager, tenant, or spouse who is required to file Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons	Complete lines 1, 2, 3 (if applicable), 4a–5b, 7a–b (if applicable), 8a, 8b–c (if applicable), 9a, 9b (if applicable), 10, and 18.
Is a state or local agency	Serves as a tax reporting agent for public assistance recipients under Rev. Proc. 80-4, 1980-1 C.B. 581 [7]	Complete lines 1, 2, 4a–5b, 9a, 10, and 18.
Is a single-member LLC	Needs an EIN to file Form 8832, Classification Election, for filing employment tax returns and excise tax returns, or for state reporting purposes [8]	Complete lines 1–18 (as applicable).
Is an S corporation	Needs an EIN to file Form 2553, Election by a Small Business Corporation [9]	Complete lines 1–18 (as applicable).

[1] For example, a sole proprietorship or self-employed farmer who establishes a qualified retirement plan, or is required to file excise, employment, alcohol, tobacco, or firearms returns, must have an EIN. A partnership, corporation, REMIC (real estate mortgage investment conduit), nonprofit organization (church, club, etc.), or farmers' cooperative must use an EIN for any tax-related purpose even if the entity does not have employees.

[2] However, do not apply for a new EIN if the existing entity only (a) changed its business name, (b) elected on Form 8832 to change the way it is taxed (or is covered by the default rules), or (c) terminated its partnership status because at least 50% of the total interests in partnership capital and profits were sold or exchanged within a 12-month period. The EIN of the terminated partnership should continue to be used. See Regulations section 301.6109-1(d)(2)(iii).

[3] Do not use the EIN of the prior business unless you became the "owner" of a corporation by acquiring its stock.

[4] However, grantor trusts that do not file using Optional Method 1 and IRA trusts that are required to file Form 990-T, Exempt Organization Business Income Tax Return, must have an EIN. For more information on grantor trusts, see the Instructions for Form 1041.

[5] A plan administrator is the person or group of persons specified as the administrator by the instrument under which the plan is operated.

[6] Entities applying to be a Qualified Intermediary (QI) need a QI-EIN even if they already have an EIN. See Rev. Proc. 2000-12.

[7] See also *Household employer* on page 4 of the instructions. **Note.** State or local agencies may need an EIN for other reasons, for example, hired employees.

[8] See *Disregarded entities* on page 4 of the instructions for details on completing Form SS-4 for an LLC.

[9] An existing corporation that is electing or revoking S corporation status should use its previously-assigned EIN.

NUMBER: **388982**

CERTIFICATE OF CHANGE OF NAME

COMPANY ACT

CANADA
PROVINCE OF BRITISH COLUMBIA

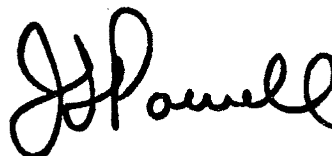
I Hereby Certify *that*

JETTRA RESOURCES LTD.

has this day changed its name to

GREAT CANADIAN GAMING CORPORATION

Issued *under my hand at Victoria, British Columbia on March 12, 1997*



JOHN S. POWELL
Registrar of Companies

CANADA
PROVINCE OF BRITISH COLUMBIA

NUMBER

388982

Province of British Columbia
Ministry of Finance and Corporate Relations
REGISTRAR OF COMPANIES

COMPANY ACT

CERTIFICATE

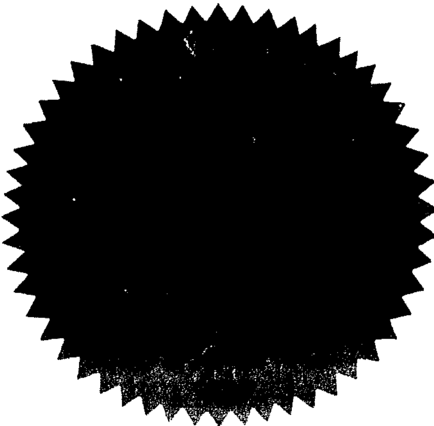
I HEREBY CERTIFY THAT

JETTA RESOURCES LTD.

HAS THIS DAY CHANGED ITS NAME TO THE NAME

JETTRA RESOURCES LTD.

GIVEN, UNDER MY HAND AND SEAL OF OFFICE
AT VICTORIA, BRITISH COLUMBIA
THIS 27TH DAY OF SEPTEMBER, 1991



DAVID W. BOYD
REGISTRAR OF COMPANIES

CANADA
PROVINCE OF BRITISH COLUMBIA

NUMBER

388982

Province of British Columbia
Ministry of Finance and Corporate Relations
REGISTRAR OF COMPANIES

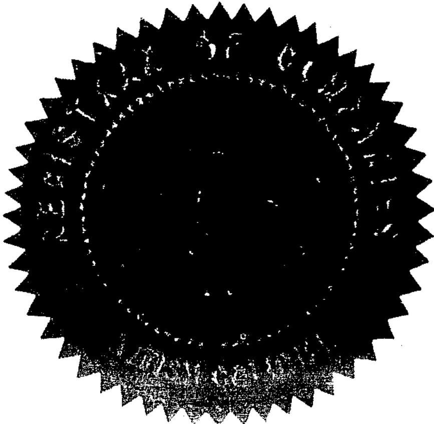
COMPANY ACT

CERTIFICATE OF INCORPORATION

I HEREBY CERTIFY THAT

JETTA RESOURCES LTD.

HAS THIS DAY BEEN INCORPORATED UNDER THE COMPANY ACT



GIVEN, UNDER MY HAND AND SEAL OF OFFICE
AT VICTORIA, BRITISH COLUMBIA
THIS 13TH DAY OF JUNE, 1990

DAVID W. BOYD
REGISTRAR OF COMPANIES

EXHIBIT

2–Exhibit VI. F.

2

GCGC ORGANIZATION CHART

Organization Structure

April 1, 2014

- Board of Directors
  - *President & Chief Executive Officer* — Rod Baker @ CO
    - *Executive Assistant to the President & CEO and CFO* — Tanya Ruskowski @ CO
    - *Chief Financial Officer* — Kiran Rao @ CO
      - *Vice President, Corporate Finance & Controller* — VACANT @ CO
        - *Director, Accounting & Assistant Controller* — Radek Kielar @ CO
        - *Director, Financial Reporting & Tax* — Angela Ho @ CO (A. Semeniuk MLOA to Oct 2014)
    - *Vice President, Corporate Security & Compliance* — Robert Kroeker @ CO
      - *Director, Corporate Security* — Gregory Pattison @ CO
      - *Director, Surveillance* — Patrick Ennis @ HRCV
      - *Director, Internal Audit & Risk Management* * — Jacqueline Gorton @ CO
    - *Vice President, Stakeholder Relations & Responsible Gaming* — Chuck Keeling @ RRCR-MARINA
    - *Vice-President, Business Development* — Jim McGrogan @ RRCR-MARINA
      - *Director, Business Development* — Matthew Newsome @ RRCR-MARINA
      - *Director, Operations Analysis* — Rob McPherson @ RRCR-MARINA
    - *Vice President, Property Development & Operations Services* — Terrance Doyle @ RRCR-CHARLES ST
      - *Project Director* — Bernard Casumpang @ RRCR-CHARLES ST
      - *Director, Infrastructure Services* — Robin Killeen @ SCHOONER
      - *Director, Enterprise Applications & Support Services* — Kevin VanderKley @ SCHOONER
    - *Executive Director, Human Resources* — Sally Hart @ CO
      - *Director, Compensation & Benefits* — Greg Katz @ CO
      - *Director, Training & Development* — VACANT @ CO
      - *Director, Human Resources GCGC* — VACANT @ CO
    - *Vice-President, Marketing* — Alasdair Douglas @ RRCR-SOUTH TOWER
      - *Director, Corporate Marketing, BC* — Glenda Checkley @ RRCR-SOUTH TOWER
      - *Director, CRM & Direct Marketing* — Colin MacPhail @ RRCR SOUTH TOWER
      - *Acting Director, Guest Relationship Marketing* — Vira Jackson @ RRCR SOUTH TOWER (Temporary to July 31, 2014)
    - *Vice President, Player Development* — Walter Soo @ RRCR-SOUTH TOWER
    - *Senior Vice President, Operations - West* — Peter Goudron @ RRCR
      - *Executive Assistant* — Courtney Brosseau @ RRCR
      - *Vice-President, River Rock Casino Resort* — (VACANT) Peter Goudron (dual role) @RRCR
        - *General Manager, Casino Operations, River Rock Casino Resort* — Jim Wall @ RRCR
        - *General Manager, Hospitality Operations, River Rock Casino Resort* — Roland Monteiro @ RRCR
      - *Executive Director, Hard Rock Casino Vancouver* — Raj Mutti @ HRCV
        - *General Manager, Hard Rock Casino Vancouver* — VACANT @ HRCV
      - *General Manager, Vancouver Island* — Kwai Lam @ VRL
        - *Assistant General Manager, Casino Nanaimo* — Jim Slater @ NAN
      - *Director, Table Games Operations* — Robert MacIntyre @ RRCR-SOUTH TOWER
      - *Director, Cage Operations* — Erin Oliver @ RRCR-CHARLES ST.
      - *Director, Entertainment Division* — Gary Olsen @CO
      - *Director, Operations Security* — Gregory Pattison @ CO
      - *Vice President, American Operations (President, GAGC)* — W. David Fretz
      - *Executive Director, Operations* — Darlene Doyle @ RRCR-CHARLES ST
        - *General Manager, Chances Chilliwack (Chilliwack Gaming Ltd)* — Chris Lynn @CWK
        - *General Manager, Chances Dawson Creek* — Candace Whetter @ DWC
        - *General Manager, Fraser Downs Racetrack & Casino* — Ken Stratton @ FRASER DOWNS
        - *General Manager, Hastings Racecourse* — Darren MacDonald @ HASTINGS RACECOURSE
        - *General Manager, Chances Maple Ridge* — Andy LaCroix @ MRG
    - *Senior Vice-President, Operations - East* — Vic Poleschuk @ CO
      - *Executive Director, Racing Operations* — Bruce Barbour @ GEORGIAN DOWNS
        - *General Manager Flamboro Downs* — John Stolte @ FLAMBORO DOWNS
        - *General Manager Georgian Downs* — Bruce Barbour (dual role) @ GEORGIAN DOWNS
      - *Regional Vice President & General Manager, CNS* — Helen MacMillan @ CNS-HALIFAX

* Director, Internal Audit & Risk Management reports administratively to the Vice President, Corporate Security & Compliance and functionally to Audit, Risk & Finance Committee of the Board of Directors.

EXHIBIT

3–Exhibit VI. P.1.

3 INCORPORATION DOCUMENTS

Delaware

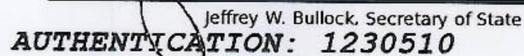
The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF "FLORIDA ACQUISITION CORP.", FILED IN THIS OFFICE ON THE TWENTY-FIRST DAY OF MARCH, A.D. 2014, AT 5:13 O'CLOCK P.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

5498748 8100

140366434



Jeffrey W. Bullock, Secretary of State

AUTHENTICATION: 1230510

DATE: 03-21-14

You may verify this certificate online
at corp.delaware.gov/authver.shtml

State of Delaware
Secretary of State
Division of Corporations
Delivered 05:47 PM 03/21/2014
FILED 05:13 PM 03/21/2014
SRV 140366434 - 5498748 FILE

CERTIFICATE OF INCORPORATION

OF

FLORIDA ACQUISITION CORP.

The undersigned, in order to form a corporation under and pursuant to the provisions of the General Corporation Law of the State of Delaware, does hereby certify as follows:

FIRST: The name of the corporation is Florida Acquisition Corp. (the "Corporation").

SECOND: The address of the Corporation's registered office in the State of Delaware is 2711 Centerville Road, Suite 400, Wilmington, New Castle County 19808. The name of its registered agent at such address is Corporation Service Company.

THIRD: The purposes for which the Corporation is formed are to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware (the "DGCL") and to possess and exercise all of the powers and privileges granted by such law and any other law of Delaware.

FOURTH: The total number of shares of stock that the Corporation shall have authority to issue is Five Thousand (5,000) shares of Common Stock each with a par value of $.001.

FIFTH: The name and mailing address of the Incorporator are as follows:

Name	Address
Ivy M. Shapiro	Blank Rome LLP One Logan Square Philadelphia, PA 19103

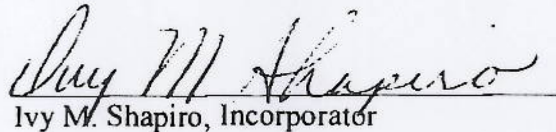
SIXTH: In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors of the Corporation is expressly authorized and empowered to make, alter or repeal the bylaws of the Corporation, subject to the power of the stockholders of the Corporation to alter or repeal any bylaw made by the Board of Directors.

SEVENTH: The Corporation reserves the right at any time and from time to time to amend, alter, change or repeal any provisions contained in this Certificate of Incorporation, and other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, in the manner now or hereafter prescribed by law; and all rights, preferences and privileges of whatsoever nature conferred upon stockholders, directors or any other persons whomsoever by and pursuant to this Certificate of Incorporation in its present form or as hereafter amended are granted subject to the right reserved in this Article.

EIGHTH: The election of directors need not be by written ballot, unless the bylaws of the Corporation shall so provide.

NINTH: To the fullest extent permitted by the DGCL as the same exists or may hereafter be amended, a director of this Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that this Article shall not eliminate or limit the liability of a director for (i) any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL or (iv) for any transaction from which the director derived an improper personal benefit.

IN WITNESS WHEREOF, the undersigned has caused this Certificate of Incorporation to be executed this 21st day of March, 2014.



Ivy M. Shapiro, Incorporator

Form **SS-4** (Rev. January 2010) Department of the Treasury Internal Revenue Service

Application for Employer Identification Number

(For use by employers, corporations, partnerships, trusts, estates, churches, government agencies, Indian tribal entities, certain individuals, and others.)

▶ See separate instructions for each line. ▶ Keep a copy for your records.

OMB No. 1545-0003

EIN

Type or print clearly.

1 Legal name of entity (or individual) for whom the EIN is being requested
Florida Acquisition Corp.

2 Trade name of business (if different from name on line 1)

3 Executor, administrator, trustee, "care of" name
c/o Jeff Parr

4a Mailing address (room, apt., suite no. and street, or P.O. box)
22 St. Clair Avenue East, Suite 1700

5a Street address (if different) (Do not enter a P.O. box.)

4b City, state, and ZIP code (if foreign, see instructions)
Toronto, Ontario M4T 2S3

5b City, state, and ZIP code (if foreign, see instructions)

6 County and state where principal business is located
Ontario, Canada

7a Name of responsible party
Jeff Parr

7b SSN, ITIN, or EIN
Not a US Citizen

8a Is this application for a limited liability company (LLC) (or a foreign equivalent)? . . . . ☐ Yes ☑ No

8b If 8a is "Yes," enter the number of LLC members . . . . ▶

8c If 8a is "Yes," was the LLC organized in the United States? . . . . ☐ Yes ☐ No

9a **Type of entity** (check only one box). **Caution.** If 8a is "Yes," see the instructions for the correct box to check.

☐ Sole proprietor (SSN) ____
☐ Partnership
☑ Corporation (enter form number to be filed) ▶ 1120
☐ Personal service corporation
☐ Church or church-controlled organization
☐ Other nonprofit organization (specify) ▶ ____
☐ Other (specify) ▶

☐ Estate (SSN of decedent) ____
☐ Plan administrator (TIN) ____
☐ Trust (TIN of grantor) ____
☐ National Guard ☐ State/local government
☐ Farmers' cooperative ☐ Federal government/military
☐ REMIC ☐ Indian tribal governments/enterprises
Group Exemption Number (GEN) if any ▶

9b If a corporation, name the state or foreign country (if applicable) where incorporated

State	Foreign country
Delaware	**Not Applicable**

10 **Reason for applying** (check only one box)

☑ Started new business (specify type) ▶ **Corp.**
☐ Hired employees (Check the box and see line 13.)
☐ Compliance with IRS withholding regulations
☐ Other (specify) ▶

☐ Banking purpose (specify purpose) ▶ ____
☐ Changed type of organization (specify new type) ▶ ____
☐ Purchased going business
☐ Created a trust (specify type) ▶ ____
☐ Created a pension plan (specify type) ▶ ____

11 Date business started or acquired (month, day, year). See instructions.
March 21, 2014

12 Closing month of accounting year **December**

13 Highest number of employees expected in the next 12 months (enter -0- if none).
If no employees expected, skip line 14.

Agricultural	Household	Other
0	0	0

14 If you expect your employment tax liability to be $1,000 or less in a full calendar year **and** want to file Form 944 annually instead of Forms 941 quarterly, check here. (Your employment tax liability generally will be $1,000 or less if you expect to pay $4,000 or less in total wages.) If you do not check this box, you must file Form 941 for every quarter. ☐

15 First date wages or annuities were paid (month, day, year). **Note.** If applicant is a withholding agent, enter date income will first be paid to nonresident alien (month, day, year) . . . . ▶ **Not Applicable**

16 Check **one** box that best describes the principal activity of your business.
☐ Construction ☐ Rental & leasing ☐ Transportation & warehousing ☐ Health care & social assistance ☐ Wholesale-agent/broker
☑ Real estate ☐ Manufacturing ☐ Finance & insurance ☐ Accommodation & food service ☐ Wholesale-other ☐ Retail
☐ Other (specify)

17 Indicate principal line of merchandise sold, specific construction work done, products produced, or services provided.
Real Estate Holding Company

18 Has the applicant entity shown on line 1 ever applied for and received an EIN? ☐ Yes ☑ No
If "Yes," write previous EIN here ▶

Third Party Designee

Complete this section **only** if you want to authorize the named individual to receive the entity's EIN and answer questions about the completion of this form.

Designee's name
Ivy M. Shapiro, Paralegal, Blank Rome LLP

Designee's telephone number (include area code)
(215) 569-5784

Address and ZIP code
One Logan Square, Philadelphia, PA 19103

Designee's fax number (include area code)
(215) 832-5784

Under penalties of perjury, I declare that I have examined this application, and to the best of my knowledge and belief, it is true, correct, and complete.

Applicant's telephone number (include area code)
(416) 413-6013

Name and title (type or print clearly) ▶ **Jeff Parr, President, Secretary and Treasurer**

Applicant's fax number (include area code)
(416) 925-5753

Signature ▶ Date ▶

Do I Need an EIN?

File Form SS-4 if the applicant entity does not already have an EIN but is required to show an EIN on any return, statement, or other document.[1] See also the separate instructions for each line on Form SS-4.

IF the applicant...	AND...	THEN...
Started a new business	Does not currently have (nor expect to have) employees	Complete lines 1, 2, 4a–8a, 8b–c (if applicable), 9a, 9b (if applicable), and 10–14 and 16–18.
Hired (or will hire) employees, including household employees	Does not already have an EIN	Complete lines 1, 2, 4a–6, 7a–b (if applicable), 8a, 8b–c (if applicable), 9a, 9b (if applicable), 10–18.
Opened a bank account	Needs an EIN for banking purposes only	Complete lines 1–5b, 7a–b (if applicable), 8a, 8b–c (if applicable), 9a, 9b (if applicable), 10, and 18.
Changed type of organization	Either the legal character of the organization or its ownership changed (for example, you incorporate a sole proprietorship or form a partnership) [2]	Complete lines 1–18 (as applicable).
Purchased a going business [3]	Does not already have an EIN	Complete lines 1–18 (as applicable).
Created a trust	The trust is other than a grantor trust or an IRA trust [4]	Complete lines 1–18 (as applicable).
Created a pension plan as a plan administrator [5]	Needs an EIN for reporting purposes	Complete lines 1, 3, 4a–5b, 9a, 10, and 18.
Is a foreign person needing an EIN to comply with IRS withholding regulations	Needs an EIN to complete a Form W-8 (other than Form W-8ECI), avoid withholding on portfolio assets, or claim tax treaty benefits [6]	Complete lines 1–5b, 7a–b (SSN or ITIN optional), 8a, 8b–c (if applicable), 9a, 9b (if applicable), 10, and 18.
Is administering an estate	Needs an EIN to report estate income on Form 1041	Complete lines 1–6, 9a, 10–12, 13–17 (if applicable), and 18.
Is a withholding agent for taxes on non-wage income paid to an alien (i.e., individual, corporation, or partnership, etc.)	Is an agent, broker, fiduciary, manager, tenant, or spouse who is required to file Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons	Complete lines 1, 2, 3 (if applicable), 4a–5b, 7a–b (if applicable), 8a, 8b–c (if applicable), 9a, 9b (if applicable), 10, and 18.
Is a state or local agency	Serves as a tax reporting agent for public assistance recipients under Rev. Proc. 80-4, 1980-1 C.B. 581 [7]	Complete lines 1, 2, 4a–5b, 9a, 10, and 18.
Is a single-member LLC	Needs an EIN to file Form 8832, Classification Election, for filing employment tax returns and excise tax returns, or for state reporting purposes [8]	Complete lines 1–18 (as applicable).
Is an S corporation	Needs an EIN to file Form 2553, Election by a Small Business Corporation [9]	Complete lines 1–18 (as applicable).

[1] For example, a sole proprietorship or self-employed farmer who establishes a qualified retirement plan, or is required to file excise, employment, alcohol, tobacco, or firearms returns, must have an EIN. A partnership, corporation, REMIC (real estate mortgage investment conduit), nonprofit organization (church, club, etc.), or farmers' cooperative must use an EIN for any tax-related purpose even if the entity does not have employees.

[2] However, do not apply for a new EIN if the existing entity only (a) changed its business name, (b) elected on Form 8832 to change the way it is taxed (or is covered by the default rules), or (c) terminated its partnership status because at least 50% of the total interests in partnership capital and profits were sold or exchanged within a 12-month period. The EIN of the terminated partnership should continue to be used. See Regulations section 301.6109-1(d)(2)(iii).

[3] Do not use the EIN of the prior business unless you became the "owner" of a corporation by acquiring its stock.

[4] However, grantor trusts that do not file using Optional Method 1 and IRA trusts that are required to file Form 990-T, Exempt Organization Business Income Tax Return, must have an EIN. For more information on grantor trusts, see the Instructions for Form 1041.

[5] A plan administrator is the person or group of persons specified as the administrator by the instrument under which the plan is operated.

[6] Entities applying to be a Qualified Intermediary (QI) need a QI-EIN even if they already have an EIN. See Rev. Proc. 2000-12.

[7] See also *Household employer* on page 4 of the instructions. **Note.** State or local agencies may need an EIN for other reasons, for example, hired employees.

[8] See *Disregarded entities* on page 4 of the instructions for details on completing Form SS-4 for an LLC.

[9] An existing corporation that is electing or revoking S corporation status should use its previously-assigned EIN.

NUMBER: **388982**

CERTIFICATE
OF
CHANGE OF NAME

COMPANY ACT

CANADA
PROVINCE OF BRITISH COLUMBIA

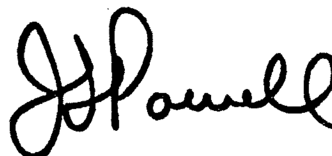
I Hereby Certify *that*

JETTRA RESOURCES LTD.

has this day changed its name to

GREAT CANADIAN GAMING CORPORATION

Issued *under my hand at Victoria, British Columbia*
on March 12, 1997



JOHN S. POWELL
Registrar of Companies

CANADA
PROVINCE OF BRITISH COLUMBIA

NUMBER

388982

Province of British Columbia
Ministry of Finance and Corporate Relations
REGISTRAR OF COMPANIES

COMPANY ACT

CERTIFICATE

I HEREBY CERTIFY THAT

JETTA RESOURCES LTD.

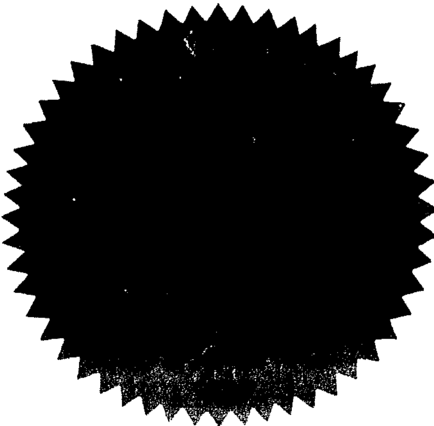
HAS THIS DAY CHANGED ITS NAME TO THE NAME

JETTRA RESOURCES LTD.

GIVEN, UNDER MY HAND AND SEAL OF OFFICE

AT VICTORIA, BRITISH COLUMBIA

THIS 27TH DAY OF SEPTEMBER, 1991



DAVID W. BOYD
REGISTRAR OF COMPANIES

CANADA
PROVINCE OF BRITISH COLUMBIA

NUMBER

388982

Province of British Columbia
Ministry of Finance and Corporate Relations
REGISTRAR OF COMPANIES

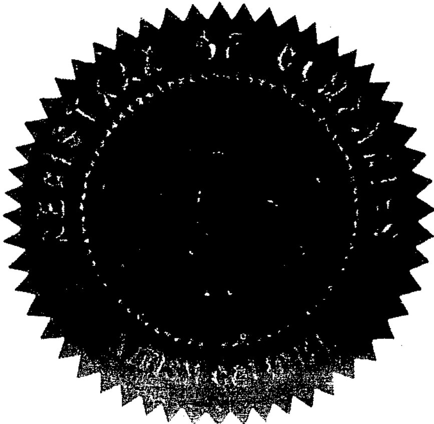
COMPANY ACT

CERTIFICATE OF INCORPORATION

I HEREBY CERTIFY THAT

JETTA RESOURCES LTD.

HAS THIS DAY BEEN INCORPORATED UNDER THE COMPANY ACT



GIVEN, UNDER MY HAND AND SEAL OF OFFICE
AT VICTORIA, BRITISH COLUMBIA
THIS 13TH DAY OF JUNE, 1990

DAVID W. BOYD
REGISTRAR OF COMPANIES

EXHIBIT

4–Exhibit VIII. A.2.a

4 COST SUMMARIES

Construction costs	$	84,845,984.00
Architecture and Engineering	$	7,211,908.64
permits insurance and other soft costs		$2,000,000
FF&E	$	26,094,000.00
	$	120,151,892.64

Resort

Construction Level Estimate RFA Summary

6/9/2014

Casino Podium Building		**130478**		**$**	**41,019,673.64**	
	General Trades & finishes	$	150.00	$	19,571,700.00	
	Plumbing	$	16.00	$	2,087,648.00	
	Fire Protection	$	2.52	$	328,804.56	
	HVAC	$	45.00	$	5,871,510.00	
	Electrical	$	55.00	$	7,176,290.00	
	Surveillance	$	16.86	$	2,199,859.08	
	A/V Systems	$	12.00	$	1,565,736.00	
	F&B Equipment	$	17.00	$	2,218,126.00	
						$ 314.38 Per sq foot
Hotel (100 Keys)		**68264**		**$**	**13,290,318.16**	
	General Trades & finishes	$	130.00	$	8,874,320.00	
	Plumbing	$	18.00	$	1,228,752.00	
	Fire Protection	$	2.52	$	172,025.28	
	HVAC	$	22.00	$	1,501,808.00	
	Electrical	$	20.00	$	1,365,280.00	
	Surveillance	$	0.67	$	45,736.88	
	A/V Systems (allow $1000/key)	$	1.50	$	102,396.00	
						$ 194.69 Per sq foot
Site Development		**20 acres - $209,843.00**		**$**	**10,344,505.00**	
	Sitework	$209,843.00		$	4,196,860.00	
	Site Architecture/Improvements			$	3,147,645.00	
	Off Site improvements			$	3,000,000.00	
						$ 11.78 Per sq foot
Site Electrical				**$**	**4,372,000.00**	
	Loop Feed Power & High Voltage Distribution			$	511,000.00	
	Casino Secondary Power Systems incl Emergency Generator			$	1,056,000.00	
	Site Communication infrastructure			$	240,000.00	
	Site Security infrastructure			$	145,000.00	
	Site Parking & Roadway Lighting			$	1,870,000.00	
	Site Landscape Lighting			$	200,000.00	
	Temporary Power			$	350,000.00	
Residential 100 units		**100**		**$**	**9,900,000.00**	
	General Trades & finishes	$	60,000.00	$	6,000,000.00	
	Plumbing	$	15,000.00	$	1,500,000.00	
	Fire Protection	$	2,000.00	$	200,000.00	
	HVAC	$	5,000.00	$	500,000.00	
	Electrical	$	12,000.00	$	1,200,000.00	
	Site work & landscape	$	5,000.00	$	500,000.00	
						$100,000 per unit
	CONSTRUCTION TOTAL			$	78,926,496.80	
	CM GENERAL CONDITIONS		5.00%	$	3,946,324.84	
	CM FEE		2.50%	$	1,973,162.42	
	Construction Cost Total			$	84,845,984.06	

Ney York Development Project FF&E Schedule - Categories	Reference Number	Detail	Number of Units/Sets	Unit/Set Cost	Component Cost	Category Cost	
Gaming Equipment - Slots	**2.01**	Slot machines	1,250	0	14,500	18,125,000	
		Slot bases	1,200	0	250	300,000	
		Chairs	1,200	417	500	600,000	
		Slot Management System	0	0	0	0	
		Slot Player Tracking System	0	0	0	0	
		TITO	0	0	250,000	0	
		NRT	1	0	0		
		Tech equipment and supplies	1	80,000	80,000		
		Office Furniture	1	50,000	50,000	395,250	
Gaming Equipment - Tables	**2.02**	BJ-style tables	24	3,000	72,000		
		Roulette table	2	7,000	14,000		
		Poker tables	12	3,000	36,000		
		Roulette equipment and display	1	10,000	10,000		
		Chipper Champ	1	26,000	26,000		
		Chairs	600	360	216,000		
		Shuffle machines	0	0	0		
		General equipment	1	100,000	100,000		
		Office Furniture	1	50,000	50,000	524,000	
Gaming Furnishings	**2.03**	Floor art	0	0	0		
		Floor public seating	0	0	0		
		Floor display cabinets	0	0	0		
		Public facing furniture and features	0	0	0		
		All above	1	200,000	200,000	200,000	
Surveillance Equipment	**2.04**	DVR System	0	0	0		In construction Budget
		Camera Computer System	0	0	0		
		Software	0	0	0		
		All above	1	50,000	50,000	50,000	
Security Equipment	**2.05**	Access controls	0	0	0		
		Other security equipment	0	0	0		
		All above	1	50,000	50,000	50,000	
Cage Equipment	**2.06**	Vault	0	0	0		
		Coin Vault	0	0	0		
		Count Tables	0	0	0		
		Chip Bank	0	0	0		
		Bill Counters	0	0	0		
		Currency display boards	0	0	0		
		Jet sorts	0	0	0		
		Scales	0	0	0		
		All above	1	350,000	350,000	350,000	
Guest Services Equipment	**2.07**	Display Case	0	0	0		
		Coat Check Equipment	0	0	0		
		All above	1	150,000	150,000	150,000	
F&B Equipment	**2.08**	Chairs and Tables	0	0	0		
		Operating Equipment	0	0	0		
		All above	1	200,000	200,000	200,000	
IT Equipment	**2.09**	Phone Switch	0	0	0		In construction
		Work Stations and Software	0	0	0		
		All above	0	10,000	10,000	50,000	
Entertainment (AV) Equipment	**2.10**	General AV System	0	0	0		In Construction
		Stage Lighting and Sound	0	0	0		
		Flat Screen TVs	0	0	0		
		All above	1	100,000	100,000	100,000	
Marketing Features	**2.11**	Construction A&P	0	0	0		
		Hoarding Display	0	0	0		
		All above	1	100,000	100,000	100,000	
Racebook Equipment	**2.12**	Seating	0	0	0		
		Flat Screen TVs	0	0	0		
		All above	1	50,000	50,000	50,000	
Hotel FF&E	**2.13**	Room Fit Out	0	0	0		
		Dressers	0	0	0		
		Tables	0	0	0		
		Night Stands	0	0	0		
		TVs	0	0	0		
		Etc.	0	0	0		
		All above	100	16,000	1,600,000	1,600,000	
Conference Center	**2.14**	Tables	0	0	0		
		Chairs	0	0	0		
		Racking Equipment	0	0	0		
		PA System	0	0	0		
		Podium	0	0	0		
		All above	1	150,000	150,000	150,000	
Site landscapeing	**2.15**	Maintenance Equipment	0	0	0		
		Storage Facility and Equipment	0	0	0		
		Removable Boards	0	0	0		
		All above	1	100,000	100,000	100,000	
Facility Maintenance Equipment	**2.17**	Lift	0	0	0		
		Cart	0	0	0		
		Racking	0	0	0		
		All above	1	100,000	100,000	100,000	
FF&E Other	**2.18**	Golf - Amp theater	0	0	0		
			0	0	0		
			0	0	0		
			0	0	0	750,000	
Gaming Floor Signage	**3.01**	Slot Signage		0	0		
		Table Signage	0	0	0		
		All above	0	650,000	0	650,000	
Way Finding Fixtures	**3.02**	General Building Signage	0	0	0		
		Parking Lot Signage	0	0	0		
		RGB Board (Large)	0	0	0		
		All above	1	1,000,000	1,000,000	1,000,000	
Sub-total						25,594,250	
FF&E Contingency						500,000	
Total FF&E Costs						26,094,250	

EXHIBIT

5–Exhibit VIII. A.3

5

GLOBAL MARKET ADVISORS: GAMING MARKET ASSESSMENT REPORT

Global Market Advisors

Technical Memorandum
Gaming Market Assessment
Amsterdam, NY & Albany, NY

May 2014

Prepared for:

Clairvest Group Inc.

Prepared by:

Global Market Advisors

3167 E. Warm Springs Rd	1673 Hudson St.
Las Vegas, NV 89120	Denver, CO 80220
+1 (702) 547-2225	+1 (303) 759-5944

Table of Contents

I. EXECUTIVE SUMMARY **1**

SUMMARY OF RESULTS 1

II. METHODOLOGY **4**

ANALYSIS 4

III. SITE DESCRIPTIONS **6**

AMSTERDAM SITE 6
ALBANY SITE 7

IV. EMERGING CASINO RESORT COMPETITION **8**

EMERGING NEW YORK STATE COMPETITION 8
EMERGING WESTERN MASSACHUSETTS COMPETITION 8

V. EXISTING GAMING COMPETITION **10**

PRIMARY COMPETITION 10
SECONDARY COMPETITION 13

VI. GAMING MARKET ASSESSMENT **15**

MARKET AREA DESCRIPTIONS 15
GRAVITY MODEL SUB-SEGMENTS 27
GAMING FACTORS AND OVERALL MARKET SIZE 27
MODEL CALIBRATION ASSUMPTIONS AND 2018 BASE 28
ADDED COMPETITIVE ASSUMPTIONS 29
GRAVITY MODEL PROJECTIONS 29

VII. CANNIBALIZATION SUMMARY **33**

PROJECTED CANNIBALIZATION IMPACT: SCENARIO 1 33
PROJECTED CANNIBALIZATION IMPACT: SCENARIO 2 33
CANNIBALIZATION IMPACT SUMMARY COMPARISON 34

VIII. PROFORMA INCOME STATEMENTS **35**

AMSTERDAM REVENUE PROJECTIONS 35

IX. DISCLAIMER **38**

X. APPENDICES **39**

FIRM QUALIFICATIONS 39

I. EXECUTIVE SUMMARY

In response to the enactment of the Upstate NY Gaming Economic Development Act, Clairvest Group Inc. ("Clairvest" or "Company") is assessing the potential for developing and building a casino resort in the Capital region of New York. The Company is interested in understanding the gaming revenue potential for two sites in two scenarios. As part of the Company's due diligence process the Company engaged Global Market Advisors ("GMA" or "Consulting Team") to complete an independent gaming market assessment in order to forecast gaming revenues for two locations. The first location is located in Amsterdam, NY ("Amsterdam Site") where Clairvest is considering building its project. The second site is a more central location in Albany that another gaming company developing.

Using the prescribed methodology, a gravity model, GMA estimated gaming revenues for both locations and determined the optimal number of gaming positions for two scenarios: Scenario 1 (in which Clairvest operates a gaming facility at the Amsterdam Site) and Scenario 2 (named here as E23, a competitor's site). At the Amsterdam Site, GMA assumed the Project would offer 1,500 slot machines and 50 table games. At the Albany site, the Project was assumed to have 2000 slots and 75 table games. For both models, it was assumed that Clairvest is the owner, developer, and operator of the Albany site. Under Scenario 1, GMA prepared a ProForma Income Statement down to the EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) line as well.

SUMMARY OF RESULTS

SCENARIO 1: AMSTERDAM SITE

In Scenario 1 GMA projects the Amsterdam Site would generate approximately $175.1 million in gross gaming revenue and $161.4 million in net taxable gaming revenue in 2018. By 2020, GMA estimates the Project will generate approximately $184.9 million in gross gaming revenue and $170.3 million in net taxable gaming revenue. The Amsterdam Site is projected to generate a Win Per Slot Per Day of $251, Win Per Table Per Day of $1,918 and Win Per Poker Table Per Day of $725 in 2018. The following table illustrates these projections over a five year period from 2016, the assumed opening of the Project. Under this scenario, Saratoga, an existing racino, could expect to have their revenues negatively impacted by approximately 21%.

Amsterdam Casino Five Year Projection Summary					
	2016	2017	2018	2019	2020
# Slots	1500	1500	1500	1500	1500
# Tables	50	50	50	50	50
# Poker	10	10	10	10	10
Win Per Slot	$205	$232	$251	$260	$265
Win Per Table	$1,568	$1,774	$1,918	$1,985	$2,025
Win Per Poker	$598	$671	$725	$750	$765
Gross Slot Rev	$ 112,442,686	$ 127,146,075	$ 137,455,217	$ 142,266,149	$ 145,111,472
Table Rev	$ 28,613,248	$ 32,375,666	$ 35,000,720	$ 36,225,745	$ 36,950,260
Poker Rev	$ 2,183,156	$ 2,447,781	$ 2,646,250	$ 2,738,869	$ 2,793,646
Gross Revenue	**$ 143,239,090**	**$ 161,969,523**	**$ 175,102,187**	**$ 181,230,763**	**$ 184,855,379**
FreePlay	$ 10,119,842	$ 12,714,608	$ 13,745,522	$ 14,226,615	$ 14,511,147
Net Taxable Gaming Revenue	**$ 133,119,249**	**$ 149,254,915**	**$ 161,356,665**	**$ 167,004,148**	**$ 170,344,231**

Source: GMA

With projected gross revenue of $207.8 million in Year 3, 2018, GMA estimates the Amsterdam Site will garner an EBITDA of $38.7 million. This EBITDA level equates to 18.6% of the Project's gross revenues in that year. By Year 5, EBITDA is expected to increase to approximately $42.5 million or 19.2% of gross revenues in that year. The following table summarizes GMA's projections for the Project's ProForma Income Statement over the course of the first five years of operations.

Amsterdam ProForma Income Statement					
	Year 1	Year 2	Year 3	Year 4	Year 5
Gaming Revenue	$ 143,239,090	$ 161,969,523	$ 175,102,187	$ 181,230,763	$ 184,855,379
Gross Revenue	$ 170,492,018	$ 192,380,063	$ 207,801,429	$ 216,964,702	$ 221,303,997
Net Revenue	$ 148,196,854	$ 165,088,198	$ 178,280,489	$ 186,410,530	$ 190,138,740
EBITDA	**$ 23,481,391**	**$ 32,504,866**	**$ 38,737,986**	**$ 41,669,463**	**$ 42,502,853**
EBITDA Margin (Gross)	13.8%	16.9%	18.6%	19.2%	19.2%

Source: Gaming Market Advisors

SCENARIO 2: ALBANY SITE

In Scenario 2 GMA projects the Albany Site would generate approximately $261.2 million in gross gaming revenue and $240.7 million in net taxable gaming revenue in 2018. By 2020 GMA estimates the Project will generate approximately $275.7 million in gross gaming revenue and $254.1 million in net taxable gaming revenue. The Albany Site is projected to generate a Win Per Slot Per Day of $188, Win Per Table Per Day of $1,278 and Win Per Poker Table Per Day of $725 in 2018. The following table illustrates these projections over a five year period from 2016, the assumed opening of the Project, to 2020. Although the revenue under this scenario is greater, much of this is at the expense of Saratoga, who is projected to have their revenues decline by nearly 40%.

Albany Casino Five-Year Projection Summary Scenario 2					
	2016	2017	2018	2019	2020
# Slots	2000	2000	2000	2000	2000
# Tables	75	75	75	75	75
# Poker	15	15	15	15	15
Win Per Slot	$154	$174	$188	$195	$199
Win Per Table	$1,045	$1,182	$1,278	$1,323	$1,349
Win Per Poker	$598	$671	$725	$750	$765
Gross Slot Rev	$ 112,442,686	$ 127,146,075	$ 137,455,217	$ 142,266,149	$ 145,111,472
Table Rev	$ 28,619,439	$ 32,361,815	$ 34,985,746	$ 36,210,247	$ 36,934,452
Poker Rev	$ 3,274,734	$ 3,671,672	$ 3,969,375	$ 4,108,303	$ 4,190,469
Gross Revenue	**$ 215,469,679**	**$ 241,587,216**	**$ 261,175,368**	**$ 270,316,506**	**$ 275,722,836**
FreePlay	$ 16,914,370	$ 18,964,596	$ 20,502,266	$ 21,219,846	$ 21,644,243
Net Taxable Gaming Revenue	**$ 198,555,309**	**$ 222,622,619**	**$ 240,673,102**	**$ 249,096,660**	**$ 254,078,594**

Source: GMA

II. METHODOLOGY

In order to produce forecasts of gaming revenues for each site that are accurate, Global Market Advisors believes it is first necessary to understand which markets the casinos will serve, the types of competitors that will share the gaming market and their marketing strategies. Once those factors are understood, the Consulting Team can then prepare a gaming market assessment that will more accurately predict the outcome for a new gaming property. The Consulting Team employed the following methodology to complete this engagement.

REVIEW OF SECONDARY MARKET RESEARCH

GMA initiated this engagement with a review of secondary market research. The Consulting Team reviewed gaming performance data provided by New York State along with tourism data from the regional Visitors and Convention Authorities. Utilizing demographic mapping software, the Consulting Team examined demographic trends within each market including population growth and an evaluation of each market by age and income. Concurrently, GMA examined economic trends: employment data, major employers and regional wage data. With this information compiled, the Consulting Team was in a better position to understand trends within each market.

SITE VISIT & EVALUATION OF THE COMPETITION

The Consulting Team conducted a site visit to the market area to evaluate each site and the overall gaming market. Since members of the Consulting Team have recently completed assignments in the region, they are very familiar with the markets under consideration as well as the locations of each site. Recently, members of the Consulting Team visited each of the primary competitors in the region and evaluated their mix of amenities, including all of the Native American and racino operations in the New York metropolitan area. As such, the site visit primarily focused on reviewing the proposed sites for development and any other new potential sites that are being explored by potential competitors.

ANALYSIS

GAMING DEMAND FORECASTING MODEL

To understand the gaming revenue potential for the two potential sites GMA developed a series of gravity models. The gravity model is a business forecasting model based on Newton's Universal Law of Gravitation. Newton's Law of Gravitation simply states that every particle in the universe attracts every other particle with a force that is directly proportional to the product of their masses and inversely proportional to the square of the distance between them.

Newton's theory, which was first published in his 1687 work, "Mathematical Principles of Natural Philosophy" started to be adapted for commercial applications early in the 20th century.

Through a number of modifications, Newton's Law of Gravitation can be applied to the gaming industry. While a casino twice the size of another may not have twice the attraction of another, it does have some constant increased factor of attraction. In terms of distance, squaring the distance is not necessarily always the right figure. Typically, the power to which the distance is taken varies from a factor 1.5 to 2.5. The reason for this is that actual distance between two objects will have a varying impact on different communities throughout the United States and the world. This is primarily attributed to varying traffic patterns and geographical barriers between different communities which results in significant changes in drive time. For example, for an individual living in rural Texas, traveling 100 miles to reach a business may not be perceived as a barrier as it would likely take less than 1.5 hours to reach. However, for someone living in the middle of New York City, 100 miles could take up to three hours due to traffic congestion.

By entering revenue levels at each of the casino properties within the competitive set, researching the number of gaming positions provided within each, visiting each facility to understand their relative aesthetic attractiveness (including a consideration of non-gaming amenities), and utilizing gaming factors from proprietary and public sources, the model calibrated to current market conditions. Once calibrated, the model was grown to the subject year and then adjusted in a first scenario to show the impact of a casino at the Amsterdam Site and in a second scenario the impact of a casino at the Albany Site. These models forecasted the gaming revenue that will accrue to each site in each scenario and the resulting cannibalization impact of overall gaming expansion on existing regional casinos.

PROFORMA INCOME STATEMENT

The Consulting Team then made certain assumptions regarding the mix of amenities necessary to maximize gaming revenues including the number of hotel rooms, dining venues and meeting space. The Consulting Team estimated expenses and forecast earnings before interest, taxes, depreciation and amortization ("EBITDA") in a ProForma Income Statement Analysis for the Amsterdam Site.

III. SITE DESCRIPTIONS

AMSTERDAM SITE

LOCATION

The Amsterdam site is well situated for both east and westbound travelers. The casino has easy and proximate access to both Interstate 90 and Highway 30. The site is 180 miles north of New York City, with an approximate drive-time of 3 hours. However, the suburb of Albany is only 35 miles southeast. The green dot on the following map illustrates the location of the proposed Amsterdam Site.

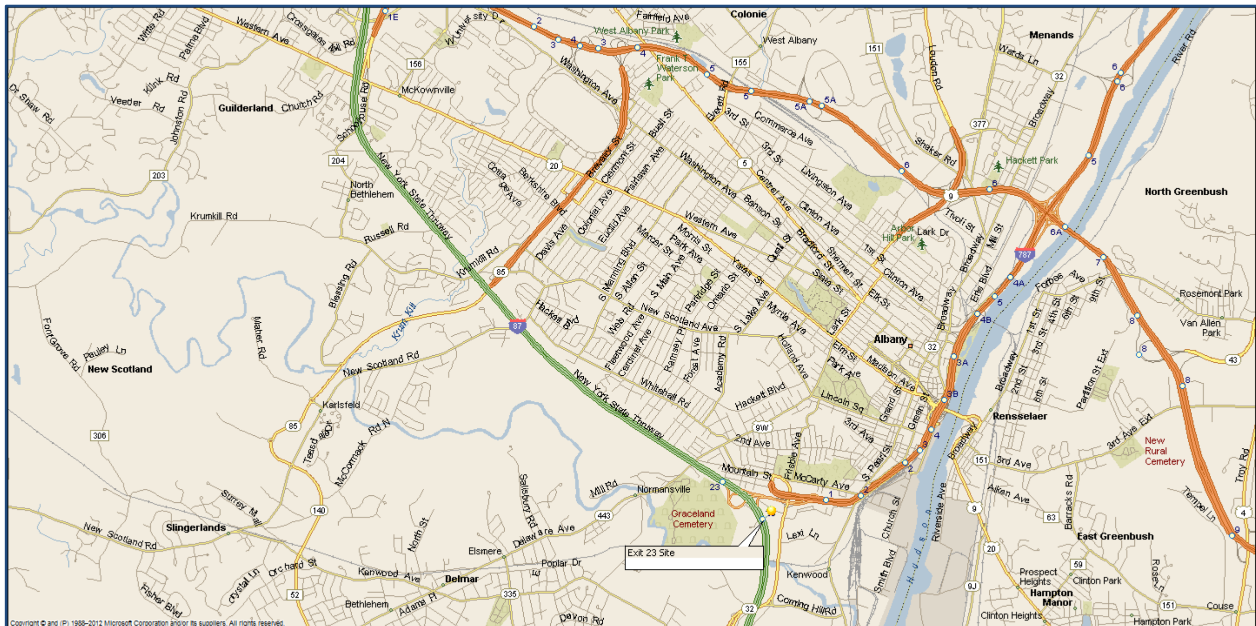
ACCESS

The site's interstate-friendly location offers excellent access to Interstate 90, Highway 30 and the regional highway network. Interstate 90 provides direct access to Interstate 890, Interstate

88, Interstate 87 and Interstate 787. The site has proximate access to several regional population centers including Albany, Rotterdam, Schenectady, and Troy.

ALBANY SITE

The Albany site was assumed to be located in downtown Albany, NY near Exit 23 of the Interstate 87. The site is located 2 ½ hours north of New York City 2 hours from Syracuse and 35 minutes south of Saratoga Springs.



IV. EMERGING CASINO RESORT COMPETITION

EMERGING NEW YORK STATE COMPETITION

In November of 2013 voters in New York State approved a referendum that will allow for the expansion of gaming in the state. Up to seven licenses will ultimately be available for casino-resort development. Initially, four licenses will be awarded with one allocated to the Southern Tier region; one in the Capital region; and two in the Hudson-Valley Catskills region. There will be a moratorium for the licenses in the New York City region to allow the Catskill region casinos to build market share.

As with the two potential Clairvest sites, many of the details for submitting bids are speculative and relatively unknown outside of the realm of inside information and the press. For the purposes of this analysis, GMA assumed that the either Clairvest site would be awarded the Capital Region license and the following proposed sites would be awarded the licenses.

CATSKILLS ASSUMED COMPETITION

Two casino-resort licenses will be awarded to the Catskills region. GMA assumed that the Monticello Casino Resort at Concord is awarded one of the two Catskills Region gaming licenses. GMA assumed the new facility would offer an attractive array of gaming and non–gaming amenities featuring 2,500 slot machines and 100 table games.

GMA also assumed a proposed high quality resort casino located in Newburgh, at the intersection of Interstate 84 and Interstate 87 would be awarded the second Catskills Region gaming license. The Consulting Team assumed the proposed Newburgh casino resort would offer 3,000 slot machines and 100 table games.

SOUTHERN TIER ASSUMED COMPETITION

GMA assumed that the Tioga Downs, a racino facility currently operating, would be awarded the Southern Tier's resort casino gaming license. With the full gaming license, GMA assumed the facility would expand its gaming and non-gaming amenity mix to include 1,500 slot machines and 50 table games.

EMERGING WESTERN MASSACHUSETTS COMPETITION

MGM SPRINGFIELD

MGM Resorts International ("MGM") submitted an application to develop, build and operate a casino resort in Springfield, MA, 90 miles northeast of the proposed Stewart Airport Site in

Newburgh. The host community agreement between the city and MGM was voter approved, MGM has passed the rigorous suitability requirement and their application has been accepted. As they remain the only remaining candidate for Western Region casino license in Massachusetts, GMA assumes MGM will be awarded the license and complete the project.

MGM submitted plans for an $800 million casino-resort, entertainment complex, and housing development in downtown Springfield, a project that would rebuild areas of the city severely damaged by a 2011 tornado.

The MGM project would be built in a distinctly downtown urban setting. MGM's Springfield project would include a mix of new construction and the renovation of some existing architecture over three city blocks, covering about 10 acres, in the city's South End. The development area is between Union and State streets, and Columbus Avenue and Main Street, about two blocks from Springfield City Hall. It is adjacent to Interstate 91, a major north-south artery through Western Massachusetts.

CASINO & GAMING

- 125,000 square feet casino
- 3,100 electronic gaming devices
- 100 table games

RESORT AMENITIES

- Hotel – 250 rooms
- Pool and spa - 7,000 square feet
- Outdoor garden and roof deck - 35,000 square feet
- Banquet and meeting Space - 45,000 square feet
- Retail - 12,000 square feet
- Restaurants - 48,000 square feet
- 3,600 space covered parking located just 200 feet off the highway

ADJACENT DEVELOPMENT

- Retail and restaurants - 165,000 square feet
- Location - Between Union and Howard streets
- Outdoor stage for free live entertainment
- Cinema - 50,000 square feet, 12 screens
- Bowling center - 20,000 square feet
- Residential - 40,000 square feet of market rate one and two bedroom rentals

V. EXISTING GAMING COMPETITION

For the purpose of this analysis GMA considered the Amsterdam Site to be the preferred location for a casino resort and as such, defined the relative competition in terms of their proximity to the site. GMA considered Vernon Downs, Turning Stone and Saratoga to be the primary competition threats. The other casino resorts and racinos[1] are considered secondary competition. Although GMA illustrates plots on the enclosed maps for visual clarity, the gaming facilities more than 200 miles away from the Amsterdam site will have minimal competitive effect and GMA did not abstract the facilities below as secondary markets.

PRIMARY COMPETITION

SARATOGA SPRINGS

Saratoga Casino and Raceway is a racino facility located in Saratoga, NY, 25 miles northeast of the Amsterdam Site. The facility offers 1,782 VLT's, Electronic Roulette and Electronic Craps, live harness racing and simulcast, and a few dining options. For the 12 months ended December 2013, Saratoga Springs generated $158 million in video gaming revenues.

CASINO

- 1,782 electronic gaming devices
- Harness racetrack
- Simulcast theater

FOOD & BEVERAGE

- Fortune's – Full Service Steak and Seafood
- Garden Buffet
- Lucky Joe's – Fast Food

[1]A 'Racino', a combination of the words Racing and Casino, refers to the style of gaming facility allowed under previous NY legislation that allowed for electronic gaming devices regulated under the NY Lottery (hence Video Lottery Terminals – "VLT's"). Obviously, the approved licenses had to accompany a horse racing facility. Racinos are actually owned by the Lottery with as little as 21% of revenues going to the operator. These rates are considered some of the highest gaming tax rates in the country and typically serve as a barrier for capital and operational investment. Additionally, the facilities do not operate 24 hours, 7 days a week, as a traditional casino would. These are significant barriers for competing against the emerging casino resorts in New York, as well as those already established in neighboring states.

TURNING STONE

The Turning Stone Casino Resort sits just south of Interstate 90 in Verona, NY, 80 miles west of the Amsterdam Site. The property is an expansive resort property that offers three lodging experiences, a large casino, multiple dining options and three championship golf courses.

The property offers four different lodging options including a detached limited service property, 3-star hotel, 4-star hotel tower and 5-star golf resort. The latter three are all connected to the casino complex.

CASINO

- 2,162 electronic gaming devices
- 85 table games
- 32 poker tables

HOTELS

The four hotels offer a total of 567 rooms and 142 suites in four pricing categories.

- The Lodge
  - 5-star, all suite property overlooking a golf course. Connects to the casino via a sky bridge.
  - 95 suites
- The Tower
  - 4-star grade hotel with direct access to the casino floor.
  - 266 rooms
  - 19 suites
- The Hotel
  - Low-rise hotel that offers direct access to the casino
  - 240 rooms
  - 28 suites
- The Inn
  - Interior corridor motel property that sits on the perimeter of the resort property. Access to the casino is via shuttle bus.
  - 61 rooms and suites
- Skana Spa Therapy
- Ahsi Day Spa and Salon
- Fitness center

DINING

- Wildflowers (fine dining)

- TS Steakhouse (steak and seafood)
- Peach Blossom (Chinese and Thai)
- Pino (Italian)
- Upstate Tavern (upscale Tavern Food)
- Tin Rooster (BBQ)
- Emerald Restaurant (24 Hour)
- Season's Harvest (buffet)
- Delta Café (snack bar)
- Corner Market (food court)
- Opals (bakery)

BARS AND NIGHTLIFE

- Atrium Bar
- Leopard Lounge
- Lava Nightclub
- The Gig at Exit 33
- Turquoise Tiger
- The Showroom (cabaret style showroom)
- Event Center (5,000 seat concert arena)

OTHER AMENITIES

- RV Park – 172 paved sites
- 3 championship golf courses
- Indoor driving range
- 100,000 square feet of banquet and meeting space

PARKING

- Surface
- Garage
- Valet

VERNON DOWNS

Vernon Downs Casino Hotel is a racino and hotel located in Vernon, NY, 80 miles west of the Amsterdam Site. The facility offers 767 VLT's, live harness racing, a hotel and a few dining options. Vernon Downs generates $43 million annually in VLT revenues.

CASINO

- 767 electronic gaming devices
- Harness racetrack

HOTEL

120 suite hotel

FOOD & BEVERAGE

- Champions Buffet
- Triple 7 Cafe
- Mr. G's Food and Spirits
- Ring Eyed Pete's Sports Bar

SECONDARY COMPETITION

TIOGA DOWNS

Tioga Downs Casino is a racino facility located in Nichols, NY, 150 miles southwest of the Amsterdam Site. The facility offers 767 VLT's, live harness racing, and a few dining options. Tioga Downs generates $44 million annually in Video Lottery Terminal revenues. Its owners are also applying for the Southern Tier license with plans to add a hotel and expanded casino.

CASINO

- 767 electronic gaming devices
- Harness racetrack

FOOD & BEVERAGE

- County Fair Buffet
- Coaster's Sport Bar
- Carousel Bar
- Subway

FINGER LAKES

Finger Lakes Gaming is a racino facility and is located one mile north of I-90 in Farmington, and 175 miles west of the Amsterdam Site. It is 100 miles west of Niagara Falls and is the closest gaming option residents of the City of Rochester. The single level casino offers an acceptable

gaming environment but survives solely because it is the most convenient gaming option for those residing in Rochester. Finger Lakes generates $130 million annually in VLT revenues.

CASINO

- 1,199 electronic gaming devices

DINING

- Wolfgang Puck Express (casual)
- Vineyard Buffet (lunch and dinner buffet)
- Platinum Grille (3 meal plus late night dining)
- Sevens Sports Bar (casual bar food)
- Tim Horton's
- The Wire (track side dining)
- The Carvery (deli)
- The Starting Gate Grille (track side dining)
- Remedy (bar/lounge)

OTHER AMENITIES

- Pari-mutuel wagering
- Racetrack
- 2,500 square feet of meeting space

VI. GAMING MARKET ASSESSMENT

MARKET AREA DESCRIPTIONS

GMA utilized a series of gravity models to project revenue for each site. The first step in performing this analysis was to divide the State of New York, the eastern portion of Pennsylvania, the western portion of New Hampshire, the western portion of Vermont, the northern portion of New Jersey and the eastern part of Connecticut into segments based on variations in the demographic composition of the various communities, access to the subject facility as well as competing facilities, and the availability of other (non-gaming) entertainment activities.

The map on page 26 illustrates the 21 segments used in this analysis and is followed by a brief discussion of the demographic composition of each individual segment. For each segment total population, adult (21+) population, and average annual household income ("AAHI") were quantified.

NEW YORK SOUTH

The New York South sector encompasses the southeast corner of New York from the border of Connecticut to the east, the border of New Jersey to the south and the Secondary West market to the west. This market contains the Newburgh Site and no other gaming facilities. In 2013 this market was home to a total of 1,385,015 residents. Approximately 71% of this market's population were considered adults, with 21+ population reported at 988,934 in the same year. The number of total residents is projected to grow at a rate of 0.7% by 2018 with total and adult population estimated at 1,436,194 and 1,045,359 in that year.

Income levels in this market are the third highest of the 21 analyzed areas, with average annual household income ("AAHI") quantified at $107,014 in 2013. AAHI is estimated to undergo strong growth over the next five years, projected at 2.6% annually, reaching $121,849 in 2018.

NEW YORK SOUTHWEST

The New York SW ("NYSW") market extends west of the NY South market and includes the city of Monticello. This market has one existing racino within it and two proposed sites for the four gaming licenses. This market contained a total population of 152,886 in 2013 and is the smallest area in terms of population for the 21 analyzed areas. This segment is expected to experience a growth rate of 0.7% to reach an estimated population of 158,636 in 2018. Adult population was 110,531 in 2013 and is projected to have a steady growth rate of 0.8% reaching 115,125 in 2018.

The NYSW market is below the average annual household income of the other markets, with an AAHI of $65,860 in 2013. AAHI in this market is estimated to have a growth rate of 2.4%, reaching $74,041 in 2018.

CENTRAL NEW YORK SOUTH

The Central NY South market is located entirely within the State of New York and runs along the border of Massachusetts. This market doesn't have any gaming facilities within it and there are no proposed sites located within this area either. This market is the third smallest in terms of population with total population quantified at 241,184 in 2013. Adults represent roughly 76% of this region's population, with 21+ population reported at 184,001 in the same year. Both total and adult population levels in this market are estimated to have little to no increase over the next five years with populations estimated at 240,845 and 186,395 respectively, in 2018.

The Central NY South segment is slightly below the market average in terms of AAHI and reported at $72,482 in 2013. AAHI in this segment is projected to grow at an average annual rate of 2.0%, reaching $79,922 in 2018.

NEW YORK / MASSACHUSETTS

The New York Massachusetts ("NYMA") market extends east of the Central NY South market and encompasses the western side of Massachusetts. This market has no gaming facilities within it and there are no proposed sites located in this area. The NYMA market was home to a total of 222,481 residents in 2013. This market is projected to have a slight amount of population growth over the next five years with total population projected at 226,370 in 2018. Adults account for approximately 77% of local population, with 21+ population reported at 170,449 in 2013. Adult population is estimated to have a growth rate of 0.7%, reaching 176,733 in 2018.

Income levels in the NYMA market are below the regional average, with AAHI at $72,495 in 2013. AAHI is estimated to undergo a significant amount of growth over the next five years, projected at $80,703 in 2018.

WESTERN CONNECTICUT

The Western CT market extends east of the NY South market and is made up of the western portion of Connecticut. There are no gaming facilities within this market, and there is no quick and easy access to any other gaming facilities within other segments. The Western CT market is the fourth largest market in terms of population with 1,599,296 total residents in 2013, of which 1,167,230 were at least 21 years of age. This segment is projected to undergo a steady

amount of population growth over the next five years, with total and adult population estimated at 1,640,522 and 1,216,230 respectively, in 2018.

The Western CT market is the second most affluent of the 21 markets, with AAHI quantified at $107,288 in 2013. AAHI is projected to grow at an high annual rate of 2.7%, estimated at $122,707 in 2018.

YONKERS

The Yonkers market is south of the NY South market and includes the city of Yonkers and the surrounding suburbs. This market has one gaming facility within it, Empire City Slots at Yonkers Raceway. This market was home to 2,307,195 total residents in 2013, with total population projected to experience moderate growth over the next five years reaching 2,379,905 in 2018. Adults represent approximately 71% of the market's population, with 21+ population reported at 1,628,587 in 2013. Adult population is projected to grow by 0.9% within the next five years, estimated at 1,705,824 in 2018.

Income levels in the Yonkers market are lower than the average of the 21 markets, with AAHI quantified at $81,783 in 2013. AAHI is estimated to undergo relatively strong growth, projected to reach $91,471 in 2018.

MANHATTAN

The Manhattan market includes the island of Manhattan and is the smallest of the 21 markets in terms of area. This market contains no gaming facilities within it. In 2013 this market was home to a total of 1,543,952 residents. Approximately 81% of this market's population were considered adults, with 21+ population reported at 1,245,164 in the same year. The number of total residents is projected to lose residents at a rate of -0.4% by 2018 with total and adult population estimated at 1,514,693 and 1,210,805 in that year.

Income levels in this market are the highest of the 21 analyzed areas, with AAHI quantified at $128,997 in 2013. AAHI is estimated to undergo strong growth over the next five years, projected at 2.6% annually, reaching $146,406 in 2018.

LONG ISLAND

The Long Island market includes the western portion of Long Island. This market has one gaming facility within it, Resorts World NYC in the southwest portion of the market. This market is the largest in terms of population and contained a total population of 6,325,735 in 2013. This segment is expected to experience a growth rate of 0.7% to reach an estimated

population of 6,552,646 in 2018. Adult population was 4,675,897 in 2013 and is projected to have a steady growth rate of 0.9% reaching 4,895,233 in 2018.

The Long Island market is lower than the AAHI of the other markets, with an AAHI of $83,130 in 2013. AAHI in this market is estimated to have a growth rate of 2.3%, reaching $93,049 in 2018.

NEW JERSEY

The New Jersey market includes the northern portion of New Jersey from the border of New York on the east to the border of Pennsylvania on the West. This market doesn't have any gaming facilities within it and there is no easy access to any other nearby casinos. This market is the second largest in terms of population with total population quantified at 4,790,128 in 2013. Adults represent roughly 73% of this region's population, with 21+ population reported at 3,497,109 in the same year. Both total and adult population levels in this market are estimated to have a steady increase over the next five years with populations estimated at 4,913,508 and 3,615,052 respectively, in 2018.

The New Jersey segment is above the market average in terms of AAHI and reported at $100,353 in 2013. AAHI in this segment is projected to grow at an average annual rate of 2.6%, reaching $114,212 in 2018.

PENNSYLVANIA / NEW YORK

The Penn/NY market extends west of the Central NY South and NYSW market and encompasses the northwestern corner of Pennsylvania and a very small portion of New York including Tioga and Elmira. This market has three gaming facilities within it, Tioga Downs, Mohegan Sun at Pocono Downs and the Mount Airy Casino. The Penn/NY market was home to a total of 1,312,942 residents in 2013. This market is projected to have a slight amount of population growth over the next five years with total population projected at 1,330,223 in 2018. Adults account for approximately 75% of total population, with 21+ population reported at 983,491 in 2013. Adult population is estimated to have a growth rate of 0.6%, reaching 1,015,436 in 2018.

Income levels in the Penn/NY market are below the regional average, with AAHI at $62,236 in 2013. AAHI is estimated to undergo a high amount of growth over the next five years, projected at $68,457 in 2018.

CENTRAL NEW YORK

The Central NY market extends north of the NYSW market and has two gaming facilities within it, Turning Stone Resort and Vernon Downs. The Central NY market is home to 634,791 total

residents in 2013, of which 470,117 were at least 21 years of age. This market is projected to undergo a slight amount of population growth over the next five years, with total and adult population estimated at 639,671 and 483,007 respectively, in 2018.

The Central NY market is the fourth least affluent of the 21 markets, with AAHI quantified at $64,699 in 2013. AAHI is projected to grow at an high annual rate of 2.0%, estimated at $71,503 in 2018.

ALBANY

The Albany market is east of the Central NY and Central NY South markets and runs along the borders of Massachusetts and Vermont. This market has no gaming facilities within it, but is proximate to the Saratoga Springs Raceway and is home to three possible sites for the one Capital region gaming license. This market was home to 561,799 total residents in 2013, with total population projected to remain stagnant over the next five years reaching 562,032 in 2018. Adults represent approximately 74% of the market's population, with 21+ population reported at 416,314 in 2013. Adult population is projected to grow by 0.2% within the next five years, estimated at 420,917 in 2018.

Income levels in the Albany market are the lower than the average of the 21 markets, with AAHI quantified at $72,511 in 2013. AAHI is estimated to undergo moderate growth, projected to reach $74,168 in 2018.

SARATOGA

The Saratoga market is east of the Central NY and Central NY South markets and runs along the border of Vermont. This market has one gaming facility within it, Saratoga Springs Raceway and is home to one of the projected sites for the new gaming licenses. This market was home to 286,413 total residents in 2013, with total population projected to experience slight growth over the next five years reaching 290,381 in 2018. Adults represent approximately 75% of the market's population, with 21+ population reported at 213,918 in 2013. Adult population is projected to grow by 0.5% within the next five years, estimated at 219,190 in 2018.

Income levels in the Saratoga market are the lower than the average of the 21 markets, with AAHI quantified at $71,777 in 2013. AAHI is estimated to undergo relatively moderate growth, projected to reach $74,839 in 2018.

TERTIARY NORTH

The Tertiary North sector extends north of the Central NY and Saratoga markets. This market contains no gaming facilities within it. In 2013 this market was home to a total of 339,309

residents. Approximately 74% of this market's population were considered adults, with 21+ population reported at 251,588 in the same year. The number of total residents is projected have a slight increase of 0.2% by 2018 with total and adult population estimated at 343,465 and 258,243 in that year.

Income levels in this market are among the lowest of the 21 analyzed areas, with AAHI quantified at $59,559 in 2013. AAHI is estimated to undergo strong growth over the next five years, projected at 2.0% annually, reaching $65,683 in 2018.

TERTIARY NORTHEAST

The Tertiary Northeast sector extends north of the Saratoga and Tertiary East market segments and east of the Tertiary North market. This market contains no gaming facilities within it. In 2013 this market was home to a total of 274,875 residents. Approximately 75% of this market's population were considered adults, with 21+ population reported at 205,874 in the same year. The number of total residents is projected have a slight increase of 0.1% by 2018 with total and adult population estimated at 276,790 and 211,107 in that year.

Income levels in this market are below the average of the 21 analyzed areas, with AAHI quantified at $71,747 in 2013. AAHI is estimated to undergo moderate growth over the next five years, projected at 0.9% annually, reaching $74,948 in 2018.

TERTIARY EAST

The Tertiary East sector extends northeast of the NYMA market segment and east of the Saratoga market. This market contains no gaming facilities within it. In 2013 this market was home to a total of 278,345 residents. Approximately 77% of this market's population were considered adults, with 21+ population reported at 214,212 in the same year. The number of total residents is projected to remain relatively stagnant with total and adult population estimated at 275,646 and 214,665 in 2018.

Income levels in this market are among the lowest of the 21 analyzed areas, with AAHI quantified at $64,992 in 2013. AAHI is estimated to undergo relatively moderate growth over the next five years, projected at 1.1% annually, reaching $68,617 in 2018.

SYRACUSE

The Syracuse market is sandwiched between the Central NY, Tertiary North and North and South I-90 markets and includes the city of Syracuse and the surrounding suburbs. This market has no gaming facilities within it. This market is the fifth smallest in terms of population and contained a total population of 298,337 in 2013. This segment is expected to experience a

growth rate of 0.1% to reach an estimated population of 299,934 in 2018. Adult population was 215,953 in 2013 and is projected to have a steady growth rate of 0.4% reaching 220,039 in 2018.

The Syracuse market is the lowest of the 21 analyzed markets with an AAHI of $55,892 in 2013. AAHI in this market is estimated to have a growth rate of 2.1%, reaching $62,159 in 2018.

NORTH I-90

The North I-90 market includes the northern portion of New York along Lake Ontario. This market doesn't have any gaming facilities within it and there are no proposed gaming sites within its borders. This market is the fourth smallest in terms of population with total population quantified at 271,006 in 2013. Adults represent roughly 73% of this region's population, with 21+ population reported at 197,717 in the same year. Both total and adult population levels in this market are estimated to have a steady increase over the next five years with populations estimated at 275,181 and 205,332 respectively, in 2018.

The North I-90 segment is below the market average in terms of AAHI and reported at $65,502 in 2013. AAHI in this segment is projected to grow at an average annual rate of 2.2%, reaching $72,916 in 2018.

SOUTH I-90

The South I-90 market extends south of the North I-90 market next to the Penn/NY and Central NY markets. This market has one gaming facility within it, Finger Lakes Gaming. This market also has one proposed location within it at Tyre, NY. The South I-90 market was home to a total of 411,204 residents in 2013. This market is projected to have a steady amount of population growth over the next five years with total population projected at 421,380 in 2018. Adults account for approximately 74% of local population, with 21+ population reported at 305,187 in 2013. Adult population is estimated to have a growth rate of 0.5%, reaching 318,014 in 2018.

Income levels in the South I-90 market are below the regional average, with AAHI at $70,830 in 2013. AAHI is estimated to undergo a high amount of growth over the next five years, projected at $78,738 in 2018.

NEW YORK WEST

The NY West segment extends west from the Rochester and South I-90 markets and has one gaming facility within it, Batavia Downs. The NY West market is home to 475,486 total residents in 2013 and is projected to decrease slightly in population over the next five years to

474,998 in 2018. Adult population was at 351,363 in 2013 and is projected to increase slightly to 356,788 by 2018.

The NY West market is below the average of the 21 analyzed markets in terms of affluence, with AAHI at $60,680 in 2013. This market is projected to have a steady increase over the next five years to $66,927 by 2018.

ROCHESTER

The Rochester market extends west of the North I-90 market and north of the South I-90 market and contains the city of Rochester, NY and the surrounding suburbs. The Rochester market is home to 700,824 total residents in 2013, of which 514,384 were at least 21 years of age. This segment is projected to undergo a slight amount of population growth over the next five years, with total and adult population estimated at 715,733 and 537,084 respectively, in 2018.

The Rochester market is below the average of the 21 analyzed markets, with AAHI quantified at $69,028 in 2013. AAHI is projected to grow at an high annual rate of 2.2%, estimated at $76,987 in 2018.

The following tables summarize the size of each of the region's markets along with each market's compounded annual growth rate ("CAGR"). This is then following by a market carve out map of the region.

Total Population by Market Segment			
	2013	2018	CAGR ('13-'18)
NYSouth	1,366,725	1,403,122	0.5%
NYSW	149,025	148,696	0.0%
CentralNYSouth	239,178	233,514	-0.5%
NYMA	217,429	211,239	-0.6%
Western CT	1,584,198	1,612,967	0.4%
Yonkers	2,287,519	2,355,190	0.6%
Manhattan	1,594,858	1,673,550	1.0%
Long Island	6,280,210	6,530,905	0.8%
New Jersey	4,755,269	4,866,942	0.5%
Penn/NY	1,298,584	1,290,768	-0.1%
Central NY	627,413	617,590	-0.3%
Albany	561,799	562,032	0.0%
Saratoga	286,413	290,381	0.3%
Tertiary North	338,171	342,216	0.2%
Tertiary NE	274,875	276,790	0.1%
Tertiary East	278,345	275,646	-0.2%
Syracuse	297,228	296,993	0.0%
North I 90	267,707	266,255	-0.1%
South I 90	405,160	406,447	0.1%
NYWest	474,710	472,065	-0.1%
Rochester	693,335	698,130	0.1%
TOTAL	**24,278,151**	**24,831,438**	**0.5%**

Source: Pcensus, GMA

Adult Population (21+) by Market Segment			
	2013	2018	CAGR ('13-'18)
NYSouth	974,133	1,015,403	0.8%
NYSW	108,203	107,925	-0.1%
CentralNYSouth	182,283	180,109	-0.2%
NYMA	166,307	163,958	-0.3%
Western CT	1,154,631	1,189,345	0.6%
Yonkers	1,610,173	1,676,175	0.8%
Manhattan	1,292,737	1,340,667	0.7%
Long Island	4,642,638	4,854,558	0.9%
New Jersey	3,477,081	3,573,617	0.5%
Penn/NY	970,791	980,011	0.2%
Central NY	463,852	463,455	0.0%
Albany	416,314	420,917	0.2%
Saratoga	213,918	219,190	0.5%
Tertiary North	250,556	255,165	0.4%
Tertiary NE	205,874	211,107	0.5%
Tertiary East	214,212	214,665	0.0%
Syracuse	215,318	216,826	0.1%
North I 90	194,997	197,316	0.2%
South I 90	300,303	305,210	0.3%
NYWest	350,743	352,862	0.1%
Rochester	507,626	520,018	0.5%
TOTAL	**17,912,690**	**18,458,499**	**0.6%**
Source: Pcensus, GMA			

Average Annual Household Income by Market Segment			
	2013	2018	CAGR ('13-'18)
NYSouth	$101,920	$106,293	0.8%
NYSW	$65,545	$68,085	0.8%
CentralNYSouth	$69,211	$70,812	0.5%
NYMA	$71,227	$74,193	0.8%
Western CT	$99,195	$107,019	1.5%
Yonkers	$80,929	$85,079	1.0%
Manhattan	$125,241	$131,753	1.0%
Long Island	$80,324	$82,908	0.6%
New Jersey	$95,697	$102,012	1.3%
Penn/NY	$60,969	$63,155	0.7%
Central NY	$63,760	$65,292	0.5%
Albany	$72,511	$74,168	0.5%
Saratoga	$71,777	$74,839	0.8%
Tertiary North	$58,601	$59,986	0.5%
Tertiary NE	$71,747	$74,948	0.9%
Tertiary East	$64,992	$68,617	1.1%
Syracuse	$55,925	$57,362	0.5%
North I 90	$64,171	$65,652	0.5%
South I 90	$69,859	$71,458	0.5%
NYWest	$59,961	$61,479	0.5%
Rochester	$67,596	$69,196	0.5%
Average	**$84,957**	**$89,079**	**1.0%**

Source: GMA, Pcensus

Existing Casinos
Proposed NY Casinos
Proposed MA Casinos
Amsterdam

Seneca Buffalo Creek
Hamburg Casino
Batavia Downs
Rochester
North I90
Syracuse
Turning Stone Resort
Vernon Downs
Amsterdam Site
Saratoga Springs
Saratoga
Tertiary North
TertiaryNE
Tertiary East
Finger Lakes Gaming
SouthI90
NYWest
CentralNY
Albany
David Flaum Site
NYMA
Seneca Allegany
Seneca Gaming and Entertainment
Tioga Downs
CentralNYSouth
MGM Springfield
Western CT
PennNY
NY Monticello
Concorde Site
Greenetrack Site
NYSouth
Mohegan Sun
Foxwoods
Mohegan Sun at Pocono Downs
Mount Airy
New Jersey
Yonkers
Empire City
Long Island
Resorts World
Sands Bethlehem

GRAVITY MODEL SUB-SEGMENTS

In the previous section GMA discussed the demographic composition of the multiple market areas relevant to this study. It is important to note that for the purposes of a gravity model, GMA divided the market segments by zip code. These zip codes essentially became individual sub-markets with assigned centroid latitude and longitude coordinates. GMA used this data to determine the distributions of annual gamer expenditures to each of the gaming facilities in the region. This methodology allowed the model to account for population density factors and variations in income within each market segment.

GAMING FACTORS AND OVERALL MARKET SIZE

Gaming factors consist of Propensity and Average Annual Win. For the purposes of this assessment, GMA added an additional category to reflect the percentage of gamer visits that will accrue to casinos outside of the market. This allows the model to account for those visits lost to other jurisdictions such as casinos in Las Vegas and Canada.

Gaming propensity pertains to regional gaming behavior, i.e. it does not include incremental participation outside of the broad region such as Las Vegas, Reno, Mississippi or other tourist markets. The multiplication of gaming factors by a market's adult population and its AAHI results in the gross levels of gaming revenue generated by the individually defined markets.

PROPENSITY

Propensity represents the percent of the adult population (defined as people age 21 and over) that will visit a regional casino at least once in a given year. Propensity factors experience broad ranges throughout the United States. At the high-end of the scale is the local Las Vegas market, in which 70% of adults gamble. In rural sections of the country with few gaming options, this factor can be as low as 15%.

GMA recognizes that gaming propensity varies relatively widely across the greater NY gaming market, with very high rates in the NY West and New Jersey market segments, to comparatively low rates in the Western CT market segment, where there are fewer gaming facilities within a short drive time. Nevertheless, gaming has been available in the region for a number of years, leading to a mature gaming market. Most of the region's population has reasonable access to gaming facilities throughout the region. GMA characterizes this variance in terms of the percentage of the respective market adult populations that participate in casino gaming at least once a year (i.e. a low of 25% to a high of 38%, with the majority of market areas' gaming propensities estimated to be approximately 33%.)

Gaming factors have remained fairly constant over the past few years in US gaming jurisdictions and generally only change with the addition of new casinos. However, the onset of the recession was estimated to have negatively impacted these figures by one or two percentage points. US markets have generally started to rebound and should continue to recover along with the economy. In estimating gaming factors, GMA utilized gaming propensities published in Harrah's Survey of the American Gambler, proprietary research data gathered by GMA and other sources.

AVERAGE ANNUAL WIN

Average Annual Win ("Average Win") represents the amount of money a gamer in a market segment will lose on average to a casino over a twelve month period. This factor is generally dependent on a player's average household income and distance that he/she must travel to reach a casino. GMA estimates Average Win as a percentage of a player's AAHI.

Based on reported trailing twelve month ("TTM") revenues for each of the commercial casinos in the region, GMA estimates this currently amounts to between 0.7% and 1.65% of regional household incomes, depending on proximity to casinos. GMA's research in other U.S. gaming markets shows that this figure generally ranges between 1.1% and 2.6%. Annual expenditures on casino gaming is generally positively correlated with the frequency that individuals visit casinos: high frequency often equates to situations where a population is presented with multiple options and good venue accessibility and low when comparatively inaccessible, limited in options and/or limited in scope or attractiveness.

MODEL CALIBRATION ASSUMPTIONS AND 2018 BASE

2013 CALIBRATION

By analyzing historical gaming revenue levels at each of the casino properties within the competitive set, researching the number of gaming positions in each competitor's casino, visiting each facility to understand their relative aesthetic attractiveness (including a consideration of non-gaming amenities) and utilizing gaming factors from both public and proprietary sources, GMA was able to effectively calibrate the model to current market conditions. GMA calibrated the model revenues net of freeplay (marketing discount).

2018 BASE PROJECTIONS

Once the gravity model was calibrated, GMA constructed a forecasting model to grow the market to 2018. In preparing this Base scenario, GMA assumed the introduction of the MGM Springfield facility in Massachusetts. The chart on the following page illustrates these figures.

Projected 2018 Base Market Gaming Factors and Gaming				
	Propensity	% Revenue to Casinos in Model	% Income as Annual Win	Market Revenue
NYSouth	30%	90%	1.30%	$ 376,269,498
NYSW	34%	95%	1.45%	$ 34,149,100
CentralNYSouth	29%	95%	1.30%	$ 44,997,359
NYMA	30%	93%	1.30%	$ 43,844,690
Western CT	32%	95%	1.43%	$ 546,539,678
Yonkers	32%	75%	1.00%	$ 338,372,122
Manhattan	35%	75%	0.70%	$ 304,958,499
Long Island	34%	70%	0.70%	$ 666,098,851
New Jersey	38%	90%	1.35%	$ 1,651,823,248
Penn/NY	38%	90%	1.50%	$ 316,892,139
Central NY	34%	95%	1.45%	$ 148,624,107
Albany	30%	90%	1.25%	$ 105,664,488
Saratoga	35%	90%	1.55%	$ 79,772,130
Tertiary North	27%	95%	1.10%	$ 42,984,825
Tertiary NE	25%	80%	1.00%	$ 31,491,471
Tertiary East	32%	80%	1.43%	$ 53,158,138
Syracuse	35%	95%	1.45%	$ 60,594,982
North I 90	36%	95%	1.50%	$ 65,923,398
South I 90	36%	95%	1.50%	$ 110,649,745
NYWest	37%	93%	1.60%	$ 118,342,043
Rochester	35%	90%	1.65%	$ 187,316,180
SubTotal				**$ 5,328,466,693**
Source: GMA				

ADDED COMPETITIVE ASSUMPTIONS

In addition to the building program, specific locations for the two sites, existing competition and the addition of the MGM Springfield Casino Resort by 2018 (all outlined in sections of this report) GMA assumed that the Monticello Casino Resort at Concord is awarded the additional gaming license in the Hudson Valley-Catskills Region. This is an essential calibration to the gravity model. Additionally, GMA assumed that Tioga Downs would be awarded the Southern Region license and would expand and that a facility would open in Newburgh.

GRAVITY MODEL PROJECTIONS

SCENARIO 1: AMSTERDAM REVENUE PROJECTIONS

The following table is a revenue projection summary for the Amsterdam Site in 2018. To account for the modest impact of hotels in the area, drive-by traffic, local residents whose legal residence is elsewhere, and visitors from outside of the market, GMA included an Outer Market

figure equal to 5% of gross gaming revenue. With the Outer Market included, total Local and Outer Market gaming revenue is estimated at $158.7 million in 2018, with approximately $150.8 million coming from the local market segment. The following table summarizes projected gaming win by market for the Amsterdam Site.

Projected 2018 Scenario 1 Market Gaming Factors and Gaming Revenue

	Propensity	% Revenue to Casinos in Model	% Income as Annual Win	Amsterdam Site	Market Revenue	% Market Growth Over Base
NYSouth	33%	90%	1.50%	$ 5,382,623	$ 477,572,824	26.9%
NYSW	36%	95%	1.60%	$ 299,874	$ 39,898,340	16.8%
CentralNYSouth	32%	95%	1.50%	$ 12,339,012	$ 57,291,067	27.3%
NYMA	32%	93%	1.50%	$ 5,060,500	$ 53,962,696	23.1%
Western CT	33%	95%	1.48%	$ 10,391,629	$ 583,395,150	6.7%
Yonkers	32%	75%	1.00%	$ 1,213,759	$ 338,372,122	0.0%
Manhattan	35%	75%	0.70%	$ 850,881	$ 304,958,499	0.0%
Long Island	34%	70%	0.70%	$ 1,259,285	$ 666,098,851	0.0%
New Jersey	38%	90%	1.35%	$ 1,749,869	$ 1,651,823,248	0.0%
Penn/NY	38%	90%	1.50%	$ 2,158,110	$ 316,892,139	0.0%
Central NY	36%	95%	1.50%	$ 26,889,721	$ 162,793,140	9.5%
Albany	33%	95%	1.40%	$ 49,672,065	$ 137,410,797	30.0%
Saratoga	36%	95%	1.60%	$ 15,547,300	$ 89,403,604	12.1%
Tertiary North	28%	95%	1.20%	$ 6,575,587	$ 48,629,297	13.1%
Tertiary NE	26%	80%	1.10%	$ 3,041,084	$ 36,026,243	14.4%
Tertiary East	32%	83%	1.43%	$ 2,351,922	$ 54,819,330	3.1%
Syracuse	35%	95%	1.45%	$ 1,154,822	$ 60,594,982	0.0%
North I 90	36%	95%	1.50%	$ 1,259,242	$ 65,923,398	0.0%
South I 90	37%	95%	1.55%	$ 1,534,959	$ 117,514,127	6.2%
NYWest	37%	93%	1.60%	$ 672,202	$ 118,342,043	0.0%
Rochester	35%	90%	1.65%	$ 1,370,449	$ 187,316,180	0.0%
SubTotal				**$ 150,774,894**	**$ 5,569,038,077**	**4.5%**
Outer Market				$ 7,935,521		
GROSS GAMING (NET OF FREE/MATCH PLAY)				**$ 158,710,415**		

Source: GMA

With gross revenue estimated, GMA prepared five year projections:

Amsterdam Casino Five Year Projection Summary					
	2016	**2017**	**2018**	**2019**	**2020**
# Slots	1500	1500	1500	1500	1500
# Tables	50	50	50	50	50
# Poker	10	10	10	10	10
Win Per Slot	$205	$232	$251	$260	$265
Win Per Table	$1,568	$1,774	$1,918	$1,985	$2,025
Win Per Poker	$598	$671	$725	$750	$765
Gross Slot Rev	$ 112,442,686	$ 127,146,075	$ 137,455,217	$ 142,266,149	$ 145,111,472
Table Rev	$ 28,613,248	$ 32,375,666	$ 35,000,720	$ 36,225,745	$ 36,950,260
Poker Rev	$ 2,183,156	$ 2,447,781	$ 2,646,250	$ 2,738,869	$ 2,793,646
Gross Revenue	**$ 143,239,090**	**$ 161,969,523**	**$ 175,102,187**	**$ 181,230,763**	**$ 184,855,379**
FreePlay	$ 10,119,842	$ 12,714,608	$ 13,745,522	$ 14,226,615	$ 14,511,147
Net Taxable Gaming Revenue	**$ 133,119,249**	**$ 149,254,915**	**$ 161,356,665**	**$ 167,004,148**	**$ 170,344,231**
Source: GMA					

SCENARIO 2: ALBANY REVENUE PROJECTIONS

The following table is a revenue projection summary for the Albany site in 2018. To account for the minimal impact of drive-by traffic, local residents whose legal residence is elsewhere, and visitors from outside of the market, GMA included an Outer Market figure equal to 5.0% of gross gaming revenue. With the Outer Market included, total Local and Outer Market gaming revenue is estimated at $236.7 million in 2018, with approximately $224.9 million coming from the local market segment. The following table summarizes projected gaming win by market for the Albany site.

Projected 2018 Scenario 2 Market Gaming Factors and Gaming Revenue					
	Propensity	% Revenue to Casinos in Model	% Income as Annual Win	Albany Site	Market Revenue
NYSouth	33%	90%	1.50%	$ 5,352,583	$ 477,572,824
NYSW	36%	95%	1.60%	$ 346,524	$ 39,898,340
CentralNYSouth	32%	95%	1.50%	$ 20,638,379	$ 57,291,067
NYMA	32%	93%	1.50%	$ 13,104,634	$ 53,962,696
Western CT	33%	95%	1.48%	$ 3,464,596	$ 583,395,150
Yonkers	32%	75%	1.00%	$ 1,708,973	$ 338,372,122
Manhattan	35%	75%	0.70%	$ 1,099,916	$ 304,958,499
Long Island	34%	70%	0.70%	$ 1,700,654	$ 666,098,851
New Jersey	38%	90%	1.35%	$ 2,160,330	$ 1,651,823,248
Penn/NY	38%	90%	1.50%	$ 1,842,478	$ 316,892,139
Central NY	35%	95%	1.48%	$ 14,802,149	$ 155,633,256
Albany	33%	95%	1.50%	$ 121,949,098	$ 147,225,854
Saratoga	37%	95%	1.65%	$ 20,623,199	$ 93,477,987
Tertiary North	28%	100%	1.15%	$ 3,976,156	$ 49,055,870
Tertiary NE	26%	80%	1.10%	$ 3,393,211	$ 36,026,243
Tertiary East	33%	80%	1.53%	$ 3,997,707	$ 58,666,301
Syracuse	35%	98%	1.45%	$ 855,670	$ 62,189,587
North I 90	36%	95%	1.50%	$ 950,810	$ 65,923,398
South I 90	36%	95%	1.50%	$ 1,143,176	$ 110,649,745
NYWest	38%	93%	1.65%	$ 612,576	$ 125,338,616
Rochester	35%	90%	1.65%	$ 1,145,720	$ 187,316,180
SubTotal				**$ 224,868,540**	**$ 5,581,767,973**
Outer Market				$ 11,835,186	
GROSS GAMING (NET OF FREE/MATCH PLAY)				**$ 236,703,727**	
Source: GMA					

GMA projects the five-year gaming revenues for this scenario in the table below:

Albany Casino Five-Year Projection Summary Scenario 2					
	2016	2017	2018	2019	2020
# Slots	2000	2000	2000	2000	2000
# Tables	75	75	75	75	75
# Poker	15	15	15	15	15
Win Per Slot	$154	$174	$188	$195	$199
Win Per Table	$1,045	$1,182	$1,278	$1,323	$1,349
Win Per Poker	$598	$671	$725	$750	$765
Gross Slot Rev	$ 112,442,686	$ 127,146,075	$ 137,455,217	$ 142,266,149	$ 145,111,472
Table Rev	$ 28,619,439	$ 32,361,815	$ 34,985,746	$ 36,210,247	$ 36,934,452
Poker Rev	$ 3,274,734	$ 3,671,672	$ 3,969,375	$ 4,108,303	$ 4,190,469
Gross Revenue	**$ 215,469,679**	**$ 241,587,216**	**$ 261,175,368**	**$ 270,316,506**	**$ 275,722,836**
FreePlay	$ 16,914,370	$ 18,964,596	$ 20,502,266	$ 21,219,846	$ 21,644,243
Net Taxable Gaming Revenue	**$ 198,555,309**	**$ 222,622,619**	**$ 240,673,102**	**$ 249,096,660**	**$ 254,078,594**
Source: GMA					

VII. CANNIBALIZATION SUMMARY

To quantify the impact of the proposed New York market entrants, including the Project, on the region's existing casinos, GMA completed a Cannibalization Analysis for both Scenario 1 and Scenario 2. For the purposes of this analysis, GMA focused on the existing casinos that would most likely be directly impacted by a facility in Amsterdam or Albany. GMA compared each relevant market participant's projected Local Market revenue levels for 2018 in Scenario 1 and Scenario 2 to the projected Local Market revenue levels in the Base Scenario, in which no proposed New York casinos open. Although it is likely that a majority of the projected impact experienced by these casinos could be attributed to a facility in Amsterdam or Albany, it is also likely that some of the impact can be attributed to the other proposed New York market entrants.

PROJECTED CANNIBALIZATION IMPACT: SCENARIO 1

In 2018 Scenario 1, GMA projects the Amsterdam site would generate $150.8 million in gaming revenue from the Local Market. This Local Market gaming revenue would be generated in three ways: revenue cannibalization from existing New York racinos/Native American casinos, revenue cannibalization from out of state casinos and local market growth. As a result of gaming market expansion in Scenario 1, GMA projects Saratoga would lose approximately $30.1 million in Local Market revenue, Turning Stone would lose $23.0 million in Local Market revenue and Vernon Downs would lose $4.1 million in Local Market Revenue. The following table illustrates the projected cannibalization impact in Scenario 1.

Summary of Primary Impacted Casinos Scenario 1: Amsterdam Site

	Proposed Amsterdam	Saratoga	Turning Stone	Vernon Downs
2013	$ -	$ 136,370,056	$ 238,748,280	$ 43,076,560
2018 Base (Assumes MGM Springfield)	$ -	$ 140,587,971	$ 243,045,532	$ 43,792,085
2018 With Amsterdam & Other NY	$ 150,774,894	$ 110,478,910	$ 220,030,559	$ 39,659,280
Impact of New Casinos	$ 150,774,894	$ (30,109,061)	$ (23,014,973)	$ (4,132,805)
% Change		-21.4%	-9.5%	-9.4%

Source: GMA

PROJECTED CANNIBALIZATION IMPACT: SCENARIO 2

In 2018 Scenario 2, GMA projects the Albany site would generate approximately $224.9 million in Local Market gaming revenue. This Local Market gaming revenue would also be generated in three ways: revenue cannibalization from existing New York racinos/Native American casinos,

revenue cannibalization from out of state casinos and local market growth. In Scenario 2, GMA projects the new market entrants would cannibalize $54.3 million in Local Market revenue from Saratoga, $27.6 million in Local Market revenue from Turning Stone and $5.1 million in Local Market revenue from Vernon Downs. The following table illustrates this analysis in greater detail.

Summary of Primary Impacted Casinos Scenario 2: Albany Site								
		Proposed Albany		Saratoga		Turning Stone		Vernon Downs
2013	$	-	$	136,370,056	$	238,748,280	$	43,076,560
2018 Base (Assumes MGM Springfield)	$	-	$	140,587,971	$	243,045,532	$	43,792,085
2018 With Albnay & Other NY	$	224,868,540	$	86,304,329	$	215,440,052	$	38,734,069
Impact of New Casinos	$	224,868,540	$	(54,283,642)	$	(27,605,481)	$	(5,058,016)
% Change				-38.6%		-11.4%		-11.6%
Source: GMA								

CANNIBALIZATION IMPACT SUMMARY COMPARISON

After performing the cannibalization analysis for Scenario 1 and Scenario 2, GMA compared the results. Saratoga, Turning Stone and Vernon Downs are projected to experience a much larger cannibalization impact in Scenario 2. These three existing casinos are projected to lose $24.2 million, $4.6 million and $925,211 more in Scenario 2 than Scenario 1. This greater cannibalization impact is largely due to the scope, size and location of the proposed Albany facility in comparison to the scope, size and location of the proposed Amsterdam facility.

VIII. PROFORMA INCOME STATEMENTS

AMSTERDAM REVENUE PROJECTIONS

With gaming revenues projected for the first five years of operation for the Amsterdam Site, GMA prepared a ProForma Income Statement detailing estimated revenues and expenses for the Project down to the EBITDA line. In constructing the ProForma, GMA utilized both public and proprietary knowledge of the operating characteristics of the casino resorts listed in the Primary and Secondary competition section, while giving additional consideration to the specific characteristics of the Project. The key components specified below generally reflect the first full year of stabilized operation, after management has had a chance post-opening to make operational adjustments. The following is a discussion of the key components of the ProForma.

REVENUES

Gaming: As estimated in the Gaming Market Assessment section of this document.

Food & Beverage: Considering an appropriate Food & Beverage amenity mix for the Project based on projected patron flow resulting from gamer visitation, F&B revenues were estimated at 12.2% of gross gaming revenue in Year 3.

Hotel: While a detailed Hotel Market Assessment was not completed as part of this engagement, GMA made certain assumptions regarding the operating performance of the Project's 200-room hotel based on its knowledge of casino hotel operations. In the first year of operations, the hotel is estimated to operate at 78% occupancy and generate an Average Daily Rate ("ADR") of $110. In Year 2 of operations, occupancy is estimated to increase to 82% and ADR to $112. While occupancy is estimated to stabilize at 85% in Year 3, ADR is estimated to increase to $114 in Year 3 and increase at 2% per annum in subsequent years.

Retail & Other: The Retail & Other category is comprised of revenue generated by other ancillary amenities of the Project, including gift/ logo shop, ATM fees and other miscellaneous sources. For the Amsterdam Project, GMA estimates Retail & Other revenue at 2.0% of gross gaming revenue in Year 3.

FREEPLAY AND PROMOTIONAL ALLOWANCES

FreePlay is the combination of points redeemed and direct mail point offers redeemed. GMA estimated FreePlay at 10.0% of gross slot revenue in Year 3. The Consulting Team utilized this percentage as this is the existing maximum percentage allowed by the State of New York on a tax free basis. GMA assumed the facility would take advantage of this and stay consistent with other regional gaming facility FreePlay levels.

Promotional Allowances reflect other offers given to players for non-gaming amenity coupons and or discounts. These Promotional Allowances could be offered as points or direct mail that is only redeemable for non-gaming amenities, such as food and beverage facilities, hotel rooms etc. GMA estimates the facility will Promotional Allowances equal to 9.0% of gross gaming revenue in Year 3. This percentage will allow the casino to effectively compete with other regional gaming facility Promotional Allowance offerings.

EXPENSES

With revenues and promotional allowances for the Project estimated, departmental expenses were projected on a margin basis. Margins were based on GMA's experience with casino-hotels in this market as well as other regional markets across the country. Significant expense assumptions include: Slot operating expense at approximately 6.5% of Slot revenue, Table operating expense at 37.5% of Table revenue, Hotel expense at 35% of Hotel revenue and general Marketing expense at 5.5% of Gross Revenue in Year 3. As part of this process, it was assumed that Slot and Table revenues would be taxed at 45% and 10% respectively.

Amsterdam Site ProForma Income Statement										
		Year 1		Year 2		Year 3		Year 4		Year 5
Number Slot Machines		1,500		1,500		1,500		1,500		1,500
Win Per Slot		$205		$232		$251		$260		$265
Number Tables		50		50		50		50		50
Win Per Table		$1,568		$1,774		$1,918		$1,985		$2,025
		Year 1		Year 2		Year 3		Year 4		Year 5
REVENUES										
Gross Slot Revenue*	$	112,442,686	$	127,146,075	$	137,455,217	$	142,266,149	$	145,111,472
Table	$	28,613,248	$	32,375,666	$	35,000,720	$	36,225,745	$	36,950,260
Poker	$	2,183,156	$	2,447,781	$	2,646,250	$	2,738,869	$	2,793,646
Gaming Revenue	**$**	**143,239,090**	**$**	**161,969,523**	**$**	**175,102,187**	**$**	**181,230,763**	**$**	**184,855,379**
Food and Beverage	$	17,441,466	$	19,722,171	$	21,321,266	$	22,067,511	$	22,508,861
Hotel Rooms Revenue	$	6,263,400	$	6,716,292	$	7,101,250	$	9,054,094	$	9,235,176
Hotel Other	$	683,280	$	732,686	$	774,682	$	987,719	$	1,007,474
Retail and Other	$	2,864,782	$	3,239,390	$	3,502,044	$	3,624,615	$	3,697,108
GROSS REVENUE	**$**	**170,492,018**	**$**	**192,380,063**	**$**	**207,801,429**	**$**	**216,964,702**	**$**	**221,303,997**
Less: FreePlay	$	10,119,842	$	12,714,608	$	13,745,522	$	14,226,615	$	14,511,147
Less: Promotional Allowances	$	12,175,323	$	14,577,257	$	15,775,418	$	16,327,558	$	16,654,109
NET REVENUE	**$**	**148,196,854**	**$**	**165,088,198**	**$**	**178,280,489**	**$**	**186,410,530**	**$**	**190,138,740**
DEPARTMENTAL EXPENSES										
Slots	$	8,545,644	$	8,900,225	$	8,934,589	$	9,247,300	$	9,432,246
Tables	$	12,017,564	$	12,626,510	$	13,125,270	$	13,584,655	$	13,856,348
Poker	$	1,397,220	$	1,505,385	$	1,587,750	$	1,643,321	$	1,676,188
Cage and Count	$	2,861,147	$	2,918,370	$	2,976,737	$	3,036,272	$	3,096,997
State Gaming Tax	$	49,124,920	$	54,976,505	$	59,434,060	$	61,514,252	$	62,744,537
Food and Beverage	$	17,441,466	$	18,243,008	$	19,189,140	$	19,860,760	$	20,257,975
Hotel and Hotel Other	$	2,709,205	$	2,718,877	$	2,756,576	$	3,514,635	$	3,584,927
Retail and Other	$	1,575,630	$	1,619,695	$	1,751,022	$	1,812,308	$	1,848,554
General & Administrative*	$	8,788,219	$	8,963,983	$	9,143,263	$	9,326,128	$	9,512,651
Marketing	$	9,668,639	$	9,313,248	$	9,630,620	$	9,967,692	$	10,167,046
Maintenance and Engineering	$	6,990,629	$	7,130,441	$	7,273,050	$	7,418,511	$	7,566,881
Security and Surveillance	$	3,595,180	$	3,667,084	$	3,740,426	$	3,815,234	$	3,891,539
TOTAL DEPARTMENTAL EXPENSES	**$**	**124,715,463**	**$**	**132,583,332**	**$**	**139,542,503**	**$**	**144,741,066**	**$**	**147,635,888**
EBITDA	**$**	**23,481,391**	**$**	**32,504,866**	**$**	**38,737,986**	**$**	**41,669,463**	**$**	**42,502,853**
EBITDA Margin (Gross)		13.8%		16.9%		18.6%		19.2%		19.2%
EBITDA Margin (Net)		15.8%		19.7%		21.7%		22.4%		22.4%
Saratoga Adjustment (10% of Lost Saratoga Rev)	$	(2,922,350)	$	(3,276,574)	$	(3,542,243)	$	(3,595,376)	$	(3,649,307)
Adjusted EBITDA	$	20,559,040	$	29,228,292	$	35,195,744	$	38,074,087	$	38,853,546

** Inclusive of net slot revenue plus freeplay*

Source: Gaming Market Advisors

IX. DISCLAIMER

Global Market Advisors has made its best effort to secure accurate information, however, much of the information contained in this report was received from third parties, which Global Market Advisors did not validate or verify. Accordingly, Global Market Advisors makes no warranty, real or implied, regarding the data contained in this report. This report also contains projections of future events based upon certain assumptions. As it is not possible to predict future outcomes with absolute accuracy, these projections should be treated only as estimates of potential future results. Actual results may differ due to unforeseen events. Consequently, Global Market Advisors assumes no liability for the accuracy of these projections.

X. APPENDICES

FIRM QUALIFICATIONS

Global Market Advisors provides clients with market feasibility studies, primary research, economic impact studies, due diligence, payroll control, operations analysis, business and marketing plan development, and player reward program design for the gaming, hospitality and tourism industries. The principals and associates of GMA have hands-on experience in nearly all aspects of the gaming industry including domestic and international operations, project development, marketing expertise, and detailed market analysis.

Global Market Advisors is a Limited Liability Corporation with offices in Las Vegas, NV and Denver, CO. Below is the contact information for the company's principals.

Andrew M. Klebanow
Principal
Global Market Advisors, LLC
3167 E. Warm Springs Rd.
Las Vegas, NV 89120
O: (702) 547-2225
M: (702) 845-7346

Steve Gallaway
Principal
Global Market Advisors, LLC
1673 Hudson Street
Denver, CO 80220
O: (702) 759-5944
M: (702) 916-1340

STEVEN M. GALLAWAY

Steve Gallaway has had a life-long exposure to the gaming industry with the past twelve years focusing on consulting in the gaming industry. During his career, he has had hands-on experience in operations management, organizational development, project development, business development, process improvement, contract negotiations, customer service training and employee development. Frequently Steve is engaged by clients to provide expert witness testimony in gaming industry related litigation. Based on his broad range of knowledge and experience in hospitality, Mr. Gallaway is known throughout the industry for his knowledge of both domestic and international markets.

Mr. Gallaway is a visiting lecturer at the School of Continuing Education at the University of Nevada, Reno where he teaches a class on casino feasibility analysis. In the gaming industry, many are familiar with Steve through his articles published in Global Gaming Business Magazine and Indian Gaming Magazine. Steve is also a leader with Gerson Lehrman Group Councils, as such providing dozens of Wall St. and international investment firms with advice on gaming markets and gaming investments.

Currently, Mr. Gallaway is a partner with Global Market Advisors, formerly known as Gaming Market Advisors where Steve has been a founding principal since 2005. Prior to GMA, Mr. Gallaway was a Senior Vice President of The Innovation Group, another consulting firm that provides services to the gaming and hospitality industry. Overall, Steve has completed over 300 feasibility studies with a strong focus in Native American gaming operations, public bond transactions, and international gaming developments. Steve has worked with over 75 Native American Tribes from California to Arizona to Florida. Many of these Native American engagements have resulted in Mr. Gallaway assisting his clients in obtaining the necessary funding to allow their projects to move forward.

Internationally, Mr. Gallaway has worked on more than 50 projects in Western and Eastern Europe, Asia, the Bahamas, the Caribbean, Canada, and Mexico. The depth of his experience in Mexico prompted an invitation to speak at G2E (Global Gaming Expo) to discuss the future of gaming in Mexico and at the 2012 Asian Gaming Congress on the feasibility of gaming development in Vladivostok, Russia. Other experience in gaming consulting includes an extensive amount of primary research, operational reviews, completing due diligence for clients on potential gaming acquisitions, and assisting casinos in analyzing and maximizing the utility of their player database.

ANDREW M. KLEBANOW

Andrew Klebanow specializes in Marketing Plan and Business Plan Development, Market Research, Casino Property Analysis, Service Quality Measurement Programs and Player Rewards Program Design exclusive to the gaming and hospitality industries.

Mr. Klebanow has worked in the hospitality industry since 1975 and in the fields of marketing and business planning since 1991. He earned a Bachelor of Arts degree at New York University and Master's Degree in Marketing from Cornell University's School of Hotel Administration.
From 1991-1993, he was Director of Marketing at Sahara Gaming Corporation's Hacienda Hotel and Casino and Director of Marketing and Planning for the parent company's Development Group.

Mr. Klebanow also worked as Director of Marketing for Alliance Gaming Corporation where he conducted the initial market research, consumer testing and marketing plan development for Gamblers Bonus, the industry's first cardless slot club for the company's Nevada slot route division. Gamblers Bonus was the first player tracking system that allowed customers to redeem bonus points for game credits at the machine.

As a consultant to Horseshoe Gaming, Klebanow conducted an analysis of the gaming market in Tunica, MS and subsequently prepared its pre-opening business and marketing plans. In addition, Mr. Klebanow wrote the opening marketing plan for the Horseshoe Casino in Bossier City, LA.

From 1996 to 1999, Klebanow was Vice President of Marketing for Santa Fe Gaming Corporation, where he oversaw the marketing efforts for the Santa Fe Hotel and Casino in Las Vegas and the Pioneer Hotel and Gambling Hall in Laughlin NV. During his tenure at Santa Fe Gaming, his team repositioned both casinos' player rewards programs to better meet the needs of the business. His most recent position was that of Vice President of Marketing at Sam's Town Hotel and Gambling Hall, where he oversaw the repositioning of the 22-year-old gaming property and the re-branding of its player rewards program.

Mr. Klebanow formed his own consulting firm in 2001 and, together with Mr. Gallaway, formed Gaming Market Advisors in 2005. In 2013, Gaming Market Advisors acquired the consulting firm Galaviz and Co, and rebranded Global market Advisors, where Mr. Klebanow is a partner today.

Mr. Klebanow is a periodic lecturer at Cornell University's School of Hotel Administration, the University of Nevada Las Vegas and the University of Nevada Reno's School of Continuing Education. He has contributed articles to the Cornell University Hotel and Restaurant Quarterly and the UNLV Hospitality Journal. Mr. Klebanow also authors a column in Indian Gaming Magazine and in the online gaming publication Urbino.net. Mr. Klebanow has written extensively on the subject of player reinvestment and has developed methodologies for calculating a casino's player reinvestment rate. More recently, he spoke at G2E Asia 2010 on the topic tiered player reward programs, in 2011 on the Korean gaming market and in 2012 on the Manila gaming market. In 2013 he spoke at two seminars at the Global Gaming Expo in Las Vegas on an Introduction to Casino Operations and Trends in Asian tourism.

KIRK SAYLOR

Kirk Saylor has accumulated over 25 years of gaming and casino industry experience in both finance and operations. Mr. Saylor served as Executive Vice President and Chief Operating Officer for Majestic Star Casinos from May of 2006 to August of 2008. Saylor's overall responsibility was to oversee all aspects of the Company's operations both day-to-day and corporate-wide expansion and growth. Mr. Saylor opened lines of communication with not only the operating properties, but the corporate team as well. He built the majority of the infrastructure necessary to effectively operate a multi-jurisdictional gaming company. He also served as a Director on the company's Board of Directors.

Prior to joining Majestic Star Casinos, from October of 2004, Mr. Saylor served as the Chief Financial Officer of Olympia Gaming, the gaming arm of Olympia Land Corporation. Prior to that, and since 1998, he was the Senior Vice President and Chief Financial Officer of Horseshoe Gaming Holding Corp.

While at Horseshoe, Mr. Saylor was instrumental in the company's growth, helping to increase its value ultimately to $1.45 billion. He was also responsible for securing financing of more than $1.0 billion including the successful refinancing of a significant portion of Horseshoe's debt. As Senior VP and Chief Financial Officer, Mr. Saylor was an integral part of the executive team responsible for not only acquisitions, but the ultimate sale of the Company to Harrah's Entertainment in 2004.

Mr. Saylor is well-experienced in dealing with the investment community, having networked with them for many years throughout his professional career. He served as Senior Vice President and Chief Financial Officer for Lone Star Casino Corp., as Corporate Controller and Chief Accounting Officer for Alliance Gaming, Inc., and as the Financial Reporting Manager for the Golden Nugget, Inc.

Mr. Saylor is a CPA and spent over six years with the public accounting firm of Laventhol & Horwath working predominantly in the gaming industry. Mr. Saylor holds a Bachelor's degree in Business Administration from the University of Nevada, Las Vegas. He is also a member of the American Institute of Certified Public Accountants.

EXHIBIT

6

6–Exhibit VIII. A.6.a

BALANCE SHEETS

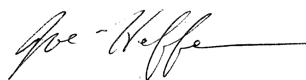
CONSOLIDATED BALANCE SHEETS

As at March 31

$000's	2013	2012
ASSETS		
Cash and cash equivalents [notes 3, 11 and 14]	**$ 114,805**	$ 32,886
Temporary investments [notes 3 and 14]	**59,708**	64,697
Restricted temporary investments [notes 6[d], 13[j] and 14]	**5,425**	5,430
Accounts receivable and other assets [notes 4[g], 4[k] and 7]	**12,048**	15,851
Income taxes recoverable	**5,195**	7,944
Loans receivable [notes 4[h], 4[i] and 14]	**5,365**	23,740
Corporate investments [notes 6 and 14]	**176,390**	187,876
	$ 378,936	$ 338,424
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued liabilities [notes 10 and 13[h]]	**$ 11,255**	$ 9,254
Income taxes payable	**1,993**	1,410
Derivative instruments [note 12[b]]	**3,115**	1,731
Future tax liability [note 8]	**6,474**	4,148
Stock-based compensation [note 10]	**6,411**	5,454
	$ 29,248	$ 21,997
Contingencies, commitments and guarantees [notes 12 and 13]		
Shareholders' equity		
Share capital [note 9]	**$ 79,101**	$ 78,438
Retained earnings	**270,587**	237,989
	349,688	316,427
	$ 378,936	$ 338,424

See accompanying notes

On behalf of the Board:



MICHAEL BREGMAN
Director

JOSEPH J. HEFFERNAN
Director

GREAT CANADIAN GAMING CORPORATION
Consolidated Statements of Financial Position
(Expressed in millions of Canadian dollars)
As at December 31,

			2013		2012
Assets					
Current					
Cash and cash equivalents	Note 5	**$**	**192.6**	$	121.1
Accounts receivable	Note 6		**7.2**		7.7
Income taxes receivable			**3.7**		-
Prepaids, deposits and other assets			**8.0**		6.1
			211.5		134.9
Property, plant and equipment	Note 8		**596.3**		621.3
Intangible assets	Note 9		**75.8**		73.3
Goodwill	Note 10		**20.6**		20.1
Deferred tax assets	Note 19		**8.8**		9.9
Other assets			**2.7**		3.2
		$	**915.7**	$	862.7
Liabilities					
Current					
Accounts payable and accrued liabilities		**$**	**67.9**	$	60.4
Income taxes payable			**-**		0.5
Other liabilities	Note 11		**2.6**		2.9
			70.5		63.8
Long-term debt	Note 12		**441.0**		439.9
Deferred credits, provisions and other liabilities	Note 15		**26.4**		25.4
Deferred tax liabilities	Note 19		**70.3**		53.3
			608.2		582.4
Shareholders' equity					
Share capital and reserves	Note 16		**305.1**		313.5
Accumulated other comprehensive income (loss)			**0.4**		(1.0)
Retained earnings (deficit)			**2.0**		(32.2)
			307.5		280.3
		$	**915.7**	$	862.7

Commitments (Note 26); Subsequent events (Note 16(b))

These financial statements were approved and authorized for issue by the Company's Board of Directors on March 4, 2014.

7–Exhibit VIII. A.7.b

7 FINANCIAL STATEMENTS

EXHIBIT

ANNUAL REPORT 2013

CLAIRVEST

TABLE OF CONTENTS

Co-Chief Executive Officers' Message	2
Management's Discussion and Analysis	4
Management's Report	26
Auditors' Report	27
Consolidated Financial Statements	28
Notes to Consolidated Financial Statements	31
Shareholder Information	56
Corporate Information	Back Cover

KNOWLEDGE BASED - VALUE FOCUSED

CLAIRVEST

CLAIRVEST IS ONE OF CANADA'S LEADING PROVIDERS OF PRIVATE EQUITY FINANCING TO MID-MARKET COMPANIES AND CURRENTLY HAS APPROXIMATELY C$1.2 BILLION OF CAPITAL UNDER MANAGEMENT.

CLAIRVEST MANAGES ITS OWN CAPITAL AND THAT OF THIRD PARTIES, THROUGH THE CLAIRVEST EQUITY PARTNERS LIMITED PARTNERSHIPS.

CLAIRVEST PARTNERS WITH MANAGEMENT TO INVEST IN PROFITABLE, SMALL AND MID-SIZED NORTH AMERICAN COMPANIES WITH THE GOAL OF HELPING TO BUILD VALUE IN THE BUSINESS AND GENERATE SUPERIOR LONG TERM FINANCIAL RETURNS FOR INVESTORS.

CLAIRVEST SPECIALIZES IN CONSOLIDATING INDUSTRIES WITHIN A SPECIFIED REGION AND IN THE LOCAL MARKET CASINO INDUSTRY.

OUR LONG-TERM APPROACH ONCE AGAIN REWARDED OUR COMPANY AND OUR SHAREHOLDERS

FELLOW SHAREHOLDER,

Consistency and discipline have always been the hallmarks of Clairvest's investment strategy. During the past year, our long-term approach once again rewarded our company and our shareholders. Despite a flat year for the private equity industry, Clairvest was very busy and completed the year with two new portfolio investments, a successful exit for PEER 1 and several significant milestones in the existing portfolio. New investments and the strength of our portfolio contributed to a 10% increase in book value per share for the year ended March 31, 2013, increasing to $23.12, compared to $20.93 in the prior year, despite having average cash balances of 37% of book value during the year.

As the private equity industry enters 2013, the industry is poised to benefit from strengthening credit markets and a revival of the deal-making environment. This means that demand for attractive opportunities will be on the rise, along with valuation multiples. However, while we pay attention to macro trends, Clairvest is not influenced by the ebbs and flows of the deal-making environment. With our focus on growth investments in sectors we know and close working partnerships with experienced entrepreneur partners, our eye is fixed on the long term. We keep our focus on intrinsic value creation and strategic deployment of our investors' capital. As we conclude the fiscal year with a strong balance sheet and a solid liquidity position, we are well positioned to continue putting our proven strategy to work for our investors.

NEW INVESTMENTS

During the fiscal year we added two new investments to the portfolio. Both are within chosen industry niches and the result of a focused and patient approach to proprietary deal flow. The first investment in Contractors Rental Supply builds on our experience in the equipment rental space and the second investment in MAG Defense Services is a result of conscientious research into the a growing sub segment of the specialty aviation industry. In April 2013, subsequent to year end, we completed an investment in County Waste of Virginia, our third investment in the solid waste management industry, a core domain for Clairvest since 2005. We are supporting our former partner from a successful solid waste company investment that we exited in 2011. We are privileged that we were chosen again as partners and look forward to building on our previous success together.

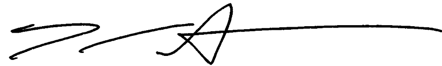
RESULTS

Our value creation performance continues to be greater than many public market indices. Over the past 17 years, Clairvest has consistently delivered growth in its book value per share, producing a compounded annual growth rate of 10% including dividends, on an after-tax basis, compared with 6.6% pre-tax for the S&P 500. This return is the aggregate of high returns on our invested capital and modest money market returns on our cash balances, which have averaged 36% of our book value over the period, providing our shareholders with a solid risk adjusted return.

OUR THANKS

The Company's successes are due to the combined efforts of people in many roles. We acknowledge the consistent hard work and dedications of Clairvest's employees. The exceptional dedication of the management teams of our investee companies must be noted, along with the commitment of our limited partners, plus the advice and counsel of our Board of Directors.

Most of all, we extend our appreciation to Clairvest shareholders, for their continued confidence.



B. Jeffrey Parr
Co-Chief Executive Officer

Ken Rotman
Co-Chief Executive Officer

June 25, 2013

The Management's Discussion and Analysis ["MD&A"] of financial condition and results of operations analyzes significant changes in Clairvest Group Inc.'s consolidated financial results, financial position, risks and opportunities. It should be read in conjunction with the Consolidated Financial Statements.

The following MD&A is the responsibility of Management and is as of June 25, 2013. The Board of Directors carries out its responsibility for review of this disclosure through its Audit Committee. The Audit Committee reviews the disclosure and recommends its approval to the Board of Directors. The Board of Directors has approved this disclosure.

INTRODUCTION

Clairvest Group Inc. ["Clairvest" or the "Company"] is a private equity investor that specializes in partnering with management teams and other stakeholders of both emerging and established companies. Clairvest invests its own capital, and that of third parties, through Clairvest Equity Partners Limited Partnership ["CEP"], Clairvest Equity Partners III Limited Partnership ["CEP III"], Clairvest Equity Partners IV Limited Partnership ["CEP IV"] and Clairvest Equity Partners IV-A Limited Partnership ["CEP IV-A"] [together, the "CEP Funds"] in a small number of carefully selected companies that have the potential to generate superior returns.

The Company's shares are traded on the Toronto Stock Exchange under the stock symbol "CVG".

At March 31, 2013, Clairvest had 15 core investments in 8 different industries. Three of these investments are joint investments with CEP, five are joint investments with CEP III and six are joint investments with CEP IV and CEP IV-A [together, the "CEP IV Fund"]. Clairvest also holds an investment in Wellington Financial Fund IV ["Wellington Fund IV"].

OVERVIEW OF FISCAL 2013

An overview of the significant events during fiscal 2013 follows:

- Clairvest's book value increased $33.3 million, or $2.19 per share. The increase was primarily due to net income of $2.36 per share, net of $0.2093 per share in dividends paid.
- Clairvest and CEP III sold their interests in PEER 1 Network Enterprises Inc. ["PEER 1"], a global online IT infrastructure provider based in Vancouver, British Columbia, for cash proceeds of $79.8 million. On a combined $25.2 million investment, Clairvest and CEP III generated a pre-tax return of 3.2 times and an internal rate of return of 40% over a 3.5 year investment period. Consistent with its ownership percentage, Clairvest realized $19.9 million on a $6.3 million investment. During fiscal 2013, Clairvest recorded a $9.5 million pre-tax gain on its investment in PEER 1, inclusive of $0.5 million in foreign exchange gain.
- Rivers Casino, a gaming entertainment complex located in Des Plains, Illinois, completed a financing which resulted in a distribution to its investors. As a result of the financing, Clairvest, the CEP IV Fund and co-investors received distributions and promissory note repayments totaling US$83.9 million. In addition, Clairvest, the CEP IV Fund and co-investors also received quarterly distributions, interest and fee payments which brought total cash proceeds in fiscal 2013 to US$125.9 million against an aggregate original investment of US$79.9 million. Consistent with its ownership percentage, Clairvest received US$15.8 million on an original US$8.5 million investment. During fiscal 2013, Clairvest recorded $10.0 million in pre-tax income from its investment in Rivers Casino, comprised primarily of $13.2 million in distributions and interest

income, $0.5 million in fees net of a $3.8 million net unrealized loss as a result of the $13.2 million distributions received.

- Centaur Gaming [formerly Centaur, LLC] completed the acquisition of Indiana Grand Casino and Indiana Downs Racetrack ["Indiana Grand"], and together with its ownership in Hoosier Park Racing Casino, owns both racinos in the Indianapolis region. Clairvest, CEP IV, CEP IV-A and other co-investors [the "investors"] advanced US$9.1 million in promissory notes during the acquisition process and invested US$30.4 million in support of the acquisition. The investment was by way of unsecured term loans with stapled warrants which subject to regulatory approval are convertible upon exercise into 35.8% of the Class B units of Centaur Gaming. Prior to this investment, the investors had an aggregate investment in Centaur Gaming of US$103.5 million in post-petition first and second lien loans, unsecured term loans with stapled warrants and promissory notes from an unrelated investment partner [the "Investment Partner"]. In conjunction of this transaction, Centaur Gaming completed a financing which resulted in full repayment of its post-petition first and second lien loans and promissory notes. The investors received US$91.0 million in principal repayments during fiscal 2013, comprised of a US$58.6 million full repayment of the post-petition first lien secured loans, a US$22.2 million full repayment of the post-petition second lien secured loans, US$9.1 million full repayment of the promissory notes advanced during the acquisition process and US$1.1 million full repayment of the promissory note from the Investment Partner. Consistent with its ownership, Clairvest had an investment in Centaur Gaming of US$29.0 million at March 31, 2012 and advanced a US$7.4 million promissory note during the acquisition process and invested US$8.4 million in unsecured term loans with stapled warrants in support of the acquisition. The warrants, which subject to regulatory approval, are convertible upon exercise to 9.9% of Class B units of Centaur Gaming. Clairvest received total principal repayments of US$30.3 million during fiscal 2013, comprised of US$16.4 million full repayment of the post-petition first lien secured loans, a US$6.2 million full repayment of the post-petition second lien secured loans, US$7.4 million full repayment of the promissory note and US$0.3 million full repayment of the promissory note from the Investment Partner, such that Clairvest's net investment in Centaur Gaming at March 31, 2013 was US$14.5 million. Subsequent to the financing, Clairvest made a treasury investment in Centaur Gaming in the form of a US$6.0 million first lien secured loans and a US$6.0 second lien secured loans, the aggregate carrying value of which at March 31, 2013 was $12.3 million and has been included in temporary investments on the balance sheet. During fiscal 2013, Clairvest recorded $6.0 million in pre-tax income from its investment in Centaur Gaming, comprised primarily of $3.8 million in unrealized gains and $2.0 million in interest income.
- Clairvest, CEP III and co-investors earned $12.5 million in dividends through their investment in Chilean Gaming Holdings, bringing total dividends earned to March 31, 2013 to $17.4 million, or 22% of their invested capital. Consistent with its ownership, Clairvest earned $4.6 million in dividends through its investment in Chilean Gaming Holdings, and together with $6.4 million in unrealized gains and $0.8 million in foreign exchange costs, recorded $10.2 million in pre-tax income from its investment in Chilean Gaming Holdings during fiscal 2013.
- Clairvest made a $6.8 million provision for its investment in Landauer Metropolitan Inc. ["Landauer"], due to an anticipated material adverse change to the profitability of Landauer in the near term as a result of the recently completed Medicare competitive bidding process in the United States.

- Clairvest and the CEP IV Fund invested $39.5 million in CRS Contractors Rental Supply Limited Partnership ["CRS"], a provider of equipment rental services and related merchandise across 21 locations in Ontario, Canada. Clairvest's portion of the investment is $10.6 million.
- Clairvest and the CEP IV Fund invested US$7.0 million in MAG Defense Services ["MAG"], a U.S.-based specialty aviation and intelligence, surveillance and reconnaissance service provider. Clairvest's portion of the investment is US$1.9 million.
- Clairvest reached a court approved settlement with certain parties with respect to a $10.0 million loan advanced during fiscal 2006 and 2007 which was written off during fiscal 2007. Clairvest recorded pre-tax income of $7.8 million on this settlement, without taking into account litigation and other costs incurred in the recovery process, substantially all of which have been incurred and recorded as charges against income as of March 31, 2013. Clairvest continues to seek additional recoveries against parties that are not part of this settlement.
- Clairvest filed a new normal course issuer bid enabling it to make market purchases of up to 756,204 of its common shares in the 12-month period commencing March 6, 2013. No purchases have been made under this bid to June 25, 2013. As at June 25, 2013, Clairvest had repurchased a total of 6,595,049 common and non-voting shares over the last ten years. As at June 25, 2013, 15,124,095 common shares are outstanding.
- Clairvest paid an annual ordinary dividend of $0.10 per share and a special dividend of $0.1093 per share, such that in aggregate, the dividends represented 1% of the March 31, 2012 book value. The dividends were paid on July 26, 2012 to common shareholders of record as of July 9, 2012. The dividends were eligible dividends for Canadian income tax purposes.

OUTLOOK

At March 31, 2013, Clairvest's current management team has made 34 platform investments in 10 different industries and has exited 22 investments which have generated 2.6 times invested capital on realized and substantially realized investments. From inception, the Company has invested its own capital in every investment. Clairvest's team of professionals have all invested significant amounts of capital in the Company which allows Clairvest to approach each investment as owners and shareholders.

At March 31, 2013, Clairvest had $174.5 million in cash, cash equivalents and temporary investments, access to $95.0 million in credit facilities and $261.1 million of additional capital available through the CEP Funds to fund new and follow-on investments. With a strong financial position, Clairvest has the ability to support the growth of its investee companies and to continue its active pursuit of new investment opportunities.

At March 31, 2013, Clairvest had approximately $1.2 billion in capital under management, $834 million of which is third-party capital. The third-party capital provides Clairvest with a steady stream of revenue over the next few years and provides the ability for Clairvest to enhance its returns by earning a carried interest.

Clairvest's latest capital pool with the CEP IV Fund totals $467 million, $125 million of which is committed by Clairvest. At March 31, 2013, 40% of this capital pool has been invested in 6 different investments. Subsequent to year end, Clairvest and the CEP IV Fund invested a combined US$15.0 million for a 46.9% ownership in County Waste of Virginia ["County Waste"], a private regional solid waste management company based in West Point, Virginia. Clairvest's portion of the combined investment was US$4.0 million for a 12.6% ownership in County Waste. The investment in County Waste brings capital invested by the CEP IV Fund to approximately 45% of its committed capital.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FORWARD-LOOKING STATEMENTS

A number of the matters discussed in this MD&A deal with potential future circumstances and developments and may constitute "forward-looking" statements. These forward-looking statements can generally be identified as such because of the context of the statements and often include words such as the Company "believes", "anticipates", "expects", "plans", "estimates" or words of a similar nature.

The forward-looking statements are based on current expectations and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include general and economic business conditions and regulatory risks. The impact of any one risk factor on a particular forward-looking statement is not determinable with certainty as such factors are interdependent upon other factors, and management's course of action would depend upon its assessment of the future, considering all information then available.

All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. The Company assumes no obligation to update forward-looking statements should circumstances or management's estimates or opinions change.

REGULATORY FILINGS

The Company's continuous disclosure materials, including interim filings, annual MD&A and audited consolidated financial statements, Annual Information Form, Notice of Annual Meeting of Shareholders and Proxy Circular are available on the Canadian System for Electronic Document Analysis and Retrieval ["SEDAR"] at www.sedar.com.

SUMMARY OF CLAIRVEST'S CORPORATE INVESTMENTS AT MARCH 31, 2013

Investment	Industry Segment	Geographic Segment	Ownership Percentage[17]	Cost of Investment [millions]	Net Cash Investment [millions][18]	Fair Value of Investment [millions][19]	Description of Business
INVESTMENTS MADE ALONGSIDE CLAIRVEST EQUITY PARTNERS							
Grey Eagle Casino[1]	Gaming	Canada	Equity participation	$ –	$ [5.1]	$ 2.4	A charitable casino on Tsuu T'ina First Nation reserve lands, located southwest of the city of Calgary, Alberta. CEP also has an equity participation in the Grey Eagle Casino.
Landauer Metropolitan Inc. ["Landauer"][2]	Healthcare	United States	14.2%	$ 5.1	$ 5.1	$ 0.1	A supplier of home medical equipment in northeastern United States. CEP owns 42.6% of Landauer.
N-Brook Mortgage LP ["N-Brook"][3]	Financial Services	Canada	24.1%	$ 3.1	$ 3.1	$ 0.7	A company that originated adjudicated and underwrote mortgages in Ontario, British Columbia, Manitoba and Alberta, Canada. CEP owns 72.3 % of N-Brook.
INVESTMENTS MADE ALONGSIDE CLAIRVEST EQUITY PARTNERS III							
Casino New Brunswick[4]	Gaming	Canada	22.5%	$ 9.8	$ 9.8	$ 2.4	A gaming entertainment complex located in Moncton, New Brunswick. CEP III owns 67.5% of Casino New Brunswick.
Chilean Gaming Holdings[5]	Gaming	Chile	36.8%	$ 28.7	$ 23.1	$ 39.5	An investment vehicle which holds an equity interest in various gaming entertainment complexes in Chile. CEP III owns 37.7% of Chilean Gaming Holdings.
Kubra Data Transfer Limited ["Kubra"][6]	Business Services	United States	11.5%	$ 2.2	$ [0.8]	$ 12.7	A business process outsourcing company focused on the distribution of household bills on behalf of its customers. CEP III owns 34.5% of Kubra.
Light Tower Rentals Inc. ["Light Tower Rentals"][7]	Equipment Rental	United States	12.6%	$ 8.2	$ 8.2	$ 24.6	An oilfield equipment rental company operating in major oil and gas drilling basins in the United States. CEP III owns 37.8% of Light Tower Rentals.
Lyophilization Services of New England Inc. ["LSNE"][8]	Contract Manufacturing	United States	12.3%	$ 7.5	$ 7.5	$ 7.6	A Manchester, New Hampshire based contract manufacturing organization focused on providing lyophilization services to biotech, pharmaceutical and medical device manufacturers. CEP III owns 36.8% of LSNE.

[1] Clairvest had funded $5.6 million to Grey Eagle Casino by way of 16% debentures which was repaid in full during fiscal 2012. Clairvest continues to hold units of a limited partnership which operates Grey Eagle Casino, entitling Clairvest to between 2.8% and 9.6% of the earnings of the casino until December 18, 2022.

[2] Clairvest owns 1,906,250 10% cumulative convertible preferred shares, 748,133 common shares, a US$0.6 million subordinated secured convertible note at 10% interest per annum and US$0.3 million of bridge loans of Landauer.

[3] Clairvest has funded $5.0 million to N-Brook in the form of partnership units and warehouse loans. The net cash investment and fair value is reduced by $1.9 million as a result of cash distributions received to date.

[4] Clairvest has funded $9.8 million to Casino New Brunswick by way of debentures and owns units of a limited partnership which operates Casino New Brunswick.

[5] Clairvest owns 30,446,299 units of Chilean Gaming Holdings which holds a 50% interest in Casino Marina del Sol and a 48.8% interest in each of Casino Osorno and Casino sol Calama.

[6] Clairvest owns 3,250,000 Class A voting common shares of Kubra. The net cash investment is reduced by the $3.0 million in dividends received.

[7] Clairvest owns 5,841,250 Series A convertible preferred shares and 8,428,387 common shares of Light Tower Rentals.

[8] Clairvest owns 6,406,000 Series A 10% cumulative convertible preferred shares, 1,250,000 Series B cumulative preferred shares and a US$0.4 million demand promissory note of LSNE.

Investment	Industry Segment	Geographic Segment	Ownership Percentage[17]	Cost of Investment [millions]	Net Cash Investment [millions][18]	Fair Value of Investment [millions][19]	Description of Business
INVESTMENTS MADE ALONGSIDE CLAIRVEST EQUITY PARTNERS IV							
Centaur Gaming [formerly Centaur, LLC][9]	Gaming	United States	Debt interest with stapled warrants	$ 14.6	$ 11.8	$ 18.4	The owner and operator of the Hoosier Park Racing & Casino and the Indiana Grand Casino and Indiana Downs Racetrack in the Indianapolis region. CEP IV and CEP IV-A have debt interests with stapled warrants.
CRS Contractors Rental Supply Limited Partnership ["CRS"][10]	Equipment Rental	Canada	13.9%	$ 10.6	$ 10.6	$ 10.6	A provider of equipment rental services and related merchandise across 21 locations in Ontario, Canada. CEP IV and CEP IV-A own 32.8% and 5.2% of CRS respectively.
Discovery Air Inc. ["Discovery Air"][11]	Specialty Aviation	Canada	Debt interest convertible to 10.5%	$ 22.0	$ 22.0	$ 25.5	A specialty aviation services business operating across Canada and in selected locations internationally. CEP IV and CEP IV-A have a debt interest convertible to 13.2% and 2.1% in Discovery Air respectively.
Linen King, LLC ["Linen King"][12]	Textile Rental Service	United States	21.7%	$ 2.5	$ 2.5	$ 0.8	An Oklahoma based textile rental company that provides commercial laundry services, primarily to hospitals. CEP IV and CEP IV-A own 51.1% and 8.1% of Linen King respectively.
MAG Defense Services ["MAG"][13]	Specialty Aviation	United States	8.0%	$ 1.9	$ 1.9	$ 1.9	A U.S.-based specialty aviation, intelligence, surveillance and reconnnaissance service provider. CEP IV and CEP IV-A have Class A stock convertible to 19.0% and 3.0% interest respectively.
Rivers Casino [14]	Gaming	United States	5.0%	$ 7.4	$ [6.2]	$ 20.7	A gaming entertainment complex located in Des Plains, Illinois. CEP IV and CEP IV-A own 11.8% and 1.9% of Rivers Casino respectively.
STANDALONE INVESTMENTS							
Wellington Financial Fund IV ["Wellington Fund IV"][15]	Financial Services	Canada	12.6%	$ 12.1	$ 11.5	$ 14.9	Provides debt capital and operating lines to technology, biotechnology, communications and industrial product companies in Canada and the United States.
OTHER INVESTMENTS[16]				**$ 0.9**	**$ 0.9**	**$ [6.4]**	
TOTAL INVESTMENTS				**$ 136.7**	**$ 105.9**	**$ 176.4**	

[9] Clairvest invested $14.6 million in Centaur Gaming by way of unsecured term loans with stapled warrants which, subject to regulatory approval, are convertible upon exercise into 9.9% of Class A and Class B units of Centaur Gaming. Clairvest also invested US$6.0 million in first lien secured loans and US$6.0 million in second lien secured loans from its treasury funds which are included in temporary investments.

[10] Clairvest owns 10,572,805 limited partnership units of CRS.

[11] Clairvest invested $22.0 million in Discovery Air by way of 5.5 year term convertible debentures with a stated interest rate of 10% per annum.

[12] Clairvest owns 2,529,209 Class A units of Linen King.

[13] Clairvest owns 18,737 Class A stock of MAG.

[14] Clairvest owns 9,021,917 units of Rivers Casino and 5,000 units of a minority investor in Rivers Casino. The US$1.1 million promissory note advanced to a minority investor had been repaid in full during fiscal 2013.

[15] Clairvest has committed to fund $25.1 million to Wellington Fund IV, $12.1 million of which had been funded at March 31, 2013. The net cash investment is reduced by $0.6 million as a result of income distributions received to date.

[16] Other investments include the fair values attributable to limited partners of Participation III and IV Partnerships as described in note 4[c] and 4[f] to the consolidated financial statements.

[17] Ownership percentage calculated on a fully diluted basis at March 31, 2013.

[18] Net cash investment is comprised of cost net of dividends, interest and other distributions received but excludes advisory and other fees received, foreign income taxes incurred by acquisition entities and foreign exchange gains or losses on foreign exchange forward contracts entered into as hedges against Clairvest's foreign denominated investments.

[19] The determination of fair value incorporates the quoted market value of Clairvest's publicly-traded investments and an estimate of fair value for privately-held investments. The fair value of foreign exchange forward contracts entered into as hedges against Clairvest's foreign denominated investments is not included in this fair value.

FINANCIAL HIGHLIGHTS

Selected Financial Performance Measures

Year ended March 31, [$000's, except number of shares and per share amounts]	2013	2012	2011
Financial Performance Measures			
Net realized gains on corporate investments	**$ 9,009**	$ 545	$ 3,861
Net changes in unrealized gains on corporate investments	**4,598**	16,590	16,249
Net income	**35,763**	22,416	19,564
Basic net income per share	**2.36**	1.46	1.23
Fully diluted net income per share	**2.32**	1.43	1.20
Dividends declared per share	**0.2093**	0.1965	0.10
Financial Condition Measures [as at March 31]			
Total assets	**378,936**	338,424	318,860
Total cash, cash equivalents and temporary investments	**174,513**	97,583	138,338
Total corporate investments	**176,390**	187,876	162,177
Total liabilities	**29,248**	21,997	16,458
Book value	**349,688**	316,427	302,402
Common shares outstanding	**15,124,095**	15,118,095	15,392,695
Book value per share	**23.12**	20.93	19.65

Income Statement Highlights

Clairvest's operating results reflect revenue earned from its corporate investments and cash, cash equivalents and temporary investments and realized and net changes in unrealized gains and losses on its corporate investments. These results are net of all costs incurred to manage these assets. The operating results of the CEP Funds are not included in Clairvest's operating results.

Net income for the year ended March 31, 2013 was $35.8 million, versus $22.4 million for the year ended March 31, 2012 and $19.6 million for the year ended March 31, 2011.

Clairvest had net realized gains of $9.0 million in fiscal 2013 versus $0.5 million in fiscal 2012 and $3.9 million in fiscal 2011. The net realized gains in 2013 resulted primarily from the realization of Clairvest's investment in PEER 1. The net realized gains in 2012 resulted primarily from the realization of Clairvest's investment in Hudson Valley Waste. The net realized gains in 2011 resulted primarily from the realization of Clairvest's investment in Van-Rob. Previously recognized net unrealized gains of these investments are reversed and netted against net realized gains for the respective year.

Clairvest had net changes in unrealized gains on investments of $4.6 million in fiscal 2013 versus $16.6 million in fiscal 2012 and $16.2 million in fiscal 2011. Unrealized gains or losses result from changes in the fair value of the investments from one year to the next and do not reflect foreign exchange revaluations. Clairvest has implemented a hedging strategy to limit its exposure to changes in the value of foreign denominated currencies relative to the Canadian dollar by hedging 100% of the fair value of its foreign investments, unless a specific exemption is approved by the Board of Directors. The changes in unrealized gains or losses on corporate investments are summarized as follows:

Net Changes in Unrealized Gains [Losses] on Investments [$000's]

Year ended March 31,	**2013**	2012	2011
Investments in publicly-traded securities			
PEER 1 Network Enterprises Inc.	**$ —**	$ 1,504	$ 3,528
	—	1,504	3,528
Investments in privately-held securities			
Casino New Brunswick	**—**	[2,744]	[4,606]
Centaur Gaming	**3,815**	[2,598]	2,266
Chilean Gaming Holdings	**6,395**	1,559	—
Grey Eagle Casino	**825**	299	459
Hudson Valley Waste Holding, Inc.	**—**	—	8,387
Kubra Data Transfer Limited	**4,614**	[778]	2,156
Landauer Metropolitan Inc.	**[6,907]**	962	[2,936]
Light Tower Rentals Inc.	**2,602**	6,116	7,131
Linen King, LLC	**[1,744]**	—	—
Lyophilization Services of New England Inc.	**2,360**	[1,389]	784
Rivers Casino [1]	**[3,849]**	15,689	—
Wellington Financial Fund II	**[26]**	[56]	23
Wellington Financial Fund III / IV	**711**	206	538
	8,796	17,266	14,202
Other investments [2]	**[4,198]**	[2,180]	[1,481]
	$ 4,598	$ 16,590	$ 16,249

[1] The net unrealized loss on Rivers Casino during fiscal 2013 was the result of $13.2 million in distributions and interest received during the year.

[2] Includes fair value attributable to limited partners of Participation III and IV Partnerships as described in note 4[c] and 4[f] to the consolidated financial statements.

Further details on net changes in unrealized gains/losses on investments can be found in the discussion of Clairvest's corporate investments below.

Net income in fiscal 2013 included distributions and interest income of $32.3 million, dividend income of $4.6 million, management fees from CEP and CEP IV-A of $1.0 million, advisory and other fees from Clairvest's investee companies of $1.4 million, a realized gain on temporary investments of $7.8 million, administration and other expenses of $17.9 million, finance and foreign exchange expense of $1.0 million and income tax expense of $6.0 million. Included in distributions and interest income was $7.5 million in priority distributions from CEP III and CEP IV, $0.9 million in General Partner income distributions from CEP and $19.9 million in distributions and interest from Clairvest's investee companies. Included in dividends were dividends totaling $4.6 million from Clairvest's investee companies. Included in administration and other expenses were management and directors compensation expense totaling $12.4 million, $6.8 million of which is performance based.

Net income in fiscal 2012 included distributions and interest income of $19.3 million, dividend income of $4.4 million, management fees from CEP and CEP IV-A of $1.1 million, advisory and other fees from Clairvest investee companies of $2.0 million, administration and other expenses of $15.4 million, finance and foreign exchange expense of $1.7 million and income tax expense of $4.5 million. Included in distributions and interest income was $7.4 million in priority

distributions from CEP III and CEP IV, $2.2 million in General Partner income distributions from CEP and $6.3 million in distributions and interest from Clairvest's investee companies. Included in dividends were dividends totaling $4.3 million from Clairvest's investee companies. Included in administration and other expenses were management and directors compensation expense totaling $10.9 million, $5.3 million of which is performance based.

Net income in fiscal 2011 included distributions and interest income of $14.8 million, dividend income of $0.7 million, management fees from CEP and CEP IV-A of $1.1 million, advisory and other fees from Clairvest investee companies of $1.0 million, administration and other expenses of $14.0 million, finance and foreign exchange expense of $1.1 million and income tax expense of $3.1 million. Included in distributions and interest income was $5.6 million in priority distributions from CEP III and CEP IV, $3.1 million in General Partner income distributions from CEP and $3.0 million in distributions from Clairvest's investee companies. Included in dividends were dividends totaling $0.5 million from Clairvest's investee companies. Included in administration and other expenses were management and directors compensation expense totaling $10.1 million, $4.8 million of which is performance based.

Balance Sheet Highlights

ASSETS

Total assets at March 31, 2013 were $378.9 million, an increase of $40.5 million from $338.4 million at March 31, 2012.

With $174.5 million in cash, cash equivalents and temporary investments ["treasury funds"] and $95.0 million in credit facilities, Clairvest has sufficient capital and liquidity to support its current and anticipated investments.

At March 31, 2013, the Company's treasury funds were held in cash, money market savings accounts rated R1-High, corporate bonds rated not below A+, guaranteed investment certificates and investment savings accounts rated not below A, and a treasury investment in the first and second lien loans of Centaur Gaming [see Notes 3 and 14 to the consolidated financial statements for a detailed discussion of the Company's treasury funds].

Clairvest has a $75.0 million, committed credit facility with a maturity date of April 30, 2020. The credit facility is unsecured and bears interest at the rate of 11.0% per annum on drawn amounts and 1.0% per annum on undrawn amounts. The amount available under the credit facility at March 31, 2013 is $75.0 million.

Clairvest also has a $20.0 million credit facility subject to annual renewals. The credit facility is unsecured and bears interest at the bank prime rate plus 0.5% per annum. The amount available under the credit facility at March 31, 2013 is $20.0 million, which is based on debt covenants within the banking arrangement.

As is typical of a private equity management firm, Clairvest's main asset is its corporate investments. Corporate investments decreased $11.5 million to $176.4 million at March 31, 2013. The decrease is comprised primarily of:

- Net return of capital from Centaur Gaming of $14.8 million;
- Realization of PEER 1 which was carried at $10.4 million at March 31, 2012;
- Repayment of the $4.5 million bridge loan previously advanced to Discovery Air;
- Partial return of capital from N-Brook of $1.9 million;
- Net return of capital from Wellington Fund IV of $1.4 million;
- Partial return of capital from Rivers Casino of $1.1 million; partially offset by
- A $10.6 million investment in CRS;
- A $1.9 million investment in MAG;
- Net follow-on investments totaling $0.1 million in existing investee companies;
- Net changes in unrealized gains on corporate investments of $4.6 million; and
- Interest accrued on debenture investments of $2.5 million and foreign exchange revaluations of $3.1 million.

Corporate investments increased $25.7 million to $187.9 million from March 31, 2011 to March 31, 2012. The increase primarily resulted from a $26.5 million investment in Discovery Air, a $2.5 million investment in Linen King, $2.4 million in follow-on investments in existing investee companies, net changes in unrealized gains on corporate investment of $16.6 million, partially offset by the realization of Hudson Valley Waste which was carried at $16.9 million at March 31,

2011, repayment of debentures and accrued interest of $7.8 million from Grey Eagle Casino and a net return of capital of $6.7 million as a result of Centaur Gaming's emergence from Chapter 11 protection.

The cost and fair value of corporate investments described below do not reflect foreign exchange gains or losses on the foreign exchange forward contracts entered into as hedges against the Company's foreign denominated investments. A discussion on the activity in each corporate investment held at March 31, 2013 follows.

INVESTMENTS MADE ALONGSIDE CEP

Grey Eagle Casino

At March 31, 2013, Clairvest holds units of a limited partnership which operates Grey Eagle Casino, entitling Clairvest between 2.8% and 9.6% of the earnings of the casino from the date of commencement of operations, December 19, 2007, for a period of 15 years.

During fiscal 2013, Clairvest earned $0.4 million in profit distributions from Grey Eagle Casino.

The fair value of $2.4 million at March 31, 2013 reflects management's estimated realizable value on the earnings entitlement.

Landauer Metropolitan Inc.

At March 31, 2013, Clairvest owned 1,906,250 10% cumulative convertible preferred shares, 748,133 common shares and $0.2 million in bridge loans which bear interest at a rate of 25% per annum, $0.1 million in bridge loans which bear interest at a rate of 12% per annum and a $0.6 million subordinated secured convertible note with 10% accrued interest per annum. The bridge loans are convertible to common shares of Landauer at a rate of $1.0 per share. The subordinated secured convertible note is convertible to Series B preferred shares at a conversion rate of $1.00 per share or into common shares at a rate of $0.50 per share. The conversion is at Clairvest's discretion.

During fiscal 2013, management determined that the fair value of Landauer should be written down by $6.8 million due to an anticipated material change to the profitability in the near term as a result of the recently completed Medicare competitive bidding process in the United States.

The fair value of $0.1 million at March 31, 2013 compares to a cost of $5.1 million. The fair value reflects management's estimated realizable value and is adjusted for foreign exchange fluctuations.

N-Brook Mortgage LP

During fiscal 2013, Clairvest received cash proceeds totaling $1.9 million from N-Brook Mortgage LP ["N-Brook"], $1.1 million of which was recorded as a full repayment of the variable rate demand debenture and the remaining $0.8 million was recorded as a return of capital on the limited partnership units.

At March 31, 2013, Clairvest owned 3,931,984 Series 1 limited partnership units and 15 Class A ordinary limited partnership units of N-Brook.

The fair value of $0.7 million at March 31, 2013 compares to a cost of $3.1 million. The fair value reflects management's estimated realizable value based on the remaining mortgage portfolio held by N-Brook.

INVESTMENTS MADE ALONGSIDE CEP III

Casino New Brunswick

At March 31, 2013, Clairvest has funded $9.8 million to Casino New Brunswick. Clairvest also holds units of a limited partnership which operates Casino New Brunswick, entitling Clairvest to 22.5% of the earnings of the casino. Clairvest has also pledged $5.4 million to a Schedule 1 Canadian chartered bank which has provided debt financing to Casino New Brunswick. The pledge was made to support the guarantee to fund any operating deficiencies of Casino New Brunswick as described in the Off-Balance Sheet Arrangements section of the MD&A.

The fair value of $2.4 million at March 31, 2013 compares to cost of $9.8 million. The fair value reflects management's estimated realizable value as results trail initial estimates when the investment was first completed.

Chilean Gaming Holdings

During fiscal 2013, Clairvest earned dividends totaling $4.6 million through its interest in Chilean Gaming Holdings, bringing total dividends earned to March 31, 2013 to $6.4 million.

The fair value of $39.5 million at March 31, 2013 compares to cost of $28.7 million. The fair value reflects management's estimated realizable value and is adjusted for foreign exchange fluctuations.

Kubra Data Transfer Limited

At March 31, 2013, Clairvest owned 3,250,000 Class A voting common shares of Kubra.

The fair value of Kubra of $12.7 million compares to a cost of $2.2 million. The fair value reflects management's estimated realizable value and is adjusted for foreign exchange fluctuations.

Light Tower Rentals Inc.

During fiscal 2013, LTR Equipment Inc. ["LTR Equipment"], a company affiliated with Light Tower Rentals which supplies certain equipment to Light Tower Rentals, was amalgamated into Light Tower Rentals. As a result of the amalgamation, Clairvest exchanged the 2,215,736 common shares of LTR Equipment into 8,428,387 common shares of the combined entity.

At March 31, 2013, Clairvest owned 5,841,250 Series A convertible preferred shares and 8,428,387 common shares in Light Tower Rentals, representing a 12.6% ownership interest on a fully-diluted basis.

The fair value of $24.6 million at March 31, 2013 compares to cost of $8.2 million. The fair value reflects management's estimated realizable value and is adjusted for foreign exchange fluctuations.

Lyophilization Services of New England Inc.

During fiscal 2013, Clairvest funded an additional US$0.1 million to LSNE in the form of unsecured loans to further support the growth of LSNE, bringing total unsecured loans advanced to LSNE by Clairvest to US$1.0 million. On March 31, 2013, US$0.6 million of unsecured loans were converted to 1,250,000 Series B 10% cumulative preferred shares and the remaining US$0.4 million of unsecured loans were converted to a promissory note with a stated interest rate of 10% per annum and repayable on demand.

At March 31, 2013, Clairvest owned 6,406,000 Series A 10% cumulative preferred shares which are convertible into a 12.3% ownership interest on a fully-diluted basis, 1,250,000 Series B 10% cumulative preferred shares and US$0.4 million in demand promissory notes.

Also during fiscal 2013, management determined that the fair value of LSNE should be adjusted upward by US$2.4 million.

The fair value of $7.6 million at March 31, 2013 compares to a cost of $7.5 million. The fair value reflects management's estimated realizable value and is adjusted for foreign exchange fluctuations.

INVESTMENTS MADE ALONGSIDE CEP IV

Centaur Gaming

During fiscal 2013, Centaur Gaming acquired Indiana Grand Casino and Indiana Downs Racetrack ["Indiana Grand"], located in Shelbyville, Indiana. Clairvest advanced a US$7.4 million promissory note to Centaur Gaming during the acquisition process and invested an additional US$8.4 million in the form of an unsecured term loan with stapled warrants in support of this acquisition. The promissory note had a stated interest rate of 3.41% per annum and was repaid in full upon completion of the acquisition. The warrants, which subject to regulatory approval, are convertible upon exercise into 9.9% of Class B units of Centaur Gaming.

In conjunction with this acquisition, Centaur Gaming completed a financing and repaid in full the post-petition first and second lien secured notes with interest accrued to February 20, 2013. The promissory note from an unrelated investment partner of Centaur Gaming was also repaid in full upon the completion of the financing. During fiscal 2013,

Clairvest received cash proceeds totaling US$32.3 million, comprised of a US$16.4 million full repayment on the first lien secured notes, a US$6.2 million full repayment on the second lien secured notes, a US$0.3 million full repayment on the promissory note from the unrelated investment partner, a US$7.4 million full repayment on the promissory note advanced during the acquisition process and US$2.0 million in interest. Immediately following these transactions, Clairvest held US$13.6 million in term loans with stapled warrants which are convertible upon exercise to 9.9% of Class A and B units in Centaur Gaming.

The fair value of $18.4 million at March 31, 2013 compares to cost of $14.6 million. The fair value reflects management's estimated realizable value and is adjusted for foreign exchange fluctuations.

CRS Contractors Rental Supply Limited Partnership

During fiscal 2013, Clairvest invested $10.6 million for 10,572,805 limited partnership units of CRS, representing an ownership interest in CRS of 13.9%.

The fair value of $10.6 million at March 31, 2013 compares to a cost of $10.6 million.

Discovery Air Inc.

During fiscal 2013, Discovery Air repaid a $4.5 million bridge loan advanced by Clairvest with a stated interest rate of 9.5% per annum.

At March 31, 2013, Clairvest held $25.4 million in secured convertible debentures ["Debentures"] of Discovery Air. The Debentures, which have a 5.5 year term from issuance and are subject to certain early redemption rights in favor of Discovery Air, had an original principal value of $22.0 million and accrue interest at a rate of 10% per annum and interest is paid in kind quarterly and compounded on an annual basis. The Debentures and any paid in kind interest are convertible into 2,939,330 common shares of Discovery Air. At March 31, 2013, the conversion price for the Debentures was $8.68 per share and the closing quoted market price of a Discovery Air common share was $2.38 per share.

The fair value of $25.5 million at March 31, 2013 compares to cost of $22.0 million, with the difference being attribute to accrued interest on the Debentures.

Linen King, LLC

At March 31, 2013, Clairvest owned 2,529,209 Class A units of Linen King.

The fair value of $0.8 million at March 31, 2013 compares to a cost of $2.5 million. The fair value reflects management's estimated realizable value and is adjusted for foreign exchange fluctuations.

MAG Defense Services

During fiscal 2013, Clairvest invested $1.9 million to acquire 18,737 Class A stock of MAG, representing an ownership interest in MAG of 8.0%.

The fair value of $1.9 million at March 31, 2013 compares to a cost of $1.9 million.

Rivers Casino

During fiscal 2013, Clairvest earned US$3.6 million in quarterly distributions and US$0.5 million in quarterly fees from Rivers Casino. Clairvest also earned US$0.2 million in interest on the promissory note from a minority investor which invested in Rivers Casino [the "Minority Investor"] and received US$0.4 million in quarterly principal and interest payments from the Minority Investor.

Also during fiscal 2013, Rivers Casino completed a financing and as a result made an additional distribution to its investors. Clairvest received cash proceeds totaling US$9.5 million from this distribution. In addition to the distributions received from Rivers Casino, the Minority Investor made a US$1.0 million full repayment on the promissory note.

At March 31, 2013, Clairvest owned 9,021,917 units of Rivers Casino and 5,000 units of the Minority Investor.

The fair value of $20.7 million at March 31, 2013 compares to a cost of $7.4 million. The fair value reflects management's estimated realizable value and is adjusted for foreign exchange fluctuations.

OTHER INVESTMENTS

Wellington Financial Fund III / IV

During fiscal 2013, Wellington Fund IV, a successor of Wellington Financial Fund III ["Wellington Fund III"], was raised. As part of the closing of Wellington Fund IV, Clairvest transferred its investment and its unfunded commitment in Wellington Fund III to Wellington Fund IV. Clairvest also increased its commitment in Wellington Fund IV by $0.1 million to $25.1 million in support of the final closing of Wellington Fund IV. Clairvest received a net return of capital of $2.1 million as a result of the closing of Wellington Fund IV.

Clairvest, as a limited partner, had funded $12.1 million of its $25.1 million commitment to Wellington Fund IV at March 31, 2013. Clairvest is also entitled to participate in the profits received by the General Partner of Wellington Fund IV. At March 31, 2013, Clairvest has received income distributions totaling $0.6 million from Wellington Fund IV and its General Partner, bringing the net cash investment to $11.5 million. In addition, Clairvest received distributions from Wellington Fund III totaling $8.9 million to March 31, 2013, and is entitled to future profits of up to $0.9 million based on the value of the remaining assets of Wellington Fund III at March 31, 2013.

The fair value of $14.9 million at March 31, 2013 reflects management's estimated realizable value of Clairvest's entitlement as a limited partner and a general partner of Wellington Fund IV.

LIABILITIES

Total liabilities at March 31, 2013 were $29.2 million, an increase of $7.2 million from $22.0 million at March 31, 2012. Performance based compensation accrued and income taxes accrued increased by $3.3 million and $2.9 million respectively year over year.

TRANSACTIONS WITH RELATED PARTIES

As the Manager of CEP, Clairvest is entitled to a management fee from CEP. Effective January 1, 2011, the CEP management fee is calculated annually as 1.5% of contributed capital less distributions on account of capital and write-downs of capital invested. The management fee is reduced to the extent of 75% of fees earned by Clairvest from corporate investments of CEP. The management fee from CEP ceased effective March 1, 2013. During fiscal 2013, Clairvest earned management fees of $0.3 million from CEP. As per the Management Agreement, fees of $0.1 million from corporate investments of CEP were netted against the management fees.

Clairvest, as General Partner of CEP is entitled to participate in distributions made by CEP equal to 10% of net gains of CEP [the "carried interest"]. During fiscal 2013, Clairvest earned $0.9 million in carried interest from CEP, which brings total carried interest earned by Clairvest from CEP at March 31, 2013 to $11.1 million. If CEP were to sell its corporate investments at their current fair values, Clairvest would receive up to $1.0 million in carried interest from CEP. Principals and employees of Clairvest are entitled to participate in another 10% of carried interest from CEP via a limited partnership ["Participation Partnership"], the general partner of which is Clairvest.

As the General Partner of CEP III, Clairvest is entitled to a priority distribution from CEP III. Effective January 13, 2011, the priority distribution is calculated monthly as 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 75% of any fees earned by Clairvest from corporate investments of CEP III. During fiscal 2013, CEP III declared to Clairvest priority distributions of $1.9 million. As per the Limited Partnership Agreement, fees of $0.3 million from corporate investments of CEP III were netted against the priority distributions.

Clairvest is also entitled to a 10% carried interest in respect of CEP III. No carried interest has been earned by Clairvest from CEP III to March 31, 2013. At March 31, 2013, if CEP III were to sell its corporate investments at their current fair values, Clairvest would receive up to $11.6 million in carried interest from CEP III. Principals and employees of Clairvest

are entitled to participate in another 10% of carried interest from CEP III via a limited partnership ["Participation III Partnership"], the general partner of which is Clairvest.

Clairvest is required to co-invest alongside CEP III in all investments undertaken by CEP III. CEP III Co-Investment Limited Partnership ["CEP III Co-Invest"] was established in fiscal 2007 as the investment vehicle for this purpose. CEP III Co-Invest has two limited partners, one of which is Clairvest, and the other is Participation III Partnership. Participation III Partnership has invested $1.1 million in CEP III Co-Invest and is entitled to an 8.25% carried interest in respect of CEP III Co-Invest.

Clairvest is entitled to participate in additional distributions equal to the realizable value on the $1.1 million invested by Participation III Partnership in CEP III Co-Invest plus the first $0.2 million received by the Participation III Partnership as described above. At March 31, 2013, $0.3 million has been received by Clairvest. At March 31, 2013, if CEP III Co-Invest were to sell its corporate investments at their current fair values, Participation III Partnership would receive up to $4.7 million in carried interest from CEP III Co-Invest based on the terms described above, the amount of which has been recorded as a reduction to the fair value of corporate investments. To date, CEP III Co-Invest has not made any carried interest payments to Participation III Partnership.

As General Partner of CEP IV, Clairvest is entitled to a priority distribution from CEP IV. Effective January 14, 2011 to January 13, 2016, being the fifth anniversary of the date of final closing of CEP IV, the priority distribution is calculated monthly as 0.1667% of committed capital, and thereafter 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 63.2% of any fees earned by Clairvest from corporate investments of CEP IV. During fiscal 2013, CEP IV declared to Clairvest priority distributions of $5.6 million. As per the Limited Partnership Agreement, fees of $0.3 million from corporate investments of CEP IV were netted against the priority distributions.

Clairvest is also entitled to a 10% carried interest in respect of CEP IV. No carried interest has been earned by Clairvest from CEP IV to March 31, 2013. At March 31, 2013, if CEP IV were to sell its corporate investments at their current fair values, Clairvest would receive up to $4.9 million in carried interest from CEP IV. Principals and employees of Clairvest are entitled to participate in another 10% of carried interest from CEP IV via a limited partnership ["Participation IV Partnership"], the general partner of which is Clairvest.

As Manager of CEP IV-A, Clairvest is entitled to a management fee from CEP IV-A. Effective January 14, 2011 to January 13, 2016, being the fifth anniversary of the date of final closing of CEP IV-A, the CEP IV-A management fee is calculated monthly as 0.1667% of committed capital; and thereafter 0.1667% of invested capital net of write-downs of capital then invested. The management fee is reduced to the extent of 10.1% of fees earned by Clairvest from corporate investments of CEP IV-A and other amounts as provided in the Limited Partnership Agreement. During fiscal 2013, Clairvest earned management fees of $0.6 million as compensation for its services in the administration of the portfolio of CEP IV-A. As per the Limited Partnership Agreement, $0.3 million was netted against the management fees.

As General Partner of CEP IV-A, Clairvest is also entitled to a 10% carried interest in respect of CEP IV-A. No carried interest has been earned by Clairvest from CEP IV-A to March 31, 2013. At March 31, 2013, if CEP IV-A were to sell its corporate investments at their current fair values, Clairvest would receive up to $0.8 million in carried interest from CEP IV-A. Principals and employees of Clairvest are entitled to participate in another 10% of carried interest from CEP IV-A via Participation IV Partnership.

Clairvest is required to co-invest alongside CEP IV and CEP IV-A in all investments undertaken by CEP IV and CEP IV-A. CEP IV Co-Investment Limited Partnership ["CEP IV Co-Invest"] was established in fiscal 2010 as the investment vehicle for this purpose. CEP IV Co-Invest has two limited partnerships, one of which is Clairvest, and the other is Participation IV Partnership. Participation IV Partnership has invested $1.6 million in CEP IV Co-Invest and is entitled to an 8.25% carried interest in respect of CEP IV Co-Invest.

Clairvest is entitled to participate in distributions equal to the realizable value on the $1.6 million invested by Participation IV Partnership in CEP IV Co-Invest plus the first $0.4 million received by the Participation IV Partnership as described above. No amounts have been received by Clairvest at March 31, 2013. At March 31, 2013, if CEP IV Co-Invest

were to sell its corporate investments at their current fair values, Participation IV Partnership would receive up to $2.5 million in carried interest from CEP IV Co-Invest based on the terms described above, the amount of which has been recorded as a reduction to the fair value of corporate investments. To date, CEP IV Co-Invest has not made any carried interest payments to Participation IV Partnership.

At March 31, 2013, Clairvest had loans receivable from certain officers of Clairvest [the "Officers"] totaling $1.1 million. The loans are interest bearing, have full recourse to the individual and are collateralized by the common shares of Clairvest owned by the Officers with a market value of $1.4 million. At March 31, 2013, Clairvest also had loans receivable from certain officers of a company affiliated with Clairvest totaling $0.6 million. The loans are interest bearing and have full recourse to the individuals. Interest of $35 thousand was earned on these loans during fiscal 2013.

Loans totaling $29.5 million, bearing interest at the Reference Rate in accordance with CEP IV's Limited Partnership Agreement, were made by the Company to CEP IV during fiscal 2013. During fiscal 2013, $45.6 million of these loans and loans previously advanced were repaid such that $4.5 million remained outstanding at March 31, 2013, the amount of which was repaid in full subsequent to year end. Interest of $1.6 million was earned from loans to CEP IV during fiscal 2013.

Loans totaling $4.7 million, bearing interest at the Reference Rate in accordance with CEP IV-A's Limited Partnership Agreement, were made by the Company to CEP IV-A during fiscal 2013. During fiscal 2013, $6.9 million of these loans and loans previously advanced were repaid such that $0.7 million remained outstanding at March 31, 2013, the amount of which was repaid in full subsequent to year end. Interest of $0.2 million was earned from loans to CEP IV-A during fiscal 2013.

During fiscal 2013, Clairvest earned $19.9 million in distributions and interest income, $4.6 million in dividend income and $1.4 million in fee income from its investee companies. At March 31, 2013, Clairvest had accounts receivable from its investee companies totaling $1.2 million, from CEP totaling $38 thousand, from CEP III totaling $1.6 million, from CEP IV totaling $3.4 million and from CEP IV-A totaling $0.5 million.

During fiscal 2011, Clairvest and a director of Clairvest entered into an agreement to purchase an aircraft for a total cost of $3.5 million, $1.7 million of which was paid by Clairvest. The aircraft is owned 50% by Clairvest and 50% by a director of Clairvest. At March 31, 2013, Clairvest's portion of the net book value of the aircraft of $1.5 million is recorded in accounts receivable and other assets. Clairvest received 100% of the incidental rental income of the aircraft and is responsible for 100% of the operating expenses.

SUMMARY OF QUARTERLY RESULTS

($000's except per share information)	Gross Revenue $	Net Income [Loss] $	Net Income [Loss] Per Common Share* $	Net Income [Loss] Per Common Share Fully Diluted* $
March 31, 2013	16,086	10,111	0.67	0.66
December 31, 2012	14,673	8,445	0.55	0.54
September 30, 2012	12,202	7,647	0.51	0.50
June 30, 2012	17,673	9,560	0.63	0.62
March 31, 2012	13,045	5,348	0.35	0.34
December 31, 2011	22,546	17,592	1.14	1.12
September 30, 2011	2,557	[1,778]	[0.11]	[0.11]
June 30, 2011	5,825	1,254	0.08	0.08

* The sum of quarterly net income (loss) per common share may not equal to the full year net income per common share due to rounding and the anti-dilutive effect on any quarters where the Company reported a net loss.

Significant variations arise in the quarterly results due to realized gains and losses on corporate investments, net changes in unrealized gains and losses on corporate investments which are re-valued on a quarterly basis when conditions warrant an adjustment to the fair value of the corporate investment, and stock-based compensation due to the movement in the trading price of Clairvest's common shares.

FOURTH QUARTER RESULTS

Net income for the fourth quarter of fiscal 2013 was $10.1 million compared with a net income of $5.3 million for the fourth quarter of fiscal 2012. Net income for the fourth quarter of fiscal 2013 is comprised of $8.6 million of net corporate investment gains, $3.0 million of net operating income, and $1.5 million of income tax expense. This compares with net corporate investment gains of $6.4 million, $0.1 million of net operating loss, and $1.0 million of income tax expense for the fourth quarter of fiscal 2012.

The net corporate investment gains of $8.6 million for the fourth quarter of fiscal 2013 comprised of $9.0 million in net changes in unrealized gains on corporate investments and $0.4 million in realized loss on corporate investments. The net corporate investment gains of $6.4 million for the fourth quarter of fiscal 2012 comprised primarily of net changes in unrealized gains on corporate investments.

Distributions and interest income for the quarter were $6.0 million, compared with $5.7 million for the same quarter last year. Distributions and interest income for the fourth quarter of fiscal 2013 included yield on treasury funds of $0.8 million, priority distributions of $1.8 million from CEP III and CEP IV, General Partner income distributions of $0.1 million from CEP, interest income from loans advanced to the CEP funds of $0.4 million and $2.9 million of income distributions and interest income from Clairvest's investee companies. Distributions and interest income for the fourth quarter of fiscal 2012 included yield on treasury funds of $0.5 million, priority distributions of $1.9 million from CEP III and CEP IV, interest income from loans advanced to the CEP funds of $0.5 million and $2.8 million of income distributions and interest income from Clairvest's investee companies.

Dividend income for the quarter was $0.8 million, compared with $0.3 million for the same quarter last year. Dividend income for the fourth quarter of fiscal 2013 and 2012 was primarily earned through Clairvest's investment in Chilean Gaming Holdings.

Clairvest earned $0.2 million in management fees during the quarter for its services in the administration of CEP and CEP IV-A's portfolio and $0.4 million in advisory and other fees from its corporate investments, compared with $0.3 million and $0.3 million, respectively, for the same quarter last year. The CEP and CEP IV-A management fee is reduced proportionately to fees earned by Clairvest from joint Clairvest/CEP and Clairvest/CEP IV-A corporate investments.

Administration and other expenses for the quarter were $4.1 million, compared with $5.6 million for the same quarter last year. Included in administration and other expenses for the fourth quarter of fiscal 2013 was $1.6 million of performance based compensation expense for management and directors, compared with $2.5 million for the same quarter last year.

Finance and foreign exchange expense of $0.4 million for the quarter included foreign exchange cost of $0.1 million and $0.3 million in interest and fees expensed on the $75.0 million credit facility. Finance and foreign exchange expense of $1.1 million for the fourth quarter of fiscal 2012 included foreign exchange cost of $0.7 million and $0.3 million in interest and fees expensed on the $75.0 million credit facility.

OFF-BALANCE SHEET ARRANGEMENTS

Clairvest has committed to co-invest alongside CEP in all investments undertaken by CEP. Clairvest's total co-investment commitment is $54.7 million, $3.5 million of which remains unfunded at March 31, 2013. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP if it concurrently sells a proportionate number of securities of that corporate investment held by CEP.

Clairvest has also committed to co-invest alongside CEP III in all investments undertaken by CEP III. Clairvest's total co-investment commitment is $75.0 million, $15.2 million of which remains unfunded at March 31, 2013. Clairvest may only

sell all or a portion of a corporate investment that is a joint investment with CEP III if it concurrently sells a proportionate number of securities of that corporate investment held by CEP III.

Clairvest has also committed to co-invest alongside CEP IV and CEP IV-A in all investments undertaken by CEP IV and CEP IV-A. Clairvest's total co-investment commitment is $125.0 million, $73.1 million of which remains unfunded at March 31, 2013. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP IV and CEP IV-A if it concurrently sells a proportionate number of securities of that corporate investment held by CEP IV and CEP IV-A.

Clairvest has also committed $25.1 million to Wellington Fund IV, $13.0 million of which remains unfunded at March 31, 2013.

At March 31, 2013, Clairvest has earned profit distributions totaling $3.3 million through its ownership interest in the General Partners of Wellington Fund III and Wellington Fund IV. Subject to the clawback provisions, Clairvest may be required to repay up to $0.4 million of these distributions in the event the limited partners of Wellington Fund III and Wellington Fund IV do not meet their return threshold as specified in the respective Limited Partnership Agreements. At March 31, 2013, there were no accruals made with respect to the Clawback.

Clairvest has guaranteed up to US$3.4 million of CEP's obligations to a Schedule 1 Canadian Chartered Bank under CEP's foreign exchange forward contracts with the bank.

Clairvest has guaranteed up to US$15.0 million of CEP III's obligations to a Schedule 1 Canadian Chartered Bank under CEP III's foreign exchange forward contracts with the bank.

Under Clairvest's Incentive Bonus Program [the "Program"], a bonus of 10% of after-tax cash income and realizations on certain Clairvest's corporate investments would be paid to management annually as applicable. Amounts are accrued under this plan to the extent that the cash income and investment realizations have occurred and the bonus has become payable. At March 31, 2013, $0.6 million has been accrued under the Program. If Clairvest were to sell its corporate investments at their current fair values, an additional bonus of $2.0 million would be owing to management under this Program. As no such income and realizations have occurred and the terms of the bonus plan with respect to these corporate investments have not yet been fulfilled, the $2.0 million has not been accrued at March 31, 2013. The Program does not apply to the income generated from investments made by Clairvest through CEP III Co-Invest and CEP IV Co-Invest.

During fiscal 2006, Clairvest and a wholly owned subsidiary sold their interests in Signature Security Group Holdings Pty Limited ["Signature"] and a related company as part of a sale of 100% of Signature and the related company. As part of the transaction, the subsidiary has indemnified the purchaser for various potential claims. The indemnification was extinguished during fiscal 2013 and no claims against this indemnification had been made.

Clairvest, together with CEP III, has guaranteed to fund any operating deficiencies of Casino New Brunswick for a specified period of time. The amount of the guarantee is allocated 75% to CEP III, to the extent that the amounts paid thereunder are within the limits of the CEP III Limited Partnership Agreement, with the remainder being allocated to Clairvest. Any amounts paid under the guarantee will result in additional debentures being granted to Clairvest and CEP III, allocated on the same basis as the participation between Clairvest and CEP III in the guarantee funding. As at March 31, 2013, no amounts subject to this guarantee have been funded. Clairvest has pledged $5.4 million to a Schedule 1 Canadian chartered bank which has provided debt financing to Casino New Brunswick. The pledge was made to support the guarantee and is held in a bank account belonging to Clairvest at the Schedule 1 chartered bank which cannot be withdrawn without consent from the Schedule 1 Canadian chartered bank. Accordingly, it has been classified as restricted temporary investments on the consolidated balance sheets.

An acquisition entity of Chilean Gaming Holdings and other investors of Casino Sol Calama have entered into a joint and several guarantees to fund any operating deficiencies upon the opening of Casino Sol Calama for a specified period of time. Latin Gaming Chile, Casino Sol Calama's operator, has indemnified this acquisition entity with respect to this guarantee. As at March 31, 2013, no amounts subject to this guarantee have been funded.

As part of the holding structure of Chilean Gaming Holdings, Clairvest, together with CEP III and other co-investors, had loans totaling $44.6 million at March 31, 2013 through various acquisition entities from an unrelated financial

institution, while another acquisition entity held term deposits totaling $44.6 million at March 31, 2013 with the same financial institution as security for these loans. Clairvest intends to settle the loans, the deposits and related interest accruals simultaneously upon the divestiture of the investments in Chilean Gaming Holdings, and as a result, the deposits and the loans, and the interest revenue and expense have been presented on a net basis. Clairvest's ownership of both acquisition vehicles was 36.8% at March 31, 2013, with CEP III owning 37.7% and the remainder owned by the other co-investors.

Clairvest has committed to invest US$5.4 million in New Meadowlands Racetrack LLC. No amounts have been funded at March 31, 2013.

During fiscal 2013, Clairvest reached a court-approved settlement with certain parties with respect to a $10.0 million loan advanced in two tranches of $5.0 million in each of December 2005 and May 2006. Subsequently, the loan was in default and the collateral arrangements for the loan were mishandled. The loan was written off and Clairvest recorded a realized loss in its financial statements for the year ended March 31, 2007. Clairvest took legal action against several parties to recover the funds and has reached a settlement with certain of these parties resulting in a settlement by these parties to Clairvest of $7.8 million, or 77.5% of the original loan value without taking into account litigation and other costs incurred in the recovery process, substantially all of which have been incurred and recorded as charges against income as of March 31, 2013. Clairvest continues to seek additional recoveries against parties that are not part of this settlement.

In connection with its normal business operations, Clairvest is from time to time named as a defendant in actions for damages and costs allegedly sustained by plaintiffs. While it is not possible to estimate the outcome of the various proceedings at this time, Clairvest does not believe that it will incur any material loss in connection with such actions.

CRITICAL ACCOUNTING ESTIMATES

The preparation of Clairvest's consolidated financial statements in conformity with Canadian generally accepted accounting principles ["GAAP"] requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of income and expenses during the reporting period. On an on-going basis, management reviews its estimates and assumptions. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates. The critical accounting estimates that have a material impact on Clairvest's consolidated financial statements are with respect to corporate investments and future tax asset/liability.

Note 2 to the consolidated financial statements describes Clairvest's accounting policy for temporary and corporate investments. In accordance with the Canadian Institue of Chartered Accountants ["CICA"] Accounting Guideline 18, "Investment Companies" ["AcG-18"], the Company designated its temporary investments and corporate investments as held-for-trading and carries them at fair value. Clairvest has also designated its receivables and payables as held-for-trading in accordance with CICA Handbook Section 3855. Accordingly, each of Clairvest's financial assets and liabilities is fair valued on each consolidated balance sheet date.

When a financial instrument is initially recognized, its fair value is generally the value of consideration paid or received. Acquisition costs relating to corporate investments are not included as part of the cost of the investment. Subsequent to initial recognition, for the fair value of an investment quoted on an active market, the fair value is generally the bid price on the principal exchange on which the investment is traded. Investments that are escrowed or otherwise restricted as to sale or transfer are recorded at amounts at fair value which take into account the escrow terms or other restrictions. In determining the fair value for such investments, the Company considers the nature and length of the restriction, business risk of the investee company, its stage of development, market potential, relative trading volume and price volatility, liquidity of the security and the size of Clairvest's ownership block and any other factors that may be relevant to the ongoing and realizable value of the investments. The amounts at which Clairvest's publicly-traded investments could be disposed of may differ from this fair value and the differences could be material. Differences could arise as the value at which significant ownership positions are sold is often different than the quoted market price due to a

variety of factors such as premiums paid for large blocks or discounts due to illiquidity. Estimated costs of disposition are not included in the fair value determination.

In the absence of an active market, the fair values are determined by management using the appropriate valuation methodologies after considering the history and nature of the business, operating results and financial conditions, the general economic, industry and market conditions, capital market and transaction market conditions, contractual rights relating to the investment, public market comparables, private company transactions multiples and, where applicable, other pertinent considerations. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed. The amounts at which Clairvest's privately-held investments could be disposed of may differ from the fair value assigned and the differences could be material. Estimated costs of disposition are not included in the fair value determination.

In determining the fair value of public company warrants, the underlying security for which is traded on a recognized securities exchange, and if there are sufficient and reliable observable market inputs, including exercise price and term of the warrants, market interest rate, and current market price, expected dividends and volatility of the underlying security, a valuation technique is used. If market inputs are insufficient or unreliable, the warrants are valued at intrinsic value, which is equal to the higher of the closing bid price of the underlying security, less the exercise price of the warrant, or nil. For private company warrants, the underlying security for which is not traded on a recognized securities exchange, the fair value is determined consistently with other investments which do not have an active market as described above.

A change to an accounting estimate with respect to Clairvest's privately-held corporate investments or publicly-traded corporate investments would impact corporate investments and unrealized gains/losses on corporate investments.

Note 2 to the consolidated financial statements describes Clairvest's accounting policy for future income taxes. The process of determining future income tax assets and liabilities requires management to exercise judgment while considering the anticipated timing of disposal of corporate investments, and proceeds thereon, tax planning strategies, changes in tax laws and rates, and loss carry-forwards. Future income tax assets are only recognized to the extent that in the opinion of management, it is more likely than not that the future income tax asset will be realized. A change to an accounting estimate with respect to future income taxes would impact future tax liability and provision for income taxes.

RISK MANAGEMENT

The private equity investment business involves accepting risk for potential return, and is therefore affected by a number of economic factors, including changing economic environments, capital markets and interest rates. As a result, the Company faces various risk factors, inherent in its normal business activities. These risk factors and how the Company manages these risk factors are described below.

Credit risk

Credit risk is the risk of a financial loss occurring as a result of default of a counterparty on its obligations to the Company. The Company manages credit risk on corporate investments through thoughtful planning, strict investment criteria, significant due diligence of investment opportunities and oversight responsibilities with existing investee companies and by conducting activities in accordance with investment policies that are approved by the Board of Directors. Management's application of these policies is regularly monitored by the Board of Directors. Management and the Board of Directors review the financial condition of investee companies regularly.

The Company is also subject to credit risk on its accounts receivable, a significant portion of which is with its investee companies and its CEP Funds. The Company manages this risk through its oversight responsibilities with existing investee companies by reviewing the financial condition of investee companies regularly, and through its fiduciary duty as Manager of the CEP Funds and by maintaining sufficient uncalled capital for the CEP Funds to settle obligations as they come due.

The Company is also subject to credit risk on its loans receivables, the majority of which is typically with its CEP Funds. The Company manages this risk through its fiduciary duty as Manager of the CEP Funds and by maintaining sufficient uncalled capital for the CEP Funds to settle obligations as they come due.

The Company manages credit risk on cash, cash equivalents and temporary investments by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. The Company also manages credit risk by contracting with counterparties which are Schedule 1 Canadian chartered banks or through investment firms where Clairvest's funds are segregated and held in trust for Clairvest's benefit. Management's application of these policies is regularly monitored by the Audit Committee. Management and the Audit Committee review credit quality of cash equivalents and temporary investments regularly.

Market risk

Market risk includes exposure to fluctuations in the market value of the Company's investments, currency rates and interest rates.

Fluctuations in market interest rates affect the Company's income derived from cash, cash equivalents, and temporary investments. For financial instruments which yield a floating interest income, the interest received is directly impacted by the prevailing market interest rate. The fair value of financial instruments which yield a fixed interest income would change when there is a change in the prevailing market interest rate. The Company manages interest rate risk on cash, cash equivalents and temporary investments by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. Management's application of these policies is regularly monitored by the Audit Committee.

If interest rates were higher or lower by 1%, the potential effect would be an increase or decrease of $0.7 million to distributions and interest income on a pre-tax basis for the year ended March 31, 2013.

Included in corporate investments are investments for which the fair values have been estimated based on assumptions that may not be supported by observable market prices. The most significant unobservable input is the multiple of earnings used for each individual investment. In determining the appropriate multiple, Clairvest considers i] public company multiples for companies in the same or similar businesses; ii] where information is known and believed to be reliable, multiples at which recent transactions in the industry occurred; and iii] multiples at which Clairvest invested in the company, or for follow-on investments or financings. The resulting multiple is adjusted, if necessary, to take into account differences between the investee company and those the Company selected for comparisons and factors include public versus private company, company size, same versus similar business, as well as with respect to the sustainability of the company's earnings and current economic environment. Investments which are valued using the earnings multiple approach include Casino New Brunswick, Centaur Gaming, Chilean Gaming Holdings, Kubra, Light Tower Rentals, Linen King, and Rivers Casino. If the Company had used an earnings multiple for each investment that was higher or lower by 0.5 times, the potential effect would be an increase of $19.3 million or decrease of $19.4 million to the carrying value of corporate investments and net changes in unrealized gains or losses on corporate investments, on a pre-tax basis for the year ended March 31, 2013. Earnings multiples used are based on public company valuations as well as private market multiples for comparable companies.

The Company's corporate investment portfolio is diversified across 15 companies in 8 industries and 3 countries as at March 31, 2013. The Company has considered current economic events and indicators in the valuation of its corporate investments.

The Company has implemented a hedging strategy because it has, directly and indirectly, several investments outside of Canada, currently in the United States and in Chile. In order to limit its exposure to changes in the value of foreign denominated currencies relative to the Canadian dollar, at March 31, 2013, Clairvest hedges 100% of the fair value of its foreign investments unless a specific exemption is approved by the Board of Directors.

A number of investee companies are subject to foreign exchange risk. A significant change in foreign exchange rates can have a significant impact to the profitability of these entities and in turn the Company's carrying value of these

corporate investments. The Company manages this risk through oversight responsibilities with existing investee companies and by reviewing the financial condition of investee companies regularly.

Certain of the Company's corporate investments are also held in the form of debentures. Significant fluctuations in market interest rates can have a significant impact in the carrying value of these investments.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Financial obligations arising from off-balance sheet arrangement have been previously discussed.

The Company maintains a conservative liquidity position that exceeds all liabilities payable on demand. The Company invests its cash equivalents and temporary investments in liquid assets such that they are available to cover any potential funding commitments and guarantees. In addition, the Company maintains various credit facilities.

DERIVATIVE FINANCIAL INSTRUMENTS

Clairvest enters into foreign exchange forward contracts primarily to manage the risks arising from fluctuations in exchange rates on its foreign denominated investments. Clairvest is required to mark to market its foreign-denominated investments, as well as the foreign exchange forward contracts entered into as hedges against Clairvest's foreign denominated investments.

At March 31, 2013, Clairvest had entered into foreign exchange forward contracts to sell US$91.6 million and buy US$4.2 million at an average rate of Canadian $1.0022 per U.S. dollar through to February 2014 and foreign exchange forward contracts to sell 14.7 billion Chilean Pesos ["CLP"] at an average rate of Canadian $0.002022 per CLP through to January 2014. The fair value of the US dollar contracts at March 31, 2013 is a loss of $1.2 million and the fair value of the CLP contracts at March 31, 2013 is a loss of $1.9 million. These contracts have been recognized on the consolidated balance sheet as derivative instruments.

UPDATED SHARE INFORMATION

At March 31, 2013 and June 25, 2013, Clairvest had 15,124,095 common shares issued and outstanding. At March 31, 2013 and June 25, 2013 Clairvest had 615,000 stock options outstanding, 601,000 of which were exercisable at March 31, 2013 and June 25, 2013. Each option is exercisable for one common share.

During fiscal 2013 and up to June 25, 2013, Clairvest did not purchase or cancel any common shares under its normal course issuer bids. As at June 25, 2013, Clairvest had repurchased a total of 6,595,049 common and non-voting shares over the last ten years.

During fiscal 2013, 110,000 options were exercised, 6,000 of which were exercised for shares, increasing share capital by $0.1 million. The remaining 104,000 were exercised under the cash settlement plan and had no impact on share capital.

Clairvest paid an ordinary dividend of $0.10 per share on the common shares in each of fiscal 2013, fiscal 2012 and fiscal 2011. During fiscal 2013 and 2012, Clairvest also paid a special dividend of $0.1093 and $0.0965 per share respectively, such that in aggregate with the ordinary dividend, represented 1% of the March 31, 2012 and 2011 book values.

Subsequent to year end, Clairvest declared an annual ordinary dividend of $0.10 per share, and a special dividend of $0.1312 per share, such that in aggregate, the dividends represent 1% of the March 31, 2013 book value. The dividends will be payable to common shareholders of record as of July 9, 2013. The dividend will be paid on July 26, 2013. Both dividends are eligible dividends for Canadian income tax purposes.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

In accordance with National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", issued by the Canadian Securities Administrators ["CSA"], Management has evaluated the effectiveness of Clairvest's disclosure controls and procedures as of March 31, 2013 and concluded that the disclosure controls and procedures are effective in ensuring that information required to be disclosed by the Company in its corporate filings is recorded, processed, summarized and reported within the required time period for the year then ended.

National Instrument 52-109 also requires certification from the Chief Executive Officers and Chief Financial Officer to certify their responsibilities for establishing and maintaining internal controls with regards to the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. Management has evaluated Clairvest's design and operational effectiveness of internal controls over financial reporting for the year ended March 31, 2013. Management has concluded that the design of internal controls over financial reporting are effective and operating as designed as of March 31, 2013 based on this evaluation. There were no changes in internal controls during the most recent interim period that has materially affected, or is reasonably likely to materially affect, internal controls over financial reporting. The Company has not identified any weakness that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

During fiscal 2008, the Canadian Accounting Standards Board ["AcSB"] confirmed the use of International Financial Reporting Standards ["IFRS"] for all Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. Subsequently, the AcSB approved a three-year deferral from IFRS adoption which would allow Canadian companies that apply AcG-18 to continue to use existing Canadian GAAP until fiscal years beginning on or after January 1, 2014. Accordingly, Clairvest will adopt IFRS beginning in the first quarter of fiscal 2015, which begins on April 1, 2014.

During fiscal 2013, the International Accounting Standards Board ["IASB"] issued final amendments to IFRS for Investment Entities. The amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity and require such entities to measure its investee companies at fair value through profit and loss. The Company is optimistic that it will qualify as an investment entity as defined by the IASB and that fair value accounting will continue to be the method for which the Company accounts for its investee companies when it adopts IFRS. The Company is currently reviewing in detail the final amendments to IFRS for Investment Entities and does not expect the adoption of IFRS in fiscal 2015 will result in a significant impact to internal controls over financial reporting or the Company’s information technology systems. Formal communications with the Audit Committee have been established to ensure timely decisions are made on key issues and risks.

Other significant items which may have a significant impact to the Company's financial reporting and financial statements include the accounting for share-based compensation, income taxes and the disclosure requirements for financial instruments and related party transactions.

With respect to the accounting treatment for share-based compensation, the company would be required to cease vesting share-based compensation on a straight-line basis and adopt the prescribed graded vesting method which will likely result in front-loading of expenses during the vesting period. Based on its stock options outstanding at March 31, 2013, the Company currently believes that the effects of this accounting change will not be material.

With respect to income taxes, future income tax positions under IFRS must be evaluated using a probability-based method which is a different measurement methodology compared to the one currently used by the Company. The Company is in the process of quantifying the impacts of this methodology change.

The Company continues to monitor new developments to IFRS which may result in additional significant accounting differences and impacts to internal controls over financial reporting and information technology systems.

MANAGEMENT'S REPORT

The accompanying consolidated financial statements of Clairvest Group Inc. were prepared by management, which is responsible for the integrity and fairness of the financial information presented. These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in the annual report has been reviewed to ensure consistency with the consolidated financial statements.

Management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded, that transactions are properly authorized and that financial records are properly maintained to facilitate the preparation of financial statements in a timely manner. Under the supervision of Management, an evaluation of the effectiveness of the Company's internal control over financial reporting was carried out for the year ended March 31, 2013. Based on that evaluation, Management concluded that the Company's internal control over financing reporting was effective for the year ended March 31, 2013.

The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its Audit Committee. The Audit Committee, which comprised of four non-management Directors during the year ended March 31, 2013, meets periodically with management and with external auditors to discuss the scope and results with respect to financial reporting of the Company. The Audit Committee has reviewed the consolidated financial statements with management and with the independent auditors. The consolidated financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

Ernst & Young LLP, appointed external auditors by the shareholders, have audited the consolidated financial statements and their report is included herewith.

B. Jeffrey Parr
Co-Chief Executive Officer and Managing Director

Daniel Cheng
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CLAIRVEST GROUP INC.

We have audited the accompanying consolidated financial statements of **Clairvest Group Inc.**, which comprise the consolidated balance sheets as at March 31, 2013 and 2012, and the consolidated statements of income, retained earnings and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

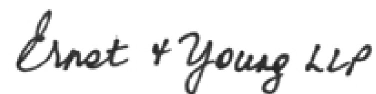
Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Clairvest Group Inc.** as at March 31, 2013 and 2012 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licensed Public Accountants

Toronto, Canada,
June 25, 2013.

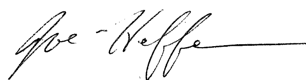
CONSOLIDATED BALANCE SHEETS
As at March 31

$000's		2013		2012
ASSETS				
Cash and cash equivalents [notes 3, 11 and 14]	**$**	**114,805**	$	32,886
Temporary investments [notes 3 and 14]		**59,708**		64,697
Restricted temporary investments [notes 6[d], 13[j] and 14]		**5,425**		5,430
Accounts receivable and other assets [notes 4[g], 4[k] and 7]		**12,048**		15,851
Income taxes recoverable		**5,195**		7,944
Loans receivable [notes 4[h], 4[i] and 14]		**5,365**		23,740
Corporate investments [notes 6 and 14]		**176,390**		187,876
	$	**378,936**	$	338,424
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Accounts payable and accrued liabilities [notes 10 and 13[h]]	**$**	**11,255**	$	9,254
Income taxes payable		**1,993**		1,410
Derivative instruments [note 12[b]]		**3,115**		1,731
Future tax liability [note 8]		**6,474**		4,148
Stock-based compensation [note 10]		**6,411**		5,454
	$	**29,248**	$	21,997
Contingencies, commitments and guarantees [notes 12 and 13]				
Shareholders' equity				
Share capital [note 9]	**$**	**79,101**	$	78,438
Retained earnings		**270,587**		237,989
		349,688		316,427
	$	**378,936**	$	338,424

See accompanying notes

On behalf of the Board:

MICHAEL BREGMAN
Director



JOSEPH J. HEFFERNAN
Director

CONSOLIDATED STATEMENTS OF INCOME

For the years ended March 31

$000's [except per share information]	2013	2012
NET INVESTMENT GAINS		
Net realized gains on corporate investments [notes 5 and 6[i]]	**$ 9,009**	$ 545
Net changes in unrealized gains on corporate investments [note 6]	**4,598**	16,590
	13,607	17,135
OTHER INCOME		
Distributions and interest income [notes 4 and 6]	**32,347**	19,325
Dividend income [notes 4[j], 6[e] and 6[f]]	**4,596**	4,359
Management fees [notes 4[a] and 4[e]]	**974**	1,141
Advisory and other fees [note 4[j]]	**1,360**	2,013
Realized gain on temporary investments [note 13[n]]	**7,750**	—
	47,027	26,838
EXPENSES		
Administration and other expense [notes 10 and 13[h]]	**17,899**	15,409
Finance and foreign exchange expense	**961**	1,678
	18,860	17,087
Income before income taxes	**41,774**	26,886
Income tax expense [note 8]	**6,011**	4,470
Net income for the year	**$ 35,763**	$ 22,416
Basic net income per share [note 9]	**$ 2.36**	$ 1.46
Fully-diluted net income per share [note 9]	**$ 2.32**	$ 1.43

See accompanying notes

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the years ended March 31

$000's	2013	2012
Retained earnings, beginning of year	**$ 237,989**	$ 222,491
Net income for the year	**35,763**	22,416
	273,752	244,907
Dividends paid	**[3,165]**	[3,025]
Purchase and cancellation of shares [note 9]	**—**	[3,893]
Retained earnings, end of year	**$ 270,587**	$ 237,989

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31

$000's		2013		2012
OPERATING ACTIVITIES				
Net income for the year	**$**	**35,763**	$	22,416
Add [deduct] items not involving a current cash outlay				
Amortization of fixed assets		**369**		373
Stock-based compensation expense		**1,516**		[33]
Future income tax expense		**2,326**		1,746
Net realized gains on corporate investments		**[9,009]**		[545]
Net changes in unrealized gains on corporate investments		**[4,598]**		[16,590]
Non-cash items relating to foreign exchange forward contracts		**3,283**		2,627
Non-cash items relating to corporate investments		**[6,336]**		[4,646]
		23,314		5,348
Net change in non-cash working capital balances related to operations [note 11]		**8,767**		[5,434]
Cash provided by [used in] operating activities		**32,081**		[86]
INVESTING ACTIVITIES				
Acquisition of corporate investments		**[29,701]**		[36,888]
Proceeds on sale of corporate investments		**31,219**		26,277
Return of capital from corporate investments		**29,911**		6,693
Proceeds on realized foreign exchange forward contracts		**[1,899]**		684
Net proceeds on sale of temporary investments		**4,989**		12,309
Loans advanced [notes 4[h] and 4[i]]		**[34,168]**		[46,431]
Receipt of loans advanced [notes 4[h] and 4[i]]		**52,543**		22,817
Decrease [increase] in restricted temporary investments		**5**		[5,430]
Cash provided by [used in] investing activities		**52,899**		[19,969]
FINANCING ACTIVITIES				
Purchase and cancellation of share capital [note 9]		**—**		[5,577]
Cash dividends paid		**[3,165]**		[3,025]
Issuance of share capital [note 9]		**104**		211
Cash used in financing activities		**[3,061]**		[8,391]
NET INCREASE [DECREASE] IN CASH AND CASH EQUIVALENTS DURING THE YEAR		**81,919**		[28,446]
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		**32,886**		61,332
CASH AND CASH EQUIVALENTS, END OF YEAR [NOTE 11]		**114,805**		32,886
SUPPLEMENTAL CASH FLOW INFORMATION				
Income taxes paid	**$**	**2,013**	$	3,223
Interest paid, on gross basis [note 13[l]]	**$**	**1,407**	$	1,449

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2013 and 2012 [tabular dollar amounts in thousands, except per share information]

1. NATURE OF ACTIVITIES

Clairvest Group Inc. ["Clairvest" or the "Company"] is a private equity investor publicly traded on the Toronto Stock Exchange ["TSX"] under symbol CVG. The Company, which operates in only one business segment, actively seeks to form mutually beneficial investments with entrepreneurial corporations. Clairvest invests its own capital, and that of third parties, through Clairvest Equity Partners Limited Partnership ["CEP"], Clairvest Equity Partners III Limited Partnership ["CEP III"], Clairvest Equity Partners IV Limited Partnership ["CEP IV"] and Clairvest Equity Partners IV-A Limited Partnership ["CEP IV-A"] [together, the "CEP Funds"]. Clairvest contributes financing and strategic expertise to support the growth and development of its investees in order to create realizable value for all shareholders. Clairvest is incorporated under the laws of the Province of Ontario.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements have been prepared in accordance with Canadian gnereally accepted accounting principles ["Canadian GAAP" or "GAAP"] and include the accounts of the Company, its wholly owned subsidiaries and its pro-rata ownership of various acquisition entities that exist for investing purposes. All intercompany amounts and transactions have been eliminated upon consolidation.

In accordance with the Canadian Institute of Chartered Accountants ["CICA"] Accounting Guideline 18 "Investment Companies" ["AcG-18"], the Company designated its temporary investments and its corporate investments as held-for-trading and carries them at fair value. Clairvest also designated its receivables and payables as held-for-trading in accordance with the CICA Handbook Section 3855. Accordingly, each of Clairvest's financial assets and liabilities is fair valued on each consolidated balance sheet date.

Future accounting changes

In February 2008, the Canadian Accounting Standards Board ["AcSB"] confirmed that the use of International Financial Reporting Standards ["IFRS"] will be required for Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. Subsequently, the AcSB approved a three-year deferral from IFRS adoption which would allow Canadian companies that apply AcG-18 to continue to use existing Canadian GAAP until fiscal years beginning on or after January 1, 2014.

During fiscal 2013, the International Accounting Standards Board ["IASB"] issued final amendments to IFRS for Investment Entities. The amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity and require such entities to measure its investee companies at fair value through profit and loss.

Clairvest is currently evaluating the impact of adopting IFRS.

Significant accounting policies

The following is a summary of the significant accounting policies of the Company:

[a] **Temporary investments and corporate investments**

The Company carries its temporary investments and its corporate investments at fair value. When a financial instrument is initially recognized, its fair value is generally the value of consideration paid or received. Acquisition costs relating to corporate investments are not included as part of the cost of the investment. Subsequent to initial recognition, for the fair value of an investment quoted on an active market, the fair value is generally the bid price on the principal exchange on which the investment is traded. Investments that are escrowed or otherwise restricted as to sale or transfer are recorded at a value which takes into account the escrow terms or other restrictions. In determining the fair value for such investments, the Company considers the nature and length of the restriction, business risk of the investee company, its stage of development, market potential, relative trading volume and price volatility, liquidity of the security and the size of Clairvest's ownership block and any other factors that may be relevant to the ongoing and

realizable value of the investments. The amounts at which Clairvest's publicly traded investments could be disposed of may differ from this fair value and the differences could be material. Differences could arise as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity. Estimated costs of disposition are not included in the fair value determination.

In the absence of an active market, the fair values are determined by management using the appropriate valuation methodologies after considering the history and nature of the business, operating results and financial conditions, the general economic, industry and market conditions, capital market and transaction market conditions, contractual rights relating to the investment, public market comparables, private company transactions multiples and, where applicable, other pertinent considerations. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed. The amounts at which Clairvest's privately held investments could be disposed of may differ from the fair value assigned and the differences could be material. Estimated costs of disposition are not included in the fair value determination.

In determining the fair value of public company warrants, the underlying security of which is traded on a recognized securities exchange, if there are sufficient and reliable observable market inputs, including exercise price and term of the warrants, market interest rate, and current market price, expected dividends and volatility of the underlying security, a valuation technique is used. If market inputs are insufficient or unreliable, the warrants are valued at intrinsic value, which is equal to the higher of the closing bid price of the underlying security, less the exercise price of the warrant, or nil. For private company warrants, the underlying security of which is not traded on a recognized securities exchange, the fair value is determined consistently with other investments which do not have an active market as described above.

[b] **Foreign currency translation**

Income and expenses denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction date. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet dates. Non-monetary assets and liabilities are translated at historical rates. Exchange gains and losses are included in income in the period in which they occur.

[c] **Derivative financial instruments**

The Company periodically enters into foreign exchange forward contracts to hedge its exposure to exchange rate fluctuations on its foreign currency denominated investments. These foreign exchange forward contracts and, where applicable, their underlying investments, are valued at exchange rates in effect at the consolidated balance sheet dates.

Foreign exchange forward contracts are included on the consolidated balance sheets as derivative instruments and are valued at fair value representing the estimated amount that the Company would have been required to pay, or received, had the Company settled the outstanding contracts at the consolidated balance sheet dates. Any unrealized gains or losses are included in finance and foreign exchange expense in the consolidated statements of income.

[d] **Income recognition**

Realized gains or losses on disposition of corporate investments and change in unrealized gains or losses in the value of corporate investments are calculated based on weighted average cost and are reflected in the consolidated statements of income. Management fees and advisory and other fees are recorded as income on an accrual basis when earned. Distributions and interest income are recognized on an accrual basis and dividend income is recognized on the ex-dividend date.

[e] **Future income taxes**

The Company records future income tax expense or recovery using the asset and liability method. Under this method, future income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their respective income tax bases, as well as certain carryforward items. Future income tax assets and liabilities are determined for each temporary difference based on the income tax rates that are

expected to be in effect when the asset or liability is settled. Future income tax assets are only recognized to the extent that, in the opinion of management, it is more likely than not that the future income tax asset will be realized.

[f] **Stock-based compensation plan**

The Company's stock option plan allows for a cash settlement of stock options. As a result, compensation expense is recognized and recorded as a liability based on the intrinsic value of the outstanding stock options at the consolidated balance sheet dates and the proportion of their vesting periods that have elapsed. On the exercise of stock options for shares, the liability recorded with respect to the options and consideration paid by the employees is credited to share capital. On the exercise of stock options for cash, the liability recorded is reduced and any difference between the liability accrued and the amount paid is charged to administration and other expense.

[g] **Deferred share unit plan**

Directors of the Company may elect to receive all or a portion of their compensation in deferred share units ["DSUs"]. On the date directors' fees are payable, the number of DSUs to be credited to a participant is determined by dividing the amount of the fees to be received by way of DSUs by the market value of a Clairvest common share on the TSX. Upon redemption of DSUs, the Company pays to the participant a lump sum cash payment equal to the number of DSUs to be redeemed multiplied by the market value of a Clairvest common share on the TSX on the redemption date. A participant may redeem his or her DSUs only following termination of board service.

Under the Company's DSU plan, a change in the fair value of the DSUs is charged to administration and other expense based on the number of DSUs outstanding at the consolidated balance sheet dates multiplied by the market value of a Clairvest common share on the TSX at the consolidated balance sheet dates.

During fiscal 2008, the DSU plan was amended to also facilitate the issuance of Appreciation Deferred Share Units ["Appreciation DSUs"] to the directors of the Company. Upon redemption of the Appreciation DSUs, the Company pays to the participant a lump sum cash payment equal to the number of Appreciation DSUs to be redeemed multiplied by the difference between the market value of a Clairvest common share on the TSX on the redemption date and the market value of a Clairvest common share on the TSX on the grant date. A participant may redeem his or her Appreciation DSUs only following termination of board service. Under the Company's DSU plan, the fair value of the Appreciation DSUs is charged to administration and other expense based on the number of Appreciation DSUs outstanding at the consolidated balance sheet dates multiplied by the difference between the market value of a Clairvest common share on the TSX at the consolidated balance sheet dates and the market value of a Clairvest common share on the TSX on the grant date.

[h] **Book value appreciation rights plan**

The Company may elect to issue all or a portion of a participant's stock option grant by way of book value appreciation rights units ["BVARs"]. Upon redemption of BVARs, the Company pays to the participant a lump sum cash payment equal to the number of BVARs to be redeemed multiplied by the increase in book value per share between the grant date and the redemption date, and grossed up such that the participant's after-tax proceeds equate to an amount as if the proceeds were taxed at the capital gains rate. The BVARs vest over a five-year period and the participant may only redeem his or her BVARs at the earlier of [i] five years from the grant date or [ii] cessation of employment with the Company.

As the Company's BVAR plan is a cash settled plan, the fair value of the BVARs is charged to administration and other expense and recorded as a liability over the BVAR vesting period based on the book value per share at the consolidated balance sheet date of the prior quarter.

[i] **Net income per share**

Basic net income per share is determined by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the year. Fully-diluted net income per share is determined in accordance with the treasury stock method and is based on the weighted average number of common shares and dilutive common share equivalents outstanding during the year.

[j] **Use of estimates**

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting periods. Actual results could differ from those estimates.

3. CASH EQUIVALENTS AND TEMPORARY INVESTMENTS

Cash equivalents consist of deposits in investment and money market savings accounts and term deposits which have maturities of less than 90 days from the date of acquisition. The yield ranges between 1.1% and 4.8% per annum [2012 – between 0.5% and 4.7%] with a weighted average rate of pre-tax return of 1.2% per annum [2012 – 1.2%].

Temporary investments consist of guaranteed investment certificates and corporate bonds and loans and have maturities greater than 90 days from the date of acquisition and through to February 2020. The yield on these investments ranges between 1.7% and 9.2% per annum [2012 – between 1.6% and 4.9%] with a weighted average rate of pre-tax return of 3.2% per annum [2012 – 2.4%]. The composition of Clairvest's temporary investments at March 31 was as follows:

	2013			2012
	Due in 1 year or less	**Due after 1 year**	**Total**	Total
Guaranteed investment certificates	**$ 16,235**	**$ 28,100**	**$ 44,335**	$ 25,273
Corporate bonds and loans	**3,061**	**12,312**[1]	**15,373**	37,876
Term deposits	**—**	**—**	**—**	51
Preferred shares	**—**	**—**	**—**	1,497
	$ 19,296	**$ 40,412**	**$ 59,708**	$ 64,697

[1] In addition to the corporate investment Clairvest made in Centaur Gaming as described in note 6[j], Clairvest also made a treasury investment in Centaur Gaming during fiscal 2013 in the form of a US$6.0 million first lien secured loans and a US$6.0 million second lien secured loans, the aggregate carrying value of which at March 31, 2013 was $12.3 million.

4. RELATED PARTY TRANSACTIONS

[a] As the Manager of CEP, Clairvest is entitled to a management fee from CEP. Effective January 1, 2011, the CEP management fee is calculated annually as 1.5% of contributed capital less distributions on account of capital and write-downs of capital invested. The management fee is reduced to the extent of 75% of fees earned by Clairvest from corporate investments of CEP. The management fee from CEP ceased effective March 1, 2013.

During fiscal 2013, Clairvest earned management fees of $0.3 million [2012 – $0.5 million] from CEP. As per the Management Agreement, fees of $0.1 million [2012 – $0.1 million] from corporate investments of CEP were netted against the management fees.

Clairvest, as General Partner of CEP, is entitled to participate in distributions made by CEP equal to 10% of net gains of CEP [the "carried interest"]. During fiscal 2013, Clairvest earned $0.9 million [2012 – $2.2 million] in carried interest from CEP, which brings total carried interest earned by Clairvest from CEP at March 31, 2013 to $11.1 million [2012 - $10.2 million]. If CEP were to sell its corporate investments at their current fair values, Clairvest would receive up to $1.0 million [2012 – $3.6 million] in carried interest from CEP.

Principals and employees of Clairvest are entitled to participate in another 10% of carried interest from CEP via a limited partnership ["Participation Partnership"], the general partner of which is Clairvest.

[b] As the General Partner of CEP III, Clairvest is entitled to a priority distribution from CEP III. Effective January 13, 2011, the priority distribution is calculated monthly as 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 75% of fees earned by Clairvest from corporate

investments of CEP III. During fiscal 2013, CEP III declared to Clairvest priority distributions of $1.9 million [2012 – $2.0 million]. As per the Limited Partnership Agreement, fees of $0.3 million [2012 – $0.3 million] from corporate investments of CEP III were netted against the priority distributions.

Clairvest is also entitled to a 10% carried interest in respect of CEP III. No carried interest has been earned by Clairvest from CEP III to March 31, 2013. At March 31, 2013, if CEP III were to sell its corporate investments at their current fair values, Clairvest would receive up to $11.6 million [2012 – $0.3 million] in carried interest from CEP III.

Principals and employees of Clairvest are entitled to participate in another 10% of carried interest from CEP III via a limited partnership ["Participation III Partnership"], the general partner of which is Clairvest.

[c] As described in note 13 [b], Clairvest is required to co-invest alongside CEP III in all investments undertaken by CEP III. CEP III Co-Investment Limited Partnership ["CEP III Co-Invest"] was established in fiscal 2007 as the investment vehicle for this purpose. CEP III Co-Invest has two limited partners, one of which is Clairvest, and the other is Participation III Partnership. Participation III Partnership has invested $1.1 million in CEP III Co-Invest and is entitled to an 8.25% carried interest in respect of CEP III Co-Invest.

Clairvest is entitled to participate in distributions equal to the realizable value on the $1.1 million invested by Participation III Partnership in CEP III Co-Invest plus the first $0.2 million received by the Participation III Partnership as described above. At March 31, 2013, $0.3 million [March 2012 – $0.3 million] has been received by Clairvest.

At March 31, 2013, if CEP III Co-Invest were to sell its corporate investments at their current fair values, Participation III Partnership would receive up to $4.7 million [2012 – $1.9 million] in carried interest from CEP III Co-Invest based on the terms described above, the amount of which has been recorded as a reduction to the fair value of corporate investments. To date, CEP III Co-Invest has not made any carried interest payments to Participation III Partnership.

[d] As General Partner of CEP IV, Clairvest is entitled to a priority distribution from CEP IV. Effective January 14, 2011 to January 13, 2016, being the fifth anniversary of the date of final closing of CEP IV, the priority distribution is calculated monthly as 0.1667% of committed capital, and thereafter 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 63.2% of any fees earned by Clairvest from corporate investments of CEP IV. During fiscal 2013, CEP IV declared to Clairvest priority distributions of $5.6 million [2012 – $5.4 million]. As per the Limited Partnership Agreement, fees of $0.3 million [2012 – $0.5 million] from corporate investments of CEP IV were netted against the priority distributions.

Clairvest is also entitled to a 10% carried interest in respect of CEP IV. No carried interest has been earned by Clairvest from CEP IV to March 31, 2013. At March 31, 2013, if CEP IV were to sell its corporate investments at their current fair values, Clairvest would receive up to $4.9 million [2012 – $2.8 million] in carried interest from CEP IV.

Principals and employees of Clairvest are entitled to participate in another 10% of carried interest from CEP IV via a limited partnership ["Participation IV Partnership"], the general partner of which is Clairvest.

[e] As Manager of CEP IV-A, Clairvest is entitled to a management fee from CEP IV-A. Effective January 14, 2011 to January 13, 2016, being the fifth anniversary of the date of final closing of CEP IV-A, the CEP IV-A management fee is calculated monthly as 0.1667% of committed capital; and thereafter 0.1667% of invested capital net of write-downs of capital then invested. The management fee is reduced to the extent of 10.1% of fees earned by Clairvest from corporate investments of CEP IV-A and other amounts as provided in the Limited Partnership Agreement. During fiscal 2013, Clairvest earned management fees of $0.6 million [2012 – $0.6 million] as compensation for its services in the administration of the portfolio of CEP IV-A. As per the Limited Partnership Agreement, $0.3 million [2012 – $0.3 million] was netted against the management fees.

As General Partner of CEP IV-A, Clairvest is also entitled to a 10% carried interest in respect of CEP IV-A. No carried interest has been earned by Clairvest from CEP IV-A to March 31, 2013. At March 31, 2013, if CEP IV-A were to sell its corporate investments at their current fair values, Clairvest would receive up to $0.8 million [2012 – $0.4 million] in carried interest from CEP IV-A.

Principals and employees of Clairvest are entitled to participate in another 10% of carried interest from CEP IV-A via Participation IV Partnership.

[f] As described in note 13 [c], Clairvest is required to co-invest alongside CEP IV and CEP IV-A in all investments undertaken by CEP IV and CEP IV-A. CEP IV Co-Investment Limited Partnership ["CEP IV Co-Invest"] was established in fiscal 2010 as the investment vehicle for this purpose. CEP IV Co-Invest has two limited partnerships, one of which is Clairvest, and the other is Participation IV Partnership. Participation IV Partnership has invested $1.6 million in CEP IV Co-Invest and is entitled to an 8.25% carried interest in respect of CEP IV Co-Invest.

Clairvest is entitled to participate in distributions equal to the realizable value on the $1.6 million invested by Participation IV Partnership in CEP IV Co-Invest plus the first $0.4 million received by the Participation IV Partnership as described above. No amounts have been received by Clairvest at March 31, 2013.

At March 31, 2013, if CEP IV Co-Invest were to sell its corporate investments at their current fair values, Participation IV Partnership would receive up to $2.5 million [2012 – $1.2 million] in carried interest from CEP IV Co-Invest based on the terms described above, the amount of which has been recorded as a reduction to the fair value of corporate investments. To date, CEP IV Co-Invest has not made any carried interest payments to Participation IV Partnership.

[g] Included in accounts receivable and other assets are share purchase loans made to certain officers of the Company totaling $1.1 million [2012 – $0.5 million]. The share purchase loans bear interest which is paid annually, have full recourse and are collateralized by the common shares of the Company purchased by the officers with a market value of $1.4 million [2012 – $0.7 million]. Also included in accounts receivable and other assets are other loans made to certain officers of a company affiliated with Clairvest totaling $0.6 million [2012 – $0.5 million]. The loans to officers of the affiliated company bear interest which is paid quarterly. Loans are repayable upon departure of the officer. Interest of $35 thousand [2012 – $35 thousand] was earned on these loans during fiscal 2013. Also included in accounts receivable and other assets are receivables from Clairvest's investee companies totaling $1.2 million [2012 – $2.4 million], from CEP totaling $38 thousand [2012 – $0.3 million], from CEP III totaling $1.6 million [2012 – $1.5 million], from CEP IV totaling $3.4 million [2012 – $5.4 million] and from CEP IV-A totaling $0.5 million [2012 – $1.1 million].

[h] Loans totaling $29.5 million [2012 – $36.8 million], bearing interest at the Reference Rate in accordance with CEP IV's Limited Partnership Agreement, were made by the Company to CEP IV during fiscal 2013. During fiscal 2013, $45.6 million [2012 – $16.2 million] of these loans and loans previously advanced were repaid such that $4.5 million [2012 - $20.6 million] remained outstanding at March 31, 2013 and were repaid in full subsequent to year end. Interest of $1.6 million [2012 – $1.0 million] was earned from loans to CEP IV during fiscal 2013.

[i] Loans totaling $4.7 million [2012 – $6.0 million], bearing interest at the Reference Rate in accordance with CEP IV-A's Limited Partnership Agreement, were made by the Company to CEP IV-A during fiscal 2013. During fiscal 2013, $6.9 million [2012 – $3.0 million] of these loans and loans previously advanced were repaid such that $0.7 million [2012 - $3.0 million] remained outstanding at March 31, 2013 and were repaid in full subsequent to year end. Interest of $0.2 million [2012 – $0.1 million] was earned from loans to CEP IV-A during fiscal 2013.

[j] During fiscal 2013, Clairvest earned $19.9 million [2012 – $6.3 million] in distributions and interest income, $4.6 million [2012 – $4.3 million] in dividend income and $1.4 million [2012 – $2.0 million] in advisory and other fees from its investee companies.

[k] During fiscal 2011, Clairvest and a director of Clairvest entered into an agreement to purchase an aircraft for a total cost of $3.5 million, 50% of which was paid by Clairvest. The aircraft is owned 50% by Clairvest and 50% by a director of Clairvest. At March 31 2013, Clairvest's portion of the net book value of the aircraft of $1.5 million is recorded in accounts receivable and other assets. Clairvest receives 100% of the incidental rental income of the aircraft and is responsible for 100% of the operating expenses.

5. NET REALIZED GAINS ON CORPORATE INVESTMENTS

Net realized gains on corporate investments for the years ended March 31, 2013 and 2012 are comprised of the following:

	2013	2012
Net realized gains during the year	**$ 13,612**	$ 8,311
Previously recognized net unrealized gains	**[4,603]**	[7,766]
	$ 9,009	$ 545

6. CORPORATE INVESTMENTS

	2013			2012		
	Fair value	**Cost**	**Difference**	Fair value	Cost	Difference
Investments alongside CEP						
Grey Eagle Casino	**$ 2,431**	**$ 1**	**$ 2,430**	$ 1,605	$ 1	$ 1,604
Landauer Metropolitan Inc.	**25**	**5,111**	**[5,086]**	6,834	5,111	1,723
N-Brook Mortgage LP	**713**	**3,124**	**[2,411]**	2,625	5,036	[2,411]
Investments alongside CEP III						
Casino New Brunswick	**2,448**	**9,798**	**[7,350]**	2,448	9,798	[7,350]
Chilean Gaming Holdings[a]	**39,486**	**28,725**	**10,761**	31,202	28,725	2,477
Kubra Data Transfer Limited	**12,678**	**2,150**	**10,528**	7,868	2,150	5,718
Light Tower Rentals Inc.	**24,580**	**8,178**	**16,402**	21,494	8,178	13,316
Lyophilization Services of New England Inc.	**7,573**	**7,451**	**122**	5,098	7,351	[2,253]
PEER 1 Network Enterprises Inc.	**—**	**—**	**—**	10,419	6,291	4,128
Participation III Partnership Entitlements[b]	**[4,683]**	**—**	**[4,683]**	[1,918]	—	[1,918]
Investments alongside CEP IV						
Centaur Gaming [formerly Centaur, LLC]	**18,443**	**14,644**	**3,799**	28,798	28,945	[147]
CRS Contractors Rental Supply Limited Partnership	**10,573**	**10,573**	**—**	—	—	—
Discovery Air Inc.	**25,521**	**22,045**	**3,476**	27,701	26,545	1,156
Linen King, LLC	**788**	**2,525**	**[1,737]**	2,523	2,525	[2]
MAG Defense Services	**1,904**	**1,915**	**[11]**	—	—	—
Rivers Casino	**20,742**	**7,413**	**13,329**	25,536	8,504	17,032
Participation IV Partnership Entitlements[c]	**[2,494]**	**—**	**[2,494]**	[1,172]	—	[1,172]
Wellington Financial Fund II	**20**	**1**	**19**	46	1	45
Wellington Financial Fund III / IV	**14,850**	**12,138**	**2,712**	15,643	13,643	2,000
	175,598	**135,792**	**39,806**	186,750	152,804	33,946
Other investments	**792**	**910**	**[118]**	1,126	1,129	[3]
	$176,390	**$136,702**	**$ 39,688**	$187,876	$153,933	$ 33,943

[a] Comprised of Clairvest's investment in Casino Marina del Sol, Casino Osorno and Casino Sol Calama.
[b] Fair value attributable to limited partners of Participation III Partnership as described in note 4[c].
[c] Fair value attributable to limited partners of Participation IV Partnership as described in note 4[f].

The cost and fair value of corporate investments do not reflect foreign exchange gains or losses on the foreign exchange forward contracts entered into as hedges against these investments [note 12[b]]. Details of each investment are described below.

[a] **Grey Eagle Casino**

Grey Eagle Casino is a charitable casino on Tsuu T'ina First Nation reserve lands, located southwest of the City of Calgary, Alberta. At March 31, 2011, Clairvest held a $5.6 million subordinated debt with a 16% coupon rate. In addition to the subordinated debt, Clairvest also hold units of a limited partnership which operates Grey Eagle Casino, entitling Clairvest to between 2.8% and 9.6% of the earnings of the casino until December 18, 2022.

During fiscal 2012, Grey Eagle Casino completed a financing and repaid in full the $5.6 million subordinated debt and $2.2 million of accrued interest owing to Clairvest, $0.4 million of which was earned during fiscal 2012.

During fiscal 2013, Clairvest earned $0.4 million [2012 – nil] in profit distributions from Grey Eagle Casino.

[b] **Landauer Metropolitan Inc. ["Landauer"]**

Landauer is a supplier of home medical equipment operating in the northeastern United States.

At March 31, 2013 and 2012, Clairvest owned 1,906,250 10% cumulative convertible preferred shares and 748,133 common shares of Landauer, representing a 14.2% interest on a fully-diluted basis. Clairvest has also advanced bridge loans totaling US$0.3 million [C$0.3 million] and a US$0.6 million [C$0.6 million] subordinated secured convertible note to Landauer.

The bridge loans comprised of a US$0.2 million [C$0.2 million] bridge loan which bears interest at a rate of 25% per annum, payable monthly, and was repayable on April 16, 2010 but remained outstanding as at March 31, 2013, and a US$0.1 million [C$0.1 million] bridge loan which bears interest at a rate of 12% per annum, payable monthly, and is repayable on September 24, 2015. Any unpaid interest accrues interest at the same rate. The Company has the option to convert the bridge loans to common shares of Landauer at a rate of $1.00 per share.

The US$0.6 million subordinated secured convertible note bears interest at a rate of 10% per annum compounding annually. This note is convertible into Series B preferred shares at a conversion rate of $1.00 per share or into common shares at a rate of $0.50 per share. The conversion is at Clairvest's discretion.

The cumulative convertible preferred shares are entitled to dividends only in the event that Clairvest does not convert the preferred shares into common shares. Each convertible preferred share is convertible into one common share and the conversion is at Clairvest's discretion.

During fiscal 2013, the fair value of Landauer was decreased by $6.8 million to $0.1 million. The decrease in the fair value was due to an expected material adverse change to the profitability of Landauer in the near term as a result of the recently completed Medicare competitive bidding process in the United States.

[c] **N-Brook Mortgage LP ["N-Brook"]**

N-Brook originated, adjudicated and underwrote first-ranking mortgages on owner-occupied, residential real estate in Ontario, British Columbia and Alberta. During fiscal 2009, N-Brook management made the decision to wind down its mortgage portfolio.

At March 31, 2012 and 2011, Clairvest had a $5.0 million investment in N-Brook. During fiscal 2013, Clairvest received cash distributions totaling $1.9 million [2012 – nil] from N-Brook, $1.1 million of which was recorded as a full repayment of the variable rate demand debenture and the remaining $0.8 million was recorded as a return of capital on the limited partnership units reducing the fair value of N-Brook to $0.7 million. No gain or loss was recorded as a result of the partial realization of Clairvest's investment in N-Brook. Based on the fair value at March 31, 2013, Clairvest is entitled to receive 24.1% [2012 – 24.1%] of any future recoveries from N-Brook.

[d] **Casino New Brunswick**

Casino New Brunswick is a gaming entertainment complex located in Moncton, New Brunswick. At March 31, 2011, Clairvest had invested $9.2 million in Casino New Brunswick.

During fiscal 2012, Clairvest funded an additional $0.6 million in Casino New Brunswick, bringing the total investment in Casino New Brunswick to $9.8 million. The investment was made in the form of debentures with a stated interest at a rate of 6% per annum. Interest has been waived until further notice effective March 1, 2011. Also during fiscal 2012, management determined that the fair value of Casino New Brunswick should be written down by $2.7 million bringing cumulative write downs to $7.3 million as a result of performance continuing to trend below initial estimates. Also during the fiscal 2012, Clairvest pledged $5.4 million to a Schedule 1 Canadian chartered bank which has provided debt financing to Casino New Brunswick. The pledge was made to support the guarantee to fund any operating deficiencies of Casino New Brunswick as described in note 13[j].

At March 31, 2013 and 2012, Clairvest also holds units of a limited partnership which operates Casino New Brunswick, entitling Clairvest to 22.5% of the earnings of the casino.

[e] **Chilean Gaming Holdings**

Chilean Gaming Holdings is a limited partnership which has a 50.0% ownership interest in Casino Marina del Sol ["Casino del Sol"] in Concepcion, Chile, and a 48.8% ownership interest in each of Casino Osorno in Osorno, Chile, and Casino Sol Calama in Calama, Chile.

During fiscal 2012, Chilean Gaming Holdings sold 2.5% of its equity interest in Casino Osorno and Casino Sol Calama to the operator of Casino del Sol. Clairvest received $0.3 million in cash proceeds and realized a $0.1 million gain as a result of the sale.

During fiscal 2013, Clairvest earned dividends totaling $4.6 million [2012 **–** $1.3 million] through its investment in Chilean Gaming Holdings, bringing dividends earned to March 31, 2013 to $6.4 million [2012 - $1.8 million].

At March 31, 2013 and 2012, Clairvest owned 30,446,299 limited partnership units of Chilean Gaming Holdings, representing a 36.8% equity interest.

[f] **Kubra Data Transfer Limited ["Kubra"]**

Kubra is a business process outsourcing company focused on the distribution of household bills on behalf of its customers.

During fiscal 2012, Clairvest earned dividends totaling $3.0 million from Kubra, against Clairvest's investment in Kubra of $2.2 million.

At March 31, 2013 and 2012, Clairvest owned 3,250,000 Class A voting common shares of Kubra, representing an 11.5% interest on a fully-diluted basis.

[g] **Light Tower Rentals Inc. ["Light Tower Rentals"]**

Light Tower Rentals is an oilfield equipment rental company operating in major oil and gas drilling basins in the United States. At March 31, 2012 and 2011, Clairvest owned 5,841,250 Series A convertible preferred shares in Light Tower Rentals, which could be converted into a 10.3% ownership interest on a fully-diluted basis. Each preferred share is convertible into one common share and the conversion is at Clairvest's discretion. Also at March 31, 2012, Clairvest owned 2,215,736 common shares in LTR Equipment Inc. ["LTR Equipment"], a company affiliated with Light Tower Rentals which supplies certain equipment to Light Tower Rentals, representing a 15.3% interest on a fully-diluted basis.

During fiscal 2013, LTR Equipment was amalgamated into Light Tower Rentals. As a result of the amalgamation, Clairvest exchanged the 2,215,736 common shares of LTR Equipment into 8,428,387 common shares of the combined entity. No gain or loss was recognized as a result of the amalgamation. As a result of the exchange, Clairvest owned 5,841,250 Series A convertible preferred shares and 8,428,387 common shares of Light Tower Rentals, representing a 12.6% ownership interest on a fully-diluted basis.

[h] **Lyophilization Services of New England Inc. ["LSNE"]**

LSNE is a Manchester, New Hampshire based contract manufacturing organization focused on providing lyophilization services to biotech, pharmaceutical and medical device manufacturers. At March 31, 2011, Clairvest owned 6,406,000 Series A 10% cumulative preferred shares of LSNE. The preferred shares are entitled to dividends only in the event that Clairvest does not convert the preferred shares into common shares. Each preferred share is convertible into one

common share and the conversion is at Clairvest's discretion. At March 31, 2011, Clairvest had also advanced US$0.3 million [C$0.3 million] in unsecured loans to LSNE.

During fiscal 2013 and 2012, Clairvest funded an additional US$0.1 million [C$0.1 million] and US$0.6 million [C$0.6 million] to LSNE, respectively, in the form of unsecured loans to further support the growth of LSNE, bringing total unsecured loans advanced to LSNE by Clairvest to US$1.0 million [C$1.0 million].

On March 31, 2013, US$0.6 million of unsecured loans were converted into 1,250,000 Series B 10% cumulative preferred shares and the remaining US$0.4 million of unsecured loans were converted into a promissory note with a stated interest rate of 10% per annum and repayable on demand.

During fiscal 2013, the fair market value of Clairvest's investment in LSNE was adjusted upward by $2.4 million as a result of LSNE's recent growth in earnings, such that Clairvest's carrying value of LSNE at March 31, 2013 approximates its cost.

At March 31, 2013, Clairvest owned 6,406,000 Series A 10% cumulative preferred shares which are convertible into a 12.3% ownership interest on a fully-diluted basis, 1,250,000 Series B cumulative preferred shares and US$0.4 million in demand promissory notes.

[i] **PEER 1 Network Enterprises Inc. ["PEER 1"]**

PEER 1 [TSX: PIX] is a global online IT infrastructure provider based in Vancouver, British Columbia. At March 31, 2012 and 2011, Clairvest owned 5,134,618 common shares of PEER 1, representing a 4.2% interest on a fully-diluted basis. The Company also owned 50,000 stock options of PEER 1 with an exercise price of $1.07 per share.

During fiscal 2013, Clairvest sold its investment in PEER 1 at a price of $3.85 per share. Clairvest realized a gain on this investment of $13.6 million on the sale, $4.6 million of which had been previously recognized. Clairvest also recognized a $0.5 million foreign exchange gain on the sale of PEER 1 which was the result of a reversal of foreign exchange revaluations given PEER 1 was considered a foreign denominated investment in prior periods.

[j] **Centaur Gaming [formerly Centaur, LLC]**

Centaur Gaming is the owner and operator of Hoosier Park Racing & Casino in Anderson, Indiana, and Indiana Grand Casino and Indiana Downs Racetrack ["Indiana Grand"] in Shelbyville, Indiana.

At March 31, 2011, Clairvest held US$29.7 million [C$29.9 million] in pre-petition senior secured first lien loans ["Senior Debt"] of Centaur Gaming. As part of the investment, Clairvest also held a US$0.3 million [C$0.3 million] promissory note from an unrelated investment partner [the "Investment Partner"] for this investment.

During fiscal 2012, Clairvest invested an additional US$5.3 million [C$5.5 million] in the Senior Debt of Centaur Gaming, bringing the total investment in Centaur Gaming to US$35.3 million [C$35.7 million]. Subsequently, Centaur Gaming emerged from Chapter 11 protection and implemented its court-approved Plan of Reorganization. As holders of US$39.1 million face principal value of Senior Debt, Clairvest received US$6.4 million [C$6.7 million] in cash, US$16.4 million in post-petition first lien secured notes, US$6.2 million in post-petition second lien secured notes and US$5.1 million in unsecured term loans with stapled warrants which, subject to regulatory approval, are convertible upon exercise into 9.9% of the Class A units of Centaur Gaming. The cash received was recorded as a return of capital and no gain or loss was realized as a result of the exchange.

During fiscal 2013, Centaur Gaming acquired Indiana Grand. Clairvest advanced a US$7.9 million [C$8.0 million] promissory note to Centaur Gaming during the acquisition process and invested an additional US$8.4 million [C$8.5 million] in the form of an unsecured term loan with stapled warrants in support of this acquisition. The stapled warrants, subject to regulatory approval, are convertible upon exercise into 9.9% of the Class B units of Centaur Gaming. The promissory note which had a stated interest rate of 3.41% per annum was repaid in full upon the completion of the acquisition.

In conjunction with this acquisition, Centaur Gaming completed a financing and repaid in full the post-petition first and second lien secured notes with interest accrued to February 20, 2013. The promissory notes were also repaid in full upon the completion of the financing.

During fiscal 2013, Clairvest received cash proceeds totaling US$32.3 million, comprised of a US$16.4 million full repayment on the post-petition first lien secured notes, a US$6.2 million full repayment on the post-petition second lien secured notes, a US$0.3 million full repayment on the promissory note from the Investment Partner, a US$7.4 million full repayment on the promissory note advanced to Centaur Gaming during the acquisition process and US$2.0 million in interest.

At March 31, 2013, Clairvest held US$13.6 million in term loans with stapled warrants which are convertible upon exercise to 9.9% of Class A and Class B units of Centaur Gaming.

As described in note 3, Clairvest also purchased US$6.0 million in new first lien loans and US$6.0 million in new second lien loans for its treasury holdings following the completion of the financing.

[k] **CRS Contractors Rental Supply Limited Partnership ["CRS"]**

CRS is a provider of equipment rental services and related merchandise across 21 locations in Ontario, Canada.

During fiscal 2013, Claivest invested $10.6 million to acquire 10,572,805 limited partnership units of CRS. At March 31, 2013, Clairvest's ownership interest in CRS is 13.9%.

[l] **Discovery Air Inc. ["Discovery Air"]**

Discovery Air is a specialty aviation services company operating across Canada and in select locations internationally.

During fiscal 2012, Clairvest invested $22.0 million in secured convertible debentures ["Debentures"] of Discovery Air. The Debentures, which have a 5.5-year term from issuance and are subject to certain early redemption rights in favor of Discovery Air, accrue interest at a rate of 10% per annum and interest is paid in kind and compounded on an annual basis. The Debentures and any paid in kind interest are convertible into 2,939,330 common shares of Discovery Air, which, together with the 59,521 Discovery Air shares owned prior to this investment, represents a 10.5% ownership interest in Discovery Air on an "as converted" basis. At March 31, 2013, the conversion price for the Debentures was $8.68 [2012 - $7.89] per share and the closing quoted market price of a Discovery Air common share was $2.38 [2012 - $3.98] per share.

Also during fiscal 2012, Clairvest advanced a $4.5 million bridge loan to Discovery Air with a stated interest rate of 9.5% per annum, which was repaid in full during fiscal 2013.

During fiscal 2013, Clairvest earned $2.4 million [2012 - $1.2 million] in interest from its investments in Discovery Air.

[m] **Linen King, LLC ["Linen King"]**

Linen King is an Oklahoma-based textile rental company that provides commercial laundry services to the healthcare and hospitality industries.

During fiscal 2012, Clairvest invested in 2,529,209 Class A units of Linen King. At March 31, 2013 and 2012, Clairvest's ownership interest in Linen King is 21.7%.

[n] **MAG Defense Services ["MAG"]**

MAG is a U.S.-based specialty aviation and intelligence, surveillance and reconnaissance service provider.

During fiscal 2013, Clairvest invested US$1.9 million [C$1.9 million] to acquire 18,737 Class A stock of MAG. At March 31, 2013, Clairvest's ownership interest in MAG is 8.0%.

[o] **Rivers Casino**

Rivers Casino is a gaming entertainment complex located in Des Plaines, Illinois.

At March 31, 2011, Clairvest owned 10,627,066 units of Rivers Casino, 1,605,149 units of which represented bridge capital in anticipation of the raising of equity from minority investors as required by the Illinois legislature.

During fiscal 2012, Rivers Casino completed the raising of capital from minority investors whereby Clairvest advanced US$1.1 million [C$1.1 million] in promissory notes to a minority investor [the "Minority Investor"] in support of the completion of the minority fundraising. The promissory notes paid interest at a rate of 24% per annum and matured on June 24, 2041. Clairvest also acquired a minority interest in the Minority Investor. As a result of the completion of minority fundraising, the 1,605,149 units were redeemed at cost.

Clairvest earned quarterly distributions and fees as an investor of Rivers Casino, and interest as a promissory noteholder of the Minority Investor. During fiscal 2013, Clairvest earned $3.6 million [2012 - $1.5 million] in quarterly distributions and $0.5 million [2012 - $0.3 million] in quarterly fees from Rivers Casino. Clairvest also earned $0.2 million [2012 - $0.2 million] in interest on the promissory note and received $0.4 million [2012 - $0.1 million] in quarterly principal and interest payments from the Minority Investor.

Also during fiscal 2013, Rivers Casino completed a financing and as a result made an additional distribution to its investors. Clairvest received cash proceeds totaling $9.5 million from this distribution which has been recorded in distributions and interest income. In addition to the distributions received from Rivers Casino, the Minority Investor made a $1.0 million full repayment on the promissory note.

At March 31, 2013, Clairvest owned 9,021,917 units of Rivers Casino, 5,000 units of the Minority Investor, which in aggregate represents a 5.0% ownership on a fully-diluted basis.

[p] **Wellington Financial Fund II ["Wellington Fund II"]**

Wellington Fund II provided debt capital and operating lines to technology, biotechnology, communications and industrial product companies across Canada. Clairvest, as a limited partner, had committed to fund $20.0 million to Wellington Fund II. Clairvest's commitment represented a 24.1% interest in Wellington Fund II. Clairvest is also entitled to participate in the profits received by the General Partner of Wellington Fund II.

During fiscal 2012, Wellington Fund II was liquidated and the remaining assets were distributed to its limited partners. Clairvest received $0.2 million in cash and securities as a result of the liquidation, which approximated the fair value ascribed to Wellington Fund II at March 31, 2011. Clairvest continues to hold an interest in the General Partner of Wellington Fund II at March 31, 2013.

[q] **Wellington Financial Fund III / IV**

Wellington Financial Fund III ["Wellington Fund III"] is a successor fund to Wellington Fund II which provided debt capital and operating lines to technology, biotechnology, communications and industrial product companies across Canada and the United States. Clairvest, as a limited partner, committed to fund $25.0 million to Wellington Fund III. Clairvest's commitment represented a 16.7% interest in Wellington Fund III. Clairvest was also entitled to participate in the profits received by the General Partner of Wellington Fund III.

During fiscal 2012, Clairvest invested a further $1.1 million to Wellington Fund III, such that at March 31, 2012, $13.6 million [2011 – $12.5 million] of Clairvest's commitment had been funded.

During fiscal 2013, Wellington Financial Fund IV ["Wellington Fund IV"], a successor fund of Wellington Fund III, was raised. As part of the closing of Wellington Fund IV, Clairvest transferred its investment and its unfunded commitment in Wellington Fund III to Wellington Fund IV. Clairvest also increased its commitment by $0.1 million to $25.1 million in support of the final closing of Wellington Fund IV. Clairvest received a net return of capital of $2.1 million as a result of the closings of Wellington Fund IV.

Also during fiscal 2013, Clairvest funded an additional $0.6 million to Wellington Fund IV, bringing total amount funded to $12.1 million against the $25.1 million commitment. At March 31, 2013, Clairvest's interest in Wellington Fund IV represented a 12.6% ownership in Wellington Fund IV. Clairvest is also entitled to participate in the profits received by the General Partner of Wellington Fund IV.

7. CREDIT FACILITIES

Clairvest has a $75.0 million committed credit facility with a maturity date of April 30, 2020. The credit facility bears interest at 11% per annum on drawn amounts and at 1% per annum on undrawn amounts. The amount available under the credit facility at March 31, 2013 and 2012 is $75.0 million. No amounts were drawn during fiscal 2013 and 2012. Included in accounts receivable and other assets at March 31, 2013 is a capitalized closing fee on this facility totaling $0.6 million [2012 – $0.9 million] which is to be amortized on a straight-line basis to April 2015.

The Company also has a $20.0 million credit facility available, subject to annual renewals, bearing interest at prime plus 0.5% per annum. The prime rate at March 31, 2013 and 2012 was 3.0%. The amount available under the credit facility at March 31, 2013 was $20.0 million [2012 - $17.0 million], which is based on debt covenants within the banking arrangement. No amounts were drawn during fiscal 2013 and 2012.

8. INCOME TAXES

Income tax expense for the years ended March 31, 2013 and 2012 consist of the following:

	2013	2012
Current income tax expense	**$ 3,685**	$ 2,724
Future income tax expense	**2,326**	1,746
	$ 6,011	$ 4,470

A reconciliation of the income tax expense based on the statutory rate in Canada and the effective rate is as follows:

	2013	%	2012	%
Income before income taxes	**$ 41,774**		$ 26,886	
Statutory Canadian income tax rate		**26.50**		27.75
Statutory Canadian income taxes	**11,070**	**26.50**	7,461	27.75
Non-taxable dividends and distributions received	**[6,142]**	**[14.70]**	[5,721]	[21.28]
Taxable portion of net investment gains	**2,421**	**5.80**	314	1.17
Non-taxable portion of losses on temporary investments	**[1,034]**	**[2.48]**	189	0.70
Non-deductible portion of finance recovery	**[454]**	**[1.09]**	[383]	[1.42]
Non-deductible portion of other expenses	**1,010**	**2.42**	603	2.24
Payment [recovery] of prior years' taxes	**[1,663]**	**[3.98]**	455	1.69
Foreign income tax rate differences	**150**	**0.36**	1,428	5.31
Other	**653**	**1.56**	124	0.47
	$ 6,011	**14.39**	$ 4,470	16.63

Future tax liabilities relate to temporary differences on corporate and temporary investments, derivative instruments, accounts payable and accrued liabilities and income as follows:

	2013	2012
Temporary differences on corporate and temporary investments	**$ 5,459**	$ 4,075
Temporary differences on derivative instruments	**[413]**	[229]
Temporary differences on accounts payable and accrued liabilities	**[2,138]**	[1,445]
Temporary differences on income	**2,066**	947
Other	**1,500**	800
	$ 6,474	$ 4,148

9. SHARE CAPITAL

Authorized

Unlimited number of preference shares issuable in series, with the designation, rights, privileges, restrictions, and conditions to be determined by the Board of Directors prior to the issue of the first shares of a series.

Unlimited number of common shares

10,000,000 non-voting shares

Issued and outstanding	**2013**		2012	
	Shares	**Amount**	Shares	Amount
Common shares, beginning of year	**15,118,095**	**$ 78,438**	15,392,695	$ 79,911
Issued on exercise of stock options	**6,000**	**104**	50,000	211
Prior period adjustment relating to share issuances	–	**559**	–	–
Purchased and cancelled under normal course issuer bid	–	–	[324,600]	[1,684]
Common shares, end of year	**15,124,095**	**$ 79,101**	15,118,095	$ 78,438

During fiscal 2012, the Company purchased and cancelled 324,600 common shares under various normal course issuer bids for a total purchase cost of $5.6 million. The excess of the purchase cost of the 324,600 shares purchased and cancelled during fiscal 2012 over the average paid-in amount was $3.9 million, the amount of which was charged to retained earnings.

During fiscal 2013, the Company filed a normal course issuer bid enabling it to make market purchases of up to 756,204 [2012 – 772,135] of its common shares in the 12-month period commencing March 6, 2013 [2012 – March 6, 2012]. During fiscal 2013, the Company made no purchases or cancellations under its normal course issuer bids. In total, 3,429,895 common shares at a cost of $35.3 million have been purchased under all previous normal course issuer bids as at March 31, 2013 and 2012. An additional 934,200 common and 2,230,954 non-voting shares have been purchased for cancellation outside of the normal course issuer bid.

15,124,095 [2012 - 15,118,095] common shares were outstanding at March 31, 2013.

The weighted average number of common shares outstanding during fiscal 2013 was 15,123,635 [2012 - 15,397,724]. The weighted average number of fully-diluted shares outstanding during fiscal 2013 was 15,404,526 [2012 - 15,675,287].

The difference between the basic and fully-diluted net income per share computations for 2013 and 2012 consists of the following:

	2013			2012		
	Net income	**Weighted average number of shares**	**Per share amount**	Net income	Weighted average number of shares	Per share amount
Basic net income per share	**$ 35,763**	**15,123,635**	**$ 2.36**	$ 22,416	15,397,724	$ 1.46
Effect of dilutive securities stock options		**280,891**			277,563	
Fully-diluted net income per share	**$ 35,763**	**15,404,526**	**$ 2.32**	$ 22,416	15,675,287	$ 1.43

Under the Company's stock option plan, 1,173,856 [2012 – 1,283,856] common shares of the Company have been made available for issuance to eligible participants. At March 31, 2013, 615,000 [2012 – 725,000] options were outstanding under the plan, and an additional 558,856 [2012 – 558,856] are available for future grants. Under the plan, options are exercisable for one common share and the exercise price of the option must equal the market price of the underlying share on the day preceding the grant date.

Options granted vest over a period of five years. Once vested, options are exercisable at any time until their expiry 10 years after the grant date.

During fiscal 2013, 110,000 [2012 – 252,000] options were exercised, 6,000 [2012 – 50,000] of which were exercised for shares, increasing share capital by $0.1 million [2012 – $0.2 million]. The remaining 104,000 [2012 – 202,000] options were exercised under the cash settlement plan and had no impact on share capital. No options were granted during fiscal 2013 and 2012.

A summary of the status of the Company's stock option plan as at March 31, 2013 and 2012 and changes during the years then ended are presented below:

	Number of options	**Weighted average exercise price per share***
Options outstanding, March 31, 2011	977,000	$ 8.88
Options exercised	[252,000]	5.57
Options outstanding, March 31, 2012	725,000	9.72
Options exercised	[110,000]	5.13
Options outstanding, March 31, 2013	**615,000**	**$ 10.43**
Options exercisable, March 31, 2013	**601,000**	**$ 10.39**

*Adjusted for special dividends where applicable

The following table summarizes information about stock options outstanding and exercisable at March 31, 2013:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life [yrs]	Weighted average exercise price*	Number exercisable	Weighted average exercise price*
$7.00 to $7.99	50,000	0.2	$ 7.07	50,000	$ 7.07
$9.00 to $9.99	330,000	2.6	9.32	330,000	9.32
$12.00 to $12.99	235,000	4.5	12.72	221,000	12.73
	615,000			601,000	

* Adjusted for special dividends where applicable

10. STOCK-BASED COMPENSATION AND OTHER COMPENSATION PLANS

As a result of a cash settlement feature in Clairvest's stock option plan, Clairvest is required to recognize compensation expense based upon the intrinsic value of the outstanding stock options at the consolidated balance sheet dates, and the proportion of their vesting periods that have elapsed. For the year ended March 31, 2013, Clairvest recognized a stock-based compensation expense of $2.9 million (2012 – $1.5 million) as a result of options being vested and an increase in the trading price of Clairvest common shares. As at March 31, 2013, $6.4 million (2012 – $5.5 million) has been accrued under the Company's stock option plan, and a further $0.1 million (2012 – $0.3 million) not accrued as those options have not vested.

As at March 31, 2013, a total of 232,215 [2012 – 212,420] DSUs were held by directors of the Company, the accrual in respect of which was $5.0 million [2012 – $3.8 million] and has been included in accounts payable and accrued liabilities. For the year ended March 31, 2013, Clairvest recognized an expense of $1.2 million [2012 – $1.0 million] with respect to DSUs.

As at March 31, 2013, 120,000 [2012 – 120,000] Appreciation DSUs were held by directors of the Company, the accrual in respect of which is $1.0 million [2012 – $0.6 million] and has been included in accounts payable and accrued liabilities. For the year ended March 31, 2013, Clairvest recognized an expense of $0.4 million [2012 – $0.3 million] with respect to Appreciation DSUs.

As at March 31, 2013, a total of 1,238,680 [2012 – 957,601] BVARs were held by employees of Clairvest, the accrual in respect of which was $2.1 million [2012 – $1.1 million] and has been included in accounts payable and accrued liabilities, and a further $3.8 million [2012 – $2.4 million] not accrued as those BVARs have not vested. For the year ended March 31, 2013, Clairvest recognized an expense of $1.6 million [2012 – $1.6 million] with respect to BVARs.

11. CONSOLIDATED STATEMENTS OF CASH FLOWS

The net change in non-cash working capital balances related to operations is detailed as follows:

	2013	2012
Accounts receivable and other assets	**$ 3,434**	$ [6,307]
Income taxes recoverable	**2,749**	[2,135]
Accounts payable and accrued liabilities	**2,001**	1,598
Income taxes payable	**583**	1,410
	$ 8,767	$ [5,434]

Cash and cash equivalents at March 31, 2013 and 2012 are comprised of the following:

	2013	2012
Cash	**$ 3,022**	$ 3,063
Cash equivalents	**111,783**	29,823
	$ 114,805	$ 32,886

12.FINANCIAL INSTRUMENTS

[a] **Fair value of financial instruments**

Cash, cash equivalents, receivables, payables, temporary investments and corporate investments are being carried at fair value in accordance with the Company's accounting policy as described in note 2 to the consolidated financial statements.

[b] **Foreign exchange forward contracts**

As at March 31, 2013, the Company had entered into foreign exchange forward contracts as hedges against its foreign investments as follows:

Foreign exchange forward contracts to sell US$91.6 million [2012 – US$102.0 million] and buy US$4.2 million [2012 – US$1.4 million] at an average rate of Canadian $1.0022 [2012 – $0.9957] per U.S. dollar through to February 2014. The fair value of these contracts at March 31, 2013 is a loss of $1.2 million [2012 – $0.2 million] and has been recognized on the consolidated balance sheets as derivative instruments.

Foreign exchange forward contracts to sell Chilean Pesos ["CLP"] 14.7 billion [2012 – CLP 14.7 billion] at an average rate of Canadian $0.002022 [2012 – $0.001938] through to January 2014. The fair value of these contracts at March 31, 2013 is a loss of $1.9 million [2012 – $1.5 million] and has been recognized on the consolidated balance sheets as derivative instruments.

13. CONTINGENCIES, COMMITMENTS AND GUARANTEES

[a] Clairvest has committed to co-invest alongside CEP in all investments undertaken by CEP. Clairvest's total co-investment commitment is $54.7 million, $3.5 million [2012 – $3.5 million] of which remains outstanding at March 31, 2013. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP if it concurrently sells a proportionate number of securities of that corporate investment held by CEP.

[b] Clairvest has also committed to co-invest alongside CEP III in all investments undertaken by CEP III. Clairvest's total co-investment commitment is $75.0 million, $15.2 million [2012 – $15.2 million] of which remains unfunded at March 31, 2013. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP III if it concurrently sells a proportionate number of securities of that corporate investment held by CEP III.

[c] Clairvest has also committed to co-invest alongside CEP IV and CEP IV-A in all investments undertaken by CEP IV and CEP IV-A Clairvest's total co-investment commitment is $125.0 million, $73.1 million [2012 – $75.5 million] of which remains unfunded at March 31, 2013. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP IV and CEP IV-A if it concurrently sells a proportionate number of securities of that corporate investment held by CEP IV and CEP IV-A.

[d] Clairvest has also committed $25.1 million to Wellington Fund IV [2012 - $25.0 million to Wellington Fund III], $13.0 million [2012 - $11.4 million] of which remained unfunded at March 31, 2013.

[e] At March 31, 2013, Clairvest has received profit distributions totaling $3.3 million [2012 – $2.6 million] through its ownership interest in the General Partner of Wellington Fund III and Wellington Fund IV. Subject to clawback provisions, Clairvest may be required to repay up to a net $0.4 million [2012 - $1.3 million] of these distributions in the event the limited partners of Wellington Fund III and Wellington Fund IV do not meet their return threshold as specified in the respective Limited Partnership Agreements. At March 31, 2013 and 2012, there were no accruals made with respect to the Clawback.

[f] Clairvest has guaranteed up to US$3.4 million of CEP's obligations to a Schedule 1 Canadian chartered bank under CEP's foreign exchange forward contracts with the bank.

[g] Clairvest has guaranteed up to US$15.0 million of CEP III's obligations to a Schedule 1 Canadian chartered bank under CEP III's foreign exchange forward contracts with the bank.

[h] Under Clairvest's Incentive Bonus Program [the "Program"], a bonus of 10% of after-tax cash income and realizations on certain of Clairvest's corporate investments would be paid to management annually as applicable. Amounts are accrued under this Program to the extent that the cash income and investment realizations have occurred and the bonus has become payable. At March 31, 2013, $0.6 million [2012 – $0.8 million] has been accrued under the Program. If Clairvest were to sell its corporate investments at their current fair values, an additional bonus of $2.0 million [2012 – $1.1 million] would be owing to management under this Program. As no such realizations have occurred and the terms of the Program with respect to these corporate investments have not yet been fulfilled, the $2.0 million [2012 – $1.1 million] has not been accrued at March 31, 2013. The Program does not apply to the income generated from investments made by Clairvest through CEP III Co-Invest and CEP IV Co-Invest.

[i] During fiscal 2006, Clairvest and a wholly owned subsidiary sold their interests in Signature Security Group Holdings Pty Limited ["Signature"] and a related company as part of a sale of 100% of Signature and the related company. As part of the transaction, the subsidiary has indemnified the purchaser for various potential claims. The indemnification was extinguished during fiscal 2013 and no claims against this indemnification had been made.

[j] Clairvest, together with CEP III, has guaranteed to fund any operating deficiencies of Casino New Brunswick for a specified period of time. The amount of the guarantee is allocated 75% to CEP III, to the extent that the amounts paid thereunder are within the limits of the CEP III Limited Partnership Agreement, with the remainder being allocated to

Clairvest. Any amounts paid under the guarantee will result in additional debentures being granted to Clairvest and CEP III, allocated on the same basis as the participation between Clairvest and CEP III in the guarantee funding. As at March 31, 2013, no amounts subject to this guarantee have been funded. Clairvest has pledged $5.4 million to a Schedule 1 Canadian chartered bank which has provided debt financing to Casino New Brunswick. The pledge was made to support the guarantee and is held in a bank account belonging to Clairvest at the Schedule 1 Canadian chartered bank which cannot be withdrawn without consent from the Schedule 1 Canadian chartered bank. Accordingly, it has been classified as restricted temporary investments on the consolidated balance sheets.

[k] An acquisition entity of Chilean Gaming Holdings and other investors of Casino Sol Calama have entered into a joint and several guarantee to fund any operating deficiencies upon the opening of Casino Sol Calama for a specified period of time. Latin Gaming Chile, Casino Sol Calama's operator, has indemnified this acquisition entity with respect to this guarantee. As at March 31, 2013, no amounts subject to this guarantee have been funded.

[l] As part of the holding structure of Chilean Gaming Holdings, Clairvest, together with CEP III and other co-investors, had loans totaling $44.6 million at March 31, 2013 through various acquisition entities from an unrelated financial institution, while another acquisition entity held term deposits totaling $44.6 million at March 31, 2013 with the same financial institution as security for these loans. Clairvest intends to settle the loans, the deposits and related interest accruals simultaneously upon the divestiture of the investments in Chilean Gaming Holdings, and as a result, the deposits and the loans, and the interest revenue and expense have been presented on a net basis. Clairvest's ownership of both acquisition entities was 36.8% at March 31, 2013, with CEP III owning 37.7% and the remainder owned by the other co-investors.

[m] Clairvest has committed to invest US$5.4 million in New Meadowlands Racetrack LLC, which operates the Meadowlands, North America's premier standardbred horse racing track located in East Rutherford, New Jersey. No amounts have been funded at March 31, 2013.

[n] During fiscal 2013, Clairvest reached a court-approved settlement with certain parties with respect to a $10.0 million loan advanced in two tranches of $5.0 million in each of December 2005 and May 2006. Subsequently, the loan was in default and the collateral arrangements for the loan were mishandled. The loan was written off and Clairvest recorded a realized loss in its consolidated financial statements for the year ended March 31, 2007. Clairvest took legal action against several parties to recover the funds and has reached a settlement with certain of these parties resulting in a settlement by these parties to Clairvest of $7.8 million, or 77.5% of the original loan value without taking into account litigation and other costs incurred in the recovery process, substantially all of which have been incurred and recorded as charges against income as of March 31, 2013. Clairvest continues to seek additional recoveries against parties that are not part of this settlement.

[o] In connection with its normal business operations, the Company is from time to time named as a defendant in actions for damages and costs allegedly sustained by plaintiffs. While it is not possible to estimate the outcome of the various proceedings at this time, the Company does not believe that it will incur any material loss in connection with such actions.

14. RISK MANAGEMENT

The private equity investment business involves accepting risk for potential return, and is therefore affected by a number of economic factors, including changing economic environments, capital markets and interest rates. As a result, the Company faces various risk factors, inherent in its normal business activities. These risk factors and how the Company manages these risk factors are described below.

Credit risk

Credit risk is the risk of a financial loss occurring as a result of default of a counterparty on its obligations to the Company. For the years ended March 31, 2013 and 2012, there were no material income effects on changes of credit risk on financial assets. The carrying values of financial assets subject to credit exposure at March 31, 2013 and 2012, net of any allowances for losses, were as follows:

		2013		2012
Financial assets				
Cash and cash equivalents	**$**	**114,805**	$	32,886
Temporary investments		**59,708**		64,697
Restricted cash and temporary investments		**5,425**		5,430
Accounts receivable		**8,873**		11,946
Loans receivable		**5,365**		23,740
Corporate investments		**176,390**		187,876
	$	**370,566**	$	326,575
Financial liabilities				
Accounts payable	**$**	**133**	$	377
Derivative instruments		**3,115**		1,731
	$	**3,248**	$	2,108

The Company manages credit risk on corporate investments through thoughtful planning, strict investment criteria, significant due diligence of investment opportunities and oversight responsibilities with existing investee companies and by conducting activities in accordance with investment policies that are approved by the Board of Directors. Management's application of these policies is regularly monitored by the Board of Directors. Management and the Board of Directors review the financial condition of investee companies regularly.

The Company is also subject to credit risk on its accounts receivable, a significant portion of which is with its investee companies and its CEP Funds. The Company manages this risk through its oversight responsibilities with existing investee companies by reviewing the financial condition of investee companies regularly, and through its fiduciary duty as Manager of the CEP Funds and by maintaining sufficient uncalled capital for the CEP Funds to settle obligations as they come due.

The Company is also subject to credit risk on its loans receivables, the majority of which is typically with its CEP Funds. The Company manages this risk through its fiduciary duty as Manager of the CEP Funds and by maintaining sufficient uncalled capital for the CEP Funds to settle obligations as they come due.

The Company manages credit risk on cash, cash equivalents and temporary investments by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. The Company also manages credit risk by contracting with counterparties which are Schedule 1 Canadian chartered banks or through investment firms where Clairvest's funds are segregated and held in trust for Clairvest's benefit. Management's application of these policies is regularly monitored by the Audit Committee. Management and the Audit Committee review credit quality of cash equivalents and temporary investments regularly. As at March 31, 2013 and 2012, the credit ratings, based on the Dominion Bond Rating Services ["DBRS"] rating scale, with the exception of loans rated below A- which are based on the Standard and Poor's ["S&P"] rating scale, for the Company's cash, cash equivalents and temporary investments were as follows:

	2013	2012
Cash and term deposits	**$ 3,022**	$ 3,386
Money market savings accounts		
R1-High	**93,463**	17,814
Guaranteed investment certificates, investment savings accounts and mutual fund deposits, including restricted temporary investments		
AA	**59,844**	39,272
AA-	**152**	3,168
A+	**5,052**	—
A	**3,032**	—
Corporate bonds and loans		
AA	**—**	15,212
AA-	**2,552**	—
A+	**508**	7,980
A	**—**	2,929
A-	**—**	11,755
B+	**6,117**[1]	—
CCC+	**6,196**[1]	—
Preferred shares		
P-2 low	—	1,497
Total cash, cash equivalents, temporary investments and restricted Temporary investments	**$ 179,938**	$ 103,013

[1] Pertains to Clairvest's treasury investment in Centaur Gaming as described in notes 3 and 6[j].

Market risk
Market risk includes exposure to fluctuations in the market value of the Company's investments, currency rates and interest rates. The following table presents the financial instruments measured at fair value classified by the fair value hierarchy set out in CICA Handbook Section 3862:

	2013			
	Fair value measurements using			Assets / liabilities at fair value
	Level 1	Level 2	Level 3	
Financial assets				
Cash equivalents				
Money market savings accounts	$ 93,463	$ —	$ —	$ 93,463
Investment savings accounts	18,240	—	—	18,240
Mutual fund deposits	80	—	—	80
	111,783	—	—	111,783
Temporary investments				
Guaranteed investment certificates	—	44,335	—	44,335
Corporate bonds and loans	3,061	12,312	—	15,373
	3,061	56,647	—	59,708
Restricted temporary investments	—	5,425	—	5,425
Accounts receivable	—	—	8,873	8,873
Loans receivable	—	—	5,365	5,365
Corporate investments	126	—	176,264	176,390
	$ 114,970	$ 62,072	$ 190,502	$ 367,544
Financial liabilities				
Accounts payable and accrued liabilities	$ —	$ —	$ 133	$ 133
Derivative instruments	—	3,115	—	3,115
	$ —	$ 3,115	$ 133	$ 3,248

	2012			
	Fair value measurements using			Assets / liabilities at fair value
	Level 1	Level 2	Level 3	
Financial assets				
Cash equivalents				
Money market savings accounts	$ 17,814	$ —	$ —	$ 17,814
Investment savings accounts	11,737	—	—	11,737
Term deposits	272	—	—	272
	29,823	—	—	29,823
Temporary investments				
Term deposits	51	—	—	51
Guaranteed investment certificates	—	25,273	—	25,273
Corporate bonds and loans	37,876	—	—	37,876
Preferred shares	1,497	—	—	1,497
	39,424	25,273	—	64,697
Restricted temporary investments	—	5,430	—	5,430
Accounts receivable	—	—	11,946	11,946
Loans receivable	—	—	23,740	23,740
Corporate investments	10,671	—	177,205	187,876
	$ 79,918	$ 30,703	$ 212,891	$ 323,512
Financial liabilities				
Accounts payable and accrued liabilities	$ —	$ —	$ 377	$ 377
Derivative instruments	—	1,731	—	1,731
	$ —	$ 1,731	$ 377	$ 2,108

The following table presents the changes in fair value measurements for instruments included in Level 3 of the fair value hierarchy set out in CICA Handbook Section 3862:

	Fair value April 1, 2012	Total realized / unrealized gains and foreign exchange revaluations included in earnings	Purchases of assets / issuances of liabilities	Sales of assets / settlements of liabilities	Fair value March 31, 2013	Unrealized gains and foreign exchange revaluations included in earnings for assets and liabilities for the year ended March 31, 2013 for positions still held
Financial assets						
Accounts receivable	**$ 11,946**	**$ —**	**$ 71,304**	**$ [74,377]**	**$ 8,873**	**$ —**
Loans receivable	**23,740**	**—**	**34,168**	**[52,543]**	**5,365**	**—**
Corporate investments	**177,205**	**10,555**	**29,701**	**[41,197]**	**176,264**	**10,555**
	212,891	**10,555**	**135,173**	**[168,117]**	**190,502**	**10,555**
Financial liabilities						
Accounts payable	**377**	**—**	**1,908**	**[2,152]**	**133**	**—**
	$ 377	**$ —**	**$ 1,908**	**$ [2,152]**	**$ 133**	**$ —**

	Fair value April 1, 2011	Total realized / unrealized gains and foreign exchange revaluations included in earnings	Purchases of assets / issuances of liabilities	Sales of assets / settlements of liabilities	Fair value March 31, 2012	Unrealized gains and foreign exchange revaluations included in earnings for assets and liabilities for the year ended March 31, 2012 for positions still held
Financial assets						
Accounts receivable	$ 5,366	$ —	$ 47,458	$ [40,878]	$ 11,946	$ —
Loans receivable	126	—	46,431	[22,817]	23,740	—
Corporate investments	153,247	20,040	36,888	[32,970]	177,205	19,138
	158,739	20,040	130,777	[96,665]	212,891	19,138
Financial liabilities						
Accounts payable	176	—	1,496	[1,295]	377	—
	$ 176	$ —	$ 1,496	$ [1,295]	$ 377	$ —

Fluctuations in market interest rates affect the Company's income derived from cash, cash equivalents, and temporary investments. For financial instruments which yield a floating interest income, the interest received is directly impacted by the prevailing market interest rate. The fair value of financial instruments which yield a fixed interest income would change

when there is a change in the prevailing market interest rate. The Company manages interest rate risk on cash, cash equivalents and temporary investments by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. Management's application of these policies is regularly monitored by the Audit Committee.

If interest rates were higher or lower by 1% per annum, the potential effect would be an increase or decrease of $0.7 million to distributions and interest income on a pre-tax basis for the year ended March 31, 2013.

Included in corporate investments are investments for which the fair values have been estimated based on assumptions that may not be supported by observable market prices. The most significant unobservable input is the multiple of earnings used for each individual investment. In determining the appropriate multiple, Clairvest considers i] public company multiples for companies in the same or similar businesses; ii] where information is known and believed to be reliable, multiples at which recent transactions in the industry occurred; and iii] multiples at which Clairvest invested in the company, or for follow-on investments or financings. The resulting multiple is adjusted, if necessary, to take into account differences between the investee company and those the Company selected for comparisons and factors include public versus private company, company size, same versus similar business, as well as with respect to the sustainability of the company's earnings and current economic environment. Investments which are valued using the earnings multiple approach include Casino New Brunswick, Centaur Gaming, Chilean Gaming Holdings, Kubra, Light Tower Rentals, Linen King, and Rivers Casino. If the Company had used an earnings multiple for each investment that was higher or lower by 0.5 times, the potential effect would be an increase of $19.3 million or decrease of $19.4 million to the carrying value of corporate investments and net changes in unrealized gains or losses on corporate investments, on a pre-tax basis for the year ended March 31, 2013. Earnings multiples used are based on public company valuations as well as private market multiples for comparable companies.

The Company's corporate investment portfolio is diversified across 15 companies in 8 industries and 3 countries as at March 31, 2013. Concentration risk by industry and by country is as follows:

	2013				2012			
	Canada	**United States**	**Chile**	**Fair value**	Canada	United States	Chile	Fair value
Business services	**$ —**	**$ 12,678**	**$ —**	**$ 12,678**	$ —	$ 7,868	$ —	$ 7,868
Contract manufacturing	**—**	**7,573**	**—**	**7,573**	—	5,098	—	5,098
Equipment rental	**10,573**	**24,580**	**—**	**35,153**	—	21,494	—	21,494
Financial services	**15,583**	**—**	**—**	**15,583**	18,314	—	—	18,314
Gaming	**4,879**	**39,185**	**39,486**	**83,550**	4,053	54,334	31,202	89,589
Health and medical elated	**—**	**25**	**—**	**25**	—	6,834	—	6,834
Information technology	**—**	**—**	**—**	**—**	—	10,419	—	10,419
Specialty Aviation	**25,521**	**1,904**	**—**	**27,425**	27,701	—	—	27,701
Textile rental service	**—**	**788**	**—**	**788**	—	2,523	—	2,523
Other	**[6,385]**	**—**	**—**	**[6,385]**	[1,964]	—	—	[1,964]
Total	**$ 50,171**	**$ 86,733**	**$ 39,486**	**$ 176,390**	$ 48,104	$ 108,570	$ 31,202	$ 187,876

The Company has considered current economic events and indicators in the valuation of its corporate investments.

The Company has implemented a hedging strategy because it has, directly and indirectly, several investments outside of Canada, currently in the United States and in Chile. In order to limit its exposure to changes in the value of foreign denominated currencies relative to the Canadian dollar, Clairvest hedges 100% of the fair value of its foreign investments unless a specific exemption is approved by the Board of Directors.

A number of investee companies are subject to foreign exchange risk. A significant change in foreign exchange rates can have a significant impact to the profitability of these entities and in turn the Company's fair value of these corporate investments. The Company manages this risk through oversight responsibilities with existing investee companies and by reviewing the financial condition of investee companies regularly.

Certain of the Company's corporate investments are also held in the form of subordinated debentures. Significant fluctuations in market interest rates can have a significant impact on the fair value of these investments.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Note 13 describes the Company's contingencies, commitments and guarantees.

The Company maintains a conservative liquidity position that exceeds all liabilities payable on demand. The Company invests its cash equivalents and temporary investments in liquid assets such that they are available to cover any potential funding commitments and guarantees. In addition, the Company maintains various credit facilities.

15. CAPITAL DISCLOSURES

Clairvest considers the capital it manages to be the amounts it has in cash, cash equivalents, temporary investments and corporate investments. Clairvest also manages the third-party capital committed or invested in the CEP Funds and co-investments made by other investors. Total capital managed by Clairvest as at March 31, 2013, measured at fair market value and including capital committed by third-party investors but not yet invested, was $1.2 billion [2012 - $1.2 billion].

Clairvest's objectives in managing capital are to:

- Preserve a financially strong company with substantial liquidity such that funds are available to pursue new acquisitions and growth opportunities as well as to support its operations and the growth of its existing corporate investments;
- Achieve an appropriate risk-adjusted return on capital;
- Build the long-term value of its corporate investments; and
- Have appropriate levels of committed third-party capital available to invest along with Clairvest's capital. The management of third-party capital also provides management fees and/or priority distributions to Clairvest and the ability to enhance Clairvest's returns by earning a carried interest.

At March 31, 2013, Clairvest had non-restricted cash, cash equivalents and temporary investments of $174.5 million [2012 – $97.6 million] and access to $95.0 million [2012 – $92.0 million] through its credit facilities to support its current and anticipated corporate investments. Clairvest also had $261.1 million [2012 – $291.0 million] of uncalled committed third-party capital through the CEP Funds at March 31, 2013 to invest along with Clairvest's capital.

At March 31, 2013 and 2012, Clairvest had no external capital requirements, other than as disclosed in note 13.

16. SUBSEQUENT EVENT

Subsequent to year end, the Company invested US$4.0 million [C$4.1 million] in County Waste of Virginia, LLC ["County Waste"] a private regional solid waste management company based in West Point, Virginia. The Company's ownership interest in County Waste is 12.6%.

17. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2013 consolidated financial statements.

SHAREHOLDER INFORMATION

As at, and for the year ended, March 31, 2013

SHAREHOLDER COMMUNICATION

Clairvest has both the obligation and desire to provide its shareholders with full and continuous disclosure, on a timely basis, throughout the fiscal year. Annual and quarterly reports are provided as part of this process and the company releases information on material events through the press, as required. Further disclosure can be found on the company's website, www.clairvest.com.

VALUATION MEASURES

Clairvest's focus is on building the long–term value of its investments. Fair value accounting allows Clairvest to reflect changes in the value of our investments. The fair value method, however, is not without limitations. Clairvest's investments are often carried at values which may vary from the actual realizations.

OUTSTANDING SECURITIES

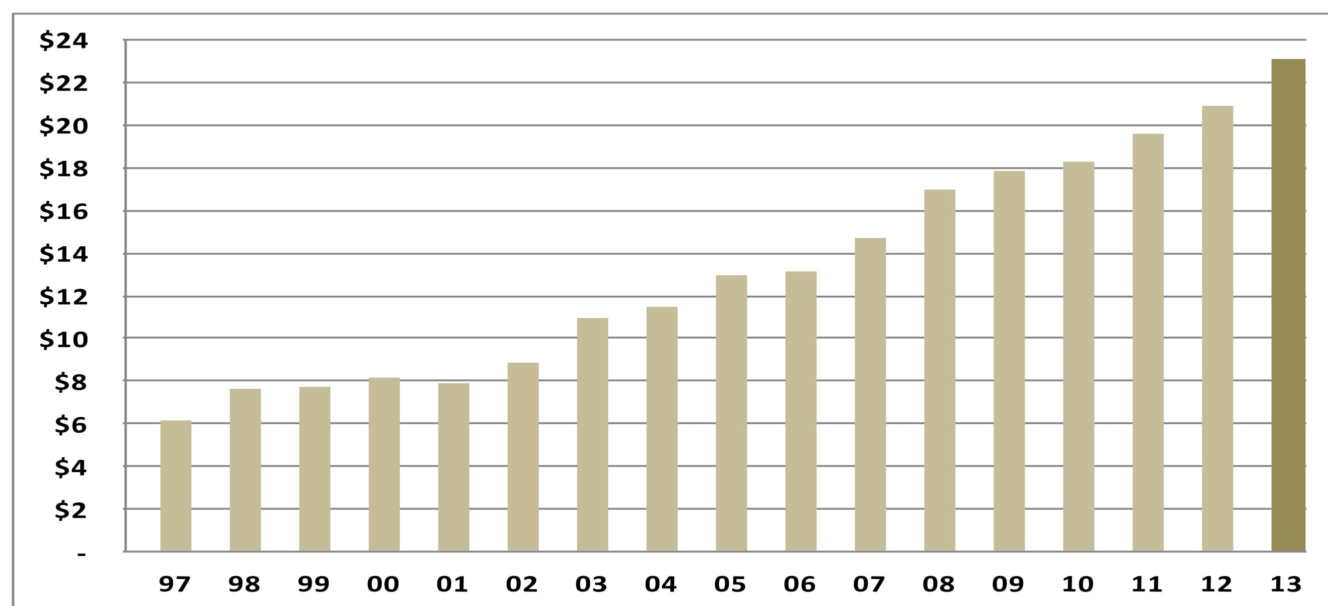
Share structure	Common Shares[3]		
Common shares outstanding			15,124,095
Less holders of 10% or more			9,972,222
Public float[1,2]			5,151,873
Market capitalization[1]		$	332,427,608
Market value of public float[1,2]		$	113,238,169
Stock market	Toronto Stock Exchange		
Stock symbol	CVG		

[1] As at May 31, 2013. [2] Excludes holders of 10% or more of the outstanding common shares. (3) During the year, Clairvest filed a new Normal Course Issuer Bid.

DIVIDEND INFORMATION

Clairvest has consistently paid a dividend over the last twenty-two years. Over the last twenty years the annual ordinary dividend has been $0.10 per common share. It is Clairvest's current intention to continue to pay an annual ordinary dividend.

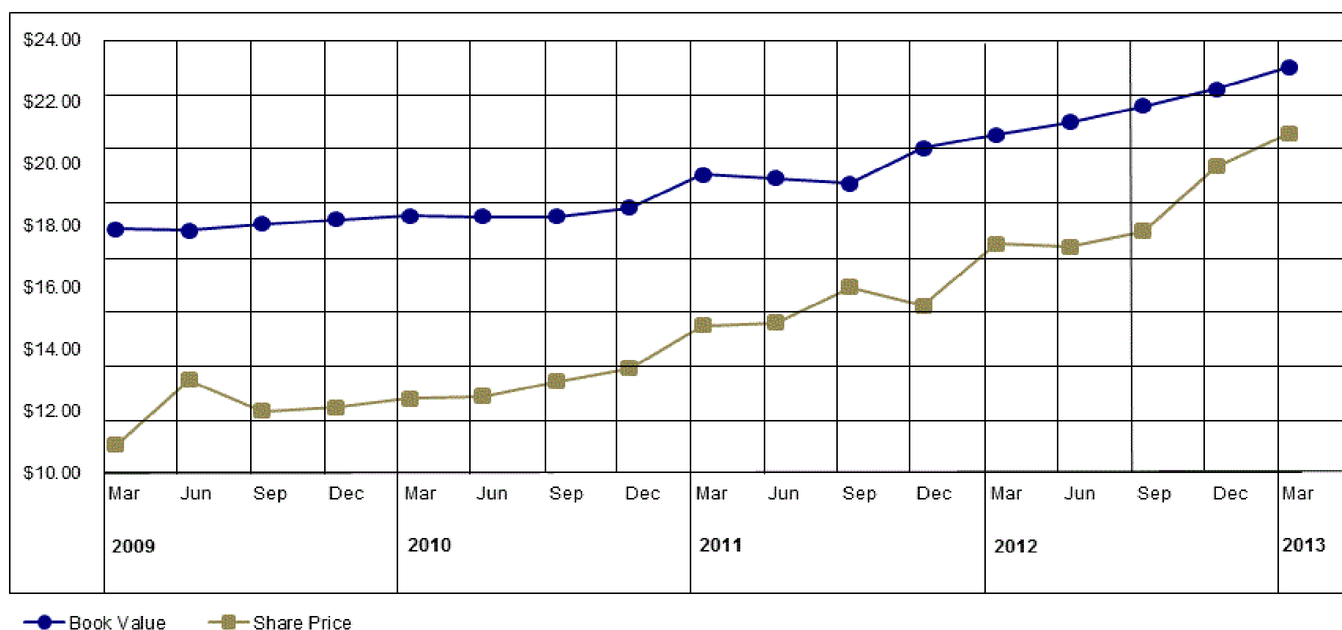
BOOK VALUE PER SHARE AT MARCH 31



SHAREHOLDER INFORMATION

As at, and for the year ended, March 31, 2013

SHARE PRICE VS BOOK VALUE PER SHARE



SHARE TRADING VOLUME FISCAL 2013

Common shares	High	Low	Close	Volume
Year to March 31, 2013				
First Quarter	**18.06**	**17.01**	**17.30**	**13,563**
Second Quarter	**18.00**	**17.30**	**17.80**	**19,090**
Third Quarter	**19.98**	**17.70**	**19.90**	**68,439**
Fourth Quarter	**23.50**	**19.90**	**20.98**	**12,043**
Year to March 31, 2012				
First Quarter	15.25	14.60	14.85	101,734
Second Quarter	16.00	15.25	16.00	79,570
Third Quarter	16.00	15.40	15.40	33,378
Fourth Quarter	19.67	16.75	17.41	394,075

SHAREHOLDER INQUIRIES

Maria Klyuev, Director, Investor Relations & Marketing

tel: 416.925.9270

fax: 416.925.5753

email: mariak@clairvest.com

TRANSFER AGENT AND REGISTRAR

Investors are encouraged to contact
CIBC Mellon Trust Company
for information regarding their security holdings.
Note: Canadian Stock Transfer Company Inc. acts as the
Administrative Agent for CIBC Mellon Trust Company.

Information can be obtained at:
P.O. Box 700, Station B
Montreal, Québec H3B 3K3
Answerline: 1.800.387.0825
Web: www.canstockta.com
Email: inquiries@canstockta.com

CORPORATE INFORMATION

CORPORATE OFFICE
22 St. Clair Avenue East, Suite 1700
Toronto, Ontario M4T 2S3
Tel: 416.925.9270 Fax: 416.925.5753
Web: www.clairvest.com

AUDITORS
Ernst & Young LLP

THE ANNUAL MEETING OF SHAREHOLDERS
August 13, 2013
St. Andrews Club & Conference Centre,
150 King Street West, 27th Floor
Toronto, Ontario Canada

All Shareholders are encouraged to attend.

ANNUAL REPORT 2012

CLAIRVEST

TABLE OF CONTENTS

Co-Chief Executive Officers' Message	2
Management's Discussion and Analysis	4
Management's Report	28
Auditors' Report	29
Consolidated Financial Statements	30
Notes to Consolidated Financial Statements	33
Shareholder Information	59
Corporate Information	Back Cover

KNOWLEDGE BASED – VALUE FOCUSED

CLAIRVEST

CLAIRVEST IS ONE OF CANADA'S LEADING PROVIDERS OF PRIVATE EQUITY FINANCING TO MID-MARKET COMPANIES AND CURRENTLY HAS APPROXIMATELY C$1 BILLION OF CAPITAL UNDER MANAGEMENT.

CLAIRVEST MANAGES ITS OWN CAPITAL AND THAT OF THIRD PARTIES, THROUGH THE CLAIRVEST EQUITY PARTNERS LIMITED PARTNERSHIPS.

CLAIRVEST PARTNERS WITH MANAGEMENT TO INVEST IN PROFITABLE, SMALL AND MID-SIZED NORTH AMERICAN COMPANIES WITH THE GOAL OF HELPING TO BUILD VALUE IN THE BUSINESS AND GENERATE SUPERIOR LONG TERM FINANCIAL RETURNS FOR INVESTORS.

CLAIRVEST SPECIALIZES IN CONSOLIDATING INDUSTRIES WITHIN A SPECIFIED REGION AND IN THE LOCAL MARKET CASINO INDUSTRY.

CLAIRVEST CONCLUDES ANOTHER YEAR OF GROWTH AND CELEBRATES 25 YEARS IN BUSINESS

FELLOW SHAREHOLDER,

Fiscal 2012 was another strong year for Clairvest. Despite market volatility and an uncertain economic environment, Clairvest's portfolio companies continued to perform and grow. Over the last 12 months, Clairvest held to its proven domain origination approach and successfully deployed its capital towards three new investments, all of which represent a unique value opportunity.

As in prior years, Clairvest retained its balanced approach to leverage and concluded fiscal 2012 with a strong balance sheet and a very comfortable liquidity position. With a focused strategy, capital to invest and a team of dedicated professionals, we are well positioned to capitalize on current market dynamics to seek opportunities others may not see and continue to deliver attractive returns to our limited partners and shareholders.

PORTFOLIO

Concerns related to the sovereign debt crisis in Europe, questions regarding the stability of the euro and fears of a double dip recession in the US and Europe contributed to an uncertain environment over the past year. Despite this back drop, all of our portfolio companies grew and we were able to generate three new investment opportunities in addition to six add-on investments to the current portfolio.

Fiscal 2012 brought some notable milestones. KUBRA won several significant contracts which are a testament to the success of its continued investment in technology and service enhancement. PEER 1 emerged from an extensive investment phase as one of the leading independent global hosting companies, achieving record results. Light Tower Rentals continued to expand its geographic reach and service offering and substantially exceeded industry performance.

Our investment focus in local market gaming was supported by the strong performance of our seven casino properties. Rivers Casino opened its doors in July 2011, surpassing expectations, and is now the leading casino in the state of Illinois. Our Chilean properties continue to grow and together are the leading casino group in terms of operating profitability in the country. Casino New Brunswick, which we previously identified as a challenge, has seen a substantial improvement in performance during the year. While we are pleased with its progress, we remain cautious and have decided to write down the investment to 25% of cost. Building on our extensive experience in the gaming space, Clairvest and CEP IV allocated US $20 million to invest in the Meadowlands Racetrack in New Jersey, North America's premier standardbred horse racing track with attractive upside potential.

Linen King and Discovery Air Inc, are two new investments both of which encompass many of the attractive characteristics that we seek through our rigorous investment criteria. Linen King is a growing healthcare linen services company in mid-continent United States with numerous expansion opportunities both organically and by way of acquisition. Discovery Air Inc. is a leading speciality aviation company based in Canada and operating internationally with substantial growth opportunities within its market.

RESULTS

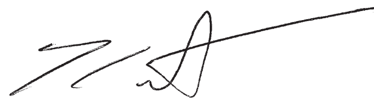
For the 12 months ended March 31, 2012, Clairvest's book value per share grew to $20.93 from $19.65 a year earlier. Our value creation performance continues to be superior to many public market indices. Over the past 10 years, Clairvest has consistently delivered growth in its book value per share, producing a compounded annual growth rate of approximately 10% including dividends on an after-tax basis, compared with 3.6% pre-tax for the S&P 500. This return is the aggregate of high returns on our invested capital and modest money market returns on our cash balances, which have averaged 45% of our book value over the period, providing our shareholders with a solid risk adjusted return.

PROMISING OUTLOOK

With 25 years of industry experience and a deep track record of value creation, we are convinced that we derive a significant competitive advantage from our approach, which is based on partnership with solid management teams who are material owners in their respective businesses and emphasizes growth as the principal driver of value creation. Clairvest will continue to use its time tested investment discipline, looking for best-in-class companies, led by proven managers in industries for which we have a strong thesis.

Our success to date is attributed to the strength of our investee partners, the energy and leadership of our employees and the invaluable guidance from our board of directors. We thank our shareholders and limited partners for their continued support. We are dedicated to continue to build value for Clairvest and its partners.

Jeff Parr
Co-Chief Executive Officer



Ken Rotman
Co-Chief Executive Officer

June 26, 2012

As at, and for the year ended, March 31, 2012

The Management's Discussion and Analysis ("MD&A") of financial condition and results of operations analyzes significant changes in Clairvest Group Inc.'s consolidated financial results, financial position, risks and opportunities. It should be read in conjunction with the Consolidated Financial Statements.

The following MD&A is the responsibility of Management and is as of June 26, 2012. The Board of Directors carries out its responsibility for review of this disclosure through its Audit Committee. The Audit Committee reviews the disclosure and recommends its approval to the Board of Directors. The Board of Directors has approved this disclosure.

INTRODUCTION

Clairvest Group Inc. ("Clairvest" or the "Company") is a private equity investor that specializes in partnering with management teams and other stakeholders of both emerging and established companies. Clairvest invests its own capital, and that of third parties, through Clairvest Equity Partners Limited Partnership ("CEP"), Clairvest Equity Partners III Limited Partnership ("CEP III"), Clairvest Equity Partners IV Limited Partnership ("CEP IV") and Clairvest Equity Partners IV-A Limited Partnership ("CEP IV-A") (together, the "CEP Funds") in a small number of carefully selected companies that have the potential to generate superior returns.

The Company's shares are traded on the Toronto Stock Exchange under the stock symbol "CVG".

At March 31, 2012, Clairvest had 14 core investments in 9 different industries. Three of these investments are joint investments with CEP, six are joint investments with CEP III and four are joint investments with CEP IV and CEP IV-A (together, the "CEP IV Fund"). Clairvest also holds an investment in Wellington Financial Fund III ("Wellington Fund III").

OVERVIEW OF FISCAL 2012

An overview of the significant events during fiscal 2012 follows:

- Clairvest and CEP III sold their interests in Hudson Valley Waste Holding, Inc. ("Hudson Valley Waste"), a regional solid waste company based in the northeastern United States, for cash proceeds of US$70.0 million (C$67.6 million). On a combined US$35.3 million (C$36.9 million) investment, Clairvest and CEP III generated a pre-tax return of 2.0 times in U.S. dollars and an internal rate of return of 87% over this 13 month investment. Consistent with its ownership percentage, Clairvest realized 25% of this amount, or C$16.9 million on a C$9.2 million investment. As a result of the sale, Clairvest realized a $0.6 million incremental gain in fiscal 2012.
- Grey Eagle Casino (formerly Tsuu T'ina Gaming Limited Partnership), a charitable casino on Tsuu T'ina First Nation reserve lands located southwest of the city of Calgary, completed a financing and repaid in full its debentures plus accrued interest totaling $31.1 million owing to Clairvest and CEP. Consistent with its ownership percentage, Clairvest received 25% of this amount, or $7.8 million, the same as the March 31, 2011 carrying value for the debenture investment. Clairvest continues to hold an equity participation interest in the Grey Eagle Casino, enabling it to between 2.8% and 9.6% of the earnings of the casino until December 18, 2022.

- Clairvest, the CEP IV Fund, and co-investors invested $70 million in Discovery Air Inc. ("Discovery Air"), a speciality aviation services company operating across Canada and in select locations internationally. The investment was by way of secured convertible debentures (the "Debentures") which accrue interest at a rate of 10% per annum, payable in kind quarterly and compounded annually, and have a 5.5 year term from issuance which is subject to certain early redemption rights in favor of Discovery Air. The Debentures and the accrued interest are convertible into 9,333,334 common shares of Discovery Air, representing a 32.8% equity interest on an "as converted" basis. Clairvest's portion of the investment in Discovery Air was $22.0 million which is convertible into 2,939,300 common shares of Discovery Air, which, together with the 59,521 Discovery Air shares Clairvest owned prior to this investment, represents a 10.5% equity interest on an "as converted" basis. In addition to the Debentures, Clairvest advanced a $4.5 million 90-day bridge loan to Discovery Air at a stated interest rate of 9.5% per annum, which was repaid in full subsequent to year end.
- Clairvest and co-investors invested a further US$12.9 million in pre-petition senior secured first lien debt ("Senior Debt") of Centaur, LLC ("Centaur"), which holds various gaming interests including the Hoosier Park Racing & Casino in Indianapolis, Indiana. Clairvest's portion of the investment was US$5.3 million (C$5.5 million), bringing Clairvest's total investment in the Senior Debt of Centaur to US$35.3 million (C$35.7 million). Subsequently, Centaur emerged from Chapter 11 protection and implemented its court-approved Plan of Reorganization. As holders of US$141.0 million in pre-petition first lien debt, Clairvest, the CEP IV Fund and co-investors received US$23.0 million in cash, US$59.2 million in new first lien secured notes, US$22.2 million in new second lien secured notes and US$18.5 million in unsecured term loan with stapled warrants which, subject to regulatory approval, are convertible upon exercise into 35.8% of Centaur's Class A units. Clairvest received US$6.4 million (C$6.7 million) in cash, US$16.4 million in new first lien secured notes, US$6.2 million in new second lien secured notes and US$5.1 million in unsecured term loan with stapled warrants which, subject to regulatory approval, are convertible upon exercise into 9.9% of Centaur's Class A units. No gain or loss was realized as a result of the exchange.
- Rivers Casino (formerly Midwest Gaming Holdings LLC), a gaming entertainment complex located in Des Plaines, Illinois, completed the raising of capital from minority investors and commenced operations in July 2011. Clairvest, the CEP IV Fund, and co-investors (the "Group"), through various acquisition entities, advanced US$8.7 million in promissory notes to a minority investor in support of the completion of the minority fundraising for Rivers Casino. In addition to this investment, the Group acquired a minority interest in this investor. As a result of the completion of the minority fundraising, the Group received a return of capital from Rivers Casino totalling US$13.7 million. Clairvest advanced US$1.1 million in promissory notes in support of and received a $1.7 million return of capital upon the completion of the minority fundraising.
- Clairvest and the CEP IV Fund invested US$9.4 million in Linen King, LLC ("Linen King"), an Oklahoma based textile rental company that provides commercial laundry services to the healthcare and hospitality industries. Clairvest's portion of the investment is US$2.5 million.

- Kubra Data Transfer Ltd. ("Kubra"), a business process outsourcing company, completed a financing and paid a US$20 million dividend to its shareholders. Clairvest and CEP III received US$2.9 million (C$3.0 million) and US$8.7 million (C$9.0 million) respectively from this dividend against their C$13.0 million original investment.
- Clairvest and the CEP IV Fund committed to invest US$20.0 million in New Meadowlands Racetrack LLC, which operates the Meadowlands, North America's premier standardbred horse racing track located in East Rutherford, New Jersey. Clairvest's portion of the commitment is US$5.4 million, none of which has been funded at March 31, 2012 and as at June 26, 2012.
- Clairvest purchased and cancelled 201,000 of its common shares for a cost of $3.4 million under its normal course issuer bid expiring March 5, 2012. Clairvest filed a new normal course issuer bid enabling it to make market purchases of up to 772,135 of its common shares in the 12-month period commencing March 6, 2012. Clairvest purchased and cancelled 123,600 of its common shares for $2.2 million under this bid to June 26, 2012. As at June 26, 2012, Clairvest had repurchased a total of 6,595,049 common and non-voting shares over the last nine years. As at June 26, 2012, 15,124,095 common shares are outstanding.
- Clairvest paid an annual ordinary dividend of $0.10 per share and a special dividend of $0.0965 per share, such that in aggregate, the dividends represent 1% of the March 31, 2011 book value. The dividends were paid on July 25, 2011 to common shareholders of record as of July 8, 2011. The dividends were eligible dividends for Canadian income tax purposes.

OUTLOOK

The Company continues to deploy its resources to maximize shareholder value. At March 31, 2012, cash, cash equivalents and temporary investments represent approximately 31% of Clairvest's net book value, a significant reduction to the 46% at March 31, 2011. With the continuing deployment of the Company's treasury funds into strategic investments, the Company is well positioned to benefit from a global economic recovery.

On June 12, 2012, Clairvest reached a court approved settlement with certain parties with respect to a $10 million loan advanced in two tranches of $5 million in each of December 2005 and May 2006. Subsequently, the loan was in default and the collateral arrangements for the loan were mishandled. The loan was written off and Clairvest recorded a realized loss in its financial statements for the year ended March 31, 2007. Clairvest took legal action against several parties to recover the funds and has reached a settlement with certain of these parties resulting in a settlement by these parties to Clairvest of approximately $7.75 million, or approximately 77.5% of the original loan value without taking into account litigation and other costs incurred in the recovery process, substantially all of which have been incurred and recorded as charges against income as of March 31, 2012. The funds recovered will be recorded into income when received. Clairvest continues to seek additional recoveries against parties that are not part of this settlement.

At March 31, 2012, Clairvest had approximately $1 billion in capital under management, a significant amount of which is third-party capital. The third-party capital provides Clairvest with a steady stream of revenue over the next few years and provides the ability for Clairvest to enhance its returns by earning a carried interest.

At March 31, 2012, Clairvest had $97.6 million in cash, cash equivalents and temporary investments, access to $92.0 million in credit facilities and $262.5 million of additional capital available through the CEP Funds to fund new and follow-on investments. With this capital, Clairvest is in a strong position to support the growth of its investee companies and to continue its active pursuit of new investment opportunities using a domain-based proprietary research to explore a number of industries and uncover new potential investments.

FORWARD-LOOKING STATEMENTS

A number of the matters discussed in this MD&A deal with potential future circumstances and developments and may constitute "forward-looking" statements. These forward-looking statements can generally be identified as such because of the context of the statements and often include words such as the Company "believes", "anticipates", "expects", "plans", "estimates" or words of a similar nature.

The forward-looking statements are based on current expectations and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include general and economic business conditions and regulatory risks. The impact of any one risk factor on a particular forward-looking statement is not determinable with certainty as such factors are interdependent upon other factors, and management's course of action would depend upon its assessment of the future, considering all information then available.

All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. The Company assumes no obligation to update forward-looking statements should circumstances or management's estimates or opinions change.

REGULATORY FILINGS

The Company's continuous disclosure materials, including interim filings, annual MD&A and audited consolidated financial statements, Annual Information Form, Notice of Annual Meeting of Shareholders and Proxy Circular are available on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

SUMMARY OF CLAIRVEST'S CORPORATE INVESTMENTS AT MARCH 31, 2012

Investment	Industry Segment	Geographic Segment	Ownership Percentage[16]	Cost of Investment (millions)	Net Cash Investment (millions)[17]	Fair Value of Investment (millions)[18]	Description of Business
INVESTMENTS MADE ALONGSIDE CLAIRVEST EQUITY PARTNERS							
Grey Eagle Casino[1]	Gaming	Canada	Equity participation	$ —	$ (4.7)	$ 1.6	A charitable casino on Tsuu T'ina First Nation reserve lands, located southwest of the city of Calgary, Alberta. CEP also has an equity participation in the Grey Eagle Casino.
Landauer Metropolitan Inc. ("Landauer")[2]	Healthcare	United States	14.2%	$ 5.1	$ 5.1	$ 6.8	A supplier of home medical equipment in northeastern United States. CEP owns 42.6% of Landauer.
N-Brook Mortgage LP ("N-Brook")[3]	Financial Services	Canada	14.7%	$ 5.0	$ 5.0	$ 2.6	A company that originated, adjudicated and underwrote mortgages in Ontario, British Columbia, Manitoba and Alberta, Canada. CEP owns 44.1 % of N-Brook.
INVESTMENTS MADE ALONGSIDE CLAIRVEST EQUITY PARTNERS III							
Casino New Brunswick[4]	Gaming	Canada	22.5%	$ 9.8	$ 9.8	$ 2.4	A gaming entertainment complex located in Moncton, New Brunswick. CEP III owns 67.5% of Casino New Brunswick.
Chilean Gaming Holdings[5]	Gaming	Chile	36.8%	$ 28.7	$ 27.4	$ 31.2	An investment vehicle which holds approximately 50% equity interest in various gaming entertainment complexes in Chile. CEP III owns 37.7% of Chilean Gaming Holdings.
Kubra Data Transfer Ltd. ("Kubra")[6]	Business Services	United States	11.5%	$ 2.2	$ (0.8)	$ 7.9	A business process outsourcing company focused on the distribution of household bills on behalf of its customers. CEP III owns 34.5% of Kubra.
Light Tower Rentals Inc. ("Light Tower Rentals") and LTR Equipment Inc. ("LTR Equipment")[7]	Oil Field Service	United States	10.3% and 15.3%	$ 8.2	$ 8.2	$ 21.5	An oilfield equipment rental company operating in major oil and gas drilling basins in the United States. CEP III owns 30.8% and 45.8% of the respective companies.
Lyophilization Services of New England Inc. ("LSNE")[8]	Contract Manufacturing	United States	12.3%	$ 7.4	$ 7.4	$ 5.1	A Manchester, New Hampshire based contract manufacturing organization focused on providing lyophilization services to biotech, pharmaceutical and medical device manufacturers. CEP III owns 36.8% of LSNE.
PEER 1 Network Enterprises Inc. ("PEER 1")[9]	Information Technology	Canada and United States	4.2%	$ 6.3	$ 6.3	$ 10.4	A publicly traded (TSX: PIX) global online IT infrastructure provider based in Vancouver, British Columbia. CEP III owns 12.6% of PEER 1.

(1) Clairvest holds units of a limited partnership which operates Grey Eagle Casino, entitling Clairvest to between 2.8% and 9.6% of the earnings of the casino until December 18, 2022.
(2) Clairvest owns 1,906,250 10% cumulative convertible preferred shares, 748,133 common shares, a US$0.6 million subordinated secured convertible note at 10% interest per annum and US$0.3 million of bridge loans of Landauer.
(3) Clairvest has funded $5.0 million to N-Brook in the form of partnership units and warehouse loans.
(4) Clairvest has funded $9.8 million to Casino New Brunswick by way of debentures and owns units of a limited partnership which operates Casino New Brunswick.
(5) Clairvest owns 30,446,299 units of Chilean Gaming Holdings which holds a 50% interest in Casino Marina del Sol and a 47.5% interest in each of Casino Osorno and Casino sol Calama.
(6) Clairvest owns 3,250,000 Class A voting common shares of Kubra. The net cash investment is reduced by the $3.0 million in dividends received.
(7) Clairvest owns 5,841,250 Series A convertible preferred shares of Light Tower Rentals and 2,215,736 common shares of LTR Equipment Inc., a company affiliated with Light Tower Rentals.
(8) Clairvest owns 6,406,000 Series A 10% cumulative convertible preferred shares and a US$0.9 million unsecured loan of LSNE.
(9) Clairvest owns 5,134,617 common shares and 50,000 options for common shares of PEER 1.

Investment	Industry Segment	Geographic Segment	Ownership Percentage[16]	Cost of Investment (millions)	Net Cash Investment (millions)[17]	Fair Value of Investment (millions)[18]	Description of Business
INVESTMENTS MADE ALONGSIDE CLAIRVEST EQUITY PARTNERS IV							
Centaur, LLC ("Centaur")[10]	Gaming	United States	Debt interest and 9.9% upon exercise of warrants	$ 28.9	$ 28.2	$ 28.8	The operator of the Hoosier Park Racing & Casino in Indianapolis, Indiana. CEP IV and CEP IV-A have debt interests and warrants convertible upon exercise into 16.3% and 2.6% in ownership of Centaur respectively.
Discovery Air Inc. ("Discovery Air")[11]	Aviation Services	Canada	Debt interest convertible to 10.5%	$ 26.5	$ 26.5	$ 27.7	A specialty aviation services business operating across Canada and in selected locations internationally. CEP IV and CEP IV-A have a debt interest convertible to 13.2% and 2.1% in Discovery Air respectively.
Linen King, LLC ("Linen King")[12]	Textile Rental Service	United States	21.7%	$ 2.5	$ 2.5	$ 2.5	An Oklahoma based textile rental company that provides commercial laundry services, primarily to hospitals. CEP IV and CEP IV-A own 51.1% and 8.1% interest of Linen King respectively.
Rivers Casino[13]	Gaming	United States	5.0%	$ 8.5	$ 8.5	$ 25.5	A gaming entertainment complex located in Des Plains, Illinois. CEP IV and CEP IV-A own 11.8% and 1.9% ultimate interest of Rivers Casino respectively.
STANDALONE INVESTMENTS							
Wellington Financial Fund III ("Wellington Fund III")[14]	Financial Services	Canada	16.7%	$ 13.6	$ 5.9	$ 15.6	Provides debt capital and operating lines to technology, biotechnology, communications and industrial product companies in Canada and the United States.
OTHER INVESTMENTS[15]				**$ 1.2**	**$ (4.0)**	**$ (1.7)**	
TOTAL INVESTMENTS				**$ 153.9**	**$ 131.3**	**$ 187.9**	

(10) Clairvest invested $28.9 million in Centaur by way of US$16.4 million in first lien loans, US$6.2 million in second lien loans and US$5.1 million in unsecured term loans with stapled warrants which, subject to regulatory approval, are convertible upon exercise into 9.9% of the Class A units of Centaur.

(11) Clairvest invested $26.5 million in Discovery Air by way of a $22.0 million 5.5 year term convertible debentures with a stated interest rate of 10% per annum and and a $4.5 million 90-day bridge loan with a stated interest of 9.5% per annum.

(12) Clairvest owns 2,529,209 Class A units of Linen King.

(13) Clairvest owns 9,021,917 units of Rivers Casino and funded US$1.1 million by way of promissory note to a minority investor with a stated interest rate of 24% per annum.

(14) Clairvest has committed to fund $25.0 million to Wellington Fund III, $13.6 million of which had been funded at March 31, 2012. The net cash investment is reduced by $7.7 million as a result of income distributions received to date.

(15) Other investments include the fair values attributable to limited partners of Participation III and IV Partnerships as described in note 4(e) and 4(j) to the consolidated financial statements.

(16) Ownership percentage calculated on a fully diluted basis at March 31, 2012.

(17) Net cash investment is comprised of cost net of dividends, interest and other distributions received but excludes advisory and other fees received and foreign exchange gains or losses on foreign exchange forward contracts entered into as hedges against Clairvest's foreign denominated investments.

(18) The determination of fair value incorporates the quoted market value of Clairvest's publicly-traded investments and an estimate of fair value for privately-held investments. The fair value of foreign exchange forward contracts entered into as hedges against Clairvest's foreign denominated investments is not included in this fair value.

FINANCIAL HIGHLIGHTS

Selected Financial Performance Measures

Year ended March 31, ($000's, except per share amounts)	**2012**	2011	2010
Financial performance measures			
Net realized gains on corporate investments	**$ 545**	$ 3,861	$ 153
Net changes in unrealized gains on corporate investments	**16,590**	16,249	7,880
Net income	**22,416**	19,564	8,497
Basic net income per share	**1.46**	1.23	0.53
Fully diluted net income per share	**1.43**	1.20	0.52
Dividends declared per share	**0.1965**	0.10	0.10
Financial condition measures (as at March 31)			
Total assets	**$ 338,424**	$ 318,860	$ 305,960
Total cash, cash equivalents and temporary investments	**97,553**	138,338	152,228
Total corporate investments	**187,876**	162,177	118,881
Total liabilities	**21,997**	16,458	13,675
Book value	**316,427**	302,402	292,285
Common shares outstanding	**15,118,095**	15,392,695	15,953,566
Book value per share	**20.93**	19.65	18.32

Income Statement Highlights

Clairvest's operating results reflect revenue earned from its corporate investments and cash, cash equivalents and temporary investments and realized and net changes in unrealized gains and losses on its corporate investments. These results are net of all costs incurred to manage these assets. The operating results of the CEP Funds are not included in Clairvest's operating results.

Net income for the year ended March 31, 2012 was $22.4 million, versus $19.6 million for the year ended March 31, 2011 and $8.5 million for the year ended March 31, 2010.

Clairvest had net realized gains of $0.5 million in fiscal 2012 versus net realized gains of $3.9 million in fiscal 2011 and net realized gains of $0.2 million in fiscal 2010. The net realized gains in 2012 resulted primarily from the realization of Clairvest's interest in Hudson Valley Waste. The net realized gains in 2011 resulted primarily from the realization of Clairvest's interest in Van-Rob. The net realized gains in 2010 resulted primarily from the early repayment of a $4.4 million promissory note from the acquirer of Shepell•fgi.

Clairvest had net changes in unrealized gains on investments of $16.6 million in fiscal 2012 versus net changes in unrealized gains on investments of $16.2 million in fiscal 2011 and net changes in unrealized gains on investments of $7.9 million in fiscal 2010. Unrealized gains or losses result from changes in the fair value of the investments from one year to the next and do not reflect foreign exchange revaluations. Clairvest has implemented a hedging strategy to limit its exposure to changes in the value of foreign denominated currencies relative to the Canadian dollar by hedging 100% of the fair value of its foreign investments. The changes in unrealized gains or losses on corporate investments are summarized as follows:

Net Changes in Unrealized Gains (Losses) on Investments ($000's)

Year ended March 31,	2012	2011	2010
Investments in publicly-traded securities			
PEER 1 Network Enterprises Inc.	**$ 1,504**	$ 3,528	$ (438)
	1,504	3,528	(438)
Investments in privately-held securities			
Casino New Brunswick	**(2,744)**	(4,606)	—
Centaur, LLC	**(2,598)**	2,266	—
Chilean Gaming Holdings	**1,559**	—	—
Grey Eagle Casino	**299**	459	529
Hudson Valley Waste Holding, Inc.	**—**	8,387	—
Kubra Data Transfer Limited	**(778)**	2,156	1,843
Landauer Metropolitan Inc.	**962**	(2,936)	3,041
Light Tower Rentals Inc.	**6,116**	7,131	—
Lyophilization Services of New England Inc.	**(1,389)**	784	—
N-Brook Mortgage LP	**—**	—	(490)
Rivers Casino	**15,689**	—	—
Van-Rob Inc.	**—**	—	1,103
Wellington Financial Fund II	**(56)**	23	(49)
Wellington Financial Fund III	**206**	538	623
	17,266	14,202	6,600
Other investments[1]	**(2,180)**	(1,481)	1,718
	$ 16,590	$ 16,249	$ 7,880

[1] Includes fair value attributable to limited partners of Participation III and IV Partnerships as described in note 4(e) and 4(j) to the consolidated financial statements.

Further details on net changes in unrealized gains/losses on investments can be found in the discussion of Clairvest's corporate investments below.

Net income in fiscal 2012 included distributions and interest income of $19.3 million, dividend income of $4.4 million, management fees from CEP and CEP IV-A of $1.1 million, advisory and other fees from Clairvest investee companies of $2.0 million, administration and other expenses of $15.4 million, finance and foreign exchange expense of $1.7 million and income tax expense of $4.5 million. Included in distributions and interest income was $7.4 million in priority distributions from CEP III and CEP IV, $2.2 million in General Partner income distributions from CEP and $6.3 million in distributions and interest from Clairvest's investee companies. Included in dividends were dividends totaling $4.3 million from Clairvest's investee companies. Included in administration and other expenses were management bonuses and management share-based compensation expense totaling $6.1 million.

Net income in fiscal 2011 included distributions and interest income of $14.8 million, dividend income of $0.7 million, management fees from CEP and CEP IV-A of $1.1 million, advisory and other fees from Clairvest investee companies of $1.0 million, administration and other expenses of $14.0 million, finance and foreign exchange expense of $1.1 million and income tax expense of $3.1 million. Included in distributions and interest income was $5.6 million in priority distributions from CEP III and CEP IV, $3.1 million in General Partner income distributions from CEP and $3.0 million in distributions from Clairvest's investee companies. Included in dividends were dividends totaling $0.5 million from Clairvest's investee companies. Included in administration and other expenses were management bonuses and management share-based compensation expense totaling $5.8 million.

Net income in fiscal 2010 included distributions and interest income of $14.4 million, dividend income of $0.3 million, management fees from CEP of $1.0 million, advisory and other fees from Clairvest investee companies of $1.0 million, administration and other expenses of $18.7 million, finance and foreign exchange expense recovery of $0.9 million and income tax expense recovery of $1.5 million. Included in distributions and interest income was $4.1 million in priority distributions from CEP III, $3.4 million in General Partner income distributions from CEP and $3.3 million in distributions from Clairvest's investee companies. Included in administration and other expenses were management bonuses and management share-based compensation expense totaling $7.8 million.

Balance Sheet Highlights

ASSETS

Total assets at March 31, 2012 were $338.4 million, an increase of $19.5 million from $318.9 million at March 31, 2011.

With $97.6 million in cash, cash equivalents and temporary investments ("treasury funds") and $92.0 million in credit facilities, Clairvest has sufficient capital and liquidity to support its current and anticipated investments.

At March 31, 2012, the Company's treasury funds were held in cash and term deposits, money market savings accounts rated R1-High, corporate bonds rated not below A-, guaranteed investment certificates and investment savings accounts rated not below AA- and preferred shares rated not below P-2 low (see Notes 3 and 14 to the consolidated financial statements for a detailed discussion of the Company's treasury funds).

Clairvest has a $75.0 million, committed credit facility with a maturity date of April 30, 2020. The credit facility is unsecured and bears interest at the rate of 11.0% per annum on drawn amounts and 1.0% per annum on undrawn amounts. The amount available under the credit facility at March 31, 2012 is $75.0 million.

Clairvest also has a $20.0 million credit facility subject to annual renewals. The credit facility is unsecured and bears interest at the bank prime rate plus 0.5% per annum. The amount available under the credit facility at March 31, 2012 is $17.0 million, which is based on debt covenants within the banking arrangement.

As is typical of a private equity management firm, Clairvest's main asset is its corporate investments. Corporate investments increased $25.7 million to $187.9 million at March 31, 2012. The increase is comprised primarily of:

- A $26.5 million investment in Discovery Air;
- A $2.5 million investment in Linen King;
- Net follow-on investments totaling $2.4 million in existing investee companies;
- Net changes in unrealized gains on corporate investments of $16.6 million; partially offset by
- Realization of Hudson Valley Waste which was carried at $16.9 million at March 31, 2011; and
- Repayment of debentures and accrued interest of $7.8 million from Grey Eagle Casino;
- Net return of capital of $6.7 million as a result of Centaur's emergence from bankruptcy.

Corporate investments increased $43.3 million to $162.2 million from March 31, 2010 to March 31, 2011. The increase primarily resulted from a $30.2 million investment in Centaur, a $9.1 million investment in Rivers Casino, $6.5 million in follow-on investments in existing investee companies, net changes in unrealized gains on corporate investment of $16.2 million, partially offset by a return of capital from Chilean Gaming Holdings of $12.7 million, realization of Van-Rob which was carried at $4.9 million at March 31, 2010 and repayment of $1.1 million in promissory notes from the acquirer of Shepell•fgi.

The cost and fair value of corporate investments described below do not reflect foreign exchange gains or losses on the foreign exchange forward contracts entered into as hedges against the Company's foreign denominated investments. A discussion on the activity in each corporate investment held at March 31, 2012 follows.

Casino New Brunswick

During fiscal 2012, Clairvest funded an additional $0.6 million in Casino New Brunswick. The investments were made in the form of debentures, which have a stated interest rate of 6% per annum. Interest on the debentures has been waived until further notice.

Also during fiscal 2012, management determined that the fair value of Casino New Brunswick should be written down by an additional $2.7 million, bringing cumulative write downs to $7.3 million as a result of performance continuing below initial estimates when the investment was first completed.

Also during fiscal 2012, Clairvest pledged $5.4 million to a Schedule 1 Canadian chartered bank which has provided debt financing to Casino New Brunswick. The pledge was made to support the guarantee to fund any operating deficiencies of Casino New Brunswick as described in the Off-Balance Sheet Arrangements section of the MD&A.

At March 31, 2012, Clairvest has funded $9.8 million to Casino New Brunswick. Clairvest also holds units of a limited partnership which operates Casino New Brunswick, entitling Clairvest to 22.5% of the earnings of the casino.

The fair value of $2.4 million at March 31, 2012 compares to cost of $9.8 million. The fair value reflects management's estimated realizable value as results trail initial estimates when the investment was first completed.

Centaur, LLC

During fiscal 2012, Clairvest invested a further $5.5 million in pre-petition senior secured first lien loans ("Senior Debt") of Centaur, bringing total investment in Centaur to $35.7 million. Subsequently Centaur emerged from Chapter 11 protection and implemented its court-approved Plan of Reorganization. As holders of US$39.1 million face principal value of Senior Debt, Clairvest received US$6.4 million (C$6.7 million) in cash, US$16.4 million in new first lien secured notes, US$6.2 million in new second lien secured notes and US$5.1 million in unsecured term loan with stapled warrants which, subject to regulatory approval, are convertible upon exercise into 9.9% of the Class A units of Centaur. The cash received was recorded as a return of capital and no gain or loss was realized as a result of the exchange.

The new first lien secured notes pay cash interest quarterly at a rate of either i) prime rate plus 5.5% or ii) LIBOR plus 6.5%, at the borrower's option, with a minimum interest rate of 8% per annum, and matures on October 1, 2016. The new second lien secured notes pay interest quarterly at a rate of the mid-term U.S. Applicable Federal Rates plus 4.99%, 2% of which is payable in cash and the remaining paid in kind, and mature on October 1, 2018. The unsecured term loans pay interest quarterly at a rate of the short-term U.S. Applicable Federal Rates and is payable in kind. The loans mature on October 1, 2026 and may be extended for 3 year periods upon the written consent of 50% of the holders of the unsecured term loans.

The fair value of $28.8 million at March 31, 2012 compares to cost of $28.9 million, with the difference being attributable to foreign exchange adjustments.

Chilean Gaming Holdings

During fiscal 2012, Chilean Gaming Holdings sold 2.5% of its equity interest in Casino Osorno and Casino Sol Calama to the operator of Casino Marina del Sol. Clairvest received $0.3 million in cash proceeds and realized a $0.1 million gain as a result of the sale.

Also during fiscal 2012, Clairvest earned dividends totaling $1.3 million through its interest in Chilean Gaming Holdings.

The fair value of $31.2 million at March 31, 2012 compares to cost of $28.7 million. The fair value reflects management's estimated realizable value as a result of continuing growth in Casino Marina del Sol, Casino Osorno and Casino Calama and is adjusted for foreign exchange fluctuations.

Discovery Air Inc.

During fiscal 2012, Clairvest invested $22.0 million in secured convertible debentures ("Debentures") of Discovery Air. The Debentures, which have a 5.5 year term from issuance and are subject to certain early redemption rights in favor of Discovery Air, accrue interest at a rate of 10% per annum and interest is paid in kind quarterly and compounded on an annual basis. The Debentures and any paid in kind interest are convertible into 2,939,330 common shares of Discovery Air. At March 31, 2012, the conversion price for the Debentures was $7.50 per share and the closing quoted market price of a Discovery Air common share was $3.98 per share.

Also during fiscal 2012, Clairvest advanced a $4.5 million bridge loan to Discovery Air with a stated interest rate of 9.5% per annum. The loan was repaid in full subsequent to year end.

The fair value of $27.7 million at March 31, 2012 compares to cost of $26.5 million, with the difference being attribute to accrued interest on the Debentures and the bridge loan.

Grey Eagle Casino (formerly Tsuu T'ina Gaming Limited Partnership)

During fiscal 2012, Grey Eagle Casino completed a financing and repaid in full its $5.6 million in debentures and $2.2 million of accrued interest owing to Clairvest, $0.4 million of which was earned during fiscal 2012. Clairvest continues to hold units of a limited partnership which operates Grey Eagle Casino, entitling Clairvest between 2.8% and 9.6% of the earnings of the casino from the date of commencement of operations, December 19, 2007, for a period of 15 years.

The fair value of $1.6 million at March 31, 2012 reflects management's estimated realizable value on the earnings entitlement.

Kubra Data Transfer Limited

At March 31, 2012, Clairvest owned 3,250,000 Class A voting common shares of Kubra.

During fiscal 2012, Clairvest earned dividends totaling $3.0 million from Kubra, against Clairvest's investment in Kubra of $2.2 million.

The fair value of Kubra of $7.9 million compares to a cost of $2.2 million. The fair value reflects management's estimated realizable value as a result of the continuing growth in Kubra and is adjusted for foreign exchange fluctuations.

Landauer Metropolitan Inc.

At March 31, 2012, Clairvest owned 1,906,250 10% cumulative convertible preferred shares, 748,133 common shares and $0.2 million in bridge loans which bear interest at a rate of 25% per annum, $0.1 million in bridge loans which bear interest at a rate of 12% per annum and a $0.6 million subordinated secured convertible note with 10% accrued interest per annum. The bridge loans are convertible to common shares of Landauer at a rate of $1.00 per share. The subordinated secured convertible note is convertible to senior convertible preferred shares which have a two times liquidation preference in lieu of interest. Each senior convertible preferred share is convertible into common shares at a rate of $0.50 per share in lieu of two times the liquidation preference and the conversion is at Clairvest's discretion.

The fair value of $6.8 million at March 31, 2012 compares to a cost of $5.1 million. The fair value reflects management's estimated realizable value considering the status of the preferred shares, the bridge loans and subordinated secured debentures and is adjusted for foreign exchange fluctuations.

Light Tower Rentals Inc.

At March 31, 2012, Clairvest owned 5,841,250 Series A convertible preferred shares in Light Tower Rentals and 2,215,736 common shares of LTR Equipment Inc. ("LTR Equipment"), a company affiliated with Light Tower Rentals which supplies certain equipment to Light Tower Rentals.

On an aggregate basis, the fair value of Light Tower Rentals and LTR Equipment (together, "LTR") of $21.5 million at March 31, 2012 compares to cost of $8.2 million. The fair value reflects management's estimated realizable value as a result of the historic growth of LTR and is adjusted for foreign exchange fluctuations.

Subsequent to year end, LTR Equipment was amalgamated into Light Tower Rentals. As a result of the amalgamation, Clairvest received a 13.1% ownership interest in the combined entity. No gain or loss was recognized as a result of the amalgamation.

Linen King, LLC

During fiscal 2012, Clairvest invested $2.5 million to acquire 2,529,209 Class A units of Linen King.

The fair value of $2.5 million at March 31, 2012, which is adjusted for foreign exchange fluctuations, compares to a cost of $2.5 million.

Lyophilization Services of New England Inc.

At March 31, 2012, Clairvest owned 6,406,000 Series A 10% cumulative convertible preferred shares of LSNE and US$0.3 million in unsecured loans.

During fiscal 2012, Clairvest funded an additional US$0.6 million in the form of unsecured loans to further support the growth of LSNE. Also during fiscal 2012, management determined that the fair value of LSNE should be written down by an additional US$1.4 million, bringing cumulative write downs to US$2.7 million due to growth lagging expectations despite its improving performance and significant growth potential including recent material contract awards.

The fair value of $5.1 million at March 31, 2012 compares to a cost of $7.4 million. The fair value reflects management's estimated realizable value and is adjusted for foreign exchange fluctuations.

N-Brook Mortgage LP

At March 31, 2012, Clairvest owned 4,000,000 Series 1 limited partnership units and 15 Class A ordinary limited partnership units of N-Brook and had advanced a $1.1 million variable rate demand debenture to N-Brook.

The fair value of $2.6 million at March 31, 2012 compares to a cost of $5.0 million. The fair value reflects management's estimated realizable value based on the remaining mortgage portfolio held by N-Brook.

PEER 1 Network Enterprises Inc.

At March 31, 2012, Clairvest owned 5,134,617 common shares and 50,000 stock options for common shares of PEER 1.

The fair value of $10.4 million at March 31, 2012 compares to cost of $6.3 million. The fair value reflects the last bid price of PEER 1's publicly traded common shares at the balance sheet date.

Rivers Casino (formerly Midwest Gaming Holdings LLC)

During fiscal 2012, Rivers Casino completed the raising of capital from minority investors whereby Clairvest advanced US$1.1 million in promissory notes to a minority investor in support of the completion of the minority fundraising. The promissory notes pay interest at a rate of 24% per annum and mature on June 24, 2041. Clairvest also acquired a minority interest in this investor. As a result of the completion of minority fundraising, 1,605,149 units of Rivers Casino was redeemed at cost for $1.7 million. Subsequently, Rivers Casino commenced operations.

In addition to US$1.1 million promissory notes funded to a minority investor at March 31, 2012, Clairvest owned 9,021,917 units of Rivers Casino.

The fair value of $25.5 million at March 31, 2012 compares to a cost of $8.5 million. The fair value reflects management's estimated realizable value as a result of strong results at the Rivers Casino and is adjusted for foreign exchange fluctuations.

Wellington Financial Fund III

Clairvest, as a limited partner, had funded $13.6 million of its $25.0 million commitment to Wellington Fund III at March 31, 2012. The commitment to fund capital calls extinguishes in January 2014. Clairvest is also entitled to participate in the profits received by the General Partner of Wellington Fund III. At March 31, 2012, Clairvest has received income distributions totaling $7.7 million from Wellington Fund III and its General Partner, bringing the net cash investment to $5.9 million.

The fair value of $15.6 million at March 31, 2012 reflects management's estimated realizable value of Clairvest's entitlement as a limited partner and a general partner of Wellington Fund III.

LIABILITIES

Total liabilities at March 31, 2012 were $22.0 million, an increase of $5.5 million from $16.5 million at March 31, 2011. The increase in total liabilities was primarily due to a $1.5 million increase in share-based compensation liability due to an increase in the closing price of Clairvest's common shares, a $1.4 million increase in income taxes payable as a result of carried interest received from CEP and income allocated from Rivers Casino and a $1.7 million increase in future income tax liabilities as a result of net changes in unrealized gains on Clairvest's corporate investments.

TRANSACTIONS WITH RELATED PARTIES

A wholly owned subsidiary of Clairvest ("GP I") has entered into a Management Agreement with the General Partner of CEP, appointing GP I as the Manager of CEP. The General Partner is another wholly owned subsidiary of Clairvest. The Management Agreement provides that a management fee be paid to GP I as compensation for its services in the administration of the portfolio of CEP. The fee was calculated annually as 2% of committed capital until August 21, 2006, the fifth anniversary of the last closing of CEP, and thereafter at 2% of contributed capital less distributions on account of capital and write-downs of capital invested. Effective January 1, 2011, the CEP management fee was reduced to 1.5% per annum of contributed capital less distributions on account of capital and write-downs of capital invested. The management fee is reduced to the extent of 75% of fees earned by Clairvest of GP I from corporate investments of CEP. During fiscal 2012, GP I earned management fees of $0.5 million as compensation for its services in the administration of the portfolio of CEP. As per the Management Agreement, fees of $0.1 million from corporate investments of CEP were netted against the management fees.

The General Partner of CEP is entitled to participate in distributions made by CEP equal to 20% of net gains of CEP. The distributions to the General Partner will be determined based on the overall performance of CEP and no such distributions are permitted until CEP's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 6% per annum compounded annually. The distributions received by the General Partner of CEP will be allocated 50% to each of its limited partners, one of which is another wholly owned subsidiary of Clairvest, and the other of which is another limited partnership (the "Participation Partnership"). The limited partners of the Participation Partnership are principals and employees of Clairvest and GP I (the "Participation Investors"). The Participation Investors have purchased, at fair market value, units of the Participation Partnership. From time to time, additional units in the Participation Partnership may be purchased by the Participation Investors.

During fiscal 2012, CEP declared distributions to the General Partner totaling $4.4 million, 50% of which, or $2.2 million, was allocated to Clairvest. At March 31, 2012, CEP had declared and paid distributions to the General Partner totaling $20.3 million, 50% of which, or $10.2 million, was allocated to Clairvest. If CEP were to sell its corporate investments at their current fair values, the General Partner would receive up to a further $7.2 million of distributions, 50% of which, or $3.6 million, would be allocated to Clairvest.

Clairvest is also the parent company of the two General Partners of CEP III (GP I and "GP II"). GP I is entitled to a priority distribution from CEP III. The priority distribution was calculated monthly as 0.1667% of commitment capital until January 13, 2011, the date on which CEP III is closed to new investments, and thereafter 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 75% of any fees earned by GP I from corporate investments of CEP III.

During fiscal 2012, CEP III declared to GP I priority distributions of $2.0 million. As per the Limited Partnership Agreement, fees of $0.3 million from corporate investments of CEP III were netted against the priority distributions. GP I is also entitled to distributions made by CEP III equal to 2% of gains of CEP III determined as described below. To date, CEP III has not made any distributions to GP I other than priority distributions. If CEP III were to sell its corporate investments at their current fair values, GP I would receive up to $0.1 million of distributions, all of which would be allocated to Clairvest.

GP II, a limited partnership, the General Partner of which is a wholly owned subsidiary of Clairvest, is entitled to participate in distributions made by CEP III equal to 18% of net gains of CEP III. The distributions relating to gains of CEP III to GP II, and to GP I as noted above, will be determined based on the overall performance of CEP III. No such distributions are permitted until CEP III's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 8% per annum compounded annually. To date, CEP III has not made any distributions to GP II. If CEP III were to sell its corporate investments at their current fair values, GP I and GP II would not receive any distributions other than the priority distributions described above. Any distributions received by GP II will be allocated to its two limited partners, one of which is a wholly owned subsidiary of Clairvest which will receive 44.4% of such distributions, and the other of which is another limited partnership (the "Participation III Partnership") which will receive 55.6% of such distributions. The limited partners of the Participation III Partnership are principals and employees of Clairvest and GP I (the "Participation III Investors"). The Participation III Investors have purchased, at fair market value, units of the Participation III Partnership. From time to time, additional units in the Participation III Partnership may be purchased by Participation III Investors. If CEP III were to sell its corporate investments at their current fair values, GP II would receive up to $0.5 million of distributions, 44.4% of which, or $0.2 million, would be allocated to Clairvest.

Another wholly owned subsidiary of Clairvest ("GP III"), as the General Partner of the Participation III Partnership, is entitled to participate in additional distributions equal to the exit value of the first $1.1 million contributed by the Participation III Investors into the Participation III Partnership plus the first $0.2 million received by the Participation III Partnership as described above. At March 31, 2011, $0.3 million has been received by GP III.

GP II is also entitled to 8.25% carried interest in respect of CEP III Co-Investment Limited Partnership ("CEP III Co-Invest"). CEP III Co-Invest was established in fiscal 2007 as the investment vehicle through which Clairvest would co-invest alongside CEP III. Distributions received by GP II from CEP III Co-Invest will be allocated 100% to the Participation III Partnership. If CEP III Co-Invest were to sell its corporate investments at their current fair values, GP II would receive up to $1.9 million of distributions from CEP III Co-Invest which would be entirely allocated to the Participation III Partnership. To date, CEP III Co-Invest has not made any distributions.

Clairvest is also the parent company of the two General Partners of CEP IV (GP I and "GP IV"). GP I is entitled to a priority distribution from CEP IV. The priority distribution is calculated monthly as follows: i) from April 2010, being the month in which CEP IV made its first investment, to January 13, 2011, being the last day on which CEP III calculated its priority distributions based on committed capital ("CEP III Termination Date"), 0.1667% of capital allocated to specifically identifiable investments net of write-downs of capital invested; ii) from January 14, 2011 to January 13, 2016, being the fifth anniversary of the date of final closing of CEP IV, 0.1667% of committed capital; and iii) thereafter 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 63.2% of any fees earned by GP I from corporate investments of CEP IV.

During fiscal 2012, CEP IV declared to GP I priority distributions of $5.4 million. As per the Limited Partnership Agreement, fees of $0.5 million from corporate investments of CEP IV were netted against the priority distributions. GP I is also entitled to distributions made by CEP IV equal to 2% of gains of CEP IV determined as described below. To date, CEP IV has not made any distributions to GP I other than priority distributions. If CEP IV were to sell its corporate investments at their current fair values, GP I would receive up to $0.6 million of distributions, all of which would be allocated to Clairvest.

GP IV, a limited partnership, the General Partner of which is a wholly owned subsidiary of Clairvest, is entitled to participate in distributions made by CEP IV equal to 18% of net gains of CEP IV. These distributions relating to gains of CEP IV to GP IV, and to GP I as noted above, will be determined based on the overall performance of CEP IV. No such distributions are permitted until CEP IV's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 8% per annum compounded annually. To date, CEP IV has not made any distributions to GP IV. Any distributions received by GP IV will be allocated to each of its two limited partners, one of which is a wholly owned subsidiary of Clairvest which will receive 44.4% of such distributions, and the other of which is another limited partnership (the "Participation IV Partnership") which will receive 55.6% of such distributions. The limited partners of the Participation IV Partnership are principals and employees of Clairvest and GP I (the "Participation IV Investors"). The Participation IV Investors purchased, at fair market value, units of the Participation IV Partnership. From time to time, additional units in the Participation IV Partnership may be purchased by Participation IV Investors. If CEP IV were to sell its corporate investments at their current fair values, GP IV would receive up to $5.0 million of distributions, 44.4% of which, or $2.2 million would be allocated to Clairvest.

GP III, the General Partner of Participation IV, is entitled to participate in additional distributions equal to the exit value on the first $1.6 million contributed by the Participation IV Investors into the Participation IV Partnership plus the first $0.4 million received by the Participation IV Partnership as described above. No amounts have been received by GP III at March 31, 2012.

GP IV is also the General Partner of CEP IV-A. GP IV has appointed GP I as the Manager of CEP IV-A. The Limited Partnership Agreement of CEP IV-A provides that a management fee be paid to GP I as compensation for its services in the administration of the portfolio of CEP IV-A. The fee is calculated as follows: i) from April 2010, being the month in which CEP IV-A made its first investment, to January 13, 2011, being the CEP III Termination Date, 0.1667% of capital allocated to specifically identifiable investments net of write-downs of capital invested; ii) from January 14, 2011 to January 13, 2016, being the fifth anniversary of the date of final closing of CEP IV-A, 0.1667% of committed capital; and iii) thereafter 0.1667% of invested capital net of write-downs of capital then invested. The management fee is reduced to the extent of 10.1% of fees earned by GP I from corporate investments of CEP IV-A and other amounts as provided in the Limited Partnership Agreement.

During fiscal 2011, GP I earned management fees of $0.6 million as compensation for its services in the administration of the portfolio of CEP IV-A. As per the Limited Partnership Agreement, $0.3 million was netted against the management fees.

GP IV is entitled to participate in distributions made by CEP IV-A equal to 20% of net gains of CEP IV-A. These distributions will be determined based on the overall performance of CEP IV-A. No such distributions are permitted until CEP IV-A's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 8% per annum compounded annually. To date, CEP IV-A has not made any distributions to GP IV. Any distributions received by GP IV will be allocated to each of its two limited partners, one of which is Clairvest which will receive 50% of such distributions, and the other of which is Participation IV Partnership which will receive 50% of such distributions. If CEP IV-A were to sell its corporate investments at their current fair values, GP IV would receive up to $1.0 million of distributions, 50% of which, or $0.5 million would be allocated to Clairvest.

GP IV is also entitled to an 8.25% carried interest in respect of CEP IV Co-Investment Limited Partnership ("CEP IV Co-Invest"). CEP IV Co-Invest was established in fiscal 2010 as the investment vehicle through which Clairvest would co-invest alongside CEP IV. Distributions received by GP IV from CEP IV Co-Invest will be allocated 100% to the Participation IV Partnership. If CEP IV Co-Invest were sell its corporate investments at their current fair values, GP IV would receive up to $1.2 million of distributions from CEP IV Co-Invest which would be entirely allocated to the Participation IV Partnership. To date, CEP IV Co-Invest has not made any distributions.

At March 31, 2012, Clairvest had loans receivable from certain officers of the Company and GP I (the "Officers") totaling $0.5 million. The loans are interest bearing, have full recourse to the individual and are collateralized by the common shares of Clairvest owned by the Officers with a market value of $0.7 million. At March 31, 2012, Clairvest also had loans receivable from certain officers of a company affiliated with Clairvest totaling $0.5 million. The loans are interest bearing and have full recourse to the individual. Interest of $35 thousand was earned on these loans during fiscal 2012.

Loans totaling $3.6 million, bearing interest at the prime rate, made by the Company to CEP III during fiscal 2012 were repaid in full during the year. Interest of $5 thousand was earned from loans to CEP during fiscal 2012.

Loans totaling $31.4 million, bearing interest at the Reference Rate in accordance with CEP IV's Limited Partnership Agreement, were made by the Company to CEP IV during fiscal 2012. During fiscal 2012, $10.8 million of these loans were repaid. Interest of $1.0 million was earned from loans to CEP IV during fiscal 2012.

Loans totaling $6.0 million, bearing interest at the Reference Rate in accordance with CEP IV-A's Limited Partnership Agreement, were made by the Company to CEP IV-A during fiscal 2012. During fiscal 2012, $3.0 million of these loans were repaid. Interest of $0.1 million was earned from loans to CEP IV-A during fiscal 2012.

During fiscal 2012, Clairvest earned $6.2 million in distributions and interest income, $4.3 million in dividends income and $2.0 million in fee income from its investee companies. At March 31, 2012, Clairvest had accounts receivable from its investee companies totaling $2.4 million, from CEP totaling $0.3 million, from CEP III totaling $1.5 million, from CEP IV totaling $5.4 million and from CEP IV-A totaling $1.1 million.

During fiscal 2011, Clairvest and a director of Clairvest entered into an agreement to purchase an aircraft for a total cost of $3.5 million, $1.7 million of which was paid by Clairvest. The aircraft is owned 50% by Clairvest and 50% by the director of Clairvest. At March 31, 2012, Clairvest's portion of the net book value of the aircraft of $1.6 million is recorded in accounts receivable and other assets. Clairvest received 100% of the incidental rental income of the aircraft and is responsible for 100% of the operating expenses.

SUMMARY OF QUARTERLY RESULTS

($000's except per share information)	Gross Revenue $	Net Income (Loss) $	Net Income (Loss) Per Common Share* $	Net Income (Loss) Per Common Share Fully Diluted* $
March 31, 2012	13,045	5,348	0.35	0.34
December 31, 2011	22,546	17,592	1.14	1.12
September 30, 2011	2,557	(1,778)	(0.11)	(0.11)
June 30, 2011	5,825	1,254	0.08	0.08
March 31, 2011	21,122	13,952	0.88	0.86
December 31, 2010	8,439	4,652	0.29	0.29
September 30, 2010	3,704	69	—	—
June 30, 2010	4,501	891	0.06	0.05

* The sum of quarterly net income (loss) per common share may not equal to the full year net income per common share due to rounding and the anti-dilutive effect on any quarters where the Company reported a net loss.

Significant variations arise in the quarterly results due to realized gains and losses on corporate investments, net changes in unrealized gains and losses on corporate investments which are re-valued on a quarterly basis when conditions warrant an adjustment to the fair value of the corporate investment, and stock-based compensation due to the movement in the trading price of Clairvest's common shares.

FOURTH QUARTER RESULTS

Net income for the fourth quarter of fiscal 2012 was $5.3 million compared with a net income of $14.0 million for the fourth quarter of fiscal 2011. Net income for the fourth quarter of fiscal 2012 is comprised of $6.4 million of net corporate investment gains, $0.1 million of net operating loss, and $1.0 million of income tax expense. This compares with net corporate investment gains of $13.6 million, $1.8 million of net operating income, and $1.4 million of income tax expense for the fourth quarter of fiscal 2011.

The net corporate investment gains of $6.4 million for the fourth quarter of fiscal 2012 comprised primarily of $6.4 million in net changes in unrealized gains on corporate investments. The net corporate investment gains of $13.6 million for the fourth quarter of fiscal 2011 comprised of $4.3 million in realized gains on the sale of Van-Rob and $9.3 million in net changes in unrealized gains on corporate investments.

Distributions and interest income for the quarter was $5.7 million, compared with $6.4 million for the same quarter last year. Distributions and interest income for the fourth quarter of fiscal 2012 included yield on cash, cash equivalents and temporary investments of $0.5 million, priority distributions of $1.9 million from CEP III and CEP IV, interest income from loans advanced to the CEP funds of $0.5 million and $2.7 million of income distributions and interest income from Clairvest's investee companies. Distributions and interest income for the fourth quarter of fiscal 2011 included yield on cash, cash equivalents and temporary investments of $0.7 million, General Partner income distributions of $2.4 million from CEP, net priority distributions of $2.1 million from CEP III and CEP IV and $0.7 million in income distributions from the Wellington Funds.

Dividend income for the quarter was $0.3 million, compared with $0.5 million for the same quarter last year. Dividend income for the fourth quarter of fiscal 2012 and 2011 was primarily dividends Clairvest earned through its investment in Chilean Gaming Holdings.

Clairvest earned $0.3 million in management fees during the quarter for its services in the administration of CEP and CEP IV-A's portfolio and $0.3 million in advisory and other fees from its corporate investments, compared with $0.4 million and $0.2 million, respectively, for the same quarter last year. The CEP and CEP IV-A management fee is reduced proportionately to fees earned by Clairvest from joint Clairvest/CEP and Clairvest/CEP IV-A corporate investments.

Administration and other expenses for the quarter were $5.6 million, compared with $5.1 million for the same quarter last year. Included in administration and other expenses for the fourth quarter of fiscal 2012 was $2.5 million of share based compensation expense as a result of an increase in the trading price of Clairvest's common shares and book value, compared with $1.8 million for the same quarter last year.

Finance and foreign exchange expense of $1.1 million for the quarter included foreign exchange cost of $0.7 million and $0.3 million in interest and fees expensed on the $75 million credit facility. Finance and foreign exchange expense of $0.6 million for the fourth quarter of fiscal 2011 included foreign exchange cost of $0.3 million and $0.3 million in interest and fees expensed on the $75 million credit facility.

OFF-BALANCE SHEET ARRANGEMENTS

Clairvest has committed to co-invest alongside CEP in all investments undertaken by CEP. Clairvest's total co-investment commitment is $54.7 million, $3.5 million of which remains unfunded at March 31, 2012. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP if the manager of CEP, GP I, concurrently sells a proportionate number of securities of that corporate investment held by CEP.

Clairvest has also committed to co-invest alongside CEP III in all investments undertaken by CEP III. Clairvest's total co-investment commitment is $75.0 million, $15.2 million of which remains unfunded at March 31, 2012. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP III if the manager of CEP III, GP I, concurrently sells a proportionate number of securities of that corporate investment held by CEP III.

Clairvest has also committed to co-invest alongside CEP IV and CEP IV-A in all investments undertaken by CEP IV and CEP IV-A. Clairvest's total co-investment commitment is $125.0 million, $75.5 million of which remains unfunded at March 31, 2012. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP IV and CEP IV-A if the manager of CEP IV and CEP IV-A, GP I, concurrently sells a proportionate number of securities of that corporate investment held by CEP IV and CEP IV-A.

Clairvest has committed to invest US$5.4 million in New Meadowlands Racetrack LLC, which operates the Meadowlands, North America's premier standardbred horse racing track located in East Rutherford, New Jersey. No amounts have been funded at March 31, 2012.

Clairvest has committed $25.0 million to Wellington Fund III, $11.4 million of which remains unfunded to March 31, 2012.

At March 31, 2012, Clairvest has earned profit distributions totaling $1.6 million through its ownership interest in the General Partnes of the Wellington Financial Fund II ("Wellington Fund II") and $2.6 million through its ownership interest in the General Partnes of the Wellington Fund III. Clairvest has guaranteed, up to the amounts received from the respective General Partners, the clawback provisions (the "Clawback") entered into by the general partners in the event the limited partners of the Wellington Funds do not meet their return threshold as specified in the respective Limited Partnership Agreements. As a result of the liquidation of Wellington Fund II during the year ended March 31, 2012, the guarantee made by Clairvest to the General Partner of Wellington Fund II has extinguished. At March 31, 2012, there were no accruals made with respect to the Clawback.

Clairvest has guaranteed up to US$3.4 million of CEP's obligations to a Schedule 1 Canadian Chartered Bank under CEP's foreign exchange forward contracts with the bank.

Clairvest has guaranteed up to US$15.0 million of CEP III's obligations to a Schedule 1 Canadian Chartered Bank under CEP III's foreign exchange forward contracts with the bank.

Under Clairvest's Incentive Bonus Program (the "Program"), a bonus of 10% of after-tax cash income and realizations on certain Clairvest's corporate investments would be paid to management annually as applicable. Amounts are accrued under this plan to the extent that the cash income and investment realizations have occurred and the bonus has become payable. At March 31, 2012, $0.8 million has been accrued under the Program. If Clairvest were to sell its corporate investments at their current fair values, an additional bonus of $1.1 million would be owing to management under this Program. As no such income and realizations have occurred and the terms of the bonus plan with respect to these corporate investments have not yet been fulfilled, the $1.1 million has not been accrued at March 31, 2012. The Program does not apply to the income generated from investments made by Clairvest through CEP III Co-Invest and CEP IV Co-Invest.

During fiscal 2006, Clairvest and a wholly owned subsidiary sold their interests in Signature Security Group Holdings Pty Limited ("Signature") and a related company as part of a sale of 100% of Signature and the related company. As part of the transaction, the subsidiary has indemnified the purchaser for various potential claims which will reduce over time. No claims have been made to March 31, 2012.

Clairvest, together with CEP III, has guaranteed to fund any operating deficiencies of Casino New Brunswick for a specified period of time. The amount of the guarantee is allocated 75% to CEP III, to the extent that the amounts paid thereunder are within the limits of the CEP III Limited Partnership Agreement, with the remainder being allocated to Clairvest. Any amounts paid under the guarantee will result in additional debentures being granted to Clairvest and CEP III, allocated on the same basis as the participation between Clairvest and CEP III in the guarantee funding. As at March 31, 2012, no amounts subject to this guarantee have been funded. Clairvest has pledged $5.4 million to a Schedule 1 Canadian chartered bank which has provided debt financing to Casino New Brunswick. The pledge was made to support the guarantee and is held in a bank account belonging to Clairvest at the Schedule 1 chartered bank which cannot be withdrawn without consent from the Schedule 1 Canadian chartered bank. Accordingly, it has been classified as restricted cash and temporary investments on the consolidated balance sheet.

Clairvest, together with the CEP IV, CEP IV-A and other investors of Rivers Casino, had entered into a US$20 million joint and several guarantee to fund cost overruns during the construction of the casino in Des Plaines, Illinois. The guarantee was extinguished during the year ended March 31, 2012. No amounts subject to this guarantee were funded.

An acquisition entity of Chilean Gaming Holdings and other investors of Casino Sol Calama have entered into a joint and several guarantee to fund any operating deficiencies upon the opening of Casino Sol Calama for a specified period of time. Latin Gaming Chile, Casino Sol Calama's operator, has indemnified this acquisition entity with respect to this guarantee. As at March 31, 2012, no amounts subject to this guarantee have been funded.

As part of the holding structure of Chilean Gaming Holdings, Clairvest, together with CEP III and other co-investors, borrowed $55.2 million through various acquisition entities from an unrelated financial institution, while another acquisition entity deposited $55.2 million with the financial institution as security for the loan. Clairvest intends to settle the loan, the deposit and related interest accruals simultaneously upon the divestiture of the investments in Chilean Gaming Holdings, and as a result, the deposit and the loan, and the interest revenue and expense have been presented on a net basis. Clairvest's ownership of both acquisition vehicles was 36.8% at March 31, 2012, with CEP III owning 37.7% and the remainder owned by the other co-investors.

In connection with its normal business operations, Clairvest is from time to time named as a defendant in actions for damages and costs allegedly sustained by plaintiffs. While it is not possible to estimate the outcome of the various proceedings at this time, Clairvest does not believe that it will incur any material loss in connection with such actions.

CRITICAL ACCOUNTING ESTIMATES

The preparation of Clairvest's consolidated financial statements in conformity with Canadian generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of income and expenses during the reporting period. On an on-going basis, management reviews its estimates and assumptions. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates. The critical accounting estimates that have a material impact on Clairvest's consolidated financial statements are with respect to corporate investments and future tax asset/liability.

Note 2 to the consolidated financial statements describes Clairvest's accounting policy for temporary and corporate investments. In accordance with Accounting Guideline 18, "Investment Companies" ("AcG-18"), the Company designates its temporary investments and corporate investments as held-for-trading and carries them at fair value. Clairvest has also designated its receivables and payables as held-for-trading in accordance with Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855. Accordingly, each of Clairvest's financial assets and liabilities is fair valued on each consolidated balance sheet date.

When a financial instrument is initially recognized, its fair value is generally the value of consideration paid or received. Acquisition costs relating to corporate investments are not included as part of the cost of the investment. Subsequent to initial recognition, for the fair value of an investment quoted on an active market, the fair value is generally the bid price on the principal exchange on which the investment is traded. Investments that are escrowed or otherwise restricted as to sale or transfer are recorded at amounts at fair value which take into account the escrow terms or other restrictions. In determining the fair value for such investments, the Company considers the nature and length of the restriction, business risk of the investee company, its stage of development, market potential, relative trading volume and price volatility, liquidity of the security and the size of Clairvest's ownership block and any other factors that may be relevant to the ongoing and realizable value of the investments. The amounts at which Clairvest's publicly-traded investments could be disposed of may differ from this fair value and the differences could be material. Differences could arise as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity. Estimated costs of disposition are not included in the fair value determination.

In the absence of an active market, the fair values are determined by management using the appropriate valuation methodologies after considering the history and nature of the business, operating results and financial conditions, the general economic, industry and market conditions, capital market and transaction market conditions, contractual rights relating to the investment, public market comparables, private company transactions multiples and, where applicable, other pertinent considerations. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed. The amounts at which Clairvest's privately-held investments could be disposed of may differ from the fair value assigned and the differences could be material. Estimated costs of disposition are not included in the fair value determination.

In determining the fair value of public company warrants, the underlying security for which is traded on a recognized securities exchange, and if there are sufficient and reliable observable market inputs, including exercise price and term of the warrants, market interest rate, and current market price, expected dividends and volatility of the underlying security, a valuation technique is used. If market inputs are insufficient or unreliable, the warrants are valued at intrinsic value, which is equal to the higher of the closing bid price of the underlying security, less the exercise price of the warrant, or nil. For private company warrants, the underlying security for which is not traded on a recognized securities exchange, the fair value is determined consistently with other investments which do not have an active market as described above.

A change to an accounting estimate with respect to Clairvest's privately-held corporate investments or publicly-traded corporate investments would impact corporate investments and net changes in unrealized gains/losses on corporate investments.

Note 2 to the consolidated financial statements describes Clairvest's accounting policy for future income taxes. The process of determining future income tax assets and liabilities requires management to exercise judgment while considering the anticipated timing of disposal of corporate investments, and proceeds thereon, tax planning strategies, changes in tax laws and rates, and loss carry-forwards. Future income tax assets are only recognized to the extent that in the opinion of management, it is more likely than not that the future income tax asset will be realized. A change to an accounting estimate with respect to future income taxes would impact future tax liability and income taxes expense.

RISK MANAGEMENT

The private equity investment business involves accepting risk for potential return, and is therefore affected by a number of economic factors, including changing economic environments, capital markets and interest rates. As a result, the Company faces various risk factors, inherent in its normal business activities. These risk factors and how the Company manages these risk factors are described below.

Credit Risk

Credit risk is the risk of a financial loss occurring as a result of default of a counterparty on its obligations to the Company. The Company manages credit risk on corporate investments through thoughtful planning, strict investment criteria, significant due diligence of investment opportunities and oversight responsibilities with existing investee companies and by conducting activities in accordance with investment policies that are approved by the Board of Directors. Management's application of these policies is regularly monitored by the Board of Directors. Management and the Board of Directors review the financial condition of investee companies regularly.

The Company is also subject to credit risk on its accounts receivable, a significant portion of which is with its investee companies and its CEP Funds. The Company manages this risk through its oversight responsibilities with existing investee companies, by reviewing the financial condition of investee companies regularly, and through its fiduciary duty as Manager of the CEP Funds and by maintaining sufficient uncalled capital for the CEP Funds to settle obligations as they come due.

The Company is also subject to credit risk on its loans receivables, the majority of which is typically with its CEP Funds. The Company manages this risk through its fiduciary duty as Manager of the CEP Funds and by maintaining sufficient uncalled capital for the CEP Funds to settle obligations as they come due.

The Company manages credit risk on cash, cash equivalents and temporary investments by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. The Company also manages credit risk by contracting with counterparties which are Schedule 1 Canadian chartered banks or through investment firms where Clairvest's funds are segregated and held in trust for Clairvest's benefit. Management's application of these policies is regularly monitored by the Audit Committee. Management and the Audit Committee review credit quality of cash equivalents and temporary investments regularly.

Market Risk

Market risk includes exposure to fluctuations in the market value of the Company's investments, currency rates and interest rates.

Fluctuations in market interest rates affect the Company's income derived from cash, cash equivalents, and temporary investments. For financial instruments which yield a floating interest income, the interest received is directly impacted by the prevailing market interest rate. The fair value of financial instruments which yield a fixed interest income would change when there is a change in the prevailing market interest rate. The Company manages interest rate risk on cash, cash equivalents and temporary investments by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. Management's application of these policies is regularly monitored by the Audit Committee.

If interest rates were higher or lower by 1%, the potential effect would be an increase or decrease of $0.8 million to distributions and interest income on a pre-tax basis for the year ended March 31, 2012.

As at March 31, 2012, approximately 5.7% of the fair value of the Company's corporate investments was in publicly traded companies. If market prices were higher or lower by 5% as at March 31, 2012, the potential effect would be an increase or decrease of $0.5 million to the carrying value of corporate investments and net changes in unrealized gains (losses) on corporate investments on a pre-tax basis for the year ended March 31, 2012.

Included in corporate investments are investments for which the fair values have been estimated based on assumptions that may not be supported by observable market prices. The most significant unobservable input is the multiple of earnings used for each individual investment. In determining the appropriate multiple, Clairvest considers i) public company multiples for companies in the same or similar businesses; ii) where information is known and believed to be reliable, multiples at which recent transactions in the industry occurred; and iii) multiples at which Clairvest invested in the company, or for follow-on investments or financings. The resulting multiple is adjusted, if necessary, to take into account differences between the investee company and those the Company selected for comparisons and factors include public versus private company, company size, same versus similar business, as well as with respect to the sustainability of the company's earnings and current economic environment. Investments which are valued using the earnings multiple approach include Casino New Brunswick, Centaur, Chilean Gaming Holdings, Kubra, Landauer, Light Tower Rentals, LSNE, and Rivers Casino. If the Company had used an earnings multiple for each investment that was higher or lower by 0.5 times, the potential effect would be an increase of $14.6 million or decrease of $14.9 million to the carrying value of corporate investments and net changes in unrealized gains or losses on corporate investments, on a pre-tax basis for the year ended March 31, 2012. Earnings multiples used are based on public company valuations as well as private market multiples for comparable companies.

The Company's corporate investment portfolio is diversified across 14 companies in 9 industries and 3 countries as at March 31, 2012. The Company has considered current economic events and indicators in the valuation of its corporate investments.

The Company has implemented a hedging strategy because it has, directly and indirectly, several investments outside of Canada, currently in the United States and in Chile. In order to limit its exposure to changes in the value of foreign denominated currencies relative to the Canadian dollar, at March 31, 2012, Clairvest hedges 100% of the fair value of its foreign investments unless a specific exemption is approved by the Board of Directors.

A number of investee companies are subject to foreign exchange risk. A significant change in foreign exchange rates can have a significant impact to the profitability of these entities and in turn the Company's carrying value of these corporate investments. The Company manages this risk through oversight responsibilities with existing investee companies and by reviewing the financial condition of investee companies regularly.

Certain of the Company's corporate investments are also held in the form of debentures. Significant fluctuations in market interest rates can have a significant impact in the carrying value of these investments.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Financial obligations arising from off-balance sheet arrangement have been previously discussed.

The Company maintains a conservative liquidity position that exceeds all liabilities payable on demand. The Company invests its cash equivalents and temporary investments in liquid assets such that they are available to cover any potential funding commitments and guarantees. In addition, the Company maintains various credit facilities.

DERIVATIVE FINANCIAL INSTRUMENTS

Clairvest enters into foreign exchange forward contracts primarily to manage the risks arising from fluctuations in exchange rates on its foreign denominated investments. Clairvest is required to mark to market its foreign-denominated investments, as well as the foreign exchange forward contracts entered into as hedges against Clairvest's foreign denominated investments.

At March 31, 2012, Clairvest had entered into foreign exchange forward contracts to sell US$102.0 million and buy US$1.4 million at an average rate of Canadian $0.9957 per U.S. dollar through March 2013 and foreign exchange forward contracts to sell 14.7 billion Chilean Pesos ("CLP") at an average rate of Canadian $0.001938 per CLP through January 2013. The fair value of the US dollar contracts at March 31, 2012 is a loss of $0.2 million and the fair value of the CLP contracts at March 31, 2012 is a loss of $1.5 million. These contracts have been recognized on the consolidated balance sheet as derivative instruments.

UPDATED SHARE INFORMATION

At March 31, 2012, Clairvest had 15,118,095 common shares issued and outstanding. At March 31, 2012, Clairvest had 725,000 stock options outstanding, 664,000 of which were exercisable at March 31, 2012. Each option is exercisable for one common share.

During fiscal 2012, Clairvest purchased and cancelled 201,000 common shares under its previous normal course issuer bid which allowed Clairvest to make market purchases up to 797,678 of its common shares and which expired on March 5, 2012, for a total purchase cost of $3.4 million. Also during fiscal 2012, Clairvest purchased and cancelled 123,600 common shares under its current normal course issuer bid enabling it to make market purchases of up to 772,135 of its common shares in the 12-month period commencing March 6, 2012, for a total purchase cost of $2.2 million. No further purchases nor cancellations occurred subsequent to year end up to June 26, 2012, As at June 26, 2012, Clairvest had repurchased a total of 6,595,049 common and non-voting shares over the last nine years.

During fiscal 2012, 252,000 options were exercised, 50,000 of which were exercised for shares, increasing share capital by $0.2 million. The remaining 202,000 were exercised under the cash settlement plan and had no impact on share capital.

Clairvest paid a ordinary dividend of $0.10 per share on the common shares in each of fiscal 2012, fiscal 2011 and fiscal 2010. During fiscal 2012, Clairvest also paid a one-time special dividend of $0.0965 per share, such that in aggregate with the ordinary dividend, represent 1% of the March 31, 2011 book value.

Subsequent to year end, Clairvest declared an annual ordinary dividend of $0.10 per share, and a special dividend of $0.1093 per share, such that in aggregate, the dividends represent 1% of the March 31, 2012 book value. The dividends will be payable to common shareholders of record as of July 9, 2012. The dividend will be paid on July 26, 2012. Both dividends are eligible dividends for Canadian income tax purposes.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

In accordance with National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", issued by the Canadian Securities Administrators ("CSA"), Management has evaluated the effectiveness of Clairvest's disclosure controls and procedures as of March 31, 2012 and concluded that the disclosure controls and procedures are effective in ensuring that information required to be disclosed by the Company in its corporate filings is recorded, processed, summarized and reported within the required time period for the year then ended.

National Instrument 52-109 also requires certification from the Chief Executive Officers and Chief Financial Officer to certify their responsibilities for establishing and maintaining internal controls with regards to the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. Management has evaluated Clairvest's design and operational effectiveness of internal controls over financial reporting for the year ended March 31, 2012. Management has concluded that the design of internal controls over financial reporting are effective and operating as designed as of March 31, 2012 based on this evaluation. There were no changes in internal controls during the most recent interim period that has materially affected, or is reasonably likely to materially affect, internal controls over financial reporting. The Company has not identified any weakness that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

During fiscal 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the use of International Financial Reporting Standards ("IFRS") for all Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. During fiscal 2011, the AcSB approved an optional two-year deferral from IFRS adoption which would allow Canadian companies that currently follow AcG-18 to continue to use existing Canadian GAAP until fiscal years beginning on or after January 1, 2013. During fiscal 2012, the AcSB approved a further one year extension to this deferral which would allow for existing Canadian GAAP until fiscal years beginning on or after January 1, 2014. Accordingly, Clairvest will adopt IFRS beginning in the first quarter of fiscal 2015, which begins on April 1, 2014.

The Company continues to be optimistic that fair value accounting will continue to be the method for which the Company accounts for its investee companies when it adopts IFRS. The Company reviewed the IFRS exposure draft on Investment Entities and continues to monitor ongoing changes to IFRS and will adjust its transition and implementation plans accordingly. Formal communications with the Audit Committee have been established to ensure timely decisions are made on key issues and risks.

The Company will evaluate the impact to its financial reporting process and its financial statements if IFRS requires the Company to consolidate certain of its investee companies. Other significant items which may have a significant impact to the Company's financial reporting and financial statements include the accounting for share-based compensation, income taxes and the disclosure requirements for financial instruments.

With respect to the accounting treatment for share-based compensation, the company would be required to adopt a new methodology for valuing stock options given the intrinsic method is not an acceptable methodology under existing IFRS. The Company may be required to value its stock options using the Black-Scholes method which is an acceptable methodology under existing IFRS. The Company may also be required to cease vesting share-based compensation on a straight-line basis and adopt the prescribed graded vesting method which will likely result in front-loading of expenses during the vesting period. Based on its stock options outstanding at March 31, 2012, the Company currently believes that the effects of this accounting change will not be material.

With respect to income taxes, future income tax positions under IFRS must be evaluated using the probability method which differs from the more likely than not test prescribed under existing Canadian GAAP. The Company is in the process of quantifying the impacts of this methodology change.

The Company continues to monitor new developments to IFRS which may result in additional significant accounting differences. The Company does not expect current IFRS to have a significant impact on internal controls over financial reporting nor the Company's information technology systems.

MANAGEMENT'S REPORT

The accompanying consolidated financial statements of Clairvest Group Inc. were prepared by management, which is responsible for the integrity and fairness of the financial information presented. These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in the annual report has been reviewed to ensure consistency with the consolidated financial statements.

Management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded, that transactions are properly authorized and that financial records are properly maintained to facilitate the preparation of financial statements in a timely manner. Under the supervision of Management, an evaluation of the effectiveness of the Company's internal control over financial reporting was carrried out for the year ended March 31, 2012. Based on that evaluation, Management concluded that the Company's internal control over financing reporting was effective for the year ended March 31, 2012.

The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its Audit Committee. The Audit Committee, comprised of four non-management Directors, meets periodically with management and with external auditors to discuss the scope and results with respect to financial reporting of the Company. The Audit Committee has reviewed the consolidated financial statements with management and with the independent auditors. The consolidated financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

Ernst & Young LLP, appointed external auditors by the shareholders, have audited the consolidated financial statements and their report is included herewith.

B. Jeffrey Parr
Co-Chief Executive Officer and Managing Director

Daniel Cheng
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CLAIRVEST GROUP INC.

We have audited the accompanying consolidated financial statements of Clairvest Group Inc., which comprise the consolidated balance sheets as at March 31, 2012 and 2011, and the consolidated statements of income, retained earnings and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Clairvest Group Inc. as at March 31, 2012 and 2011 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Toronto, Canada,
June 26, 2012.

Chartered Accountants
Licensed Public Accountants

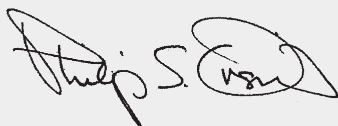
CONSOLIDATED BALANCE SHEETS

As at March 31

$000's		2012		2011
ASSETS				
Cash and cash equivalents (notes 3, 11 and 14)	**$**	**32,856**	$	61,332
Temporary investments (notes 3 and 14)		**64,697**		77,006
Restricted cash and temporary investments (notes 6(d) and 13(k))		**5,460**		—
Accounts receivable and other assets (notes 4(k), 4(p) and 7)		**15,851**		9,917
Income taxes recoverable		**7,944**		5,809
Loans receivable (notes 4(l), 4(m) and 4(n))		**23,740**		126
Derivative instruments (note 12(b))		**—**		2,493
Corporate investments (notes 6 and 14)		**187,876**		162,177
	$	**338,424**	$	318,860
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Accounts payable and accrued liabilities (notes 10 and 13(i))	**$**	**9,254**	$	7,656
Income taxes payable		**1,410**		—
Derivative instruments (note 12(b))		**1,731**		913
Future tax liability (note 8)		**4,148**		2,402
Stock-based compensation (note 10)		**5,454**		5,487
	$	**21,997**	$	16,458
Contingencies, commitments and guarantees (notes 12 and 13)				
SHAREHOLDERS' EQUITY				
Share capital (note 9)	**$**	**78,438**	$	79,911
Retained earnings		**237,989**		222,491
		316,427		302,402
	$	**338,424**	$	318,860

See accompanying notes

On behalf of the Board:



PHILIP S. ORSINO

Director

JOSEPH J. HEFFERNAN

Director

CONSOLIDATED STATEMENTS OF INCOME

For the years ended March 31

$000's (except per share information)	2012	2011
NET INVESTMENT GAINS		
Net realized gains on corporate investments (note 5)	**$ 545**	$ 3,861
Net changes in unrealized gains on corporate investments (note 6)	**16,590**	16,249
	17,135	20,110
OTHER INCOME		
Distributions and interest income (notes 4 and 6)	**19,325**	14,827
Dividend income (notes 6(e) and 6(g))	**4,359**	731
Management fees (note 4(a) and 4(h))	**1,141**	1,142
Advisory and other fees (note 4(o))	**2,013**	956
	26,838	17,656
EXPENSES		
Administration and other expense (note 10 and 13(i))	**15,409**	14,004
Finance and foreign exchange expense	**1,678**	1,132
	17,087	15,136
Income before income taxes	**26,886**	22,630
Income tax expense (notes 6(n) and 8)	**4,470**	3,066
Net income for the year	**$ 22,416**	$ 19,564
Basic net income per share (note 9)	**$ 1.46**	$ 1.23
Fully-diluted net income per share (note 9)	**$ 1.43**	$ 1.20

See accompanying notes

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the years ended March 31

$000's	2012	2011
Retained earnings, beginning of year	**$ 222,491**	$ 209,462
Net income for the year	**22,416**	19,564
	244,907	229,026
Dividends paid	**(3,025)**	(1,595)
Purchase and cancellation of shares (note 9)	**(3,893)**	(4,940)
Retained earnings, end of year	**$ 237,989**	$ 222,491

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31

$000's		2012		2011
OPERATING ACTIVITIES				
Net income for the year	**$**	**22,416**	$	19,564
Add (deduct) items not involving a current cash outlay				
Amortization of fixed assets		**373**		372
Stock-based compensation expense (recovery)		**(33)**		1,284
Future income tax expense		**1,746**		1,655
Net realized gains on corporate investments		**(545)**		(3,861)
Net changes in unrealized gains on corporate investments		**(16,590)**		(16,249)
Non-cash items relating to foreign exchange forward contracts		**2,627**		(2,446)
Non-cash items relating to corporate investments		**(4,646)**		(854)
		5,348		(535)
Net change in non-cash working capital balances related to operations (note 11)		**(5,434)**		11,086
Cash provided by (used in) operating activities		**(86)**		10,551
INVESTING ACTIVITIES				
Acquisition of corporate investments		**(36,888)**		(54,270)
Proceeds on sale of corporate investments		**26,277**		31,938
Return of capital from corporate investments		**6,693**		—
Proceeds on realized foreign exchange forward contracts		**684**		6,766
Net proceeds on sale (acquisition) of temporary investments		**12,309**		31,538
Loans advanced (notes 4(l), 4(m) and 4(n))		**(46,431)**		(55,876)
Receipt of loans advanced (notes 4(l), 4(m) and 4(n))		**22,817**		56,448
Increase in restricted cash and temporary investments		**(5,460)**		—
Cash provided by (used in) investing activities		**(19,999)**		16,544
FINANCING ACTIVITIES				
Purchase and cancellation of share capital (note 9)		**(5,577)**		(7,852)
Cash dividends paid		**(3,025)**		(1,595)
Issuance of share capital (note 9)		**211**		—
Cash used in financing activities		**(8,391)**		(9,447)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR		**(28,476)**		17,648
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		**61,332**		43,684
CASH AND CASH EQUIVALENTS, END OF YEAR (NOTE 11)		**32,856**		61,332
SUPPLEMENTAL CASH FLOW INFORMATION				
Income taxes paid	**$**	**3,223**	$	218
Interest paid, on gross basis (note 13(n))	**$**	**1,449**	$	1,045

See accompanying notes

1. NATURE OF ACTIVITIES

Clairvest Group Inc. ("Clairvest" or the "Company") is a private equity investor publicly traded on the Toronto Stock Exchange ("TSX"). The Company, which operates in only one business segment, actively seeks to form mutually beneficial investments with entrepreneurial corporations. Clairvest invests its own capital, and that of third parties, through Clairvest Equity Partners Limited Partnership ("CEP"), Clairvest Equity Partners III Limited Partnership ("CEP III"), Clairvest Equity Partners IV Limited Partnership ("CEP IV") and Clairvest Equity Partners IV-A Limited Partnership ("CEP IV-A") (together, the "CEP Funds"). Clairvest contributes financing and strategic expertise to support the growth and development of its investees in order to create realizable value for all shareholders. Clairvest is incorporated under the laws of the Province of Ontario.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries and its pro-rata ownership of various acquisition entities that exist for investing purposes. All intercompany amounts and transactions have been eliminated upon consolidation.

In accordance with Accounting Guideline 18 ("AcG-18"), the Company designated its temporary investments and its corporate investments as held-for-trading and carries them at fair value. Clairvest also designated its receivables and payables as held-for-trading in accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855. Accordingly, each of Clairvest's financial assets and liabilities is fair valued on each consolidated balance sheet date.

Future Accounting Changes

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that the use of International Financial Reporting Standards ("IFRS") will be required for Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. Subsequently, the AcSB approved an optional two-year deferral from IFRS adoption which would allow Canadian companies that currently follow AcG-18 to continue to use existing Canadian generally accepted accounting principles ("GAAP") until fiscal years beginning on or after January 1, 2013.

In December 2011, the AcSB approved an additional one-year deferral from IFRS adoption such that Canadian companies that currently follow AcG-18 has the option to continue to use Canadian GAAP until fiscal years beginning on or after January 1, 2014. Accordingly, Clairvest will adopt IFRS beginning in the first quarter of fiscal 2015, which begins on April 1, 2014.

Clairvest is currently evaluating the impact of adopting IFRS.

Significant Accounting Policies

The following is a summary of the significant accounting policies of the Company:

(a) Temporary Investments and Corporate Investments

The Company carries its temporary investments and its corporate investments at fair value. When a financial instrument is initially recognized, its fair value is generally the value of consideration paid or received. Acquisition costs relating to corporate investments are not included as part of the cost of the investment. Subsequent to initial recognition, for the fair value of an investment quoted on an active market, the fair value is generally the bid price on the principal exchange on which the investment is traded. Investments that are escrowed or otherwise restricted as to sale or transfer are recorded at a value which takes into account the escrow terms or other restrictions. In determining the fair value for such investments, the Company considers the nature and length of the restriction, business risk of the investee

company, its stage of development, market potential, relative trading volume and price volatility, liquidity of the security and the size of Clairvest's ownership block and any other factors that may be relevant to the ongoing and realizable value of the investments. The amounts at which Clairvest's publicly traded investments could be disposed of may differ from this fair value and the differences could be material. Differences could arise as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity. Estimated costs of disposition are not included in the fair value determination.

In the absence of an active market, the fair values are determined by management using the appropriate valuation methodologies after considering the history and nature of the business, operating results and financial conditions, the general economic, industry and market conditions, capital market and transaction market conditions, contractual rights relating to the investment, public market comparables, private company transactions multiples and, where applicable, other pertinent considerations. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed. The amounts at which Clairvest's privately held investments could be disposed of may differ from the fair value assigned and the differences could be material. Estimated costs of disposition are not included in the fair value determination.

In determining the fair value of public company warrants, the underlying security of which is traded on a recognized securities exchange, if there are sufficient and reliable observable market inputs, including exercise price and term of the warrants, market interest rate, and current market price, expected dividends and volatility of the underlying security, a valuation technique is used. If market inputs are insufficient or unreliable, the warrants are valued at intrinsic value, which is equal to the higher of the closing bid price of the underlying security, less the exercise price of the warrant, or nil. For private company warrants, the underlying security of which is not traded on a recognized securities exchange, the fair value is determined consistently with other investments which do not have an active market as described above.

(b) Foreign Currency Translation

Income and expenses denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction date. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet dates. Non-monetary assets and liabilities are translated at historical rates. Exchange gains and losses are included in income in the period in which they occur.

(c) Derivative Financial Instruments

The Company periodically enters into foreign exchange forward contracts, primarily to hedge its exposure to exchange rate fluctuations on its foreign currency denominated investments. These foreign exchange forward contracts and, where applicable, their underlying investments, are valued at exchange rates in effect at the consolidated balance sheet dates.

Foreign exchange forward contracts are included on the consolidated balance sheets as derivative instruments and are valued at fair value representing the estimated amount that the Company would have been required to pay, or received, had the Company settled the outstanding contracts at the consolidated balance sheet dates. Any unrealized gains or losses are included in finance and foreign exchange expense in the consolidated statements of income.

(d) Income Recognition

Realized gains or losses on disposition of corporate investments and change in unrealized gains or losses in the value of corporate investments are calculated based on weighted average cost and are reflected in the consolidated statements of income. Management fees and advisory and other fees are recorded as income on an accrual basis when the services are performed. Distributions and interest income are recognized on an accrual basis and dividend income is recognized on the ex-dividend date.

(e) Future Income Taxes

The Company records future income tax expense or recovery using the asset and liability method. Under this method, future income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their respective income tax bases, as well as certain carryforward items. Future income tax assets and liabilities are determined for each temporary difference based on the income tax rates that are expected to be in effect when the asset or liability is settled. Future income tax assets are only recognized to the extent that, in the opinion of management, it is more likely than not that the future income tax asset will be realized.

(f) Stock-based Compensation Plan

The Company's stock option plan allows for a cash settlement of stock options. As a result, compensation expense is recognized and recorded as a liability based on the intrinsic value of the outstanding stock options at the consolidated balance sheet dates and the proportion of their vesting periods that have elapsed. On the exercise of stock options for shares, the liability recorded with respect to the options and consideration paid by the employees is credited to share capital. On the exercise of stock options for cash, the liability recorded is reduced and any difference between the liability accrued and the amount paid is charged to administration and other expense.

(g) Deferred Share Unit Plan

Directors of the Company may elect to receive all or a portion of their compensation in deferred share units ("DSUs"). On the date directors' fees are payable, the number of DSUs to be credited to a participant is determined by dividing the amount of the fees to be received by way of DSUs by the market value of a Clairvest common share on the TSX. Upon redemption of DSUs, the Company pays to the participant a lump sum cash payment equal to the number of DSUs to be redeemed multiplied by the market value of a Clairvest common share on the TSX on the redemption date. A participant may redeem his or her DSUs only following termination of board service.

Under the Company's DSU plan, a change in the fair value of the DSUs is charged to administration and other expense based on the number of DSUs outstanding at the consolidated balance sheet dates multiplied by the market value of a Clairvest common share on the TSX at the consolidated balance sheet dates.

During fiscal 2008, the DSU plan was amended to also facilitate the issuance of Appreciation Deferred Share Units ("Appreciation DSUs") to the directors of the Company. Upon redemption of the Appreciation DSUs, the Company pays to the participant a lump sum cash payment equal to the number of Appreciation DSUs to be redeemed multiplied by the difference between the market value of a Clairvest common share on the TSX on the redemption date and the market value of a Clairvest common share on the TSX on the grant date. A participant may redeem his or her Appreciation DSUs only following termination of board service. Under the Company's DSU plan, the fair value of the Appreciation DSUs is charged to administration and other expense based on the number of Appreciation DSUs outstanding at the consolidated balance sheet dates multiplied by the difference between the market value of a Clairvest common share on the TSX at the consolidated balance sheet dates and the market value of a Clairvest common share on the TSX on the grant date.

(h) Book Value Appreciation Rights Plan

The Company may elect to issue all or a portion of a participant's stock option grant by way of book value appreciation rights units ("BVARs"). Upon redemption of BVARs, the Company pays to the participant a lump sum cash payment equal to the number of BVARs to be redeemed multiplied by the increase in book value per share between the grant date and the redemption date, and grossed up such that the participant's after-tax proceeds equate to an amount as if the proceeds were taxed at the capital gains rate. The BVARs vest over a five-year period and the participant may only redeem his or her BVARs at the earlier of (i) five years from the grant date or (ii) cessation of employment with the Company.

As the Company's BVAR plan is a cash settled plan, the fair value of the BVARs is charged to administration and other expense and recorded as a liability over the BVAR vesting period based on the book value per share at the consolidated balance sheet date of the prior quarter.

(i) Net Income Per Share

Basic net income per share is determined by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the year. Fully-diluted net income per share is determined in accordance with the treasury stock method and is based on the weighted average number of common shares and dilutive common share equivalents outstanding during the year.

(j) Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting periods. Actual results could differ from those estimates.

3. CASH EQUIVALENTS AND TEMPORARY INVESTMENTS

Cash equivalents consist of deposits in investment and money market savings accounts and term deposits which have maturities of less than 90 days from the date of acquisition. The yield ranges between 0.5% and 4.7% per annum (2011 – between 0.9% and 1.2%) with a weighted average rate of pre-tax return of 1.2% per annum (2011 – 1.2%).

Temporary investments consist of term deposits, guaranteed investment certificates, corporate bonds and preferred shares and have maturities greater than 90 days from the date of acquisition and through to June 2014. The yield on these investments ranges between 1.6% and 4.9% per annum (2011 – between 1.6% and 4.9%) with a weighted average rate of pre-tax return of 2.4% per annum (2011 – 2.4%). The composition of Clairvest's temporary investments at March 31 was as follows:

	2012			2011
	Due in 1 year or less	**Due after 1 year**	**Total**	Total
Term deposits	**$ 51**	**$ —**	**$ 51**	$ —
Guaranteed investment certificates	**12,454**	**12,819**	**25,273**	37,161
Corporate bonds	**26,824**	**11,052**	**37,876**	38,346
Preferred shares	**1,497**	**—**	**1,497**	1,499
	$ 40,826	**$ 23,871**	**$ 64,697**	$ 77,006

4. RELATED PARTY TRANSACTIONS

(a) A wholly owned subsidiary of Clairvest ("GP I") has entered into a Management Agreement with the General Partner of CEP, appointing GP I as the Manager of CEP. The General Partner is another wholly owned subsidiary of Clairvest. The Management Agreement provides that a management fee be paid to GP I as compensation for its services in the administration of the portfolio of CEP. The fee was calculated annually as 2% of committed capital until August 21, 2006, the fifth anniversary of the last closing of CEP, and thereafter at 2% of contributed capital less distributions on account of capital and any write-downs of capital invested. Effective January 1, 2011, the CEP management fee was reduced to 1.5% per annum of contributed capital less distributions on account of capital and write-downs of capital invested. The management fee is reduced to the extent of 75% of fees earned by GP I from corporate investments of CEP.

During fiscal 2012, GP I earned management fees of $0.5 million (2011 – $0.9 million) as compensation for its services in the administration of the portfolio of CEP. As per the Management Agreement, fees of $0.1 million (2011 – $0.2 million) from corporate investments of CEP were netted against the management fees.

(b) The General Partner of CEP is entitled to participate in distributions made by CEP equal to 20% of net gains of CEP. The distributions to the General Partner will be determined based on the overall performance of CEP and no such distributions are permitted until CEP's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 6% per annum compounded annually. The distributions received by the General Partner of CEP are allocated 50% to each of its limited partners, one of which is another wholly owned subsidiary of Clairvest, and the other of which is another limited partnership (the "Participation Partnership"). The limited partners of the Participation Partnership are principals and employees of Clairvest and GP I (the "Participation Investors"). The Participation Investors have purchased, at fair market value, units of the Participation Partnership. From time to time, additional units in the Participation Partnership may be purchased by the Participation Investors.

During fiscal 2012, CEP declared distributions to the General Partner totaling $4.4 million (2011 – $6.2 million), 50% of which, or $2.2 million (2011 – $3.1 million), was allocated to Clairvest. At March 31, 2012, CEP had declared and paid distributions to the General Partner totaling $20.3 million (2011 – $15.9 million), 50% of which, or $10.2 million (2011 – $8.0 million), was allocated to Clairvest. If CEP were to sell its corporate investments at their current fair values, the General Partner would receive up to a further $7.2 million (2011 – $10.7 million) of distributions, 50% of which, or $3.6 million (2011 – $5.3 million), would be allocated to Clairvest.

(c) Clairvest is also the parent company of the two General Partners of CEP III (GP I and "GP II"). GP I is entitled to a priority distribution from CEP III. The priority distribution was calculated monthly as 0.1667% of committed capital until January 13, 2011, being the date on which CEP III is closed to new investments, and thereafter 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 75% of fees earned by GP I from corporate investments of CEP III.

During fiscal 2012, CEP III declared to GP I priority distributions of $2.0 million (2011 – $3.8 million). As per the Limited Partnership Agreement, fees of $0.3 million (2011 – $0.4 million) from corporate investments of CEP III were netted against the priority distributions. GP I is also entitled to distributions made by CEP III equal to 2% of gains of CEP III determined as described in note 4(d) below. To date, CEP III has not made any distributions to GP I other than priority distributions. At March 31, 2012, if CEP III were to sell its corporate investments at their current fair values, GP I would receive up to $0.1 million (2011 – nil) of distributions, all of which would be allocated to Clairvest.

(d) GP II, a limited partnership, the General Partner of which is a wholly owned subsidiary of Clairvest, is entitled to participate in distributions made by CEP III equal to 18% of net gains of CEP III. The distributions relating to gain of CEP III to GP II, and to GP I as noted in note 4(c) above, will be determined based on the overall performance of CEP III. No such distributions are permitted until CEP III's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 8% per annum compounded annually. To date, CEP III has not made any distributions to GP II. Any distributions received by GP II will be allocated to its two limited partners, one of which is a wholly owned subsidiary of Clairvest which will receive 44.4% of such distributions, and the other of which is another limited partnership (the "Participation III Partnership") which will receive 55.6% of such distributions. The limited partners of the Participation III Partnership are principals and employees of Clairvest and GP I (the "Participation III Investors"). The Participation III Investors have purchased, at fair market value, units of the Participation III Partnership. From time to time, additional units in the Participation III Partnership may be purchased by Participation III Investors. At March 31, 2012, if CEP III were to sell its corporate investments at their current fair values, GP II would receive up to $0.5 million (2011 – nil) of distributions, 44.4% of which, or $0.2 million (2011 – nil), would be allocated to Clairvest.

Another wholly owned subsidiary of Clairvest ("GP III"), as the General Partner of the Participation III Partnership, is entitled to participate in additional distributions equal to the exit value on the first $1.1 million contributed by the Participation III Investors into the Participation III Partnership plus the first $0.2 million received by the Participation III Partnership as described above. At March 31, 2012, $0.3 million (2011 – nil) has been received by GP III.

(e) GP II is also entitled to 8.25% carried interest in respect of CEP III Co-Investment Limited Partnership ("CEP III Co-Invest"). CEP III Co-Invest was established in fiscal 2007 as the investment vehicle through which Clairvest would co-invest alongside CEP III. Distributions received by GP II from CEP III Co-Invest will be allocated 100% to the Participation III Partnership. At March 31, 2012, if CEP III Co-Invest were to sell its corporate investments at their current fair values, GP II would receive up to $1.9 million (2011 – $1.6 million) of distributions from CEP III Co-Invest which would be entirely allocated to the Participation III Partnership. To date, CEP III Co-Invest has not made any distributions.

(f) Clairvest is also the parent company of the two General Partners of CEP IV (GP I and "GP IV"). GP I is entitled to a priority distribution from CEP IV. The priority distribution is calculated monthly as follows: i) from April 2010, being the month in which CEP IV made its first investment, to January 13, 2011, being the last day on which CEP III calculated its priority distributions based on committed capital ("CEP III Termination Date"), 0.1667% of capital allocated to specifically identifiable investments net of any write-downs of capital invested; ii) from January 14, 2011 to January 13, 2016, being the fifth anniversary of the month of the date of final closing of CEP IV, 0.1667% of committed capital; and iii) thereafter 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 63.2% of any fees earned by GP I from corporate investments of CEP IV.

During fiscal 2012, CEP IV declared to GP I priority distributions of $5.4 million (2011 – $1.8 million). As per the Limited Partnership Agreement, fees of $0.5 million (2011 – nil) from corporate investments of CEP IV were netted against the priority distributions. GP I is also entitled to distributions made by CEP IV equal to 2% of gains of CEP IV determined as described in note 4(g) below. To date, CEP IV has not made any distributions to GP I other than priority distributions. At March 31, 2012, if CEP IV were to sell its corporate investments at their current fair values, GP I would receive up to $0.6 million (2011 – nil) of distributions.

(g) GP IV, a limited partnership, the General Partner of which is a wholly owned subsidiary of Clairvest, is entitled to participate in distributions made by CEP IV equal to 18% of net gains of CEP IV. The distributions relating to gains of CEP IV to GP IV, and to GP I as noted in note 4(f) above, will be determined based on the overall performance of CEP IV. No such distributions are permitted until CEP IV's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 8% per annum compounded annually. To date, CEP IV has not made any distributions to GP IV. Any distributions received by GP IV will be allocated to each of its two limited partners, one of which is a wholly owned subsidiary of Clairvest which will receive 44.4% of such distributions, and the other of which is another limited partnership (the "Participation IV Partnership") which will receive 55.6% of such distributions. The limited partners of the Participation IV Partnership are principals and employees of Clairvest and GP I (the "Participation IV Investors"). The Participation IV Investors have purchased, at fair market value, units of the Participation IV Partnership. From time to time, additional units in the Participation IV Partnership may be purchased by Participation IV Investors. At March 31, 2012, if CEP IV were to sell its corporate investments at their current fair values, GP IV would receive up to $5.0 million (2011 – nil) of distributions, 44.4% of which, or $2.2 million (2011 – nil), would be allocated to Clairvest.

GP III, as the General Partner of the Participation IV Partnership, is entitled to participate in additional distributions equal to the exit value on the first $1.6 million contributed by the Participation IV Investors into the Participation IV Partnership plus the first $0.4 million received by the Participation IV Partnership as described above. No amounts have been received by GP III at March 31, 2012.

(h) GP IV is also the General Partner of CEP IV-A. GP IV has appointed GP I as the Manager of CEP IV-A. The Limited Partnership Agreement of CEP IV-A provides that a management fee be paid to GP I as compensation for its services in the administration of the portfolio of CEP IV-A. The fee is calculated as follows: i) from April 2010, being the month in which CEP IV-A made its first investment, to January 13, 2011, being the CEP III Termination Date, 0.1667% of capital allocated to specifically identifiable investments net of write-downs of capital invested; ii) from January 14, 2011 to January 13, 2016, being the fifth anniversary of the date of final closing of CEP IV-A, 0.1667% of committed capital; and

iii) thereafter 0.1667% of invested capital net of write-downs of capital then invested. The management fee is reduced to the extent of 10.1% of fees earned by GP I from corporate investments of CEP IV-A and other amounts as provided in the Limited Partnership Agreement.

During fiscal 2012, GP I earned management fees of $0.6 million (2011 – $0.2 million) as compensation for its services in the administration of the portfolio of CEP IV-A. As per the Limited Partnership Agreement, $0.3 million (2011 – $0.1 million) was netted against the management fees.

(i) GP IV is entitled to participate in distributions made by CEP IV-A equal to 20% of net gains of CEP IV-A. These distributions will be determined based on the overall performance of CEP IV-A. No such distributions are permitted until CEP IV-A's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 8% per annum compounded annually. To date, CEP IV-A has not made any distributions to GP IV. Any distributions received by GP IV will be allocated to each of its two limited partners, one of which is Clairvest which will receive 50% of such distributions, and the other of which is Participation IV Partnership which will receive 50% of such distributions. At March 31, 2012, if CEP IV-A were to sell its corporate investments at their current fair values, GP IV would receive up to $1.0 million (2011 – nil) of distributions, 50% of which, of $0.5 million (2011 – nil) would be allocated to Clairvest.

(j) GP IV is also entitled to an 8.25% carried interest in respect of CEP IV Co-Investment Limited Partnership ("CEP IV Co-Invest"). CEP IV Co-Invest was established in fiscal 2010 as the investment vehicle through which Clairvest would co-invest alongside CEP IV and CEP IV-A. Distributions received by GP IV from CEP IV Co-Invest will be allocated 100% to the Participation IV Partnership. At March 31, 2012, if CEP IV Co-Invest were to sell its corporate investments at their current fair values, GP IV would receive up to $1.2 million (2011 – nil) of distributions from CEP IV Co-Invest which would be entirely allocated to the Participation IV Partnership. To date, CEP IV Co-Invest has not made any distributions.

(k) Included in accounts receivable and other assets are share purchase loans made to certain officers of the Company and GP I totaling $0.5 million (2011 – $0.7 million). The share purchase loans bear interest fixed at the prime rate on the date of drawdown less 1%, interest is paid annually, and the loans have full recourse and are collateralized by the common shares of the Company purchased by the officers with a market value of $0.7 million (2011 – $1.0 million). Also included in accounts receivable and other assets are other loans made to certain officers of a company affiliated with Clairvest totaling $0.5 million (2011 – $0.5 million). The loans to officers of the affiliated company bear interest at rates commensurate with prime and interest is paid quarterly. Loans are repayable upon departure of the officer. Interest of $35 thousand (2011 – $44 thousand) was earned on these loans during fiscal 2012. Also included in accounts receivable and other assets are receivables from Clairvest's investee companies totaling $2.4 million (2011 – $3.2 million), from CEP totaling $0.3 million (2011 – $5 thousand), from CEP III totaling $1.5 million (2011 – $0.4 million), from CEP IV totaling $5.4 million (2011 – $0.3 million) and from CEP IV-A totaling $1.1 million (2011 – $0.2 million).

(l) Loans totaling $3.6 million (2011 – $8.2 million), bearing interest at the prime rate, made by the Company to CEP III during fiscal 2012 were repaid in full (2011 – repaid in full) during the year. Interest of $5 thousand (2011 – $4 thousand) was earned from loans to CEP III during fiscal 2012.

(m) Loans totaling $36.8 million (2011 – $45.6 million), bearing interest at the Reference Rate in accordance with CEP IV's Limited Partnership Agreement, were made by the Company to CEP IV during fiscal 2012. During fiscal 2012, $16.2 million (2011 – $45.6 million) of these loans were repaid. Interest of $1.0 million (2011 – $8 thousand) was earned from loans to CEP IV during fiscal 2012.

(n) Loans totaling $6.0 million, bearing interest at the Reference Rate in accordance with CEP IV-A's Limited Partnership Agreement, were made by the Company to CEP IV-A during fiscal 2012. During fiscal 2012, $3.0 million of these loans were repaid. Interest of $0.1 million was earned from loans to CEP IV-A during fiscal 2012.

(o) During fiscal 2012, Clairvest earned $6.3 million (2011 – $3.0 million) in distributions and interest income, $4.3 million (2011 – $0.1 million) in dividend income and $2.0 million (2011 – $1.0 million) in advisory and other fees from its investee companies.

(p) During fiscal 2011, Clairvest and a director of Clairvest entered into an agreement to purchase an aircraft for a total cost of $3.5 million, $1.7 million of which was paid by Clairvest. The aircraft is owned 50% by Clairvest and 50% by the director of Clairvest. At March 31 2012, Clairvest's portion of the net book value of the aircraft of $1.6 million is recorded in accounts receivable and other assets. Clairvest receives 100% of the incidental rental income of the aircraft and is responsible for 100% of the operating expenses.

5. NET REALIZED GAINS ON CORPORATE INVESTMENTS

Net realized gains on corporate investments for the years ended March 31, 2012 and 2011 are comprised of the following:

	2012	2011
Net realized gains during the year	**$ 8,311**	$ 3,997
Previously recognized net unrealized gains	**(7,766)**	(136)
	$ 545	$ 3,861

6. CORPORATE INVESTMENTS

	2012			2011		
	Fair value	**Cost**	**Difference**	Fair value	Cost	Difference
Investments alongside CEP						
Grey Eagle Casino	**$ 1,605**	**$ 1**	**$ 1,604**	$ 9,090	$ 5,625	$ 3,465
Landauer Metropolitan Inc.	**6,834**	**5,111**	**1,723**	5,590	5,110	480
N-Brook Mortgage LP	**2,625**	**5,036**	**(2,411)**	2,625	5,037	(2,412)
Investments alongside CEP III						
Casino New Brunswick	**2,448**	**9,798**	**(7,350)**	4,601	9,202	(4,601)
Chilean Gaming Holdings[a]	**31,202**	**28,725**	**2,477**	29,890	29,093	797
Hudson Valley Waste Holding, Inc.	**—**	**—**	**—**	16,931	9,221	7,710
Kubra Data Transfer Limited	**7,868**	**2,150**	**5,718**	8,360	2,150	6,210
Light Tower Rentals Inc.	**21,494**	**8,178**	**13,316**	14,840	8,177	6,663
Lyophilization Services of New England Inc.	**5,098**	**7,351**	**(2,253)**	5,697	6,749	(1,052)
PEER 1 Network Enterprises Inc.	**10,419**	**6,291**	**4,128**	8,753	6,291	2,462
Participation III Partnership Entitlements[b]	**(1,918)**	**—**	**(1,918)**	(1,588)	—	(1,588)
Investments alongside CEP IV						
Centaur, LLC	**28,798**	**28,945**	**(147)**	31,386	30,179	1,207
Discovery Air Inc	**27,701**	**26,545**	**1,156**	—	—	—
Linen King, LLC	**2,523**	**2,525**	**(2)**	—	—	—
Rivers Casino	**25,536**	**8,504**	**17,032**	10,304	9,120	1,184
Participation IV Partnership Entitlements[c]	**(1,172)**	**—**	**(1,172)**	—	—	—
Wellington Financial Fund II	**46**	**1**	**45**	235	1	234
Wellington Financial Fund III	**15,643**	**13,643**	**2,000**	14,271	12,476	1,795
	186,750	**152,804**	**33,946**	160,985	138,431	22,554
Other investments	**1,126**	**1,129**	**(3)**	1,192	1,223	(31)
	$ 187,876	**$ 153,933**	**$ 33,943**	$ 162,177	$ 139,654	$ 22,523

(a) Comprised of Clairvest's investment in Casino Marina del Sol, Casino Osorno and Casino Sol Calama
(b) Fair value attributable to limited partners of Participation III Partnership as described in note 4(e).
(c) Fair value attributable to limited partners of Participation IV Partnership as described in note 4(j).

The cost and fair value of corporate investments do not reflect foreign exchange gains or losses on the foreign exchange forward contracts entered into as hedges against these investments (see note 12(b)). Details of each investment are described below.

(a) Grey Eagle Casino (formerly Tsuu T'ina Gaming Limited Partnership)

Grey Eagle Casino is a charitable casino on Tsuu T'ina First Nation reserve lands, located southwest of the City of Calgary, Alberta. At March 31, 2011 and 2010, Clairvest had funded $5.6 million in Grey Eagle Casino. The Company's investment was in the form of subordinated debt with a 16% coupon rate.

During fiscal 2012, Grey Eagle Casino completed a financing and repaid in full its $5.6 million in debentures and $2.2 million of accrued interest owing to Clairvest, $0.4 million of which was earned during fiscal 2012.

Clairvest continues to hold units of a limited partnership which operates Grey Eagle Casino, entitling Clairvest to between 2.8% and 9.6% of the earnings of the casino until December 18, 2022.

(b) Landauer Metropolitan Inc. ("Landauer")

Landauer is a supplier of home medical equipment operating in the northeastern United States.

At March 31, 2010, Clairvest, through a wholly owned subsidiary, owned 1,906,250 10% cumulative convertible preferred shares, 748,133 common shares and advanced a US$0.2 million (C$0.2 million) bridge loan to Landauer. The bridge loan bears interest at a rate of 25% per annum, payable monthly, and was repayable on April 16, 2010 but remained outstanding as at March 31, 2012. Any unpaid interest accrues interest at the same rate. The Company has the option to convert the bridge loan to common shares of Landauer at a rate of $1.00 per share.

During fiscal 2011, Clairvest advanced an additional US$0.1 million (C$0.1 million) bridge loan to Landauer. This bridge loan bears interest at a rate of 12% per annum, payable monthly, and is repayable on September 24, 2015. Any unpaid interest accrues interest at the same rate. The Company has the option to convert the bridge loan to common shares of Landauer at a rate of $1.00 per share. Also during fiscal 2011, Clairvest invested a further US$0.6 million (C$0.6 million) in Landauer in the form of a subordinated secured convertible note with a 10% accrued interest per annum. This note is convertible to senior convertible preferred shares which have a two times liquidation preference in lieu of interest. Each senior convertible preferred share is convertible into common shares at a rate of $0.50 per share in lieu of two times the liquidation preference and the conversion is at Clairvest's discretion. The bridge loan and the subordinated secured convertible note remained outstanding at March 31, 2012.

In addition to the bridge loans and the subordinated secured convertible note, at March 31, 2012 and 2011, Clairvest through a wholly owned subsidiary, owned 1,906,250 10% cumulative convertible preferred shares and 748,133 common shares in Landauer, representing a 14.2% interest on a fully-diluted basis. The preferred shares are entitled to dividends only in the event that Clairvest does not convert the preferred shares into common shares. Each preferred share is convertible into one common share and the conversion is at Clairvest's discretion.

(c) N-Brook Mortgage LP ("N-Brook")

N-Brook originated, adjudicated and underwrote first-ranking mortgages on owner-occupied, residential real estate in Ontario, British Columbia and Alberta. Clairvest had fully funded its $5.0 million commitment to N-Brook in fiscal 2008. During fiscal 2009, N-Brook management made the decision to wind down its mortgage portfolio. Clairvest's fully-diluted interest in N-Brook at March 31, 2012 and 2011 was 14.7%.

(d) Casino New Brunswick

Casino New Brunswick is a gaming entertainment complex located in Moncton, New Brunswick. At March 31, 2010, Clairvest had invested $8.7 million in Casino New Brunswick.

During fiscal 2011, Clairvest funded an additional $0.5 million in Casino New Brunswick, bringing the total investment in Casino New Brunswick to $9.2 million. The investment was made in the form of debentures with a stated interest at a rate of 6% per annum. Interest has been waived until further notice effective March 1, 2011. Also during fiscal 2011, management determined that the fair value of Casino New Brunswick should be written down by $4.6 million as a result of operations underachieving against expectations.

During fiscal 2012, Clairvest funded an additional $0.6 million in the form of debentures on terms consistent with the debentures previously invested in Casino New Brunswick, bringing the total investment in Casino New Brunswick to $9.8 million. Also during fiscal 2012, management determined that the fair value of Casino New Brunswick should be written down by an additional $2.7 million, bringing cumulative write downs to $7.3 million as a result of performance continuing to trend below initial estimates. Also during the fiscal 2012, Clairvest pledged $5.4 million to a Schedule 1 Canadian chartered bank which has provided debt financing to Casino New Brunswick. The pledge was made to support the guarantee to fund any operating deficiencies of Casino New Brunswick as described in note 13(k).

At March 31, 2012, Clairvest also holds units of a limited partnership which operates Casino New Brunswick, entitling Clairvest to 22.5% (2011 – 22.5%) of the earnings of the casino.

(e) Chilean Gaming Holdings

Chilean Gaming Holdings is a limited partnership which has a 50% ownership interest in Casino Marina del Sol ("Casino del Sol") in Concepcion, Chile, and a 47.5% ownership interest in each of Casino Osorno in Osorno, Chile, and Casino Sol Calama in Calama, Chile.

At March 31, 2010, Clairvest, through Canadian and Chilean acquisition entities, had a $10.6 million equity investment in Casino del Sol, a $16.6 million equity investment in Casino Osorno, and a US$11.8 million (C$12.4 million) loan investment in Latin Gaming Chile S.A. ("Latin Gaming Chile"), the casino operator of Casino Osorno and Casino Sol Calama.

During fiscal 2011, Clairvest, through Canadian and Chilean acquisition entities, loaned an additional US$2.0 million (C$2.1 million) to Latin Gaming Chile, bringing the total loans to Latin Gaming Chile to US$13.8 million (C$14.5 million).

Also during fiscal 2011, Clairvest completed a consolidation of its Chilean gaming investments whereby Clairvest sold its interest in Casino del Sol and Casino Osorno, as well as the US$13.8 million (C$14.5 million) bridge loans advanced to Latin Gaming Chile at original cost to a related holding entity ("Chilean Gaming Holdings") and received net cash proceeds of C$15.9 million and 27,254,185 limited partnership units of Chilean Gaming Holdings. The consolidation did not result in a change to the valuation of the investment. Subsequently, Chilean Gaming Holdings closed on an equity investment in Casino Sol Calama wherein Chilean Gaming Holdings invested US$20 million (C$20.9 million) to acquire a 50% ownership interest in Casino Sol Calama. The US$13.8 million of bridge loans which had previously been advanced to Latin Gaming Chile were repaid in full upon the closing of the equity investment in Casino Sol Calama. Clairvest invested an additional $3.2 million to acquire 3,192,114 limited partnership units of Chilean Gaming Holdings to support this acquisition.

During fiscal 2012, Chilean Gaming Holdings sold 2.5% of its equity interest in Casino Osorno and Casino Sol Calama to the operator of Casino del Sol. Clairvest received $0.3 million in cash proceeds and realized a $0.1 million gain as a result of the sale.

Also during fiscal 2012, Clairvest earned dividends totaling $1.3 million (2011 – $0.5 million) through its investment in Chilean Gaming Holdings.

At March 31, 2012 and 2011, Clairvest owned 30,446,299 limited partnership units of Chilean Gaming Holdings, representing a 36.8% equity interest.

(f) Hudson Valley Waste Holding, Inc. ("Hudson Valley Waste")

Hudson Valley Waste was a regional solid waste company based in the northeastern United States. At March 31, 2011 and 2010, Clairvest owned 8,750 Series A convertible preferred shares in Hudson Valley Waste, representing an 8.3% ownership interest unless certain return thresholds were met, at which point ownership interest would be reduced to 6.2%.

During fiscal 2012, Clairvest sold its interest in Hudson Valley Waste for cash proceeds of US$17.5 million (C$16.9 million) and realized an incremental gain of C$0.6 million as a result of the sale. Over the life of the investment, Clairvest realized a $7.7 million gain on the investment and a $0.6 million gain on the foreign exchange forward contracts entered into as hedges against the Company's investment in Hudson Valley Waste.

(g) Kubra Data Transfer Limited ("Kubra")

Kubra is a business process outsourcing company focused on the distribution of household bills on behalf of its customers.

During fiscal 2012, Clairvest earned dividends totaling $3.0 million from Kubra, against Clairvest's investment in Kubra of $2.2 million.

At March 31, 2012 and 2011, Clairvest owned 3,250,000 Class A voting common shares of Kubra, representing an 11.5% (2011 – 12.1%) interest on a fully-diluted basis.

(h) Light Tower Rentals Inc. ("Light Tower Rentals")

Light Tower Rentals is an oilfield equipment rental company operating in major oil and gas drilling basins in the United States. At March 31, 2010, Clairvest owned 5,841,250 Series A convertible preferred shares of Light Tower Rentals and 340,822 common shares of LTR Equipment Inc. ("LTR Equipment"), a company affiliated with Light Tower Rentals which supplies certain equipment to Light Tower Rentals.

During fiscal 2011, Clairvest invested an additional US$1.9 million (C$1.9 million) for 1,874,914 common shares of LTR Equipment.

At March 31, 2012 and 2011, Clairvest owned 5,841,250 Series A convertible preferred shares in Light Tower Rentals, which could be converted into a 10.3% ownership interest on a fully-diluted basis. Each preferred share is convertible into one common share and the conversion is at Clairvest's discretion. Also at March 31, 2012, and 2011, Clairvest owned 2,215,736 common shares in LTR Equipment, representing a 15.3% interest on a fully-diluted basis.

Subsequent to year end, LTR Equipment was amalgamated into Light Tower Rentals. As a result of the amalgamation, Clairvest received a 13.1% ownership interest in the combined entity. No gain or loss was recognized as a result of the amalgamation.

(i) Lyophilization Services of New England Inc. ("LSNE")

LSNE is a Manchester, New Hampshire based contract manufacturing organization focused on providing lyophilization services to biotech, pharmaceutical and medical device manufacturers. At March 31, 2012 and 2011, Clairvest owned 6,406,000 Series A 10% cumulative preferred shares of LSNE, which could be converted into a 12.3% ownership interest on a fully-diluted basis. The preferred shares are entitled to dividends only in the event that Clairvest does not convert the preferred shares into common shares. Each preferred share is convertible into one common share and the conversion is at Clairvest's discretion.

During fiscal 2011, Clairvest funded an additional US$0.3 million (C$0.3 million) to LSNE in the form of unsecured loans to further support the growth of LSNE. During fiscal 2012, Clairvest funded a further US$0.6 million (C$0.6 million), bringing the total unsecured loans in LSNE to US$0.9 million (C$0.9 million).

(j) PEER 1 Network Enterprises Inc. ("PEER 1")

PEER 1 (TSX: PIX) is a global online IT infrastructure provider based in Vancouver, British Columbia. At March 31, 2012 and 2011, Clairvest owned 5,134,617 common shares of PEER 1, representing a 4.2% interest on a fully-diluted basis. The Company also owned 50,000 stock options of PEER 1 with an exercise price of $1.07 per share, all of which (2011 – 36,111) have been vested at March 31, 2012.

(k) Centaur, LLC ("Centaur")

Centaur is the operator of Hoosier Park Racing & Casino in Indianapolis, Indiana.

During fiscal 2011, Clairvest invested US$29.7 million (C$29.9 million) in pre-petition senior secured first lien loans ("Senior Debt") of Centaur. As part of the investment, Clairvest also received a US$0.3 million (C$0.3 million) promissory note ("Promissory Note") from an unrelated investment partner for this investment. The Promissory Note is repayable upon Clairvest's realization of its investment in Centaur, and as a result, the Senior Debt and the Promissory Note have been presented on an aggregate basis. At March 31, 2011, Clairvest owned 8.8% of the total Senior Debt issued by Centaur.

During fiscal 2012, Clairvest invested a further US$5.3 million (C$5.5 million) in the Senior Debt of Centaur, bringing the total investment in Centaur to US$35.3 million (C$35.7 million). Subsequently, Centaur emerged from Chapter 11 protection and implemented its court-approved Plan of Reorganization. As holders of US$39.1 million face principal value of Senior Debt, Clairvest received US$6.4 million (C$6.7 million) in cash, US$16.4 million in new first lien secured notes, US$6.2 million in new second lien secured notes and US$5.1 million in unsecured term loans with stapled warrants which, subject to regulatory approval, are convertible upon exercise into 9.9% of the Class A units of Centaur. The cash received was recorded as a return of capital and no gain or loss was realized as a result of the exchange.

The new first lien secured notes pay cash interest quarterly at a rate of either i) prime rate plus 5.5% or ii) LIBOR plus 6.5%, at the borrower's option, with a minimum interest rate of 8% per annum, and matures on October 1, 2016. The new second lien secured notes pay interest quarterly at a rate of the mid-term U.S. Applicable Federal Rates plus 4.99%, 2% of which is payable in cash and the remaining paid in kind, and mature on October 1, 2018. The unsecured term loans pay interest quarterly at a rate of the short-term U.S. Applicable Federal Rates and is payable in kind. The loans mature on October 1, 2026 and may be extended for three-year periods upon the written consent of 50% of the holders of the unsecured term loans.

During fiscal 2012, Clairvest earned cash interest totaling $0.7 million on the new first and second lien secured notes and $0.2 million in paid in kind interest on the new second lien secured notes and the unsecured term loan.

(l) Discovery Air Inc. ("Discovery Air")

Discovery Air is a specialty aviation services company operating across Canada and in select locations internationally.

During fiscal 2012, Clairvest invested $22.0 million in secured convertible debentures ("Debentures") of Discovery Air. The Debentures, which have a 5.5-year term from issuance and are subject to certain early redemption rights in favor of Discovery Air, accrue interest at a rate of 10% per annum and interest is paid in kind quarterly and compounded on an annual basis. The Debentures and any paid in kind interest are convertible into 2,939,330 common shares of Discovery Air, which, together with the 59,521 Discovery Air shares owned prior to this investment, represents a 10.5% ownership interest in Discovery Air on an "as converted" basis. At March 31, 2012, the conversion price for the Debentures was $7.50 per share and the closing quoted market price of a Discovery Air common share was $3.98 per share.

Also during fiscal 2012, Clairvest advanced a $4.5 million bridge loan to Discovery Air with a stated interest rate of 9.5% per annum. The loan was repaid subsequent to year end.

During fiscal 2012, Clairvest earned $1.2 million in interest from its investments in Discovery Air.

(m) Linen King, LLC ("Linen King")

Linen King is an Oklahoma-based textile rental company that provides commercial laundry services to the healthcare and hospitality industries.

During fiscal 2012, Clairvest invested US$2.5 million (C$2.5 million) to acquire 2,529,209 Class A units of Linen King. At March 31, 2012, Clairvest's ownership interest in Linen King is 21.7%.

(n) Rivers Casino (formerly Midwest Gaming Holdings LLC)

Rivers Casino, which commenced operations in July 2011, is a gaming entertainment complex located in Des Plaines, Illinois.

During fiscal 2011, Clairvest and Participation IV Partnership (note 4(g)) acquired 13,166,360 units of Rivers Casino for US$13.2 million (C$13.2 million). Clairvest's portion of the investment was US$11.7 million (C$11.7 million). US$2.4 million (C$2.4 million) of this investment represented bridge capital in anticipation of the raising of equity from minority investors as required by the Illinois legislature. Subsequently, Clairvest sold 2,170,899 units of Rivers Casino for US$2.2 million (C$2.2 million) to CEP IV and CEP IV-A as part of the final rebalancing of invested capital in accordance with the Co-Investment Agreement with CEP IV and CEP IV-A, US$0.4 million (C$0.4 million) of which represents the bridge capital in anticipation of raising equity from minority investors. Also during fiscal 2011, 368,395 units of Rivers Casino were redeemed at cost for US$0.4 million (C$0.4 million) upon the completion of funding by certain minority investors.

During fiscal 2012, Rivers Casino completed the raising of capital from minority investors whereby Clairvest advanced US$1.1 million (C$1.1 million) in promissory notes to a minority investor in support of the completion of the minority fundraising. The promissory notes pay interest at a rate of 24% per annum and mature on June 24, 2041. Clairvest also acquired a minority interest in this investor. As a result of the completion of minority fundraising, 1,605,149 units of Rivers Casino were redeemed at cost for US$1.6 million (C$1.7 million).

At March 31, 2012, Clairvest owned 9,021,917 (2011 – 10,627,066) units of Rivers Casino, representing a 5.0% ultimate ownership interest on a fully-diluted basis.

During fiscal 2012, Clairvest earned $1.7 million in distributions and interest income and $0.3 million in fee income from Rivers Casino. As a result of Clairvest's investment in Rivers Casino requiring certain holding entities in the United States, the Company incurred U.S. tax income obligations totaling $1.6 million and U.S. withholding tax obligations totaling $0.1 million during fiscal 2012, the amount of which has been recorded as income tax expense in the consolidated statements of income.

(o) Wellington Financial Fund II ("Wellington Fund II")

Wellington Fund II provided debt capital and operating lines to technology, biotechnology, communications and industrial product companies across Canada. Clairvest, as a limited partner, had committed to fund $20.0 million to Wellington Fund II. Clairvest's commitment represented a 24.1% interest in Wellington Fund II. Clairvest is also entitled to participate in the profits received by the General Partner of Wellington Fund II.

During fiscal 2012, Wellington Fund II was liquidated and the remaining assets were distributed to its limited partners. Clairvest received $0.2 million in cash and securities as a result of the liquidation, which approximated the fair value ascribed to Wellington Fund II at March 31, 2011. Clairvest continues to hold an interest in the General Partner of Wellington Fund II at March 31, 2012.

(p) Wellington Financial Fund III ("Wellington Fund III")

Wellington Fund III, a successor to Wellington Fund II, provides debt capital and operating lines to technology, biotechnology, communications and industrial product companies across Canada and the United States. Clairvest, as a limited partner, committed to fund $25.0 million to Wellington Fund III. Clairvest's commitment represents a 16.7% interest in Wellington Fund III. Clairvest is also entitled to participate in the profits received by the General Partner of Wellington Fund III.

During fiscal 2012, Clairvest invested a further $1.1 million to Wellington Fund III, such that at March 31, 2012, $13.6 million (2011 – $12.5 million) of Clairvest's commitment had been funded.

7. CREDIT FACILITIES

Clairvest has a $75.0 million committed credit facility with a maturity date of April 30, 2020. The credit facility bears interest at 11% per annum on drawn amounts and at 1% per annum on undrawn amounts. The amount available under the credit facility at March 31, 2012 and 2011 is $75.0 million. No amounts were drawn during fiscal 2012 and 2011. Included in accounts receivable and other assets at March 31, 2012 is a capitalized closing fee on this facility totaling $0.9 million (2011 – $1.2 million) which is to be amortized on a straight-line basis to April 2015.

The Company also has a $20.0 million credit facility available, subject to annual renewals, bearing interest at prime plus 0.5% per annum. The prime rate at March 31, 2012 was 3.00% (2011 - 3.00%). The amount available under the credit facility at March 31, 2012 was $17.0 million (2011 - $20.0 million), which is based on debt covenants within the banking arrangement. No amounts were drawn during fiscal 2012 and 2011.

8. INCOME TAXES

Income tax expense for the years ended March 31, 2012 and 2011 consist of the following:

	2012	2011
Current income tax expense	**$ 2,724**	$ 1,411
Future income tax expense	**1,746**	1,655
	$ 4,470	$ 3,066

A reconciliation of the income tax expense based on the statutory rate in Canada and the effective rate is as follows:

	2012	%	2011	%
Income before income taxes	**$ 26,886**		$ 22,630	
Statutory Canadian income tax rate		**27.75**		30.13
Statutory Canadian income taxes	**7,461**	**27.75**	6,817	30.13
Non-taxable dividends and distributions received	**(5,721)**	**(21.28)**	(1,307)	(5.78)
Taxable (non-taxable) portion of net investment gains	**314**	**1.17**	(3,402)	(15.03)
Non-taxable portion of losses on temporary investments	**189**	**0.70**	326	1.44
Non-deductible portion of finance expense (recovery)	**(383)**	**(1.42)**	327	1.45
Non-deductible portion of other expenses	**603**	**2.24**	455	2.01
Payment (recovery) of prior years' taxes	**455**	**1.69**	(465)	(2.05)
Foreign income taxes	**1,428**	**5.31**	154	0.68
Other	**124**	**0.47**	161	0.70
	$ 4,470	**16.63**	$ 3,066	13.55

Future tax assets and liabilities relate to loss carryforwards and temporary differences on corporate and temporary investments, derivative instruments, accounts payable and accrued liabilities and income as follows:

	2012	2011
	Liability	Liability
Loss carryforwards	**$ —**	$ (2,538)
Temporary differences on corporate and temporary investments	**4,075**	1,848
Temporary differences on derivative instruments	**(229)**	219
Temporary differences on accounts payable and accrued liabilities	**(1,445)**	(1,103)
Temporary differences on income	**947**	3,226
Other	**800**	750
	$ 4,148	$ 2,402

9. SHARE CAPITAL

Authorized

Unlimited number of preference shares issuable in series, with the designation, rights, privileges, restrictions, and conditions to be determined by the Board of Directors prior to the issue of the first shares of a series.

Unlimited number of common shares

10,000,000 non-voting shares

Issued and outstanding	**2012**			2011		
	Shares		**Amount**	Shares		Amount
Common shares, beginning of year	**15,392,695**	**$**	**79,911**	15,953,566	$	82,823
Issued on exercise of stock options	**50,000**		**211**	—		—
Purchased and cancelled under normal course issuer bid	**(324,600)**		**(1,684)**	(560,871)		(2,912)
Common shares, end of year	**15,118,095**	**$**	**78,438**	15,392,695	$	79,911

During fiscal 2011, the Company filed a normal course issuer bid which allowed the Company to make market purchases up to 797,678 of its common shares and which expired on March 5, 2012. During fiscal 2011, the Company purchased and cancelled 560,871 common shares under this normal course issuer bid for a total purchase cost of $7.9 million. During fiscal 2012, the Company purchased and cancelled an additional 201,000 common shares under this normal course issuer bid for a total purchase cost of $3.4 million.

Also during fiscal 2012, the Company filed a normal course issuer bid enabling it to make market purchases of up to 772,135 (2011 – 797,678) of its common shares in the 12-month period commencing March 6, 2012. Subsequently, the Company purchased and cancelled 123,600 common shares under this normal course issuer bid for a total purchase cost of $2.2 million, such that the Company spent a total of $5.6 million on its purchases under various normal course issuer bids during fiscal 2012. The excess of the purchase cost of the 324,600 shares purchased and cancelled during fiscal 2012 over the average paid-in amount was $3.9 million (2011 – $4.9 million), which was charged to retained earnings. In total, 3,429,895 (2011 – 3,105,295) common shares at a cost of $35.3 million (2011 – $29.7 million) have been purchased under all previous normal course issuer bids as at March 31, 2012. An additional 934,200 common and 2,230,954 non-voting shares have been purchased for cancellation outside of the normal course issuer bid.

15,118,095 (2011 - 15,392,695) common shares were outstanding at March 31, 2012.

The weighted average number of common shares outstanding during fiscal 2012 was 15,397,724 (2011 - 15,952,025). The weighted average number of fully-diluted shares outstanding during fiscal 2012 was 15,675,287 (2011 - 16,262,314).

The difference between the basic and fully-diluted net income per share computations for 2012 and 2011 consists of the following:

	2012					2011			
		Net income ('000s)	**Weighted average number of shares**		**Per share amount**		Net income ('000s)	Weighted average number of shares		Per share amount
Basic net income per share	**$**	**22,416**	**15,397,724**	**$**	**1.46**	$	19,564	15,952,025	$	1.23
Effect of dilutive securities stock options			**277,563**					310,289		
Fully-diluted net income per share	**$**	**22,416**	**15,675,287**	**$**	**1.43**	$	19,564	16,262,314	$	1.20

Under the Company's stock option plan, 1,283,856 (2011 – 1,535,856) common shares of the Company have been made available for issuance to eligible participants. At March 31, 2012, 725,000 (2011 – 977,000) options were outstanding under the plan, and an additional 558,856 (2011 – 558,856) are available for future grants. Under the plan, options are exercisable for one common share and the exercise price of the option must equal the market price of the underlying share on the day preceding the grant date.

Options granted vest over a period not to exceed five years. Once vested, options are exercisable at any time until their expiry which is 10 years after the grant date.

During fiscal 2012, 252,000 (2011 – 105,000) options were exercised, 50,000 (2011 – nil) of which were exercised for shares, increasing share capital by $0.2 million. The remaining 202,000 (2011 – 105,000) options were exercised under the cash settlement plan and had no impact on share capital. No options were granted during fiscal 2012 and 2011.

A summary of the status of the Company's stock option plan as at March 31, 2012 and 2011 and changes during the years then ended are presented below:

	Number of options	Weighted average exercise price per share*
Options outstanding, March 31, 2010	1,082,000	$ 8.53
Options exercised	(105,000)	4.40
Options outstanding, March 31, 2011	977,000	8.88
Options exercised	(252,000)	5.57
Options outstanding, March 31, 2012	**725,000**	**$ 9.72**
Options exercisable, March 31, 2012	**664,000**	**$ 9.44**

*Adjusted for special dividends where applicable

The following table summarizes information about stock options outstanding and exercisable at March 31, 2012:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life (yrs)	Weighted average exercise price*	Number exercisable	Weighted average exercise price*
$5.00 to $5.99	110,000	0.2	$ 5.13	110,000	$ 5.13
$7.00 to $7.99	50,000	1.2	7.18	50,000	7.18
$9.00 to $9.99	330,000	3.6	9.43	330,000	9.43
$12.00 to $12.99	235,000	5.5	12.83	174,000	12.85
	725,000			664,000	

* Adjusted for special dividends where applicable

10. STOCK-BASED COMPENSATION AND OTHER COMPENSATION PLANS

As a result of a cash settlement feature in Clairvest's stock option plan, Clairvest is required to recognize compensation expense based upon the intrinsic value of the outstanding stock options at the consolidated balance sheet dates, and the proportion of their vesting periods that have elapsed. For the year ended March 31, 2012, Clairvest recognized a stock-based compensation expense of $1.5 million (2011 – $2.2 million) as a result of options being vested and an increase in the trading price of Clairvest common shares. As at March 31, 2012, $5.5 million (2011 – $5.5 million) has been accrued under the Company's stock option plan, and a further $0.3 million (2011 – $0.2 million) not accrued as those options have not vested.

As at March 31, 2012, a total of 212,420 (2011 – 186,258) DSUs were held by directors of the Company, the accrual in respect of which was $3.8 million (2011 – $2.8 million) and has been included in accounts payable and accrued

liabilities. For the year ended March 31, 2012, Clairvest recognized an expense of $1.0 million (2011 – $0.9 million) with respect to DSUs.

As at March 31, 2012, 120,000 (2011 – 120,000) Appreciation DSUs were held by directors of the Company, the accrual in respect of which is $0.6 million (2011 – $0.3 million) and has been included in accounts payable and accrued liabilities. For the year ended March 31, 2012, Clairvest recognized an expense of $0.3 million (2011 – $0.2 million) with respect to Appreciation DSUs.

As at March 31, 2012, a total of 957,601 (2011 – 639,112) BVARs were held by employees of Clairvest, the accrual in respect of which was $1.1 million (2011 – $0.9 million) and has been included in accounts payable and accrued liabilities, and a further $2.4 million (2011 – $0.7 million) not accrued as those BVARs have not vested. For the year ended March 31, 2012, Clairvest recognized an expense of $1.6 million (2011 – $0.8 million) with respect to BVARs.

11. CONSOLIDATED STATEMENTS OF CASH FLOWS

The net change in non-cash working capital balances related to operations is detailed as follows:

	2012	2011
Accounts receivable and other assets	$ (6,307)	$ 9,857
Income taxes recoverable	(2,135)	1,590
Accounts payable and accrued liabilities	1,598	(361)
Income taxes payable	1,410	—
	$ (5,434)	$ 11,086

Cash and cash equivalents at March 31, 2012 and 2011 are comprised of the following:

	2012	2011
Cash	$ 3,033	$ 2,186
Cash equivalents	29,823	59,146
	$ 32,856	$ 61,332

12. FINANCIAL INSTRUMENTS

(a) Fair Value of Financial Instruments

Cash and cash equivalents have fair values which approximate their carrying values due to their short-term nature.

Receivables, payables, temporary investments and corporate investments are being carried at fair value in accordance with the Company's accounting policy as described in note 2 to the financial statements.

(b) Foreign Exchange Forward Contracts

As at March 31, 2012, the Company had entered into foreign exchange forward contracts as hedges against its foreign investments as follows:

Foreign exchange forward contracts to sell US$102.0 million (2011 – US$90.3 million) and buy US$1.4 million (2011 – US$2.6 million) at an average rate of Canadian $0.9957 (2011 – $0.9980) per U.S. dollar through March 2013. The fair value of these contracts at March 31, 2012 is a loss of $0.2 million (2011 – gain of $2.5 million) and has been recognized on the consolidated balance sheets as derivative instruments.

Foreign exchange forward contracts to sell Chilean Pesos ("CLP") 14.7 billion (2011 – CLP 14.7 billion) at an average rate of Canadian $0.001938 (2011 – $0.001976) through January 2013. The fair value of these contracts at March 31, 2012 is a loss of $1.5 million (2011 – $0.9 million) and has been recognized on the consolidated balance sheets as derivative instruments.

13. CONTINGENCIES, COMMITMENTS AND GUARANTEES

(a) Clairvest has committed to co-invest alongside CEP in all investments undertaken by CEP. Clairvest's total co-investment commitment is $54.7 million, $3.5 million (2011 – $3.5 million) of which remains outstanding at March 31, 2012. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP if the manager of CEP, GP I, concurrently sells a proportionate number of securities of that corporate investment held by CEP.

(b) Clairvest has also committed to co-invest alongside CEP III in all investments undertaken by CEP III. Clairvest's total co-investment commitment is $75.0 million, $15.2 million (2011 – $15.2 million) of which remains unfunded at March 31, 2012. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP III if the manager of CEP III, GP I, concurrently sells a proportionate number of securities of that corporate investment held by CEP III.

(c) Clairvest has also committed to co-invest alongside CEP IV and CEP IV-A in all investments undertaken by CEP IV and CEP IV-A Clairvest's total co-investment commitment is $125.0 million, $75.5 million (2011 – $88.4 million) of which remains unfunded at March 31, 2012. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP IV and CEP IV-A if the manager of CEP IV and CEP IV-A, GP I, concurrently sells a proportionate number of securities of that corporate investment held by CEP IV and CEP IV-A.

(d) Clairvest has committed to invest US$5.4 million in New Meadowlands Racetrack LLC, which operates the Meadowlands, North America's premier standardbred horse racing track located in East Rutherford, New Jersey. No amounts have been funded at March 31, 2012.

(e) Clairvest has committed $25.0 million to Wellington Fund III, $11.4 million (2011 – $12.5 million) of which remains unfunded at March 31, 2012.

(f) At March 31, 2012, Clairvest has received profit distributions totaling $1.6 million (2011 – $1.6 million) through its ownership interest in the General Partner of Wellington Fund II and $2.6 million (2011 – $2.0 million) through its ownership interest in the General Partner of Wellington Fund III. Clairvest has guaranteed, up to the amounts received from the respective General Partners, the clawback provisions (the "Clawback") entered into by the General Partners in the event the limited partners of the Wellington Fund II and Wellington Fund III do not meet their return threshold as specified in the respective Limited Partnership Agreements. As a result of the liquidation of Wellington Fund II during the year ended March 31, 2012, the guarantee made by Clairvest to the General Partner of Wellington Fund II has extinguished. At March 31, 2012 and 2011, there were no accruals made with respect to the Clawback.

(g) Clairvest has guaranteed up to US$3.4 million of CEP's obligations to a Schedule 1 Canadian chartered bank under CEP's foreign exchange forward contracts with the bank.

(h) Clairvest has guaranteed up to US$15.0 million of CEP III's obligations to a Schedule 1 Canadian chartered bank under CEP III's foreign exchange forward contracts with the bank.

(i) Under Clairvest's Incentive Bonus Program (the "Program"), a bonus of 10% of after-tax cash income and realizations on certain of Clairvest's corporate investments would be paid to management annually as applicable. Amounts are accrued under this Program to the extent that the cash income and investment realizations have occurred and the bonus has become payable. At March 31, 2012, $0.8 million (2011 – $0.8 million) has been accrued under the Program. If Clairvest were to sell its corporate investments at their current fair values, an additional bonus of $1.1 million (2011 – $1.1 million) would be owing to management under this Program. As no such realizations have occurred and the terms of the Program with respect to these corporate investments have not yet been fulfilled, the $1.1 million (2011 – $1.1 million) has not been accrued at March 31, 2012. The Program does not apply to the income generated from investments made by Clairvest through CEP III Co-Invest and CEP IV Co-Invest.

(j) During fiscal 2006, Clairvest and a wholly owned subsidiary sold their interests in Signature Security Group Holdings Pty Limited ("Signature") and a related company as part of a sale of 100% of Signature and the related company. As part of the transaction, the subsidiary has indemnified the purchaser for various potential claims which will reduce over time. No claims have been made to March 31, 2012.

(k) Clairvest, together with CEP III, has guaranteed to fund any operating deficiencies of Casino New Brunswick for a specified period of time. The amount of the guarantee is allocated 75% to CEP III, to the extent that the amounts paid thereunder are within the limits of the CEP III Limited Partnership Agreement, with the remainder being allocated to Clairvest. Any amounts paid under the guarantee will result in additional debentures being granted to Clairvest and CEP III, allocated on the same basis as the participation between Clairvest and CEP III in the guarantee funding. As at March 31, 2012, no amounts subject to this guarantee have been funded. Clairvest has pledged $5.4 million to a Schedule 1 Canadian chartered bank which has provided debt financing to Casino New Brunswick. The pledge was made to support the guarantee and is held in a bank account belonging to Clairvest at the Schedule 1 Canadian chartered bank which cannot be withdrawn without consent from the Schedule 1 Canadian chartered bank. Accordingly, it has been classified as restricted cash and temporary investments on the consolidated balance sheets.

(l) Clairvest, together with CEP IV, CEP IV-A and other investors of Rivers Casino, had entered into a US$20 million joint and several guarantee to fund any cost overruns during the construction of the casino in Des Plaines, Illinois. The guarantee was extinguished during the year ended March 31, 2012. No amounts subject to this guarantee was funded.

(m) An acquisition entity of Chilean Gaming Holdings and other investors of Casino Sol Calama have entered into a joint and several guarantee to fund any operating deficiencies upon the opening of Casino Sol Calama for a specified period of time. Latin Gaming Chile, Casino Sol Calama's operator, has indemnified this acquisition entity with respect to this guarantee. As at March 31, 2012, no amounts subject to this guarantee have been funded.

(n) As part of the holding structure of Chilean Gaming Holdings, Clairvest, together with CEP III and other co-investors, borrowed $55.2 million through various acquisition entities from an unrelated financial institution, while another acquisition entity deposited $55.2 million with the financial institution as security for the loan. Clairvest intends to settle the loan, the deposit and related interest accruals simultaneously upon the divestiture of the investments in Chilean Gaming Holdings, and as a result, the deposit and the loan, and the interest revenue and expense have been presented on a net basis. Clairvest's ownership of both acquisition entities was 36.8% at March 31, 2012, with CEP III owning 37.7% and the remainder owned by the other co-investors.

(o) In connection with its normal business operations, the Company is from time to time named as a defendant in actions for damages and costs allegedly sustained by plaintiffs. While it is not possible to estimate the outcome of the various proceedings at this time, the Company does not believe that it will incur any material loss in connection with such actions.

14. RISK MANAGEMENT

The private equity investment business involves accepting risk for potential return, and is therefore affected by a number of economic factors, including changing economic environments, capital markets and interest rates. As a result, the Company faces various risk factors, inherent in its normal business activities. These risk factors and how the Company manages these risk factors are described below.

Credit Risk

Credit risk is the risk of a financial loss occurring as a result of default of a counterparty on its obligations to the Company. For the years ended March 31, 2012 and 2011, there were no material income effects on changes of credit risk on financial assets. The carrying values of financial assets subject to credit exposure at March 31, 2012 and 2011, net of any allowances for losses, were as follows:

	2012	2011
Financial assets		
Cash and cash equivalents	**$ 32,856**	$ 61,332
Temporary investments	**64,697**	77,006
Restricted cash and temporary investments	**5,460**	—
Accounts receivable	**11,946**	5,366
Loans receivable	**23,740**	126
Derivative instruments	**—**	2,493
Corporate investments	**187,876**	162,177
	$ 326,575	$ 308,500
Financial liabilities		
Accounts payable	**$ 377**	$ 176
Derivative instruments	**1,731**	913
	$ 2,108	$ 1,089

The Company manages credit risk on corporate investments through thoughtful planning, strict investment criteria, significant due diligence of investment opportunities and oversight responsibilities with existing investee companies and by conducting activities in accordance with investment policies that are approved by the Board of Directors. Management's application of these policies is regularly monitored by the Board of Directors. Management and the Board of Directors review the financial condition of investee companies regularly.

The Company is also subject to credit risk on its accounts receivable, a significant portion of which is with its investee companies and its CEP Funds. The Company manages this risk through its oversight responsibilities with existing investee companies and by reviewing the financial condition of investee companies regularly, and through its fiduciary duty as Manager of the CEP Funds and by maintaining sufficient uncalled capital for the CEP Funds to settle obligations as they come due.

The Company manages credit risk on cash, cash equivalents and temporary investments by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. The Company also manages credit risk by contracting with counterparties which are Schedule 1 Canadian chartered banks or through investment firms where Clairvest's funds are segregated and held in trust for Clairvest's benefit. Management's application of these policies is regularly monitored by the Audit Committee. Management and the Audit Committee review credit quality of cash equivalents and temporary investments regularly. As at March 31, 2012 and 2011, the credit ratings, based on the Dominion Bond Rating Services ("DBRS") rating scale, for the Company's cash, cash equivalents and temporary investments were as follows:

	2012	2011
Cash and term deposits, including restricted cash Money market savings accounts	**$ 3,386**	$ 2,714
Money market savings accounts		
R1-High	**17,814**	35,716
Guaranteed investment certificates and savings accounts		
AA+	**—**	5,017
AA	**39,272**	41,363
AA-	**3,168**	11,932
Corporate bonds		
AA	**15,212**	13,375
A+	**7,980**	10,049
A	**2,929**	2,991
A-	**11,755**	11,931
BBB	**—**	1,751
Preferred shares		
P-2 low	**1,497**	1,499
Total cash, cash equivalents, temporary investments and restricted cash and temporary investments	**$ 103,013**	$ 138,338

Market Risk

Market risk includes exposure to fluctuations in the market value of the Company's investments, currency rates and interest rates. The following table presents the financial instruments measured at fair value classified by the fair value hierarchy set out in CICA Handbook Section 3862:

	2012			
	Fair value measurements using			Assets/ liabilities at fair value
	Level 1	Level 2	Level 3	
Financial assets				
Cash equivalents				
Money market savings accounts	$ 17,814	$ —	$ —	$ 17,814
Investment savings accounts	11,737	—	—	11,737
Term deposits	272	—	—	272
	29,823	—	—	29,823
Temporary investments				
Term deposits	51	—	—	51
Guaranteed investment certificates	—	25,273	—	25,273
Corporate bonds	37,876	—	—	37,876
Preferred shares	1,497	—	—	1,497
	39,424	25,273	—	64,697
Restricted cash and temporary investments	30	5,430	—	5,460
Accounts receivable	—	—	11,946	11,946
Loans receivable	—	—	23,740	23,740
Corporate investments	10,671	—	177,205	187,876
	$ 79,948	$ 30,703	$ 212,891	$ 323,542
Financial liabilities				
Accounts payable and accrued liabilities	$ —	$ —	$ 377	$ 377
Derivative instruments	—	1,731	—	1,731
	$ —	$ 1,731	$ 377	$ 2,108

	2011			
	Fair value measurements using			Assets/ liabilities at fair value
	Level 1	Level 2	Level 3	
Financial assets				
Cash equivalents				
Money market savings accounts	$ 35,716	$ —	$ —	$ 35,716
Investment savings accounts	21,151	—	—	21,151
Term deposits	528	—	—	528
Corporate bonds	1,751	—	—	1,751
	59,146	—	—	59,146
Temporary investments				
Guaranteed investment certificates	—	37,161	—	37,161
Corporate bonds	38,346	—	—	38,346
Preferred shares	1,499	—	—	1,499
	39,845	37,161	—	77,006
Accounts receivable	—	—	5,366	5,366
Loans receivable	—	—	126	126
Derivative instruments	—	2,493	—	2,493
Corporate investments	8,930	—	153,247	162,177
	$ 107,921	$ 39,654	$ 158,739	$ 306,314
Financial liabilities				
Accounts payable and accrued liabilities	$ —	$ —	$ 176	$ 176
Derivative instruments	—	913	—	913
	$ —	$ 913	$ 176	$ 1,089

The following table presents the changes in fair value measurements for instruments included in Level 3 of the fair value hierarchy set out in CICA Handbook Section 3862:

	Fair value April 1, 2011	Total realized / unrealized gains and foreign exchange revaluations included in earnings	Purchases of assets / issuances of liabilities	Sales of assets / settlements of liabilities	Fair value March 31, 2012	Unrealized gains and foreign exchange revaluations included in earnings for the year ended March 31, 2012 for positions still held
Financial assets						
Accounts receivable	**$ 5,366**	**$ —**	**$ 47,458**	**$ (40,878)**	**$ 11,946**	**$ —**
Loans receivable	**126**	**—**	**46,431**	**(22,817)**	**23,740**	**—**
Corporate investments	**153,247**	**20,040**	**36,888**	**(32,970)**	**177,205**	**19,138**
	158,739	**20,040**	**125,334**	**(91,222)**	**212,891**	**19,138**
Financial liabilities						
Accounts payable	**176**	**—**	**1,496**	**(1,295)**	**377**	**—**
	$ 176	**$ —**	**$ 1,496**	**$ (1,295)**	**$ 377**	**$ —**

	Fair value April 1, 2010	Total realized / unrealized gains and foreign exchange revaluations included in earnings	Purchases of assets / issuances of liabilities	Sales of assets / settlements of liabilities	Fair value March 31, 2011	Unrealized gains (losses) and foreign exchange revaluations included in earnings for the year ended March 31, 2011 for positions still held
Financial assets						
Accounts receivable	$ 18,445	$ —	$ 26,289	$ (39,368)	$ 5,366	$ —
Loans receivable	698	—	55,876	(56,448)	126	—
Corporate investments	113,317	17,598	54,270	(31,938)	153,247	13,737
	132,460	17,598	136,435	(127,754)	158,739	13,737
Financial liabilities						
Accounts payable	23	—	2,234	(2,081)	176	—
	$ 23	$ —	$ 2,234	$ (2,081)	$ 176	$ —

Fluctuations in market interest rates affect the Company's income derived from cash, cash equivalents, and temporary investments. For financial instruments which yield a floating interest income, the interest received is directly impacted by the prevailing market interest rate. The fair value of financial instruments which yield a fixed interest income would change when there is a change in the prevailing market interest rate. The Company manages interest rate risk on cash, cash equivalents and temporary investments by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. Management's application of these policies is regularly monitored by the Audit Committee.

If interest rates were higher or lower by 1% per annum, the potential effect would be an increase or decrease of $0.8 million to distributions and interest income on a pre-tax basis for the year ended March 31, 2012.

As at March 31, 2012, approximately 5.7% of the fair value of the Company's corporate investments was in publicly traded companies. If market prices were higher or lower by 5% as at March 31, 2012, the potential effect would be an

increase or decrease of $0.5 million to the carrying value of corporate investments and net unrealized gains (losses) on corporate investments on a pre-tax basis for the year ended March 31, 2012.

Included in corporate investments are investments for which the fair values have been estimated based on assumptions that may not be supported by observable market prices. The most significant unobservable input is the multiple of earnings used for each individual investment. In determining the appropriate multiple, Clairvest considers i) public company multiples for companies in the same or similar businesses; ii) where information is known and believed to be reliable, multiples at which recent transactions in the industry occurred; and iii) multiples at which Clairvest invested in the company, or for follow-on investments or financings. The resulting multiple is adjusted, if necessary, to take into account differences between the investee company and those the Company selected for comparisons and factors include public versus private company, company size, same versus similar business, as well as with respect to the sustainability of the company's earnings and current economic environment. Investments which are valued using the earnings multiple approach include Casino New Brunswick, Centaur, Chilean Gaming Holdings, Kubra, Landauer, Light Tower Rentals, LSNE, and Rivers Casino. If the Company had used an earnings multiple for each investment that was higher or lower by 0.5 times, the potential effect would be an increase of $14.6 million or decrease of $14.9 million to the carrying value of corporate investments and net unrealized gains or losses on corporate investments, on a pre-tax basis for the year ended March 31, 2012. Earnings multiples used are based on public company valuations as well as private market multiples for comparable companies.

The Company's corporate investment portfolio is diversified across 14 companies in 9 industries and 3 countries as at March 31, 2012. Concentration risk by industry and by country is as follows:

	2012				2011			
	Canada	**United States**	**Chile**	**Fair value**	Canada	United States	Chile	Fair value
Aviation services	**$ 27,701**	**$ —**	**$ —**	**$ 27,701**	$ —	$ —	$ —	$ —
Business services	**—**	**7,868**	**—**	**7,868**	—	8,360	—	8,360
Contract manufacturing	**—**	**5,098**	**—**	**5,098**	—	5,697	—	5,697
Financial services	**18,314**	**—**	**—**	**18,314**	17,131	—	—	17,131
Gaming	**4,053**	**54,334**	**31,202**	**89,589**	13,691	41,690	29,890	85,271
Health and medical related	**—**	**6,834**	**—**	**6,834**	—	5,590	—	5,590
Information technology	**—**	**10,419**	**—**	**10,419**	—	8,753	—	8,753
Oil field service	**—**	**21,494**	**—**	**21,494**	—	14,840	—	14,840
Textile rental service	**—**	**2,523**	**—**	**2,523**	—	—	—	—
Waste management	**—**	**—**	**—**	**—**	—	16,931	—	16,931
Other	**(1,964)**	**—**	**—**	**(1,964)**	(396)	—	—	(396)
Total	**$ 48,104**	**$108,570**	**$ 31,202**	**$ 187,876**	$ 30,426	$101,861	$ 29,890	$ 162,177

The Company has considered current economic events and indicators in the valuation of its corporate investments.

The Company has implemented a hedging strategy because it has, directly and indirectly, several investments outside of Canada, currently in the United States and in Chile. In order to limit its exposure to changes in the value of foreign denominated currencies relative to the Canadian dollar, Clairvest hedges 100% of the fair value of its foreign investments unless a specific exemption is approved by the Board of Directors.

A number of investee companies are subject to foreign exchange risk. A significant change in foreign exchange rates can have a significant impact to the profitability of these entities and in turn the Company's fair value of these corporate investments. The Company manages this risk through oversight responsibilities with existing investee companies and by reviewing the financial condition of investee companies regularly.

Certain of the Company's corporate investments are also held in the form of subordinated debentures. Significant fluctuations in market interest rates can have a significant impact on the fair value of these investments.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. See note 13 which describes the Company's contingencies, commitments and guarantees.

The Company maintains a conservative liquidity position that exceeds all liabilities payable on demand. The Company invests its cash equivalents and temporary investments in liquid assets such that they are available to cover any potential funding commitments and guarantees. In addition, the Company maintains various credit facilities.

15. CAPITAL DISCLOSURES

Clairvest considers the capital it manages to be the amounts it has in cash, cash equivalents, temporary investments and corporate investments. Clairvest also manages the third-party capital committed or invested in the CEP Funds and co-investments made by other investors. At March 31, 2012, Clairvest had cash, cash equivalents and temporary investments of $97.6 million (2011 – $138.3 million), in addition to $187.9 million (2011 – $162.2 million) of corporate investments. Clairvest also had access to $92.0 million (2011 – $95.0 million) through its credit facilities and $291.0 million (2011 – $297.8 million) of uncalled committed third-party capital for acquisitions through the CEP Funds at March 31, 2012.

Clairvest's objectives in managing capital are to:

- Preserve a financially strong company with substantial liquidity such that funds are available to pursue new acquisitions and growth opportunities as well as to support its operations and the growth of its existing corporate investments;
- Achieve an appropriate risk-adjusted return on capital;
- Build the long-term value of its corporate investments; and
- Have appropriate levels of committed third-party capital available to invest along with Clairvest's capital. The management of third-party capital also provides management fees and/or priority distributions to Clairvest and the ability to enhance Clairvest's returns by earning a carried interest.

At March 31, 2012 and 2011, Clairvest had no external capital requirements, other than as disclosed in note 13.

16. SUBSEQUENT EVENT

On June 12, 2012, Clairvest reached a court approved settlement with certain parties with respect to a $10 million loan advanced in two tranches of $5 million in each of December 2005 and May 2006. Subsequently, the loan was in default and the collateral arrangements for the loan were mishandled. The loan was written off and Clairvest recorded a realized loss in its financial statements for the year ended March 31, 2007. Clairvest took legal action against several parties to recover the funds and has reached a settlement with certain of these parties resulting in a settlement by these parties to Clairvest of approximately $7.75 million, or approximately 77.5% of the original loan value without taking into account litigation and other costs incurred in the recovery process, substantially all of which have been incurred and recorded as charges against income as of March 31, 2012. The funds recovered will be recorded into income when received. Clairvest continues to seek additional recoveries against parties that are not part of this settlement.

17. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2012 financial statements.

SHAREHOLDER INFORMATION

As at, and for the year ended, March 31, 2012

SHAREHOLDER COMMUNICATION

Clairvest has both the obligation and desire to provide its shareholders with full and continuous disclosure, on a timely basis, throughout the fiscal year. Annual and quarterly reports are provided as part of this process and the company releases information on material events through the press, as required. Further disclosure can be found on the company's website, www.clairvest.com.

VALUATION MEASURES

Clairvest's focus is on building the long–term value of its investments. Fair value accounting allows Clairvest to reflect changes in the value of our investments. The fair value method, however, is not without limitations. Clairvest's investments are often carried at values which may vary from the actual realizations.

OUTSTANDING SECURITIES

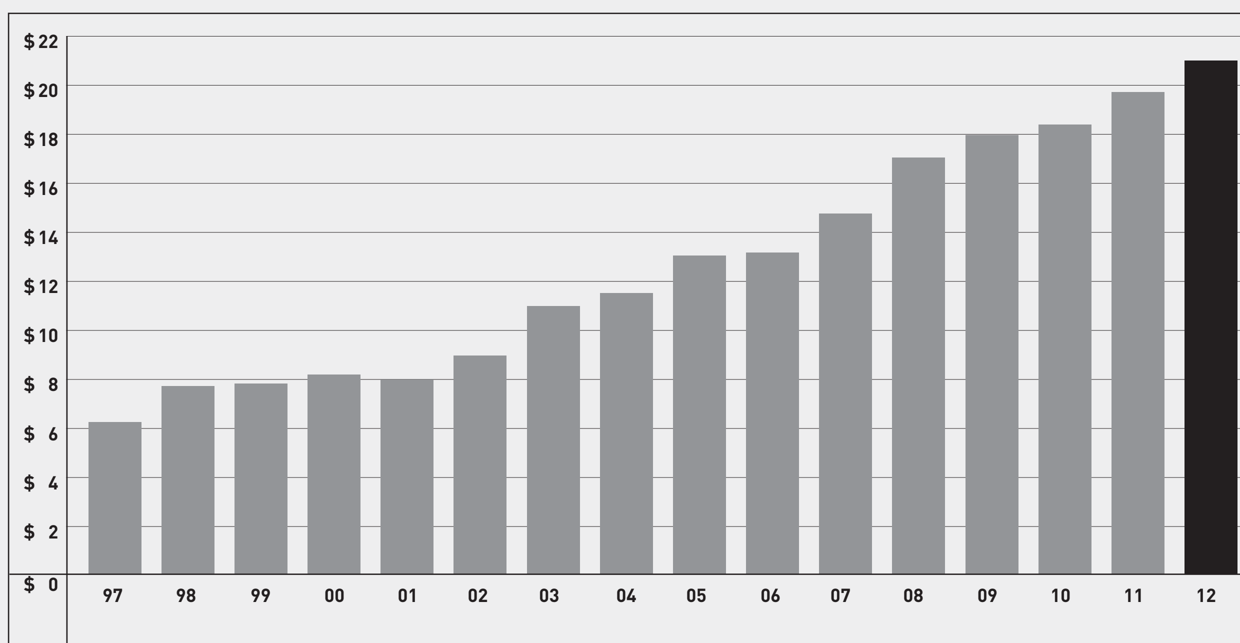
Share structure:	Common Shares[3]	
Common shares outstanding		15,124,095
Less holders of 10% or more		10,021,327
Public float:[1,2]		5,102,768
Market capitalization:[1]		$ 266,789,036
Market value of public float:[1,2]		$ 90,012,828
Stock market:	Toronto Stock Exchange	
Stock symbol:	CVG	

(1) As at May 31, 2012. (2) Excludes holders of 10% or more of the outstanding common shares. (3) During the year, Clairvest filed a new Normal Course Issuer Bid.

DIVIDEND INFORMATION

Clairvest has consistently paid a dividend over the last twenty-two years. Over the last twenty years the annual ordinary dividend has been $0.10 per common share. It is Clairvest's current intention to continue to pay an annual ordinary dividend.

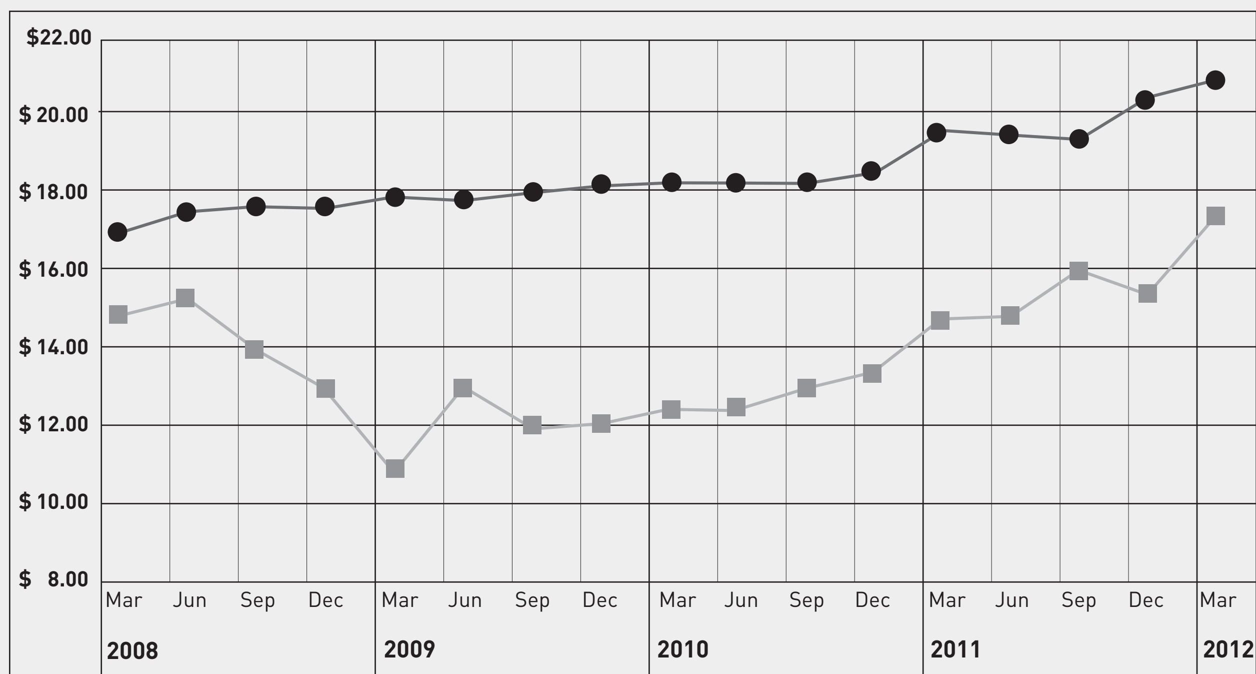
BOOK VALUE PER SHARE



SHAREHOLDER INFORMATION

As at, and for the year ended, March 31, 2012

SHARE PRICE VS BOOK VALUE PER SHARE



SHARE TRADING VOLUME FISCAL 2012

Common Shares	High	Low	Close	Volume
Year to March 31, 2012				
First Quarter	**15.25**	**14.60**	**14.85**	**101,734**
Second Quarter	**16.00**	**15.25**	**16.00**	**79,570**
Third Quarter	**16.00**	**15.40**	**15.40**	**33,378**
Fourth Quarter	**19.67**	**16.75**	**17.41**	**394,075**
Year to March 31, 2011				
First Quarter	12.70	12.25	12.47	87,299
Second Quarter	12.97	12.30	12.95	312,932
Third Quarter	13.50	13.04	13.38	50,956
Fourth Quarter	15.06	13.34	14.76	701,552

SHAREHOLDER INQUIRIES

Maria Klyuev, Director, Investor Relations & Marketing
tel: 416.925.9270
fax: 416.925.5753
email: mariak@clairvest.com

TRANSFER AGENT AND REGISTRAR

Investors are encouraged to contact
CIBC Mellon Trust Company
for information regarding their security holdings.
Note: Canadian Stock Transfer Company Inc. acts as the Administrative Agent for CIBC Mellon Trust Company.

Information can be obtained at:
P.O. Box 700
Station B
Montreal, Québec H3B 3K3
Answerline: 1.800.387.0825
web: www.canstockta.com
email: inquiries@canstockta.com

CORPORATE INFORMATION

CORPORATE OFFICE
22 St. Clair Avenue East, Suite 1700
Toronto, Ontario M4T 2S3
tel: 416.925.9270 fax: 416.925.5753
web: www.clairvest.com

AUDITORS
Ernst & Young LLP

THE ANNUAL MEETING OF
SHAREHOLDERS
August 14, 2012
St. Andrews Club & Conference Centre,
150 King Street West, 27th Floor
Toronto, Ontario Canada

All shareholders are encouraged to attend.

ANNUAL REPORT 2011

CLAIRVEST

TABLE OF CONTENTS

Page 2
Co-Chief Executive Officers' Message

Page 4
Management's Discussion and Analysis

Page 24
Management's Report

Page 25
Auditors' Report

Page 26
Consolidated Financial Statements

Page 29
Notes to Consolidated Financial Statements

Page 52
Shareholder Information

Back Cover
Corporate Information

CLAIRVEST

KNOWLEDGE BASED – VALUE FOCUSED.

Clairvest is one of Canada's leading providers of private equity financing to mid-market companies and currently has over C$1 billion of capital under management.

Clairvest manages its own capital and that of third parties, through the Clairvest Equity Partners Limited Partnerships.

Clairvest partners with management to invest in profitable, small and mid-sized North American companies with the goal of helping to build value in the business and generate superior long term financial returns for investors.

Clairvest specializes in consolidating industries within a specified region and in the local market casino industry.

CLAIRVEST DELIVERS A 10TH CONSECUTIVE YEAR OF GROWTH IN 2011 AND REACHES $1B IN CAPITAL UNDER MANAGEMENT

FELLOW SHAREHOLDER,

Clairvest has concluded a successful 2011 fiscal year, marked by a strong balance sheet with ample liquidity, a solid portfolio of investments and the final closing of CEP IV, a $467 million capital pool – our largest fund to date – for which we have committed $125 million of our own capital. With a focused strategy, capital to invest and a good team of dedicated professionals, we are well positioned to deliver attractive risk adjusted returns to our limited partners and shareholders.

PORTFOLIO

After surviving a very difficult economic environment, in fiscal 2011 many of our portfolio companies improved their competitive position and achieved significant milestones.

For example, Light Tower Rental Inc. increased its market share in the onshore, U.S. oil field service sector, significantly surpassing pre-recession performance, despite U.S. drilling activity remaining below 2008 levels. The company continues to invest heavily to capitalize on the opportunities in its rapidly expanding regions which include the Permian basin in Texas, the oil rich Bakken shale in North Dakota, and the promising Marcellus shale in Pennsylvania.

Two portfolio companies who had opportunistically invested in infrastructure and acquisitions during the past two years were approached, and ultimately acquired, by strategic buyers in the last few months. Van-Rob Inc. and Hudson Valley Waste Holding, Inc. were Clairvest's first portfolio company sales after a voluntary two-year hiatus from exits during what was a low transaction multiple environment. Both transactions yielded higher returns than public market comparables.

Building on our past gaming experience which started with Gateway Casinos in 2000, Clairvest expanded its gaming portfolio again this year and now has investments in 7 casinos, diversified among geographies, regulatory regimes and development stages.

In fiscal 2011, we closed on our third casino investment in Chile, consolidated all three Chilean casino investments into a single holding structure and brought in strategic partners as co-investors. All of these casinos are profitable and continue to grow. Rivers Casino, located in Des Plaines near Chicago, Illinois, is scheduled to open in July 2011, ahead of plan and below budget. More recently, we allocated $98 million of our and CEP IV's capital to Centaur LLC, the parent company of Hoosier Park Racing & Casino, a thriving racetrack and gaming complex in Indianapolis.

A challenge for us is the performance of Casino New Brunswick which opened below expectation in May 2010. We are working with its management to turn the performance and expect that this will not be an easy task. We wrote down the investment by half during the year to reflect the current situation.

RESULTS

For the 12 months ended March 31, 2011, Clairvest's book value per share grew to $19.65 from $18.32 a year earlier. Our value creation performance continues to be superior to many public market indices. Over the past 10 years, Clairvest has consistently delivered growth in its book value per share, producing a compounded annual growth rate of 10.4% on an after-tax basis, compared with 2.9% pre-tax for the S&P 500. This return is the aggregate of high returns on our invested capital and modest money market returns on our cash balances, which have averaged 43% of our book value over the period, providing our shareholders with a solid risk adjusted return.

ACKNOWLEDGEMENT

Our company has achieved a significant landmark this year, reaching $1 billion in capital under management but more importantly we achieved record levels of shareholder value. We attribute this success to our investee partners who have demonstrated leadership and astuteness through multiple business cycles, to our board members whose guidance is invaluable, and to our employees who are dedicated to continue to build value for Clairvest and its partners.

We thank our shareholders and limited partners for their confidence in our people and strategy.

Jeff Parr
Co-Chief Executive Officer

Ken Rotman
Co-Chief Executive Officer

June 24, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2011

The Management's Discussion and Analysis ("MD&A") of financial condition and results of operations analyzes significant changes in Clairvest Group Inc.'s consolidated financial results, financial position, risks and opportunities. It should be read in conjunction with the Consolidated Financial Statements.

The following MD&A is the responsibility of Management and is as of June 24, 2011. The Board of Directors carries out its responsibility for review of this disclosure through its Audit Committee. The Audit Committee reviews the disclosure and recommends its approval to the Board of Directors. The Board of Directors has approved this disclosure.

INTRODUCTION

Clairvest Group Inc. ("Clairvest" or the "Company") is a Canadian private equity management firm that specializes in partnering with management teams and other stakeholders of both emerging and established companies. Clairvest invests its own capital, and that of third parties, through Clairvest Equity Partners Limited Partnership ("CEP"), Clairvest Equity Partners III Limited Partnership ("CEP III"), Clairvest Equity Partners IV Limited Partnership ("CEP IV") and Clairvest Equity Partners IV-A Limited Partnership ("CEP IV-A") (together, the "CEP Funds") in a small number of carefully selected companies that have the potential to generate superior returns.

The Company's shares are traded on the Toronto Stock Exchange under the stock symbol "CVG".

At March 31, 2011, Clairvest had 14 core investments in 8 different industries. Three of these investments are joint investments with CEP, seven are joint investments with CEP III and two are joint investments with CEP IV and CEP IV-A (together, the "CEP IV Fund"). Clairvest also holds investments in Wellington Financial Fund II ("Wellington Fund II") and in Wellington Financial Fund III ("Wellington Fund III"), both affiliated entities (together, the "Wellington Funds").

OVERVIEW OF FISCAL 2011

An overview of the significant events during fiscal 2011 follows:

- Clairvest completed fundraising for the CEP IV Fund pool, which is comprised of Clairvest, CEP IV and CEP IV-A, with $467 million in capital commitments, or 117% of the $400 million CEP IV Fund pool target. Clairvest is committed to investing $125 million alongside $342 million raised from third party investors.
- Clairvest, the CEP IV Fund, and co-investors (the "Group"), through various acquisition entities, invested US$72.0 million for an ultimate 40.0% ownership interest in Midwest Gaming Holdings, LLC ("Midwest Gaming") to build a casino and amenities in Des Plaines, Illinois. In addition to this investment, the Group advanced an additional US$15.8 million of bridge capital to Midwest Gaming to bridge the raising of equity from minority investors as required by the Illinois legislature. This bridge capital will be repaid as minority investors are approved by the Illinois Gaming Board, US$8.1 million of which has been repaid to June 24, 2011. The project is expected to open in July 2011. Clairvest's portion of the investment in Midwest Gaming at March 31, 2011 was US$9.1 million (C$9.1 million) for a 5.0% ultimate ownership in Midwest Gaming.
- Clairvest, the CEP IV Fund and co-investors invested US$114.1 million in senior secured first lien debt ("Senior Debt") of Centaur, LLC ("Centaur"). Centaur holds various gaming interests including the Hoosier Park Racing & Casino in Indianapolis, Indiana, one of two gaming facilities serving this 1.7 million person Indianapolis area market. As part of the transaction, Clairvest has entered into an agreement with other holders of Senior Debt to vote together in furtherance of their mutual interest in the ongoing Chapter 11

proceedings for Centaur. Clairvest's portion of the investment was US$30.0 million (C$30.2 million), representing an 8.8% interest of the total Senior Debt issued by Centaur.

- Clairvest and CEP III completed a consolidation of their Chilean gaming investments, now held through Chilean Gaming Holdings. Subsequent to the consolidation, Chilean Gaming Holdings completed a US$20 million (C$20.9 million) equity investment in Casino Sol Calama. Latin Gaming Chile, S.A. ("Latin Gaming Chile"), the operator of Casino Sol Calama, repaid the bridge loans advanced in anticipation of this equity investment. As a result of these transactions, Clairvest received net cash proceeds of $12.7 million and retained a 36.8% ownership interest in Chilean Gaming Holdings, which owns a 50% equity stake in each of Casino Marina del Sol ("Casino del Sol"), Casino Osorno and Casino Sol Calama.
- Clairvest and CEP sold their interests in Van-Rob Inc. ("Van-Rob") for cash proceeds of $35.0 million. On a combined $20.0 million investment, Clairvest and CEP generated a pre-tax return of over 1.8 times invested capital over the life of the investment. On closing, cash proceeds to Clairvest were $8.7 million on a $5.0 million investment.
- Clairvest filed a new normal course issuer bid enabling it to make market purchases of up to 797,678 of its common shares in the 12-month period commencing March 6, 2011. Clairvest has purchased 560,871 common shares for $7.9 million under this bid to June 24, 2011. As at June 24, 2011, Clairvest had repurchased a total of 6,270,449 common and non-voting shares over the last eight years.
- Clairvest closed on a new 10-year, $75 million, committed credit facility. The credit facility is unsecured and bears interest at the rate of 11.0% per annum on drawn amounts and 1.0% per annum on undrawn amounts. The credit facility was not drawn during the current fiscal year and enhances Clairvest's available liquidity.
- Clairvest paid an annual dividend of $0.10 per share. The dividend was paid on July 26, 2010 to common shareholders of record as of July 9, 2010. The dividend was an eligible dividend for Canadian income tax purposes.

OUTLOOK

The Company continues to deploy its resources to maximize shareholder value.

With the CEP IV Fund pool fundraising completed during fiscal 2011, Clairvest's capital under management has increased to over $1 billion. The newly raised capital is expected to generate an annual increase in net management fees and/or priority distributions, providing a steady stream of revenue over the next few years.

At March 31, 2011, Clairvest had $138.3 million in cash, cash equivalents and temporary investments, access to $95.0 million in credit facilities and $297.8 million of additional capital available through the CEP Funds to fund new and follow-on investments. With this capital, Clairvest is in a strong position to support the growth of its investee companies and to continue its active pursuit of new investment opportunities using our domain-based proprietary research to explore a number of industries and uncover new potential investments.

Subsequent to year end, Clairvest and CEP III sold their interests in Hudson Valley Waste Holding, Inc. ("Hudson Valley") for cash proceeds of US$70.0 million (C$67.6 million]. On a combined US$35.3 million (C$36.9 million) investment, Clairvest and CEP III generated a pre-tax return of 1.8 times invested capital, after currency conversion. Clairvest's share of total cash proceeds is C$16.3 million on a C$9.2 million investment. At March 31, 2011, Clairvest's carrying value of Hudson Valley Waste was $16.3 million.

FORWARD-LOOKING STATEMENTS

A number of the matters discussed in this MD&A deal with potential future circumstances and developments and may constitute "forward-looking" statements. These forward-looking statements can generally be identified as such because of the context of the statements and often include words such as the Company "believes", "anticipates", "expects", "plans", "estimates" or words of a similar nature.

The forward-looking statements are based on current expectations and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include general and economic business conditions and regulatory risks. The impact of any one risk factor on a particular forward-looking statement is not determinable with certainty as such factors are interdependent upon other factors, and management's course of action would depend upon its assessment of the future, considering all information then available.

All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. The Company assumes no obligation to update forward-looking statements should circumstances or management's estimates or opinions change.

REGULATORY FILINGS

The Company's continuous disclosure materials, including interim filings, annual MD&A and audited consolidated financial statements, Annual Information Form, Notice of Annual Meeting of Shareholders and Proxy Circular are available on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

SUMMARY OF CLAIRVEST'S CORPORATE INVESTMENTS AT MARCH 31, 2011

Investment	Industry Segment	Geographic Segment	Ownership Percentage[15]	Cost of Investment (millions)	Net Cash Investment (millions)[16]	Fair Value of Investment (millions)[17]	Description of Business
Casino New Brunswick [1]	Gaming	Canada	22.5%	$ 9.2	$ 9.2	$ 4.6	A gaming entertainment complex located in Moncton, New Brunswick. CEP III owns 67.5% of Casino New Brunswick.
Centaur, LLC ("Centaur")[2]	Gaming	United States	Debt interest	$ 30.2	$ 30.2	$ 31.4	A company which holds various gaming interests including the Hoosier Park Racing & Casino in Indianapolis, Indiana. CEP IV and CEP IV-A also have a debt interest in Centaur.
Chilean Gaming Holdings[3]	Gaming	Chile	36.8%	$ 29.1	$ 28.3	$ 29.9	An investment vehicle which holds a 50% equity interest in various gaming entertainment complexes in Chile. CEP III owns 37.6% of Chilean Gaming Holdings.
Hudson Valley Waste Holding, Inc. ("Hudson Valley")[4]	Waste Management	United States	6.2%	$ 9.2	$ 9.2	$ 16.3	A regional solid waste company which collects, processes and recycles nonhazardous solid waste in the northeastern United States The investment was sold subsequent to year end. CEP III owned 18.6% of Hudson Valley.
Kubra Data Transfer Ltd. ("Kubra")[5]	Business Services	United States	12.1%	$ 2.2	$ 2.2	$ 8.0	A business process outsourcing company focused on the distribution of household bills on behalf of its customers. CEP III owns 36.3% of Kubra.
Landauer Metropolitan Inc. ("Landauer")[6]	Healthcare	United States	14.2%	$ 5.1	$ 5.1	$ 5.6	A supplier of home medical equipment in the northeastern United States area. CEP owns 42.6% of Landauer.
Light Tower Rentals Inc. ("Light Tower Rentals")[7]	Oil Field Service	United States	10.8%	$ 8.2	$ 8.2	$ 14.3	An oilfield equipment rental company operating in major oil and gas drilling basins in the United States. CEP III owns 32.5% of Light Tower Rentals.
Lyophilization Services of New England Inc. ("LSNE")[8]	Contract Manufacturing	United States	12.3%	$ 6.7	$ 6.7	$ 5.7	A Manchester, New Hampshire based contract manufacturing organization focused on providing lyophilization services to biotech, pharmaceutical and medical device manufacturers. CEP III owns 36.8% of LSNE.
Midwest Gaming Holdings LLC ("Midwest Gaming")[9]	Gaming	United States	5.0% ultimate interest	$ 9.1	$ 9.1	$ 10.3	A gaming entertainment complex currently under construction in Des Plaines, Illinois. CEP IV and CEP IV-A own 11.8% and 1.9% ultimate interest of Midwest Gaming respectively.
N-Brook Mortgage L.P. ("N-Brook")[10]	Financial Services	Canada	14.7%	$ 5.0	$ 5.0	$ 2.6	A company that originated, adjudicated and underwrote mortgages in Ontario, BC, Manitoba and Alberta, Canada. CEP owns 44.1 % of N-Brook.
PEER 1 Network Enterprises Inc.[11]	Information Technology	United States	4.2%	$ 6.3	$ 6.3	$ 8.8	A publicly traded (TSX: PIX) global online IT infrastructure provider based in Vancouver. CEP III owns 12.6% of PEER 1.
Tsuu T'ina Gaming Limited Partnership ("Tsuu T'ina")[12]	Gaming	Canada	Debt interest and profit participation	$ 5.6	$ 3.4	$ 9.1	A charitable casino on Tsuu T'ina First Nation reserve lands, located southwest of the city of Calgary. CEP also has a debt interest and profit participation in Tsuu T'ina.
Wellington Financial Fund II ("Wellington Fund II")[13]	Financial Services	Canada	24.1%	$ —	$ (4.3)	$ 0.2	Provided debt capital and operating lines to technology, biotechnology, communications and industrial product companies.
Wellington Financial Fund III ("Wellington Fund III")[14]	Financial Services	Canada	16.7%	$ 12.5	$ 6.6	$ 14.3	Provides debt capital and operating lines to technology, biotechnology, communications and industrial product companies in Canada and the United States.
OTHER INVESTMENTS				**$ 1.3**	**$ 0.3**	**$ 1.1**	
TOTAL INVESTMENTS				**$ 139.7**	**$ 125.5**	**$ 162.2**	

(1) Clairvest has funded $9.2 million to Casino New Brunswick by way of debentures and owns units of a limited partnership which holds Casino New Brunswick.
(2) Clairvest invested $30.2 million in senior secured first lien debt of Centaur.
(3) Clairvest owns 30,446,299 units of Chilean Gaming Holdings which holds a 50% interest in each of Casino Marina del Sol, Casino Osorno and Casino Sol Calama.
(4) Clairvest owned 8,750 Series A convertible preferred shares of Hudson Valley which was sold subsequent to year end.
(5) Clairvest owns 3,250,000 Class A voting common shares of Kubra.
(6) Clairvest owns 1,906,250 10% cumulative convertible preferred shares, 748,133 common shares, a $0.6 million subordinated secured convertible note at 10% interest per annum and $0.3 million of bridge loans of Landauer.
(7) Clairvest owns 5,841,250 Series A convertible preferred shares of Light Tower Rentals and 2,215,736 common shares of LTR Equipment Inc., a company affiliated with Light Tower Rentals.
(8) Clairvest owns 6,406,000 Series A 10% cumulative convertible preferred shares and a $0.3 million unsecured loan of LSNE.
(9) Clairvest owns 10,627,066 units of Midwest Gaming.
(10) Clairvest has funded $5.0 million to N-Brook in the form of partnership units and warehouse loans.
(11) Clairvest owns 5,134,617 common shares and 50,000 options for common shares of PEER 1.
(12) Clairvest has funded $5.6 million to Tsuu T'ina by way of 16% debentures.
(13) Clairvest had funded $13.6 million to Wellington Fund II and had received all of its capital back at March 31, 2011. The net cash investment is reduced by $4.3 million as a result of income distributions received to date.
(14) Clairvest has committed to fund $25.0 million to Wellington Fund III, $12.5 million of which had been funded at March 31, 2011. The net cash investment is reduced by $5.9 million as a result of income distributions received to date.
(15) Ownership percentage calculated on a fully diluted basis at March 31, 2011.
(16) Net cash investment is comprised of cost net of dividends, interest and other distributions received but excludes advisory and other fees received and foreign exchange gains or losses on foreign exchange forward contracts entered into as hedges against Clairvest's foreign denominated investments.
(17) The determination of fair value incorporates the quoted market value of Clairvest's publicly-traded investments and an estimate of fair value for privately-held investments. The fair value of foreign exchange forward contracts entered into as hedges against Clairvest's foreign denominated investments is not included in this fair value.

FINANCIAL HIGHLIGHTS

Selected Financial Performance Measures

Year ended March 31, ($000's, except per share amounts)	2011	2010	2009
Financial performance measures			
Net realized gains (losses) on corporate investments	**$ 3,861**	$ 153	$ (70,876)
Net unrealized gains (losses) on corporate investments	**16,249**	7,880	(2,518)
Net income	**19,564**	8,497	26,088
Basic net income per share	**1.23**	0.53	1.64
Fully diluted net income per share	**1.20**	0.52	1.59
Dividends declared per share	**0.10**	0.10	0.73
Financial condition measures (as at March 31)			
Total assets	**$ 318,860**	305,960	308,004
Total cash, cash equivalents and temporary investments	**138,338**	152,228	184,412
Total corporate investments	**162,177**	118,881	102,865
Total liabilities	**16,458**	13,675	22,621
Book value	**302,402**	292,285	285,383
Common shares outstanding	**15,392,695**	15,953,566	15,953,566
Book value per share	**19.65**	18.32	17.89

Income Statement Highlights

Clairvest's operating results reflect revenue earned from its corporate investments and cash, cash equivalents and temporary investments and realized and unrealized gains and losses on its corporate investments. These results are net of all costs incurred to manage these assets. The operating results of the CEP Funds are not included in Clairvest's operating results.

Net income for the year ended March 31, 2011 was $19.6 million, versus $8.5 million for the year ended March 31, 2010 and $26.1 million for the year ended March 31, 2009.

Clairvest had net realized gains of $3.9 million in fiscal 2011 versus net realized gains of $0.2 million in fiscal 2010 and net realized losses of $70.9 million in fiscal 2009. The net realized gains in 2011 resulted primarily from the realization of Clairvest's interest in Van-Rob. The net realized gains in 2010 resulted primarily from the early repayment of a $4.4 million promissory note from the acquirer of Shepell•fgi. The net realized losses in 2009 resulted primarily from a loss of $98.1 million on the realization of Clairvest's interests in Gateway Casinos Inc. ("Gateway Casinos") (which was offset by $104.5 million in dividends received from Gateway Casinos) and a gain of $26.3 million on the realization of Shepell•fgi.

Clairvest had net unrealized gains on investments of $16.2 million in fiscal 2011 versus net unrealized gains on investments of $7.9 million in fiscal 2010 and net unrealized losses on investments of $2.5 million in fiscal 2009. Unrealized gains or losses result from changes in the fair value of the investments from one year to the next and do not reflect foreign exchange revaluations. Clairvest has implemented a hedging strategy to limit its exposure to changes in the value of foreign denominated currencies relative to the Canadian dollar by hedging 100% of the fair value of its foreign investments. The unrealized gains or losses on corporate investments are summarized as follows:

Unrealized Gains (Losses) on Investments ($000's)

Year ended March 31,		2011		2010		2009
Investments in publicly-traded companies						
PEER 1 Network Enterprises Inc.	**$**	**3,528**	$	(438)	$	—
		3,528		(438)		—
Investments in privately-held companies						
Casino New Brunswick		**(4,606)**		—		—
Centaur, LLC		**2,266**		—		—
Hudson Valley Waste Holding, Inc.		**7,712**		—		—
Kubra Data Transfer Limited		**1,828**		1,843		2,640
Landauer Metropolitan Inc.		**(2,936)**		3,041		358
Light Tower Rentals Inc.		**6,545**		—		—
Lyophilization Services of New England Inc.		**784**		—		(2,007)
N-Brook Mortgage LP		**—**		(490)		(1,922)
Tsuu T'ina Gaming Limited Partnership		**459**		529		319
Van-Rob Inc.		**—**		1,103		(1,250)
Wellington Financial Fund II		**23**		(49)		(415)
Wellington Financial Fund III		**538**		623		195
		12,613		6,600		(2,082)
Other investments		**108**		1,718		(436)
	$	**16,249**	$	7,880	$	(2,518)

Further details on unrealized gains/losses on investments can be found in the discussion of Clairvest's corporate investments below.

Net income in fiscal 2011 included distributions and interest income of $14.8 million, dividend income of $0.7 million, management fees from CEP and CEP IV-A of $1.1 million, advisory and other fees from Clairvest investee companies of $1.0 million, administration and other expenses of $14.0 million, finance and foreign exchange expense of $1.1 million and income tax expense of $3.1 million. Included in distributions and interest income was $5.6 million in priority distributions from CEP III and CEP IV, $3.1 million in General Partner income distributions from CEP and $3.0 million in distributions from Clairvest's investee companies. Included in dividends were dividends totaling $0.5 million from Clairvest's investee companies. Included in administration and other expenses were management bonuses and share-based compensation expense totaling $5.8 million.

Net income in fiscal 2010 included distributions and interest income of $14.4 million, dividend income of $0.3 million, management fees from CEP of $1.0 million, advisory and other fees from Clairvest investee companies of $1.0 million, administration and other expenses of $18.7 million, finance and foreign exchange expense recovery of $0.9 million and income tax expense recovery of $1.5 million. Included in distributions and interest income was $4.1 million in priority distributions from CEP III, $3.4 million in General Partner income distributions from CEP and $3.3 million in distributions from Clairvest's investee companies. Included in administration and other expenses were management bonuses and share-based compensation expense totaling $7.8 million.

Net income in fiscal 2009 included distributions and interest income of $11.6 million, dividend income of $105.2 million, management fees from CEP of $1.2 million, advisory and other fees from Clairvest investee companies of $0.9 million, administration and other expenses of $12.5 million, finance and foreign exchange expense of $1.8 million and income tax expense of $5.0 million. Included in distributions and interest income was $4.1 million in priority distributions from CEP III, $1.5 million in General Partner income distributions from CEP and $3.3 million in distributions from Clairvest's investee companies. Included in dividend income were tax-free dividends totaling $104.5 million from Gateway Casinos. These dividends were received as part of the final distribution of assets from Gateway Casinos. Included in administration and other expenses were management bonuses and share-based compensation expense totaling $3.5 million.

Balance Sheet Highlights

ASSETS

Total assets at March 31, 2011 were $318.9 million, an increase of $12.9 million from $306.0 million at March 31, 2010.

With $138.3 million in cash, cash equivalents and temporary investments ("treasury funds") and $95.0 million in credit facilities, Clairvest has sufficient capital and liquidity to support its current and anticipated investments.

At March 31, 2011, the Company's treasury funds were held in cash and term deposits, money market savings accounts rated R1-High, corporate bonds rated not below BBB, guaranteed investment certificates and investment savings accounts rated not below AA- and preferred shares rated not below P-2 low (see Notes 3 and 14 to the consolidated financial statements for a detailed discussion of the Company's treasury funds].

Clairvest has a $20.0 million credit facility. The credit facility is unsecured and bears interest at the bank prime rate plus 0.5% per annum. The amount available under the credit facility at March 31, 2011 is $20.0 million, which is based on debt covenants within the banking arrangement.

During the year, Clairvest closed on a new 10-year, $75.0 million, committed credit facility, bringing total available credit to $95.0 million. The new credit facility is unsecured and bears interest at the rate of 11.0% per annum on drawn amounts and 1.0% per annum on undrawn amounts. The amount available under the credit facility at March 31, 2011 is $75.0 million.

As is typical of a private equity management firm, Clairvest's main asset is its corporate investments. Corporate investments increased $43.3 million to $162.2 million at March 31, 2011. The increase is comprised primarily of:

- A $30.2 million investment in Centaur;
- A $9.1 million investment in Midwest Gaming;
- Net follow-on investments totaling $6.5 million in existing investee companies;
- Net unrealized gains on corporate investments of $16.2 million; partially offset by
- Net return of capital as a result of the consolidation of Chilean gaming investments of $12.7 million;
- Realization of Van-Rob which was carried at $4.9 million at March 31, 2010; and
- Repayment of $1.1 million in promissory notes from the acquirer of Shepell•fgi.

Corporate investments increased $16.0 million to $118.9 million from March 31, 2009 to March 31, 2010. The increase primarily resulted from a $9.2 million investment in Hudson Valley, a $6.3 million investment in PEER 1, $10.8 million in follow-on investments in existing investee companies partially offset by unrealized depreciation in carrying values due to currency fluctuations net of unrealized gains.

The cost and fair value of corporate investments described below do not reflect foreign exchange gains or losses on the foreign exchange forward contracts entered into as hedges against the Company's foreign denominated investments. A discussion on the activity in each corporate investment held at March 31, 2011 follows.

Casino New Brunswick

During fiscal 2011, Clairvest funded a further $0.5 million in Casino New Brunswick. The investments were made in the form of debentures, which bore interest at a rate of 6% per annum until February 28, 2011.

Also during fiscal 2011, management determined that the carrying value of Casino New Brunswick should be written down by $4.6 million.

At March 31, 2011, Clairvest has funded $9.2 million to Casino New Brunswick. Clairvest also holds units of a limited partnership which holds Casino New Brunswick, entitling Clairvest to 22.5% of the earnings of the casino.

The fair value of $4.6 million at March 31, 2011 compares to cost of $9.2 million. The fair value reflects management's estimated realizable value as a result of operations underachieving against expectations.

Subsequent to year end, Clairvest pledged $5.4 million to a Schedule 1 Canadian chartered bank which has provided debt financing to Casino New Brunswick. The pledge was made to support the guarantee to fund any operating deficiencies of Casino New Brunswick as described in the Off-Balance Arrangements section of the MD&A.

Centaur, LLC

During fiscal 2011, Clairvest invested $29.9 million in senior secured first lien loans ("Senior Debt") of Centaur, which holds various gaming interests including the Hoosier Park Racing & Casino in Indianapolis, Indiana. As part of the investment, Clairvest also purchased a $0.3 million promissory note ("Promissory Note") from an unrelated investment partner. The Promissory Note is repayable upon Clairvest's realization of its investment in Centaur, and as a result, the Senior Debt and the Promissory Note have been presented on an aggregate basis.

The fair value of $31.4 million at March 31, 2011 compares to cost of $30.2 million. The fair value reflects the last known transaction price and is adjusted for foreign exchange fluctuations.

Chilean Gaming Holdings

During fiscal 2011, Clairvest completed a consolidation of its Chilean gaming investments whereby Clairvest sold its interest in Casino del Sol and Casino Osorno as well as the $14.5 million bridge loans advanced to Latin Gamin Chile, $2.1 million of which were advanced during fiscal 2011, at original cost to a related holding entity ("Chilean Gaming Holdings") and received net cash proceeds of $15.9 million and 27,254,185 limited partnership units of Chilean Gaming Holdings. Subsequently, Chilean Gaming Holdings closed on an equity investment in Casino Sol Calama wherein Chilean Gaming Holdings invested $20.9 million to acquire a 50% ownership interest in Casino Sol Calama. The $14.5 million of bridge loans which had previously been advanced to Latin Gaming Chile were repaid in full upon the closing of the equity investment in Casino Sol Calama. Clairvest invested an additional $3.2 million for 3,192,113 limited partnership units of Chilean Gaming Holdings to support this acquisition.

The fair value of $29.9 million at March 31, 2011 compares to cost of $29.1 million, with the difference being attributable to foreign exchange adjustments.

Hudson Valley Waste Holding, Inc.

At March 31, 2011, Clairvest owned 8,750 Series A convertible preferred shares of Hudson Valley. The investment was sold subsequent to year end for cash proceeds of $16.3 million. Over the life of the investment, Clairvest realized a $7.1 million gain on the investment and a $0.6 million gain on the foreign exchange forward contracts entered into as hedges against the Company's investment in Hudson Valley.

The fair value of Hudson Valley of $16.3 million compares to cost of $9.2 million. The fair value reflects the valuation used for the sale transaction which occurred subsequent to year end.

Kubra Data Transfer Limited

At March 31, 2011, Clairvest owned 3,250,000 Class A voting common shares of Kubra.

The fair value of Kubra of $8.0 million compares to a cost of $2.2 million. The fair value reflects management's estimated realizable value as a result of the continuing growth in Kubra and is adjusted for foreign exchange fluctuations.

Landauer Metropolitan Inc.

During fiscal 2011, Clairvest advanced a $0.1 million bridge loan to Landauer. The loan bears interest at a rate of 12% per annum, payable monthly, and is repayable on September 24, 2015. Any unpaid interest accrues interest at the same rate. The Company has the option to convert the bridge loan to common shares of Landauer at a rate of $1.00 per share if the loan is not repaid by September 24, 2015. Also during fiscal 2011, Clairvest invested a further $0.6 million in Landauer. The investment was made in the form of a subordinated secured convertible note with 10% accrued interest per annum. The note is convertible to senior convertible preferred shares which have a two times liquidation preference in lieu of interest. Each senior convertible preferred share is convertible into common shares at a rate of $0.50 per share in lieu of two times the liquidation preference and the conversion is at Clairvest's discretion.

In addition to the bridge loans and the subordinated secured convertible note, at March 31, 2011, Clairvest owned 1,906,250 10% cumulative convertible preferred shares, 748,133 common shares and $0.2 million in bridge loans which bear interest at a rate of 25% per annum and convertible to common shares of Landauer at a rate of $1.00 per share.

The fair value of $5.6 million at March 31, 2011 compares to a cost of $5.1 million. The fair value reflects management's estimated realizable value considering the status of the preferred shares and subordinated secured debentures and is adjusted for foreign exchange fluctuations.

Light Tower Rentals Inc.

During fiscal 2011, Clairvest invested $1.9 million for 1,874,914 common shares of LTR Equipment Inc. ("LTR Equipment"), a company affiliated with Light Tower Rentals which supplies certain equipment to Light Tower Rentals.

At March 31, 2011, Clairvest owned 5,841,250 Series A convertible preferred shares in Light Tower Rentals and 2,215,736 common shares of LTR Equipment.

On an aggregate basis, the fair value of Light Tower Rentals and LTR Equipment (together, "LTR") of $14.3 million at March 31, 2011 compares to cost of $8.2 million. The fair value reflects management's estimated realizable value as a result of the growth prospects of LTR and is adjusted for foreign exchange fluctuations.

Lyophilization Services of New England Inc.

During fiscal 2011, Clairvest funded a further $0.3 million to LSNE in the form of unsecured loans to further support the growth of LSNE.

In addition to the unsecured loans, at March 31, 2011, Clairvest owned 6,406,000 Series A 10% cumulative convertible preferred shares of LSNE.

The fair value of $5.7 million at March 31, 2011 compares to a cost of $6.7 million. The fair value reflects management's estimated realizable value and is adjusted for foreign exchange fluctuations.

Midwest Gaming Holdings LLC

During fiscal 2011, Clairvest and a limited partnership referred to as Participation IV Partnership (see Transaction with Related Parties) invested $10.7 million to acquire 10,627,066 units of Midwest Gaming, a gaming entertainment complex currently under construction in Des Plaines, Illinois. Clairvest's portion of the investment was $9.1 million. $2.0 million of this investment represents bridge capital in anticipation of raising equity from minority investors as required by the Illinois legislature.

The fair value of $10.3 million at March 31, 2011 compares to a cost of $9.1 million. The fair value reflects management's estimated realizable value and is adjusted for foreign exchange fluctuations.

N-Brook Mortgage LP

At March 31, 2011, Clairvest owned 4,000,000 Series 1 limited partnership units and 15 Class A ordinary limited partnership units of N-Brook and had advanced a $1.1 million variable rate demand debenture to N-Brook.

The fair value of $2.6 million at March 31, 2011 compares to a cost of $5.0 million. The fair value reflects management's estimated realizable value based on the remaining mortgage portfolio held by N-Brook.

PEER 1 Network Enterprises Inc.

At March 31, 2011, Clairvest owned 5,134,617 common shares and 50,000 stock options for common shares of PEER 1.

The fair value of $8.8 million at March 31, 2011 compares to cost of $6.3 million. The fair value reflects the last bid price of PEER 1's publicly traded common shares at the balance sheet date.

Tsuu T'ina Gaming Limited Partnership

At March 31, 2011, Clairvest had funded $5.6 million in subordinated debt. The subordinated debt has a 16% coupon, and an entitlement to between 2.8% and 9.6% of the earnings of the casino from the date of commencement of operations, December 19, 2007, for a period of 15 years.

The fair value of $9.1 million at March 31, 2011 compares to a cost of $5.6 million. The fair value reflects accrued interest on the subordinated debt and management's estimated realizable value on the earnings entitlement.

Wellington Financial Fund II

Clairvest, as a limited partner, had funded $13.6 million to Wellington Fund II, all of which had been returned at March 31, 2011. Clairvest is also entitled to participate in the profits received by the General Partner of Wellington Fund II. At March 31, 2011, Clairvest had received income distributions totaling $4.3 million from Wellington Fund II and its General Partner.

The fair value of $0.2 million at March 31, 2011 reflects management's estimated realizable value of the remaining assets in Wellington Fund II.

Wellington Financial Fund III

Clairvest, as a limited partner, had funded $12.5 million of its $25.0 million commitment to Wellington Fund III at March 31, 2011. The commitment to fund capital calls extends until January 2014. Clairvest is also entitled to participate in the profits received by the General Partner of Wellington Fund III. At March 31, 2011, Clairvest has received income distributions totaling $5.9 million from Wellington Fund III and its General Partner, bringing the net cash investment to $6.6 million.

The fair value of $14.3 million at March 31, 2011 reflects management's estimated realizable value of Clairvest's entitlement as a limited partner and a general partner of Wellington Fund III.

Subsequent to year end, a further $1.2 million was funded to Wellington Fund III.

LIABILITIES

Total liabilities at March 31, 2011 were $16.5 million, an increase of $2.8 million from $13.7 million at March 31, 2010. The increase in total liabilities was primarily due to a $1.3 million increase in stock-based compensation liability due to an increase in the closing price of Clairvest common shares and a $0.9 million liability for the Chilean Pesos ("CLP") foreign exchange forward contracts entered into as hedges against the Company's investments in Chile.

TRANSACTIONS WITH RELATED PARTIES

A wholly owned subsidiary of Clairvest ("GP I") has entered into a Management Agreement with the General Partner of CEP, appointing GP I as the Manager of CEP. The General Partner is another wholly owned subsidiary of Clairvest. The Management Agreement provides that a management fee be paid to GP I as compensation for its services in the administration of the portfolio of CEP. The fee was calculated annually as 2% of committed capital until August 21, 2006, the fifth anniversary of the last closing of CEP, and thereafter at 2% of contributed capital less distributions on account of capital and write-downs of capital invested. Effective January 1, 2011, the CEP management fee was reduced to 1.5% per annum of contributed capital less distributions on account of capital and write-downs of capital invested. The management fee is reduced to the extent of 75% of fees earned by Clairvest of GP I from corporate investments of CEP. During fiscal 2011, GP I earned net management fees of $0.9 million as compensation for its services in the administration of the portfolio of CEP. As per the Management Agreement, fees of $0.2 million from corporate investments of CEP were netted against the management fees.

The General Partner of CEP is entitled to participate in distributions made by CEP equal to 20% of net gains of CEP. The distributions to the General Partner will be determined based on the overall performance of CEP and no such distributions are permitted until CEP's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 6% per annum compounded annually. The distributions received by the General Partner of CEP will be allocated

50% to each of its limited partners, one of which is another wholly owned subsidiary of Clairvest, and the other of which is another limited partnership (the "Participation Partnership"). The limited partners of the Participation Partnership are principals and employees of Clairvest and GP I (the "Participation Investors"). The Participation Investors have purchased, at fair market value, units of the Participation Partnership. From time to time, additional units in the Participation Partnership may be purchased by the Participation Investors.

During fiscal 2011, CEP declared distributions to the General Partner totaling $6.2 million, 50% of which, or $3.1 million, was allocated to Clairvest. At March 31, 2011, CEP had declared and paid distributions to the General Partner totaling $15.9 million, 50% of which, or $8.0 million, was allocated to Clairvest. If CEP were to sell its corporate investments at their current fair values, the General Partner would receive up to a further $10.7 million of distributions, 50% of which, or $5.3 million, would be payable to Clairvest.

Clairvest is also the parent company of the two General Partners of CEP III (GP I and "GP II"). GP I is entitled to a priority distribution from CEP III. The priority distribution was calculated monthly as 0.1667% of commitment capital until January 13, 2011, the date on which CEP III is closed to new investments, and thereafter 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 75% of any fees earned by GP I from corporate investments of CEP III.

During fiscal 2011, CEP III declared to GP I net priority distributions of $3.8 million. As per the Limited Partnership Agreement, fees of $0.4 million from corporate investments of CEP III were netted against the priority distributions. GP I is also entitled to distributions made by CEP III equal to 2% of net gains of CEP III determined as described below.

GP II, a limited partnership, the General Partner of which is a wholly owned subsidiary of Clairvest, is entitled to participate in distributions made by CEP III equal to 18% of net gains of CEP III. These distributions to GP II, and GP I as noted above, will be determined based on the overall performance of CEP III. No such distributions are permitted until CEP III's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 8% per annum compounded annually. To date, CEP III has not made any distributions to GP II. If CEP III were to sell its corporate investments at their current fair values, GP I and GP II would not receive any distributions other than the priority distributions described above. Any distributions received by GP II will be allocated to each of its two limited partners, one of which is a wholly owned subsidiary of Clairvest which will receive 44.4% of such distributions, and the other of which is another limited partnership (the "Participation III Partnership") which will receive 55.6% of such distributions. The limited partners of the Participation III Partnership are principals and employees of Clairvest and GP I (the "Participation III Investors"). The Participation III Investors have purchased, at fair market value, units of the Participation III Partnership. From time to time, additional units in the Participation III Partnership may be purchased by Participation III Investors.

GP II, as the General Partner of the Participation III Partnership, is entitled to participate in additional distributions equal to the exit value of the first $1.1 million contributed by the Participation III Investors into the Participation III Partnership plus the first $0.2 million received by the Participation III Partnership as described above.

GP II is also entitled to 8.25% carried interest in respect of CEP III Co-Investment Limited Partnership ("CEP III Co-Invest"). CEP III Co-Invest was established in fiscal 2007 as the investment vehicle through which Clairvest would co-invest alongside CEP III. Distributions received by GP II from CEP III Co-Invest will be allocated 100% to the Participation III Partnership. To date, CEP III Co-Invest has not made any distributions.

Clairvest is also the parent company of the two General Partners of CEP IV (GP I and "GP III"). GP I is entitled to a priority distribution from CEP IV. The priority distribution is calculated monthly as follows: i) from April 2010, being the month in which CEP IV made its first investment, to January 13, 2011, being the last day on which CEP III calculated its priority distributions based on committed capital ("CEP III Termination Date"), 0.1667% of capital allocated to specifically identifiable investments net of write-downs of capital invested; ii) from January 14, 2011 to January 13, 2016, being the fifth anniversary of the date of final closing of CEP IV, 0.1667% of committed capital; and iii) thereafter 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 63.2% of any fees earned by GP I from corporate investments of CEP IV.

During fiscal 2011, CEP IV declared net priority distributions to GP I of $1.8 million. GP I is also entitled to distributions made by CEP IV equal to 2% of net gains of CEP IV determined as described below.

GP III, a limited partnership, the General Partner of which is a wholly-owned subsidiary of Clairvest, is entitled to participate in distributions made by CEP IV equal to 18% of net gains of CEP IV. These distributions to GP III, and GP I as noted above, will be determined based on the overall performance of CEP IV. No such distributions are permitted until CEP IV's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 8% per annum compounded annually. To date, CEP IV has not made any distributions to GP III. Any distributions received by GP III will be allocated to each of its two limited partners, one of which is a Clairvest Subsidiary which will receive 44.4% of such distributions, and the other of which is another limited partnership (the "Participation IV Partnership") which will receive 55.6% of such distributions. The limited partners of the Participation IV Partnership are principals and employees of Clairvest and GP I (the "Participation IV Investors"). The Participation IV Investors purchased, at fair market value, units of the Participation IV Partnership. From time to time, additional units in the Participation IV Partnership may be purchased by Participation IV Investors.

The General Partner of Participation IV, a wholly owned subsidiary of Clairvest, is entitled to participate in additional distributions equal to the exit value on the first $1.6 million contributed by the Participation IV Investors into the Participation IV Partnership plus the first $0.4 million received by the Participation IV Partnership as described above.

GP III is also the General Partner of CEP IV-A. GP III has appointed GP I as the Manager of CEP IV-A. The Limited Partnership Agreement of CEP IV-A provides that a management fee be paid to GP I as compensation for its services in the administration of the portfolio of CEP IV-A. The fee is calculated as follows: i) from April 2010, being the month in which CEP IV-A made its first investment, to January 13, 2011, being the CEP III Termination Date, 0.1667% of capital allocated to specifically identifiable investments net of write-downs of capital invested; ii) from January 14, 2011 to January 13, 2016, being the fifth anniversary of the date of final closing of CEP IV-A, 0.1667% of committed capital; and iii) thereafter 0.1667% of invested capital net of write-downs of capital then invested. The management fee is reduced to the extent of 10.1% of fees earned by GP I from corporate investments of CEP IV-A and other amounts as provided in the Limited Partnership Agreement.

During fiscal 2011, GP I earned net management fees of $0.2 million as compensation for its services in the administration of the portfolio of CEP IV-A. As per the Limited Partnership Agreement, $0.1 million was netted against the management fees.

GP III is entitled to participate in distributions made by CEP IV-A equal to 20% of net gains of CEP IV-A. These distributions will be determined based on the overall performance of CEP IV-A. No such distributions are permitted until CEP IV-A's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 8% per annum compounded annually. To date, CEP IV-A has not made any distributions to GP III. Any distributions received by GP III will be allocated to each of its two limited partners, one of which is Clairvest which will receive 50% of such distributions, and the other of which is Participation IV Partnership which will receive 50% of such distributions.

GP III is also entitled to an 8.25% carried interest in respect of CEP IV Co-Investment Limited Partnership ("CEP IV Co-Invest"). CEP IV Co-Invest was established in fiscal 2010 as the investment vehicle through which Clairvest would co-invest alongside CEP IV. Distributions received by GP III from CEP IV Co-Invest will be allocated 100% to the Participation IV Partnership. To date, CEP IV Co-Invest has not made any distributions.

At March 31, 2011, Clairvest had loans receivable from certain officers of the Company and GP I (the "Officers") totaling $0.7 million. The loans are interest bearing, have full recourse to the individual and are collateralized by the common shares of Clairvest owned by the Officers with a market value of $1.0 million. At March 31, 2011, Clairvest also had loans receivable from certain officers of a company affiliated with Clairvest totaling $0.5 million. The loans are interest bearing and have full recourse to the individual. Interest of $44 thousand was earned on these loans during fiscal 2011.

Loans totaling $2.1 million, bearing interest at the prime rate, were made by the Company to CEP during fiscal 2011. These loans and the $0.6 million in loans outstanding at March 31, 2010 were repaid in full during the year. Interest of $4 thousand was earned from loans to CEP during fiscal 2011.

Loans totaling $8.2 million, bearing interest at the prime rate, were made by the Company to CEP III during fiscal 2011. During fiscal 2011, these loans were repaid in full. Interest of $4 thousand was earned from loans to CEP III during fiscal 2011.

Loans totaling $45.6 million, bearing interest at the prime rate, made by the Company to CEP IV during fiscal 2011 were repaid in full during the year. Interest of $8 thousand was earned from loans to CEP IV during fiscal 2011.

During fiscal 2011, Clairvest earned $3.0 million in distributions and interest income and $1.0 million in fee income from its investee companies. At March 31, 2011, Clairvest had accounts receivable from its investee companies totaling $3.2 million, from CEP totaling $5 thousand, from CEP III totaling $0.4 million, from CEP IV totaling $0.3 million and from CEP IV-A totaling $0.2 million.

During fiscal 2011, Clairvest and a director of Clairvest entered into an agreement to purchase an aircraft for a total cost of $3.5 million, $1.7 million of which was paid by Clairvest. The aircraft is owned 50% by Clairvest and 50% by the director of Clairvest. Clairvest's portion of the net book value of the aircraft of $1.7 million is recorded in accounts receivable and other assets.

SUMMARY OF QUARTERLY RESULTS

($000's except per share information)	Gross Revenue $	Net Income $	Net Income Per Common Share* $	Net Income Per Common Share Fully Diluted* $
March 31, 2011	21,122	13,952	0.88	0.86
December 31, 2010	8,439	4,652	0.29	0.29
September 30, 2010	3,704	69	—	—
June 30, 2010	4,501	891	0.06	0.05
March 31, 2010	4,476	1,875	0.12	0.11
December 31, 2009	8,747	2,268	0.14	0.14
September 30, 2009	5,520	3,692	0.23	0.23
June 30, 2009	6,003	662	0.04	0.04

*The sum of quarterly net income per common share may not equal to the full year net income per common share due to rounding and the anti-dilutive effect on any quarters where the Company reported a net loss.

Significant variations arise in the quarterly results due to realized gains and losses on corporate investments, unrealized gains and losses on corporate investments which are re-valued on a quarterly basis when conditions warrant an adjustment to the fair value of the corporate investment, and stock-based compensation due to the movement in the trading price of Clairvest's common shares.

FOURTH QUARTER RESULTS

Net income for the fourth quarter of fiscal 2011 was $14.0 million compared with a net income of $1.9 million for the fourth quarter of fiscal 2010. Net income for the fourth quarter of fiscal 2011 is comprised of $13.6 million of net corporate investment gains, $1.8 million of net operating income, and $1.4 million of income tax expense. This compares with net corporate investment gains of $1.2 million, $0.3 million of net operating loss, and $1.0 million of income tax expense recoveries for the fourth quarter of fiscal 2010.

The net corporate investment gains of $13.6 million for the fourth quarter of fiscal 2011 comprised of $4.3 million in realized gains on the sale of Van-Rob and $9.3 million in net unrealized gains on corporate investments, $7.7 million of which pertains to Hudson Valley which was sold subsequent to quarter end at the March 31, 2011 carrying value. The net corporate investment gains of $1.2 million for the fourth quarter of fiscal 2010 comprised entirely of net unrealized gains on corporate investments.

Distributions and interest income for the quarter was $6.4 million, compared with $2.6 million for the same quarter last year. Distributions and interest income for the fourth quarter of fiscal 2011 included yield on cash, cash equivalents and temporary investments of $0.7 million, General Partner income distributions of $2.4 million from CEP, net priority distributions of $2.1 million from CEP III and CEP IV and $0.7 million in income distributions from the Wellington Funds. Distributions and interest income for the fourth quarter of fiscal 2010 included yield on cash, cash equivalents and temporary investments of $0.3 million, net priority distributions of $0.9 million from CEP III and $0.8 million in income distributions from the Wellington Funds.

Dividend income for the quarter was $0.5 million, compared with $47 thousand for the same quarter last year. Dividend income for the fourth quarter of fiscal 2011 included dividends received from Chilean Gaming Holdings of $0.5 million. Dividend income for the fourth quarter of fiscal 2010 comprised entirely of dividends received from temporary investments.

Clairvest earned $0.4 million in net management fees during the quarter for its services in the administration of CEP and CEP IV-A's portfolio and $0.2 million in advisory and other fees from its corporate investments, compared with $0.3 million and $0.4 million, respectively, for the same quarter last year. The CEP and CEP IV-A management fee is reduced to the extent of 75% of fees earned by Clairvest from joint Clairvest/CEP and Clairvest/CEP IV-A corporate investments.

Administration and other expenses for the quarter were $5.1 million, compared with $3.6 million for the same quarter last year. Included in administration and other expenses for the fourth quarter of fiscal 2011 was $1.8 million of share based compensation expense as a result of an increase in the trading price of Clairvest's common shares and book value, compared with $0.5 million for the same quarter last year.

Finance and foreign exchange expense of $0.6 million for the quarter included foreign exchange cost of $0.3 million and $0.3 million in interest and fees expensed on the $75 million credit facility. Finance and foreign exchange expense recovery of $29 thousand for the fourth quarter of fiscal 2010 included foreign exchange gains of $0.2 million as a result of gains on foreign exchange forward contracts entered into in anticipation of future investment gains.

Income tax expense of $1.4 million for the quarter was primarily the result of realized and unrealized gains on corporate investments.

OFF-BALANCE SHEET ARRANGEMENTS

Clairvest has committed to co-invest alongside CEP in all investments undertaken by CEP. Clairvest's total co-investment commitment is $54.7 million, $3.5 million of which remains unfunded at March 31, 2011. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP if the manager of CEP, GP I, concurrently sells a proportionate number of securities of that corporate investment held by CEP.

Clairvest has also committed to co-invest alongside CEP III in all investments undertaken by CEP III. Clairvest's total co-investment commitment is $75.0 million, $15.2 million of which remains unfunded at March 31, 2011. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP III if the manager of CEP III, GP I, concurrently sells a proportionate number of securities of that corporate investment held by CEP III.

Clairvest has also committed to co-invest alongside CEP IV and CEP IV-A in all investments undertaken by CEP IV and CEP IV-A. Clairvest's total co-investment commitment is $125.0 million, $88.4 million of which remains unfunded at March 31, 2011. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP IV and CEP IV-A if the manager of CEP IV and CEP IV-A, GP I, concurrently sells a proportionate number of securities of that corporate investment held by CEP IV and CEP IV-A.

Clairvest has committed $25.0 million to Wellington Fund III, $12.5 million of which remains unfunded to March 31, 2011.

At March 31, 2011, Clairvest has earned profit distributions totaling $3.6 million through its ownership interest in the General Partners of the Wellington Funds. Clairvest has guaranteed, up to the amounts received from the respective General Partners, the clawback provisions (the "Clawback") entered into by the general partners in the event the limited partners of the Wellington Funds do not meet their return threshold as specified in the respective Limited Partnership Agreements. At March 31, 2011, there were no accruals made with respect to the Clawback.

Clairvest has guaranteed up to US$3.4 million of CEP's obligations to a Schedule 1 Canadian Chartered Bank under CEP's foreign exchange forward contracts with the bank.

Clairvest has guaranteed up to US$15.0 million of CEP III's obligations to a Schedule 1 Canadian Chartered Bank under CEP III's foreign exchange forward contracts with the bank.

Under Clairvest's Incentive Bonus Program (the "Program"), a bonus of 10% of after-tax cash income and realizations on certain Clairvest's corporate investments would be paid to management annually as applicable. Amounts are accrued under this plan to the extent that the cash income and investment realizations have occurred and the bonus has become payable. At March 31, 2011, $0.8 million has been accrued under the Program. If Clairvest were to sell its corporate investments at their current fair values, an additional bonus of $1.1 million would be owing to management under this Program. As no such income and realizations have occurred and the terms of the bonus plan with respect to these corporate investments have not yet been fulfilled, the $1.1 million has not been accrued at March 31, 2011. The Program does not apply to the income generated from investments made by Clairvest through CEP III Co-Invest and CEP IV Co-Invest.

During fiscal 2006, Clairvest and a wholly owned subsidiary sold their interests in Signature Security Group Holdings Pty Limited ("Signature") and a related company as part of a sale of 100% of Signature and the related company. As part of the transaction, the subsidiary has indemnified the purchaser for various potential claims which will reduce over time. No claims have been made to March 31, 2011.

Clairvest has guaranteed to fund 50% of any operating deficiencies upon the opening of Casino Marina del Sol for a specified period of time. Amounts paid under the guarantee will be allocated 37.6% to CEP III and 25.6% to other co-investors, to the extent that the amounts paid thereunder are within the limits of the CEP III Limited Partnership Agreement and the agreements with the other co-investors, with the remainder being allocated to Clairvest. Any amounts paid under the guarantee will result in additional equity being granted to Clairvest, CEP III and the unrelated third-party investors, allocated on the same basis as the participation between Clairvest, CEP III and the unrelated third-party investors in the guarantee funding. As at March 31, 2011, no amounts subject to this guarantee have been funded.

Clairvest, together with CEP III, has guaranteed to fund any operating deficiencies of Casino New Brunswick for a specified period of time. The amount of the guarantee is allocated 75% to CEP III, to the extent that the amounts paid thereunder are within the limits of the CEP III Limited Partnership Agreement, with the remainder being allocated to Clairvest. Any amounts paid under the guarantee will result in additional debentures being granted to Clairvest and CEP III, allocated on the same basis as the participation between Clairvest and CEP III in the guarantee funding. As at March 31, 2011, no amounts subject to this guarantee have been funded.

Clairvest, together with the CEP IV Fund and other investors of Midwest Gaming, have entered into a US$20 million joint and several guarantee to fund cost overruns during the construction of a casino in Des Plaines, Illinois. Any amounts paid under the guarantee will result in additional units being granted to Clairvest, the CEP IV Fund and the other investors of Midwest Gaming, allocated on the same basis as the participation between Clairvest, the CEP IV Fund and the other investors of Midwest Gaming in the guarantee funding. As at March 31, 2011, no amounts subject to this guarantee have been funded.

An acquisition entity of Chilean Gaming Holdings and other investors of Casino Sol Calama have entered into a joint and several guarantee to fund any operating deficiencies upon the opening of Casino Sol Calama for a specified period of time. Latin Gaming Chile, Casino Sol Calama's operator, has indemnified this acquisition entity with respect to this guarantee. As at March 31, 2011, no amounts subject to this guarantee have been funded.

As part of the holding structure of Chilean Gaming Holdings, Clairvest, together with CEP III and other co-investors, borrowed $57.0 million through various acquisition entities from an unrelated financial institution, while another acquisition entity deposited $57.0 million with the financial institution as security for the loan. Clairvest intends to settle the loan, the deposit and related interest accruals simultaneously upon the divestiture of the investments in Chilean Gaming Holdings, and as a result, the deposit and the loan, and the interest revenue and expense have been presented on a net basis. Clairvest's ownership of both acquisition vehicles was 36.8% at March 31, 2011, with CEP III owning 37.6% and the remainder owned by the other co-investors.

In connection with its normal business operations, Clairvest is from time to time named as a defendant in actions for damages and costs allegedly sustained by plaintiffs. While it is not possible to estimate the outcome of the various proceedings at this time, Clairvest does not believe that it will incur any material loss in connection with such actions.

CRITICAL ACCOUNTING ESTIMATES

The preparation of Clairvest's consolidated financial statements in conformity with Canadian generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of income and expenses during the reporting period. On an on-going basis, management reviews its estimates and assumptions. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates. The critical accounting estimates that have a material impact on Clairvest's consolidated financial statements are with respect to corporate investments and future tax asset/liability.

Note 2 to the consolidated financial statements describes Clairvest's accounting policy for temporary and corporate investments. In accordance with Accounting Guideline 18, "Investment Companies" ("AcG-18"), the Company designates its temporary investments and corporate investments as held-for-trading and carries them at fair value. Clairvest has also designated its receivables and payables as held-for-trading in accordance with Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855. Accordingly, each of Clairvest's financial assets and liabilities is fair valued on each consolidated balance sheet date.

When a financial instrument is initially recognized, its fair value is generally the value of consideration paid or received. Acquisition costs relating to corporate investments are not included as part of the cost of the investment. Subsequent to initial recognition, for the fair value of an investment quoted on an active market, the fair value is generally the bid price on the principal exchange on which the investment is traded. Investments that are escrowed or otherwise restricted as to sale or transfer are recorded at amounts at fair value which take into account the escrow terms or other restrictions. In determining the fair value for such investments, the Company considers the nature and length of the restriction, business risk of the investee company, its stage of development, market potential, relative trading volume and price volatility, liquidity of the security and the size of Clairvest's ownership block and any other factors that may be relevant to the ongoing and realizable value of the investments. The amounts at which Clairvest's publicly-traded investments could be disposed of may differ from this fair value and the differences could be material. Differences could arise as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity. Estimated costs of disposition are not included in the fair value determination.

In the absence of an active market, the fair values are determined by management using the appropriate valuation methodologies after considering the history and nature of the business, operating results and financial conditions, the general economic, industry and market conditions, capital market and transaction market conditions, contractual rights relating to the investment, public market comparables, private company transactions multiples and, where applicable, other pertinent considerations. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed. The amounts at which Clairvest's privately-held investments could be disposed of may differ from the fair value assigned and the differences could be material. Estimated costs of disposition are not included in the fair value determination.

In determining the fair value of public company warrants, the underlying security for which is traded on a recognized securities exchange, and if there are sufficient and reliable observable market inputs, including exercise price and term of the warrants, market interest rate, and current market price, expected dividends and volatility of the underlying security, a valuation technique is used. If market inputs are insufficient or unreliable, the warrants are valued at intrinsic value, which is equal to the higher of the closing bid price of the underlying security, less the exercise price of the warrant, or nil. For private company warrants, the underlying security for which is not traded on a recognized securities exchange, the fair value is determined consistently with other investments which do not have an active market as described above.

A change to an accounting estimate with respect to Clairvest's privately-held corporate investments or publicly-traded corporate investments would impact corporate investments and unrealized gains/losses on corporate investments.

Note 2 to the consolidated financial statements describes Clairvest's accounting policy for future income taxes. The process of determining future income tax assets and liabilities requires management to exercise judgment while considering the anticipated timing of disposal of corporate investments, and proceeds thereon, tax planning strategies, changes in tax laws and rates, and loss carry-forwards. Future income tax assets are only recognized to the extent that in the opinion of management, it is more likely than not that the future income tax asset will be realized. A change to an accounting estimate with respect to future income taxes would impact future tax liability and provision for income taxes.

RISK MANAGEMENT

The private equity investment business involves accepting risk for potential return, and is therefore affected by a number of economic factors, including changing economic environments, capital markets and interest rates. As a result, the Company faces various risk factors, inherent in its normal business activities. These risk factors and how the Company manages these risk factors are described below.

Credit Risk

Credit risk is the risk of a financial loss occurring as a result of default of a counterparty on its obligations to the Company. The Company manages credit risk on corporate investments through thoughtful planning, strict investment criteria, significant due diligence of investment opportunities and oversight responsibilities with existing investee companies and by conducting activities in accordance with investment policies that are approved by the Board of Directors. Management's application of these policies is regularly monitored by the Board of Directors. Management and the Board of Directors review the financial condition of investee companies regularly.

The Company is also subject to credit risk on its accounts receivable, a significant portion of which is with its investee companies and its CEP Funds. The Company manages this risk through its oversight responsibilities with existing investee companies, by reviewing the financial condition of investee companies regularly, and through its fiduciary duty as Manager of the CEP Funds and by maintaining sufficient uncalled capital for the CEP Funds to settle obligations as they come due.

The Company is also subject to credit risk on its loans receivables, the majority of which is typically with its CEP Funds. The Company manages this risk through its fiduciary duty as Manager of the CEP Funds and by maintaining sufficient uncalled capital for the CEP Funds to settle obligations as they come due.

The Company manages counterparty credit risk on derivative financial instruments by only contracting with counter-parties which are Schedule 1 Canadian chartered banks. At March 31, 2011, a portion of the Company's derivative instruments have an accrued gain and a fair value of $2.5 million. The Company believes the counterparty risk with respect to its derivative instruments is nominal.

The Company manages credit risk on cash, cash equivalents and temporary investments by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. The Company also manages credit risk by contracting with counterparties which are Schedule 1 Canadian chartered banks or through investment firms where Clairvest's funds are segregated and held in trust for Clairvest's benefit. Management's application of these policies is regularly monitored by the Audit Committee. Management and the Audit Committee review credit quality of cash equivalents and temporary investments regularly.

Market Risk

Market risk includes exposure to fluctuations in the market value of the Company's investments, currency rates and interest rates.

Fluctuations in market interest rates affect the Company's income derived from cash, cash equivalents, and temporary investments. For financial instruments which yield a floating interest income, the interest received is directly impacted by the prevailing market interest rate. The fair value of financial instruments which yield a fixed interest income would change when there is a change in the prevailing market interest rate. The Company manages interest rate risk on cash, cash equivalents and temporary investments by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. Management's application of these policies is regularly monitored by the Audit Committee.

If interest rates were higher or lower by 1%, the potential effect would be an increase or decrease of $1.1 million to distributions and interest income on a pre-tax basis for the year ended March 31, 2011.

The Company held $1.5 million in preferred shares of corporations in its temporary investments portfolio at March 31, 2011. A sensitivity analysis on market risk is therefore not disclosed due to the Company's minimal exposure to market risk.

As at March 31, 2011, approximately 5.5% of the fair value of the Company's corporate investments was in publicly traded companies. If market prices were higher or lower by 5% as at March 31, 2011, the potential effect would be an increase or decrease of $0.4 million to the carrying value of corporate investments and net unrealized gains (losses) on corporate investments on a pre-tax basis for the year ended March 31, 2011.

Included in corporate investments are investments for which the fair values have been estimated based on assumptions that may not be supported by observable market prices. The most significant unobservable input is the multiple used in a valuation model based on earnings used for each individual investment. In determining the appropriate multiple, Clairvest considers i) public company multiples for companies in the same or similar businesses; ii) where information is known and believed to be reliable, multiples at which recent transactions in the industry occurred; and iii) multiples at which Clairvest invested in the company, or for follow-on investments or financings. The resulting multiple is adjusted, if necessary, to take into account differences between the investee company and those the Company selected for comparisons and factors include public versus private company, company size, same versus similar business, as well as with respect to the sustainability of the company's earnings and current economic environment. Investments which are valued using the earnings multiple approach include Chilean Gaming Holdings, Casino New Brunswick, Kubra, Landauer, Light Tower Rentals, and LSNE. If the Company had used an earnings multiple for each investment that was higher or lower by 0.5 times, the potential effect would be an increase of $6.9 million or decrease of $9.1 million to the carrying value of corporate investments and net unrealized gains or losses on corporate investments, on a pre-tax basis for the year ended March 31, 2011. Earnings multiples used are based on public company valuations as well as private market multiples for comparable companies.

The Company's corporate investment portfolio is diversified across 14 companies in 8 industries and 3 countries as at March 31, 2011. The Company has considered current economic events and indicators in the valuation of its corporate investments.

The Company has implemented a hedging strategy because it has, directly and indirectly, several investments outside of Canada, currently in the United States and in Chile. In order to limit its exposure to changes in the value of foreign denominated currencies relative to the Canadian dollar, at March 31, 2011, Clairvest hedges 100% of the fair value of its foreign investments unless a specific exemption is approved by the board.

A number of investee companies are subject to foreign exchange risk. A significant change in foreign exchange rates can have a significant impact to the profitability of these entities and in turn the Company's carrying value of these corporate investments. The Company manages this risk through oversight responsibilities with existing investee companies and by reviewing the financial condition of investee companies regularly.

Certain of the Company's corporate investments are also held in the form of subordinated debentures. Significant fluctuations in market interest rates can have a significant impact in the carrying value of these investments.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Financial obligations arising from off-balance sheet arrangement have been previously discussed.

The Company maintains a conservative liquidity position that exceeds all liabilities payable on demand. The Company invests its cash equivalents and temporary investments in liquid assets such that they are available to cover any potential funding commitments and guarantees. In addition, the Company maintains various credit facilities.

DERIVATIVE FINANCIAL INSTRUMENTS

Clairvest enters into foreign exchange forward contracts primarily to manage the risks arising from fluctuations in exchange rates on its foreign denominated investments. Clairvest is required to mark to market its foreign-denominated investments, as well as the foreign exchange forward contracts entered into as hedges against Clairvest's investments.

At March 31, 2011, Clairvest had entered into foreign exchange forward contracts to sell US$90.3 million and buy US$2.6 million at an average rate of Canadian $0.9980 per U.S. dollar through March 2012 and foreign exchange forward contracts to sell 14.7 billion Chilean Pesos ("CLP") at an average rate of Canadian $0.001976 per CLP through January 2012. The fair value of the US dollar contracts at March 31, 2011 is a gain of $2.5 million and the fair value of the CLP contracts at March 31, 2011 is a loss of $0.9 million. These contracts have been recognized on the consolidated balance sheet as derivative instruments.

At March 31, 2011, Clairvest also had entered into foreign exchange forward contracts to sell US$83.6 million and buy US$2.3 million on behalf of CEP IV. Any amounts paid or received as a result of settlement of these forward contracts will be reimbursed by or paid to CEP IV and therefore the fair value of these forward contracts has not been recognized on Clairvest's consolidated balance sheets.

UPDATED SHARE INFORMATION

At March 31, 2011, Clairvest had 15,392,695 common shares issued and outstanding. At March 31, 2011, Clairvest had 977,000 stock options outstanding, 845,000 of which were exercisable at March 31, 2011. Each option is exercisable for one common share.

During fiscal 2011, Clairvest purchased and cancelled 560,871 common shares under its normal course issuer bid for a total purchase cost of $7.9 million. No further purchases nor cancellations occurred subsequent to year end up to June 24, 2011, As at June 24, 2011, Clairvest had repurchased a total of 6,270,449 common and non-voting shares over the last eight years.

During fiscal 2011, 105,000 options were exercised, all of which were exercised under the cash settlement plan and had no impact on share capital.

Clairvest paid cash dividends of $0.10 per share on the common shares in each of fiscal 2011, fiscal 2010 and fiscal 2009. Clairvest also paid a one-time special dividend of $10.0 million, or $0.6272 per share, in fiscal 2009.

Subsequent to year end, Clairvest declared an annual ordinary dividend of $1.5 million, or $0.10 per share, and a special dividend of $1.5 million, or $0.0965 per share, such that in aggregate, the dividends represent 1% of book value. The dividends will be payable to common shareholders of record as of July 8, 2011. The dividends will be paid on July 25, 2011. Both dividends are eligible dividends for Canadian income tax purposes.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

In accordance with National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", issued by the Canadian Securities Administrators ("CSA"), Management has evaluated the effectiveness of Clairvest's disclosure controls and procedures as of March 31, 2011 and concluded that the disclosure controls and procedures are effective in ensuring that information required to be disclosed by the Company in its corporate filings is recorded, processed, summarized and reported within the required time period for the year then ended.

National Instrument 52-109 also requires certification from the Chief Executive Officers and Chief Financial Officer to certify their responsibilities for establishing and maintaining internal controls with regards to the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. Management has evaluated Clairvest's design and operational effectiveness of internal controls over financial reporting for the year ended March 31, 2011. Management has concluded that the design of internal controls over financial reporting are effective and operating as designed as of March 31, 2011 based on this evaluation. There were no changes in internal controls during the most recent interim period that has materially affected, or is reasonably likely to materially affect, internal controls over financial reporting. The Company has not identified any weakness that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

During fiscal 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the use of International Financial Reporting Standards ("IFRS") for all Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. During fiscal 2011, the AcSB approved an optional two-year deferral from IFRS adoption which would allow Canadian companies that currently follow AcG-18 to continue to use existing Canadian GAAP until fiscal years beginning on or after January 1, 2013. Accordingly, Clairvest will adopt IFRS beginning in the first quarter of fiscal 2014, which begins on April 1, 2013.

The Company continues to be optimistic that fair value accounting will continue to be the method for which the Company accounts for its investee companies when it adopts IFRS. The Company continues to monitor ongoing changes to IFRS and will adjust its transition and implementation plans accordingly. Formal communications with the Audit Committee have been established to ensure timely decisions are made on key issues and risks.

The Company will continue to evaluate the impact to its financial reporting process and its financial statements if IFRS requires the Company to consolidate certain of its investee companies, which would have a significant impact to the Company's financial reporting process and financial statements. Other significant items which may have a significant impact to the Company's financial reporting and financial statements include the accounting for share-based compensation, income taxes and the disclosure requirements for financial instruments.

With respect to the accounting treatment for share-based compensation, the company must adopt a new methodology for valuing stock options given the intrinsic method is not an acceptable methodology under IFRS. The Company has determined that the Black-Scholes method is an acceptable methodology under IFRS. The Company will also cease to vest share-based compensation on a straight-line basis and adopt the prescribed graded vesting method which will result in front-loading of expenses during the vesting period. The Company believes that the effects of this accounting change will not be material.

With respect to income taxes, future income tax positions under IFRS must be evaluated using the probability method which differs from the more likely than not test prescribed under existing Canadian GAAP. The Company is in the process of quantifying the impacts of this methodology change.

The Company continues to monitor new developments to IFRS which may result in additional significant accounting differences.

The Company does not expect current IFRS to have a significant impact on internal controls over financial reporting nor the Company's information technology systems.

MANAGEMENT'S REPORT

The consolidated financial statements of Clairvest Group Inc. were prepared by management, which is responsible for the integrity and fairness of the financial information presented. These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in the annual report has been reviewed to ensure consistency with the consolidated financial statements.

Management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded, that transactions are properly authorized and that financial records are properly maintained to facilitate the preparation of financial statements in a timely manner. Under the supervision of Management, an evaluation of the effectiveness of the Company's internal control over financial reporting was carrried out for the year ended March 31, 2011. Based on that evaluation, Management concluded that the Company's internal control over financing reporting was effective for the year ended March 31, 2011.

The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its Audit Committee. The Audit Committee, comprised of four non-management Directors, meets periodically with management and with external auditors to discuss the scope and results with respect to financial reporting of the Company. The Audit Committee has reviewed the consolidated financial statements with management and with the independent auditors. The consolidated financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

Ernst & Young LLP, appointed external auditors by the shareholders, have audited the consolidated financial statements and their report is included herewith.

B. Jeffrey Parr
Co-Chief Executive Officer and Managing Director

Daniel Cheng
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CLAIRVEST GROUP INC.

We have audited the accompanying consolidated financial statements of Clairvest Group Inc., which comprise the consolidated balance sheets as at March 31, 2011 and 2010, and the consolidated statements of income, retained earnings and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Clairvest Group Inc. as at March 31, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada,
June 24, 2011

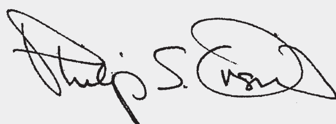
CONSOLIDATED BALANCE SHEETS

As at March 31

$000's	2011	2010
ASSETS		
Cash and cash equivalents (notes 3, 11 and 14)	**$ 61,332**	$ 43,684
Temporary investments (notes 3 and 14)	**77,006**	108,544
Accounts receivable and other assets (notes 4(k) and 7)	**9,917**	20,146
Income taxes recoverable	**5,809**	7,399
Loans receivable (notes 4(l), 4(m) and 4(n))	**126**	698
Future tax asset (note 8)	**—**	708
Derivative instruments (note 12(b))	**2,493**	5,900
Corporate investments (notes 6 and 14)	**162,177**	118,881
	$ 318,860	$ 305,960
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued liabilities (notes 10 and 13(h))	**$ 7,656**	$ 8,017
Derivative instruments (note 12(b))	**913**	—
Future tax liability (note 8)	**2,402**	1,455
Stock-based compensation (note 10)	**5,487**	4,203
	$ 16,458	$ 13,675
Contingencies, commitments and guarantees (notes 12 and 13)		
SHAREHOLDERS' EQUITY		
Share capital (note 9)	**$ 79,911**	$ 82,823
Retained earnings	**222,491**	209,462
	302,402	292,285
	$ 318,860	$ 305,960

See accompanying notes

On behalf of the Board:



PHILIP S. ORSINO
Director

JOSEPH J. HEFFERNAN
Director

CONSOLIDATED STATEMENTS OF INCOME

For the years ended March 31

$000's (except per share information)	2011	2010
NET INVESTMENT GAINS		
Net realized gains on corporate investments (note 5)	**$ 3,861**	$ 153
Net unrealized gains on corporate investments (note 6)	**16,249**	7,880
	20,110	8,033
OTHER INCOME		
Distributions and interest income (note 4)	**14,827**	14,375
Dividend income (note 6(c))	**731**	278
Management fees (note 4(a) and 4(h))	**1,142**	1,027
Advisory and other fees (note 4(o))	**956**	1,033
	17,656	16,713
EXPENSES		
Administration and other expense (note 10 and 13(h))	**14,004**	18,677
Finance and foreign exchange expense (recovery)	**1,132**	(947)
	15,136	17,730
Income before income taxes	**22,630**	7,016
Income tax expense (recovery) (note 8)	**3,066**	(1,481)
Net income for the year	**$ 19,564**	$ 8,497
Basic net income per share (note 9)	**$ 1.23**	$ 0.53
Fully-diluted net income per share (note 9)	**$ 1.20**	$ 0.52

See accompanying notes

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the years ended March 31

$000's	2011	2010
Retained earnings, beginning of year	**$ 209,462**	$ 202,560
Net income for the year	**19,564**	8,497
	229,026	211,057
Dividends paid	**(1,595)**	(1,595)
Purchase and cancellation of shares (note 9)	**(4,940)**	—
Retained earnings, end of year	**$ 222,491**	$ 209,462

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31

$000's		2011		2010
OPERATING ACTIVITIES				
Net income for the year	**$**	**19,564**	$	8,497
Add (deduct) items not involving a current cash outlay				
Amortization of fixed assets		**372**		323
Stock-based compensation expense		**1,284**		1,111
Future income tax expense		**1,655**		224
Net realized gains on corporate investments		**(3,861)**		(153)
Net unrealized gains on corporate investments		**(16,249)**		(7,880)
Non-cash items relating to foreign exchange forward contracts		**(2,446)**		(13,375)
Non-cash items relating to corporate investments		**(854)**		12,167
		(535)		914
Net change in non-cash working capital balances related to operations (note 11)		**11,086**		(21,156)
Cash provided by (used in) operating activities		**10,551**		(20,242)
INVESTING ACTIVITIES				
Acquisition of corporate investments		**(54,270)**		(26,368)
Proceeds on sale of corporate investments		**31,938**		4,779
Return of capital from corporate investments		**—**		1,439
Proceeds on realized foreign exchange forward contracts		**6,766**		1,952
Net proceeds on sale (acquisition) of temporary investments		**31,538**		(36,404)
Loans advanced (notes 4(l), 4(m) and 4(n))		**(55,876)**		(74,436)
Receipt of loans advanced (notes 4(l), 4(m) and 4(n))		**56,448**		82,287
Cash provided by (used in) investing activities		**16,544**		(46,751)
FINANCING ACTIVITIES				
Purchase and cancellation of share capital (note 9)		**(7,852)**		—
Cash dividends paid		**(1,595)**		(1,595)
Cash used in financing activities		**(9,447)**		(1,595)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR		**17,648**		(68,588)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		**43,684**		112,272
CASH AND CASH EQUIVALENTS, END OF YEAR (NOTE 11)		**61,332**		43,684
SUPPLEMENTAL CASH FLOW INFORMATION				
Income taxes paid	**$**	**218**	$	7,642
Interest paid, on gross basis (note 13(n))	**$**	**1,045**	$	1,579

See accompanying notes

1. NATURE OF ACTIVITIES

Clairvest Group Inc. ("Clairvest" or the "Company") is a Canadian private equity management firm publicly traded on the Toronto Stock Exchange ("TSX"). The Company, which operates in only one business segment, actively seeks to form mutually beneficial investments with entrepreneurial corporations. Clairvest invests its own capital, and that of third parties, through Clairvest Equity Partners Limited Partnership ("CEP"), Clairvest Equity Partners III Limited Partnership ("CEP III"), Clairvest Equity Partners IV Limited Partnership ("CEP IV") and Clairvest Equity Partners IV-A Limited Partnership ("CEP IV-A") (together, the "CEP Funds"). Clairvest contributes financing and strategic expertise to support the growth and development of its investees in order to create realizable value for all shareholders. Clairvest is incorporated under the laws of the Province of Ontario.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries and its pro-rata ownership of various acquisition entities that exist for investing purposes. All intercompany amounts and transactions have been eliminated upon consolidation.

In accordance with Accounting Guideline 18 ("AcG-18"), the Company designated its temporary investments and its corporate investments as held-for-trading and carries them at fair value. Clairvest also designated its receivables and payables as held-for-trading in accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855. Accordingly, each of Clairvest's financial assets and liabilities is fair valued on each consolidated balance sheet date.

Future Accounting Changes

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that the use of International Financial Reporting Standards ("IFRS") will be required for Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. Subsequently, the AcSB approved an optional two-year deferral from IFRS adoption which would allow Canadian companies that currently follow AcG-18 to continue to use existing Canadian Generally Accepted Accounting Principles ("GAAP") until fiscal years beginning on or after January 1, 2013. Accordingly, Clairvest will adopt IFRS beginning in the first quarter of fiscal 2014, which begins on April 1, 2013.

Clairvest is currently evaluating the impact of adopting IFRS.

Significant Accounting Policies

The following is a summary of the significant accounting policies of the Company:

(a) Temporary Investments and Corporate Investments

The Company carries its temporary investments and its corporate investments at fair value. When a financial instrument is initially recognized, its fair value is generally the value of consideration paid or received. Acquisition costs relating to corporate investments are not included as part of the cost of the investment. Subsequent to initial recognition, for the fair value of an investment quoted on an active market, the fair value is generally the bid price on the principal exchange on which the investment is traded. Investments that are escrowed or otherwise restricted as to sale or transfer are recorded at a value which takes into account the escrow terms or other restrictions. In determining the fair value for such investments, the Company considers the nature and length of the restriction, business risk of the investee company, its stage of development, market potential, relative trading volume and price volatility, liquidity of the security and the size of Clairvest's ownership block and any other factors that may be relevant to the ongoing and realizable value of the investments. The amounts at which Clairvest's publicly traded investments could be disposed of may differ from this fair value and the differences could be material. Differences could arise as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity. Estimated costs of disposition are not included in the fair value determination.

In the absence of an active market, the fair values are determined by management using the appropriate valuation methodologies after considering the history and nature of the business, operating results and financial conditions, the general economic, industry and market conditions, capital market and transaction market conditions, contractual rights relating to the investment, public market comparables, private company transactions multiples and, where applicable, other pertinent considerations. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed. The amounts at which Clairvest's privately held investments could be disposed of may differ from the fair value assigned and the differences could be material. Estimated costs of disposition are not included in the fair value determination.

In determining the fair value of public company warrants, the underlying security of which is traded on a recognized securities exchange, if there are sufficient and reliable observable market inputs, including exercise price and term of the warrants, market interest rate, and current market price, expected dividends and volatility of the underlying security, a valuation technique is used. If market inputs are insufficient or unreliable, the warrants are valued at intrinsic value, which is equal to the higher of the closing bid price of the underlying security, less the exercise price of the warrant, or nil. For private company warrants, the underlying security of which is not traded on a recognized securities exchange, the fair value is determined consistently with other investments which do not have an active market as described above.

(b) Foreign Currency Translation

Income and expenses denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction date. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet dates. Non-monetary assets and liabilities are translated at historical rates. Exchange gains and losses are included in income in the period in which they occur.

(c) Derivative Financial Instruments

The Company periodically enters into foreign exchange forward contracts, primarily to hedge its exposure to exchange rate fluctuations on its foreign currency denominated investments. These foreign exchange forward contracts and, where applicable, their underlying investments, are valued at exchange rates in effect at the consolidated balance sheet dates.

Foreign exchange forward contracts are included on the consolidated balance sheet as derivative instruments and are valued at fair value representing the estimated amount that the Company would have been required to pay, or received, had the Company settled the outstanding contracts at the consolidated balance sheet dates. Any unrealized gains or losses are included in finance and foreign exchange expense (recovery) on the consolidated statements of income.

(d) Income Recognition

Realized gains or losses on disposition of corporate investments and unrealized gains or losses in the value of corporate investments are calculated based on weighted average cost and are reflected in the consolidated statements of income. Management fees and advisory and other fees are recorded as income on an accrual basis when the services are performed. Distributions and interest income are recognized on an accrual basis and dividend income is recognized on the ex-dividend date.

(e) Future Income Taxes

The Company records future income tax expense or recovery using the asset and liability method. Under this method, future income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their respective income tax bases, as well as certain carryforward items. Future income tax assets and liabilities are determined for each temporary difference based on the income tax rates that are expected to be in effect when the asset or liability is settled. Future income tax assets are only recognized to the extent that, in the opinion of management, it is more likely than not that the future income tax asset will be realized.

(f) Stock-based Compensation Plan

The Company's stock option plan allows for a cash settlement of stock options. As a result, compensation expense is recognized and recorded as a liability based on the intrinsic value of the outstanding stock options at the consolidated balance sheet dates and the proportion of their vesting periods that have elapsed. On the exercise of stock options for shares, the liability recorded with respect to the options and consideration paid by the employees is credited to share capital. On the exercise of stock options for cash, the liability recorded is reduced and any difference between the liability accrued and the amount paid is charged to administration and other expense.

(g) Deferred Share Unit Plan

Directors of the Company may elect to receive all or a portion of their compensation in deferred share units ("DSUs"). On the date directors' fees are payable, the number of DSUs to be credited to a participant is determined by dividing the amount of the fees to be received by way of DSUs by the market value of a Clairvest common share on the TSX. Upon redemption of DSUs, the Company pays to the participant a lump sum cash payment equal to the number of DSUs to be redeemed multiplied by the market value of a Clairvest common share on the TSX on the redemption date. A participant may redeem his or her DSUs only following termination of board service.

Under the Company's DSU plan, the fair value of the DSUs is charged to administration and other expense based on the number of DSUs outstanding at the consolidated balance sheet dates multiplied by the market value of a Clairvest common share on the TSX at the consolidated balance sheet dates.

During fiscal 2008, the DSU plan was amended to also facilitate the issuance of Appreciation Deferred Share Units ("Appreciation DSUs") to the directors of the Company. Upon redemption of the Appreciation DSUs, the Company pays to the participant a lump sum cash payment equal to the number of Appreciation DSUs to be redeemed multiplied by the difference between the market value of a Clairvest common share on the TSX on the redemption date and the market value of a Clairvest common share on the TSX on the grant date. A participant may redeem his or her Appreciation DSUs only following termination of board service. Under the Company's DSU plan, the fair value of the Appreciation DSUs is charged to administration and other expense based on the number of Appreciation DSUs outstanding at the consolidated balance sheet dates multiplied by the difference between the market value of a Clairvest common share on the TSX at the consolidated balance sheet dates and the market value of a Clairvest common share on the TSX on the grant date.

(h) Book Value Appreciation Rights Plan

The Company may elect to issue all or a portion of an individual's stock option grant by way of book value appreciation rights units ("BVARs"). Upon redemption of BVARs, the Company pays to the participant a lump sum cash payment equal to the number of BVARs to be redeemed multiplied by the increase in book value per share between the grant date and the redemption date, and grossed up such that the participant's after-tax proceeds equate to an amount as if the proceeds were taxed at the capital gains rate. The BVARs vest over a five-year period and the participant may only redeem his or her BVARs at the earlier of (i) five years from the grant date or (ii) cessation of employment with the Company.

As the Company's BVAR plan is a cash settled plan, the fair value of the BVARs is charged to administration and other expense and recorded as a liability over the BVAR vesting period based on the book value per share at the consolidated balance sheet date of the prior quarter.

(i) Net Income Per Share

Basic net income per share is determined by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the year. Fully-diluted net income per share is determined in accordance with the treasury stock method and is based on the weighted average number of common shares and dilutive common share equivalents outstanding during the year.

(j) Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting periods. Actual results could differ from those estimates.

3. CASH EQUIVALENTS AND TEMPORARY INVESTMENTS

Cash equivalents consist of deposits in investment and money market savings accounts, term deposits and corporate bonds which have maturities of less than 90 days from the date of acquisition. The yield ranges between 0.9% and 1.2% per annum (2010 – between 0.2% and 0.7%) with a weighted average rate of pre-tax return of 1.2% per annum (2010 – 0.7%].

Temporary investments consist of guaranteed investment certificates, corporate bonds and preferred shares and have maturities greater than 90 days from the date of acquisition and through to February 2014. The yield on these investments ranges between 1.6% and 4.9% per annum (2010 – between 0.7% and 4.9%) with a weighted average rate of pre-tax return of 2.4% per annum (2010 – 2.7%]. The composition of Clairvest's temporary investments at March 31 was as follows:

	2011			2010
	Due in 1 year or less	**Due after 1 year**	**Total**	Total
Guaranteed investment certificates	**$ 32,039**	**$ 5,122**	**$ 37,161**	$ 42,049
Corporate bonds	**7,267**	**31,079**	**38,346**	63,020
Preferred shares	**1,499**	**—**	**1,499**	3,475
	$ 40,805	**$ 36,201**	**$ 77,006**	$ 108,544

4. RELATED PARTY TRANSACTIONS

(a) A wholly owned subsidiary of Clairvest ("GP I") has entered into a Management Agreement with the General Partner of CEP, appointing GP I as the Manager of CEP. The General Partner is another wholly owned subsidiary of Clairvest. The Management Agreement provides that a management fee be paid to GP I as compensation for its services in the administration of the portfolio of CEP. The fee was calculated annually as 2% of committed capital until August 21, 2006, the fifth anniversary of the last closing of CEP, and thereafter at 2% of contributed capital less distributions on account of capital and any write-downs of capital invested. Effective January 1, 2011, the CEP management fee was reduced to 1.5% per annum of contributed capital less distributions on account of capital and write-downs of capital invested. The management fee is reduced to the extent of 75% of fees earned by GP I from corporate investments of CEP.

During fiscal 2011, GP I earned net management fees of $0.9 million (2010 – $1.0 million) as compensation for its services in the administration of the portfolio of CEP. As per the Management Agreement, fees of $0.2 million (2010 – $0.2 million) from corporate investments of CEP were netted against the management fees.

(b) The General Partner of CEP is entitled to participate in distributions made by CEP equal to 20% of net gains of CEP. The distributions to the General Partner will be determined based on the overall performance of CEP and no such distributions are permitted until CEP's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 6% per annum compounded annually. The distributions received by the General Partner of CEP are allocated 50% to each of its limited partners, one of which is Clairvest, and the other of which is another limited partnership (the "Participation Partnership"). The limited partners of the Participation Partnership are principals and employees of Clairvest and GP I (the "Participation Investors"). The Participation Investors have purchased, at fair market value, units of the Participation Partnership. From time to time, additional units in the Participation Partnership may be purchased by the Participation Investors.

During fiscal 2011, CEP declared distributions to the General Partner totaling $6.2 million (2010 – $6.8 million), 50% of which, or $3.1 million (2010 – $3.4 million), was allocated to Clairvest. At March 31, 2011, CEP had declared and paid distributions to the General Partner totaling $15.9 million (2010 – $9.7 million), 50% of which, or $8.0 million (2010 – $4.9 million), was allocated to Clairvest. If CEP were to sell its corporate investments at their current fair values, the General Partner would receive up to a further $10.7 million (2010 – $15.3 million) of distributions, 50% of which, or $5.3 million (2010 – $7.6 million), would be payable to Clairvest.

(c) Clairvest is also the parent company of the two General Partners of CEP III (GP I and "GP II"). GP I is entitled to a priority distribution from CEP III. The priority distribution was calculated monthly as 0.1667% of committed capital until January 13, 2011, being the date on which CEP III is closed to new investments, and thereafter 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 75% of fees earned by GP I from corporate investments of CEP III.

During fiscal 2011, CEP III declared net priority distributions to GP I of $3.8 million (2010 – $4.1 million). As per the Limited Partnership Agreement, fees of $0.4 million (2010 – $0.4 million) from corporate investments of CEP III were netted against the priority distributions. GP I is also entitled to distributions made by CEP III equal to 2% of net gains of CEP III determined as described in Note 4(d) below. To date, CEP III has not made any distributions to GP I other than priority distributions.

(d) GP II, a limited partnership, the General Partner of which is a wholly owned subsidiary of Clairvest, is entitled to participate in distributions made by CEP III equal to 18% of net gains of CEP III. These distributions to GP II, and GP I as noted in Note 4(c) above, will be determined based on the overall performance of CEP III. No such distributions are permitted until CEP III's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 8% per annum compounded annually. To date, CEP III has not made any distributions to GP II. Any distributions received by GP II will be allocated to each of its two limited partners, one of which is a wholly owned subsidiary of Clairvest which will receive 44.4% of such distributions, and the other of which is another limited partnership (the "Participation III Partnership") which will receive 55.6% of such distributions. The limited partners of the Participation III Partnership are principals and employees of Clairvest and GP I (the "Participation III Investors"). The Participation III Investors have purchased, at fair market value, units of the Participation III Partnership. From time to time, additional units in the Participation III Partnership may be purchased by Participation III Investors.

GP II, as the General Partner of the Participation III Partnership, is entitled to participate in additional distributions equal to the exit value on the first $1.1 million contributed by the Participation III Investors into the Participation III Partnership plus the first $0.2 million received by the Participation III Partnership as described above.

(e) GP II is also entitled to an 8.25% carried interest in respect of CEP III Co-Investment Limited Partnership ("CEP III Co-Invest"). CEP III Co-Invest was established in fiscal 2007 as the investment vehicle through which Clairvest would co-invest alongside CEP III. Distributions received by GP II from CEP III Co-Invest will be allocated 100% to the Participation III Partnership. To date, CEP III Co-Invest has not made any distributions.

(f) Clairvest is also the parent company of the two General Partners of CEP IV (GP I and "GP III"). GP I is entitled to a priority distribution from CEP IV. The priority distribution is calculated monthly as follows: i) from April 2010, being the month in which CEP IV made its first investment, to January 13, 2011, being the last day on which CEP III calculated its priority distributions based on committed capital ("CEP III Termination Date"), 0.1667% of capital allocated to specifically identifiable investments net of any write-downs of capital invested; ii) from January 14, 2011 to January 13, 2016, being the fifth anniversary of the month of the date of final closing of CEP IV, 0.1667% of committed capital; and iii) thereafter 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 63.2% of fees earned by GP I from corporate investments of CEP IV.

During fiscal 2011, CEP IV declared to GP I net priority distributions of $1.8 million. GP I is also entitled to distributions made by CEP IV equal to 2% of net gains of CEP IV determined as described in Note 4[g] below. To date, CEP IV has not made any distributions to GP I other than priority distributions.

(g) GP III, a limited partnership, the General Partner of which is a wholly owned subsidiary of Clairvest, is entitled to participate in distributions made by CEP IV equal to 18% of net gains of CEP IV. These distributions to GP III, and GP I as noted in Note 4(f) above, will be determined based on the overall performance of CEP IV. No such distributions are permitted until CEP IV's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 8% per annum compounded annually. To date, CEP IV has not made any distributions to GP III. Any distributions received by GP III will be allocated to each of its two limited partners, one of which is Clairvest Subsidiary which will receive 44.4% of such distributions, and the other of which is another limited partnership (the "Participation IV Partnership") which will receive 55.6% of such distributions. The limited partners of the Participation IV Partnership are principals and employees of Clairvest and GP I (the "Participation IV Investors"). The Participation IV Investors have purchased, at fair market value, units of the Participation IV Partnership. From time to time, additional units in the Participation IV Partnership may be purchased by Participation IV Investors.

The General Partner of the Participation IV Partnership, a wholly owned subsidiary of Clairvest, is entitled to participate in additional distributions equal to the exit value on the first $1.6 million contributed by the Participation IV Investors into the Participation IV Partnership plus the first $0.4 million received by the Participation IV Partnership as described above.

(h) GP III is also the General Partner of CEP IV-A. GP III has appointed GP I as the Manager of CEP IV-A. The Limited Partnership Agreement of CEP IV-A provides that a management fee be paid to GP I as compensation for its services in the administration of the portfolio of CEP IV-A. The fee is calculated as follows: i) from April 2010, being the month in which CEP IV-A made its first investment, to January 13, 2011, being the CEP III Termination Date, 0.1667% of capital allocated to specifically identifiable investments net of write-downs of capital invested; ii) from January 14, 2011 to January 13, 2016, being the fifth anniversary of the date of final closing of CEP IV-A, 0.1667% of committed capital; and iii) thereafter 0.1667% of invested capital net of write-downs of capital then invested. The management fee is reduced to the extent of 10.1% of fees earned by GP I from corporate investments of CEP IV-A and other amounts as provided in the Limited Partnership Agreement.

During fiscal 2011, GP I earned net management fees of $0.2 million as compensation for its services in the administration of the portfolio of CEP IV-A. As per the Limited Partnership Agreement, $0.1 million was netted against the management fees.

(i) GP III is entitled to participate in distributions made by CEP IV-A equal to 20% of net gains of CEP IV-A. These distributions will be determined based on the overall performance of CEP IV-A. No such distributions are permitted until CEP IV-A's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 8% per annum compounded annually. To date, CEP IV-A has not made any distributions to GP III. Any distributions received by GP III will be allocated to each of its two limited partners, one of which is Clairvest which will receive 50% of such distributions, and the other of which is Participation IV Partnership which will receive 50% of such distributions.

(j) GP III is also entitled to an 8.25% carried interest in respect of CEP IV Co-Investment Limited Partnership ("CEP IV Co-Invest"). CEP IV Co-Invest was established in fiscal 2010 as the investment vehicle through which Clairvest would co-invest alongside CEP IV and CEP IV-A. Distributions received by GP III from CEP IV Co-Invest will be allocated 100% to the Participation IV Partnership. To date, CEP IV Co-Invest has not made any distributions.

(k) Included in accounts receivable and other assets are share purchase loans made to certain officers of the Company and GP I totaling $0.7 million (2010 – $1.0 million). The share purchase loans bear interest fixed at the prime rate on the date of drawdown less 1%, interest is paid annually, and the loans have full recourse and are collateralized by the common shares of the Company purchased by the officers with a market value of $1.0 million (2010 – $1.0 million). Also included in accounts receivable and other assets are other loans made to certain officers of a company affiliated with Clairvest totaling $0.5 million (2010 – $0.5 million). The loans to officers of the affiliated company bear interest at rates commensurate with prime and interest is paid quarterly. Loans are repayable upon departure of the officer. Interest of $44 thousand (2010 – $49 thousand) was earned on these loans during fiscal 2011. Also included in accounts receivable and other assets are receivables from Clairvest's investee companies totaling $3.2 million (2010 – $3.0 million), from CEP totaling $5 thousand (2010 – $0.7 million), from CEP III totaling $0.4 million (2010 – $0.1 million), from CEP IV totaling $0.3 million (2010 – $4.6 million) and from CEP IV-A totaling $0.2 million.

(l) Loans totaling $2.1 million (2010 – $3.2 million), bearing interest at the prime rate, were made by the Company to CEP during fiscal 2011. These loans and the $0.6 million in loans outstanding at March 31, 2010 were repaid in full (2010 – $2.6 million were repaid) during the year. Interest of $4 thousand (2010 – $3 thousand) was earned from loans to CEP during fiscal 2011.

(m) Loans totaling $8.2 million (2010 – $71.0 million), bearing interest at the prime rate, were made by the Company to CEP III during fiscal 2011. During fiscal 2011 and 2010, the respective loans were repaid in full. Interest of $4 thousand (2010 – $91 thousand) was earned from loans to CEP III during fiscal 2011.

(n) Loans totaling $45.6 million, bearing interest at the prime rate, made by the Company to CEP IV during fiscal 2011 were repaid in full during the year. Interest of $8 thousand was earned from loans to CEP IV during fiscal 2011.

(o) During fiscal 2011, Clairvest earned $3.0 million (2010 – $3.3 million) in distributions and interest income and $1.0 million (2010 – $1.0 million) in advisory and other fees from its investee companies.

(p) During fiscal 2011, Clairvest and a director of Clairvest entered into an agreement to purchase an aircraft for a total cost of $3.5 million, $1.7 million of which was paid by Clairvest. The aircraft is owned 50% by Clairvest and 50% by the director of Clairvest. Clairvest's portion of the net book value of the aircraft of $1.7 million is recorded in accounts receivable and other assets.

5. NET REALIZED GAINS ON CORPORATE INVESTMENTS

Net realized gains on corporate investments for the years ended March 31, 2011 and 2010 are comprised of the following:

	2011	2010
Net realized gains (losses) during the year	$ 3,997	$ (3,538)
Previously recognized net unrealized (gains) losses	(136)	3,691
	$ 3,861	$ 153

6. CORPORATE INVESTMENTS

	2011			2010		
	Fair value	Cost	Difference	Fair value	Cost	Difference
Casino New Brunswick	$ 4,601	$ 9,202	$ (4,601)	$ 8,687	$ 8,687	$ —
Centaur, LLC	31,386	30,179	1,207	—	—	—
Chilean Gaming Holdings*	29,890	29,093	797	39,076	38,972	104
Hudson Valley Waste Holding, Inc.	16,256	9,221	7,035	8,952	9,221	(269)
Kubra Data Transfer Limited	8,033	2,150	5,883	6,573	2,150	4,423
Landauer Metropolitan Inc.	5,590	5,110	480	7,693	4,429	3,264
Light Tower Rentals Inc.	14,254	8,177	6,077	6,280	6,233	47
Lyophilization Services of New England Inc.	5,697	6,749	(1,052)	4,887	6,454	(1,567)
Midwest Gaming Holdings LLC	10,304	9,120	1,184	—	—	—
N-Brook Mortgage LP	2,625	5,037	(2,412)	2,625	5,037	(2,412)
PEER 1 Network Enterprises Inc.	8,753	6,291	2,462	5,494	6,291	(797)
Tsuu T'ina Gaming Limited Partnership	9,090	5,625	3,465	8,631	5,625	3,006
Van-Rob Inc.	—	—	—	4,853	5,000	(147)
Wellington Financial Fund II	235	1	234	211	1	210
Wellington Financial Fund III	14,271	12,476	1,795	13,733	12,476	1,257
	160,985	138,431	22,554	117,695	110,576	7,119
Other investments	1,192	1,223	(31)	1,186	295	891
	$ 162,177	$ 139,654	$ 22,523	$ 118,881	$ 110,871	$ 8,010

* Comprised of Casino Marina del Sol, Casino Osorno and Casino Sol Calama

The cost and fair value of corporate investments do not reflect foreign exchange gains or losses on the foreign exchange forward contracts entered into as hedges against these investments (see Note 12(b)). Details of each investment are described below.

(a) Casino New Brunswick

Casino New Brunswick is a gaming entertainment complex located in Moncton, New Brunswick. At March 31, 2009, Clairvest had invested $2.3 million in Casino New Brunswick.

During fiscal 2010, Clairvest funded an additional $6.4 million in Casino New Brunswick. During fiscal 2011, Clairvest funded a further $0.5 million, bringing total investment in Casino New Brunswick to $9.2 million (2010 – $8.7 million). The investments were made in the form of debentures, which bore interest at a rate of 6% per annum until February 28, 2011. Clairvest also holds units of a limited partnership which holds Casino New Brunswick, entitling Clairvest to 22.5% (2010 – 22.2%) of the earnings of the casino.

During fiscal 2011, management determined that the fair value of Casino New Brunswick should be written down by $4.6 million as a result of operations underachieving against expectations.

Subsequent to year end, Clairvest pledged $5.4 million to a Schedule 1 Canadian chartered bank which has provided debt financing to Casino New Brunswick. The pledge was made to support the guarantee to fund any operating deficiencies of Casino New Brunswick as described in note 13(k).

(b) Centaur, LLC ("Centaur")

Centaur holds various gaming interests including the Hoosier Park Racing & Casino in Indianapolis, Indiana.

During fiscal 2011, Clairvest invested US$29.7 million (C$29.9 million) in senior secured first lien loans ("Senior Debt") of Centaur. As part of the investment, Clairvest also purchased a US$0.3 million (C$0.3 million) promissory note ("Promissory Note") from an unrelated investment partner. The Promissory Note is repayable upon Clairvest's realization of its investment in Centaur, and as a result, the Senior Debt and the Promissory Note have been presented on an aggregate basis.

At March 31, 2011, Clairvest owned 8.8% of the total Senior Debt issued by Centaur.

(c) Chilean Gaming Holdings

Chilean Gaming Holdings is a limited partnership which has a 50% ownership interest in each of Casino Marina del Sol ("Casino del Sol") in Concepcion, Chile, Casino Osorno in Osorno, Chile, and Casino Sol Calama in Calama, Chile.

At March 31, 2009, Clairvest, through Canadian and Chilean acquisition entities, had a $10.6 million equity investment in Casino del Sol, a $16.6 million equity investment in Casino Osorno, and a US$8.8 million (C$9.1 million) loan investment in Latin Gaming Chile S.A. ("Latin Gaming Chile"), the casino operator of Casino Osorno and Casino Sol Calama.

During fiscal 2010, Clairvest, through Canadian and Chilean acquisition entities, loaned an additional US$3.0 million (C$3.3 million) to Latin Gaming Chile. During fiscal 2011, an additional US$2.0 million (C$2.1 million) was loaned to Latin Gaming Chile, bringing total loans to Latin Gaming Chile to US$13.8 million (C$14.5 million).

Also during fiscal 2011, Clairvest completed a consolidation of its Chilean gaming investments whereby Clairvest sold its interest in Casino del Sol and Casino Osorno, as well as the US$13.8 million (C$14.5 million) bridge loans advanced to Latin Gaming Chile at original cost to a holding entity ("Chilean Gaming Holdings") and received net cash proceeds of $15.9 million and 27,254,185 limited partnership units of Chilean Gaming Holdings. The consolidation did not result in a change to the valuation of the investment. Subsequently, Chilean Gaming Holdings closed on an equity investment in Casino Sol Calama wherein Chilean Gaming Holdings invested US$20 million (C$20.9 million) to acquire a 50% ownership interest in Casino Sol Calama. The US$13.8 million of bridge loans which had previously been advanced to Latin Gaming Chile were repaid in full upon the closing of the equity investment in Casino Sol Calama. Clairvest invested an additional $3.2 million for 3,192,113 limited partnership units of Chilean Gaming Holdings to support this acquisition.

During fiscal 2011, Clairvest received dividends totaling $0.5 million from Chilean Gaming Holdings.

At March 31, 2011, Clairvest owned 30,446,299 limited partnership units of Chilean Gaming Holdings, representing a 36.8% interest.

(d) Hudson Valley Waste Holding, Inc. ("Hudson Valley")

Hudson Valley is a regional solid waste company which collects, processes and recycles non-hazardous solid waste in the northeastern United States.

During fiscal 2010, Clairvest invested $9.2 million to acquire 8,750 Series A convertible preferred shares in Hudson Valley.

At March 31, 2011 and 2010, Clairvest owned 8,750 Series A convertible preferred shares in Hudson Valley, representing an 8.3% ownership interest unless certain return thresholds were met, at which point ownership interest would be reduced to 6.2%.

Subsequent to year end, Clairvest sold its interest in Hudson Valley for cash proceeds of US$16.8 million (C$16.3 million). Over the life of the investment, Clairvest realized a $7.1 million gain on the investment and a $0.6 million gain on the foreign exchange forward contracts entered into as hedges against the Company's investment in Hudson Valley.

(e) Kubra Data Transfer Limited ("Kubra")

Kubra is a business process outsourcing company focused on the distribution of household bills on behalf of its customers.

At March 31, 2011 and 2010, Clairvest owned 3,250,000 Class A voting common shares of Kubra, representing a 12.1% (2010 – 12.8%) interest on a fully-diluted basis.

(f) Landauer Metropolitan Inc. ("Landauer")

Landauer is a supplier of home medical equipment primarily in the northeastern United States. At March 31, 2009, Clairvest, through a wholly owned subsidiary, owned 1,906,250 10% cumulative convertible preferred shares and 446,858 common shares in Landauer.

During fiscal 2010, Clairvest, through a wholly owned subsidiary, acquired an additional 301,275 common shares for $0.6 million. Also during fiscal 2010, Clairvest advanced a US$0.2 million (C$0.2 million) bridge loan to Landauer. The loan bears interest at a rate of 25% per annum, payable monthly, and was repayable on April 16, 2010 but remained outstanding as at March 31, 2011. Any unpaid interest accrues interest at the same rate. The Company has the option to convert the bridge loan to common shares of Landauer at a rate of $1.00 per share.

During fiscal 2011, Clairvest advanced an additional US$0.1 million (C$0.1 million) bridge loan to Landauer. The loan bears interest at a rate of 12% per annum, payable monthly, and is repayable on September 24, 2015. Any unpaid interest accrues interest at the same rate. The Company has the option to convert the bridge loan to common shares of Landauer at a rate of $1.00 per share if the loan is not repaid by September 24, 2015. Also during fiscal 2011, Clairvest invested a further US$0.6 million (C$0.6 million) in Landauer. The investment was made in the form of a subordinated secured convertible note with a 10% accrued interest per annum. The note is convertible to senior convertible preferred shares which have a two times liquidation preference in lieu of interest. Each senior convertible preferred share is convertible into common shares at a rate of $0.50 per share in lieu of two times the liquidation preference and the conversion is at Clairvest's discretion.

In addition to the bridge loans and the subordinated secured convertible note, at March 31, 2011 and 2010, Clairvest, through a wholly owned subsidiary, owned 1,906,250 10% cumulative convertible preferred shares and 748,133 common shares in Landauer, representing a 14.2% (2010 – 13.9%) interest on a fully-diluted basis. The preferred shares are entitled to dividends only in the event that Clairvest does not convert the preferred shares into common shares. Each preferred share is convertible into one common share and the conversion is at Clairvest's discretion.

(g) Light Tower Rentals Inc. ("Light Tower Rentals")

Light Tower Rentals is an oilfield equipment rental company operating in major oil and gas drilling basins in the United States. At March 31, 2009, Clairvest owned 5,841,250 Series A convertible preferred shares of Light Tower Rentals.

During fiscal 2010, Clairvest invested US$0.3 million (C$0.3 million) for 340,822 common shares of LTR Equipment Inc. ("LTR Equipment"), a company affiliated with Light Tower Rentals which supplies certain equipment to Light Tower Rentals.

During fiscal 2011, Clairvest invested an additional US$1.9 million (C$1.9 million) for 1,874,914 common shares of LTR Equipment.

At March 31, 2011 and 2010, Clairvest owned 5,841,250 Series A convertible preferred shares in Light Tower Rentals, which could be converted into a 10.8% ownership interest on a fully-diluted basis. Each preferred share is convertible into one common share and the conversion is at Clairvest's discretion. Also at March 31, 2011, Clairvest owned 2,215,736 (2010 – 340,822) common shares in LTR Equipment, representing a 14.8% (2010 – 11.0%) interest on a fully-diluted basis.

(h) Lyophilization Services of New England Inc. ("LSNE")

LSNE is a Manchester, New Hampshire based contract manufacturing organization focused on providing lyophilization services to biotech, pharmaceutical and medical device manufacturers. At March 31, 2009, Clairvest owned 6,406,000 Series A 10% cumulative preferred shares of LSNE.

During fiscal 2011, Clairvest funded a further US$0.3 million (C$0.3 million) to LSNE in the form of unsecured loans to further support the growth of LSNE.

In addition to the unsecured loans, at March 31, 2011 and 2010, Clairvest owned 6,406,000 Series A 10% cumulative convertible preferred shares of LSNE, which could be converted into a 12.3% ownership interest on a fully-diluted basis. The preferred shares are entitled to dividends only in the event that Clairvest does not convert the preferred shares into common shares. Each preferred share is convertible into one common share and the conversion is at Clairvest's discretion.

(i) Midwest Gaming Holdings LLC ("Midwest Gaming")

Midwest Gaming is a gaming entertainment complex currently under construction in Des Plaines, Illinois.

During fiscal 2011, Clairvest and Participation IV Partnership (note 4(g)) acquired 13,166,360 units of Midwest Gaming for US$13.2 million (C$13.2 million). Clairvest's portion of the investment was US$11.7 million (C$11.7 million). US$2.4 million (C$2.4 million) of this investment represents bridge capital in anticipation of the raising of equity from minority investors as required by the Illinois legislature. Subsequently, Clairvest sold 2,170,899 units of Midwest Gaming for US$2.2 million (C$2.2 million) to CEP IV and CEP IV-A as part of the final rebalancing of invested capital in accordance with the Co-Investment Agreement, US$0.4 million (C$0.4 million) of which represents the bridge capital in anticipation of raising equity from minority investors. Also during fiscal 2011, 368,395 units of Midwest Gaming were redeemed at cost for US$0.4 million (C$0.4 million) upon the raising of certain minority investors.

At March 31, 2011, Clairvest's owned 10,627,066 units of Midwest Gaming, representing a 5.0% ultimate ownership interest on a fully-diluted basis.

(j) N-Brook Mortgage LP ("N-Brook")

N-Brook originated, adjudicated and underwrote first-ranking mortgages on owner-occupied, residential real estate in Ontario, British Columbia and Alberta. Clairvest had fully funded its $5.0 million commitment to N-Brook in fiscal 2008. During fiscal 2009, N-Brook management made the decision to wind down its mortgage portfolio. Clairvest's fully-diluted interest in N-Brook at March 31, 2011 and 2010 was 14.7%.

(k) PEER 1 Network Enterprises Inc. ("PEER 1")

PEER 1 (TSX: PIX) is a global online IT infrastructure provider based in Vancouver, British Columbia. During fiscal 2010, Clairvest invested $6.3 million to acquire 5,134,617 common shares in PEER 1.

At March 31, 2011 and 2010, Clairvest owned 5,134,617 common shares of PEER 1, representing a 4.2% interest on a fully-diluted basis. The Company also owned 50,000 stock options of PEER 1 with an exercise price of $1.07 per share, 36,111 (2010 – 2,778) of which have been vested at March 31, 2011.

(l) Tsuu T'ina Gaming Limited Partnership ("Tsuu T'ina")

Tsuu T'ina is a charitable casino on Tsuu T'ina First Nation reserve lands, located southwest of the City of Calgary, Alberta. The Company's investment is in the form of subordinated debt with a 16% coupon rate. Clairvest also holds units of a limited partnership which holds Tsuu T'ina, entitling Clairvest to between 2.8% and 9.6% of the earnings of the casino from the date of commencement of operations, December 19, 2007, for a period of 15 years. Subject to the priority of senior lenders, debt repayment occurs on a monthly basis, commencing on January 1, 2011, the amount of which is based on the amount of cash available from the casino operations. No debt repayment has been made to March 31, 2011.

At March 31, 2011 and 2010, Clairvest had funded $5.6 million in 16% subordinated debt to Tsuu T'ina.

(m) Van-Rob Inc. ("Van-Rob")

Van-Rob is a supplier of metal stampings and welded assemblies to the North American auto sector. At March 31, 2010, Clairvest owned 5,000,000 Class A special convertible shares in Van-Rob, representing a 5.5% fully-diluted ownership interest. Each Class A special convertible share was convertible into 1.1285 common shares and the conversion was at Clairvest's discretion.

During fiscal 2011, Clairvest sold its interest in Van-Rob for cash proceeds of $8.7 million, resulting in a realized gain on the investment of $3.8 million.

(n) Wellington Financial Fund II ("Wellington Fund II")

Wellington Fund II provided debt capital and operating lines to technology, biotechnology, communications and industrial product companies across Canada. Clairvest, as a limited partner, had committed to fund $20.0 million to Wellington Fund II.

Clairvest's commitment represents a 24.1% interest in Wellington Fund II. Clairvest is also entitled to participate in the profits received by the General Partner of Wellington Fund II.

As a result of the closing of Wellington Financial Fund III (see Note 6[o]), any unfunded capital commitments to Wellington Fund II were extinguished. At March 31, 2011 and 2010, Clairvest had funded $13.6 million to Wellington Fund II, all of which had been returned.

(o) Wellington Financial Fund III ("Wellington Fund III")

Wellington Fund III, a successor to Wellington Fund II, provides debt capital and operating lines to technology, biotechnology, communications and industrial product companies across Canada and the United States. Clairvest, as a limited partner, committed to fund $25.0 million to Wellington Fund III. Clairvest's commitment represents a 16.7% interest in Wellington Fund III. Clairvest is also entitled to participate in the profits received by the General Partner of Wellington Fund III.

At March 31, 2011 and 2010, $12.5 million of Clairvest's commitment had been funded. Subsequent to year end, a further $1.2 million was funded.

7. CREDIT FACILITIES

The Company has a $20.0 million credit facility available, bearing interest at prime plus 0.5% per annum. The prime rate at March 31, 2011 was 3.00% (2010 - 2.25%). The amount available under the credit facility at March 31, 2011 and 2010 was $20.0 million, which is based on debt covenants within the banking arrangement. No amounts were drawn during fiscal 2011 and 2010.

During fiscal 2011, the Company closed on a 10-year, $75.0 million, committed credit facility. The credit facility bears interest at 11% per annum on drawn amounts and at 1% per annum on undrawn amounts. The amount available under the credit facility at March 31, 2011 is $75.0 million. No amounts were drawn during the year. Included in accounts receivable and other assets at March 31, 2011 is capitalized closing fee on this facility totaling $1.2 million which is to be amortized on a straight line basis to April 2015.

8. INCOME TAXES

Income tax expense (recovery) for the years ended March 31, 2011 and 2010 consist of the following:

	2011	2010
Current income tax expense (recovery)	$ 1,411	$ (1,705)
Future income tax expense	1,655	224
	$ 3,066	$ (1,481)

A reconciliation of the income tax expense (recovery) based on the statutory rate in Canada and the effective rate is as follows:

	2011	%	2010	%
Income before income taxes	$ 22,630		$ 7,616	
Statutory Canadian income tax rate		30.13		32.75
Statutory Canadian income taxes	6,817	30.13	2,494	32.75
Non-taxable dividends and distributions received	(1,307)	(5.78)	(2,514)	(33.01)
Non-taxable portion of net investment gains	(3,402)	(15.03)	(2,085)	(27.38)
Non-taxable portion of losses (gains) on temporary investments	326	1.44	(203)	(2.67)
Non-deductible portion of finance expense (recovery)	327	1.45	(135)	(1.77)
Non-deductible portion of other expenses	455	2.01	1,617	21.24
Payment (recovery) of prior years' taxes	(465)	(2.05)	173	2.27
Foreign income tax rate differences	154	0.68	1,429	18.76
Other	161	0.70	(2,257)	(29.63)
	$ 3,066	13.55	$ (1,481)	(19.44)

Future tax assets and liabilities relate to loss carryforwards and temporary differences on corporate and temporary investments, derivative instruments, accounts payable and accrued liabilities and income as follows:

	2011		2010	
	Asset	**Liability**	Asset	Liability
Loss carryforwards	**$ —**	**$ (2,538)**	$ 86	$ (1,309)
Temporary differences on corporate and temporary investments	**—**	**1,848**	(130)	(304)
Temporary differences on derivative instruments	**—**	**219**	(384)	504
Temporary differences on accounts payable and accrued liabilities	**—**	**(1,103)**	1,286	—
Temporary differences on income	**—**	**3,226**	—	2,314
Other	**—**	**750**	(150)	250
	$ —	**$ 2,402**	$ 708	$ 1,455

9. SHARE CAPITAL

Authorized

Unlimited number of preference shares issuable in series, with the designation, rights, privileges, restrictions, and conditions to be determined by the Board of Directors prior to the issue of the first shares of a series.

Unlimited number of common shares

10,000,000 non-voting shares

Issued and outstanding	2011		2010	
	Shares	**Amount**	Shares	Amount
Common shares, beginning of year	**15,953,566**	**$ 82,823**	15,953,566	$ 82,823
Purchased and cancelled under normal course issuer bid	**(560,871)**	**(2,912)**	—	—
Common shares, end of year	**15,392,695**	**$ 79,911**	15,953,566	$ 82,823

During fiscal 2011, the Company filed a normal course issuer bid enabling it to make market purchases of up to 797,678 (2010 – 797,678) of its common shares in the 12-month period commencing March 6, 2011.

During fiscal 2011, the Company purchased and cancelled 560,871 (2010 – nil) common shares under its normal course issuer bid for a total purchase cost of $7.9 million. The excess of the purchase cost of these shares over the average paid-in amount was $4.9 million, which was charged to retained earnings. In total, 3,105,295 (2010 – 2,544,424) common shares at a cost of $29.7 million (2010 – $21.8 million) have been purchased under this and all previous normal course issuer bids as at March 31, 2011. An additional 934,200 common and 2,230,954 non-voting shares have been purchased for cancellation outside of the normal course issuer bid.

15,392,695 (2010 – 15,953,566) common shares were outstanding at March 31, 2011.

The weighted average number of common shares outstanding during fiscal 2011 was 15,952,025 (2010 – 15,953,566]. The weighted average number of fully-diluted shares outstanding during fiscal 2011 was 16,262,314 (2010 – 16,285,042].

The difference between the basic and fully-diluted net income per share computations for 2011 and 2010 consists of the following:

	2011			2010		
	Net income ('000s)	**Number of shares**	**Per share amount**	Net income ('000s)	Number of shares	Per share amount
Basic net income per share	**$ 19,564**	**15,952,025**	**$ 1.23**	$ 8,497	15,953,566	$ 0.53
Effect of dilutive securities Stock options		**310,289**			331,476	
Fully-diluted net income per share	**$ 19,564**	**16,262,314**	**$ 1.20**	$ 8,497	16,285,042	$ 0.52

Under the Company's stock option plan, 1,535,856 (2010 – 1,127,500) common shares of the Company have been reserved for issuance to eligible participants. At March 31, 2011, 977,000 (2010 – 1,082,000) options were outstanding under the plan, and an additional 558,856 (2010 – 45,500) are available for future grants. Under the plan, options are exercisable for one common share and the exercise price of the option must equal the market price of the underlying share on the day preceding the grant date.

Options granted vest over a period not to exceed 5 years. Once vested, options are exercisable at any time until their expiry 10 years after the grant date.

During fiscal 2011, 105,000 (2010 – 35,000) options were exercised, all of which were exercised under the cash settlement plan and had no impact on share capital. No options were granted in fiscal 2011 (2010 – 35,000).

A summary of the status of the Company's stock option plan as at March 31, 2011 and 2010 and changes during the years then ended are presented below:

	Number of options	Weighted average exercise price per share
Options outstanding, March 31, 2009	1,082,000	$ 8.29
Options granted	35,000	12.63
Options exercised	(35,000)	5.22
Options outstanding, March 31, 2010	1,082,000	8.53
Options exercised	(105,000)	4.40
Options outstanding, March 31, 2011	**977,000**	**$ 8.98**
Options exercisable, March 31, 2011	**845,000**	**$ 8.45**

* Adjusted for special dividend paid in fiscal 2009

The following table summarizes information about stock options outstanding and exercisable at March 31, 2011:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life (yrs)	Weighted average exercise price*	Number exercisable	Weighted average exercise price*
$4.00 to $4.99	50,000	0.5	$ 4.32	50,000	$ 4.32
$5.00 to $5.99	110,000	1.2	5.22	110,000	5.22
$6.00 to $6.99	55,000	1.7	6.12	55,000	6.12
$7.00 to $7.99	197,000	2.5	7.43	197,000	7.43
$9.00 to $9.99	330,000	4.6	9.53	306,000	9.50
$12.00 to $12.99	235,000	6.6	12.92	127,000	12.95
	977,000			845,000	

*Adjusted for special dividend paid in fiscal 2009

10. STOCK-BASED COMPENSATION AND OTHER COMPENSATION PLANS

As a result of a cash settlement feature in Clairvest's stock option plan, Clairvest is required to recognize compensation expense based upon the intrinsic value of the outstanding stock options at the consolidated balance sheet dates, and the proportion of their vesting periods that have elapsed. For the year ended March 31, 2011, Clairvest recognized a stock-based compensation expense of $2.2 million (2010 – $1.4 million) as a result of an increase in the trading price of Clairvest common shares. As at March 31, 2011, $5.5 million (2010 – $4.2 million) has been accrued under the Company's stock option plan, and a further $0.2 million (2010 – $0.1 million) not accrued as those options have not vested.

As at March 31, 2011, a total of 186,258 (2010 – 155,135) DSUs were held by directors of the Company, the accrual in respect of which was $2.8 million (2010 – $2.0 million) and has been included in accounts payable and accrued liabilities. For the year ended March 31, 2011, Clairvest recognized an expense of $0.9 million (2010 – $0.6 million) with respect to DSUs.

As at March 31, 2011, 120,000 (2010 – 120,000) Appreciation DSUs were held by directors of the Company, the accrual in respect of which is $0.3 million (2010 – $19 thousand) and has been included in accounts payable and accrued liabilities. For the year ended March 31, 2011, Clairvest recognized an expense of $0.2 million (2010 – $19 thousand) with respect to Appreciation DSUs.

As at March 31, 2011, a total of 639,112 (2010 – 541,000) BVARs were held by employees of Clairvest, the accrual in respect of which was $0.9 million (2010 – $2.3 million) and has been included in accounts payable and accrued liabilities, and a further $0.7 million (2010 – $1.1 million) not accrued as those BVARs have not vested. For the year ended March 31, 2011, Clairvest recognized an expense of $0.8 million (2010 – $0.8 million) with respect to BVARs.

11. CONSOLIDATED STATEMENTS OF CASH FLOWS

The net change in non-cash working capital balances related to operations is detailed as follows:

	2011	2010
Accounts receivable and other assets	**$ 9,857**	$ (12,006)
Income taxes recoverable	**1,590**	(7,210)
Accounts payable and accrued liabilities	**(361)**	85
Income taxes payable	**—**	(2,025)
	$ 11,086	$ (21,156)

Cash and cash equivalents at March 31, 2011 and 2010 are comprised of the following:

	2011	2010
Cash	**$ 2,186**	$ 3,843
Cash equivalents	**59,146**	39,841
	$ 61,332	$ 43,684

12. FINANCIAL INSTRUMENTS

(a) Fair Value of Financial Instruments

Cash and cash equivalents have fair values which approximate their carrying values due to their short-term nature.

Receivables, payables, temporary investments and corporate investments are being carried at fair value in accordance with the Company's accounting policy as described in Note 2 to the financial statements.

(b) Foreign Exchange Forward Contracts

As at March 31, 2011, the Company had entered into foreign exchange forward contracts as hedges against its foreign investments as follows:

Foreign exchange forward contracts to sell US$90.3 million (2010 – US$62.8 million) and buy US$2.6 million (2010 – nil) at an average rate of Canadian $0.9980 (2010 – $1.0745) per U.S. dollar through March 2012. The fair value of these contracts at March 31, 2011 is a gain of $2.5 million (2010 – $3.7 million) and has been recognized on the consolidated balance sheets as derivative instruments.

Foreign exchange forward contracts to sell US$83.6 million and buy US$2.3 million (2010 – nil) on behalf of CEP IV. Any amounts paid or received as a result of settlement of these forward contracts will be reimbursed by or paid to CEP IV and therefore the fair value of these forward contracts has not been recognized on Clairvest's consolidated balance sheets.

Foreign exchange forward contracts to sell 14.7 billion Chilean Pesos ("CLP") at an average rate of Canadian $0.001976 per CLP through January 2012. The fair value of these contracts at March 31, 2011 is a loss of $0.9 million and has been recognized on the consolidated balance sheets as derivative instruments.

As at March 31, 2010, the Company had entered into foreign exchange forward contracts to sell Chilean Unidad de Fomento ("CLF") 0.7 million at an average rate of Canadian $44.0993 per CLF through to January 2011. The fair value of these contracts at March 31, 2010 was a gain of $2.2 million and had been recognized on the consolidated balance sheet as derivative instruments. These contracts were settled during fiscal 2011.

13. CONTINGENCIES, COMMITMENTS AND GUARANTEES

(a) Clairvest has committed to co-invest alongside CEP in all investments undertaken by CEP. Clairvest's total co-investment commitment is $54.7 million, $3.5 million (2010 – $3.5 million) of which remains outstanding at March 31, 2011. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP if the manager of CEP, GP I, concurrently sells a proportionate number of securities of that corporate investment held by CEP.

(b) Clairvest has also committed to co-invest alongside CEP III in all investments undertaken by CEP III. Clairvest's total co-investment commitment is $75.0 million, $15.2 million (2010 – $15.2 million) of which remains unfunded at March 31, 2011. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP III if the manager of CEP III, GP I, concurrently sells a proportionate number of securities of that corporate investment held by CEP III.

(c) Clairvest has also committed to co-invest alongside CEP IV and CEP IV-A in all investments undertaken by CEP IV and CEP IV-A Clairvest's total co-investment commitment is $125.0 million (2010 – nil), $88.4 million of which remains unfunded at March 31, 2011. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP IV and CEP IV-A if the manager of CEP IV and CEP IV-A, GP I, concurrently sells a proportionate number of securities of that corporate investment held by CEP IV and CEP IV-A.

(d) Clairvest has committed $25.0 million to Wellington Fund III, $12.5 million (2010 – $12.5 million) of which remains unfunded at March 31, 2011.

(e) At March 31, 2011, Clairvest has received profit distributions totaling $1.6 million (2010 – $1.6 million) through its ownership interest in the General Partner of Wellington Fund II and $2.0 million (2010 – $1.5 million) through its ownership interest in the General Partner of Wellington Fund III. Clairvest has guaranteed, up to the amounts received from the respective General Partners, the clawback provisions (the "Clawback") entered into by the General Partners in the event the limited partners of the Wellington Fund II and Wellington Fund III do not meet their return threshold as specified in the respective Limited Partnership Agreements. At March 31, 2011 and 2010, there were no accruals made with respect to the Clawback.

(f) Clairvest has guaranteed up to US$3.4 million of CEP's obligations to a Schedule 1 Canadian chartered bank under CEP's foreign exchange forward contracts with the bank.

(g) Clairvest has guaranteed up to US$15.0 million of CEP III's obligations to a Schedule 1 Canadian chartered bank under CEP III's foreign exchange forward contracts with the bank.

(h) Under Clairvest's Incentive Bonus Program (the "Program"), a bonus of 10% of after-tax cash income and realizations on certain of Clairvest's corporate investments would be paid to management annually as applicable. Amounts are accrued under this Program to the extent that the cash income and investment realizations have occurred and the bonus has become payable. At March 31, 2011, $0.8 million (2010 – $0.8 million) has been accrued under the Program and charged to administration and other expense. If Clairvest were to sell its corporate investments at their current fair values, an additional bonus of $1.1 million (2010 – $1.4 million) would be owing to management under this Program. As no such income and realizations have occurred and the terms of the Program with respect to these corporate investments have not yet been fulfilled, the $1.1 million (2010 – $1.4 million) has not been accrued at March 31, 2011. The Program does not apply to the income generated through CEP III Co-Invest and CEP IV Co-Invest.

(i) During fiscal 2006, Clairvest and a wholly owned subsidiary sold their interests in Signature Security Group Holdings Pty Limited ("Signature") and a related company as part of a sale of 100% of Signature and the related company. As part of the transaction, the subsidiary has indemnified the purchaser for various potential claims which will reduce over time. No claims have been made to March 31, 2011.

(j) Clairvest has guaranteed to fund 50% of any operating deficiencies upon the opening of Casino del Sol for a specified period of time. Amounts paid under the guarantee will be allocated 37.6% to CEP III and 25.6% to unrelated third-party investors, to the extent that the amounts paid thereunder are within the limits of the CEP III Limited Partnership Agreement and the agreements with the unrelated third-party investors, with the remainder being allocated to Clairvest. Any amounts paid under the guarantee will result in additional equity being granted to Clairvest, CEP III and the unrelated third-party investors allocated on the same basis as the participation in the guarantee funding. As at March 31, 2011, no amounts subject to this guarantee have been funded.

(k) Clairvest, together with CEP III, has guaranteed to fund any operating deficiencies of Casino New Brunswick for a specified period of time. The amount of the guarantee is allocated 75% to CEP III, to the extent that the amounts paid thereunder are within the limits of the CEP III Limited Partnership Agreement, with the remainder being allocated to Clairvest. Any amounts paid under the guarantee will result in additional debentures being granted to Clairvest and CEP III, allocated on the same basis as the participation between Clairvest and CEP III in the guarantee funding. As at March 31, 2011, no amounts subject to this guarantee have been funded.

(l) Clairvest, together with CEP IV, CEP IV-A and other investors of Midwest Gaming, have entered into a US$20 million joint and several guarantee to fund any cost overruns during the construction of a casino in Des Plaines, Illinois. Any amounts paid under the guarantee will result in additional units being granted to Clairvest, CEP IV, CEP IV-A and the other investors of Midwest Gaming, allocated on the same basis as the participation between Clairvest, CEP IV, CEP IV-A and the other investors of Midwest Gaming in the guarantee funding. As at March 31, 2011, no amounts subject to this guarantee have been funded.

(m) An acquisition entity of Chilean Gaming Holdings and other investors of Casino Sol Calama have entered into a joint and several guarantee to fund any operating deficiencies upon the opening of Casino Sol Calama for a specified period of time. Latin Gaming Chile, Casino Sol Calama's operator, has indemnified this acquisition entity with respect to this guarantee. As at March 31, 2011, no amounts subject to this guarantee have been funded.

(n) As part of the holding structure of Chilean Gaming Holdings, Clairvest, together with CEP III and other co-investors, borrowed $57.0 million through various acquisition entities from an unrelated financial institution, while another acquisition entity deposited $57.0 million with the financial institution as security for the loan. Clairvest intends to settle the loan, the deposit and related interest accruals simultaneously upon the divestiture of the investments in Chilean Gaming Holdings, and as a result, the deposit and the loan, and the interest revenue and expense have been presented on a net basis. Clairvest's ownership of both acquisition entities was 36.8% at March 31, 2011, with CEP III owning 37.6% and the remainder owned by the other co-investors.

(o) In connection with its normal business operations, the Company is from time to time named as a defendant in actions for damages and costs allegedly sustained by plaintiffs. While it is not possible to estimate the outcome of the various proceedings at this time, the Company does not believe that it will incur any material loss in connection with such actions.

14. RISK MANAGEMENT

The private equity investment business involves accepting risk for potential return, and is therefore affected by a number of economic factors, including changing economic environments, capital markets and interest rates. As a result, the Company faces various risk factors, inherent in its normal business activities. These risk factors and how the Company manages these risk factors are described below.

Credit Risk

Credit risk is the risk of a financial loss occurring as a result of default of a counterparty on its obligations to the Company. For the years ended March 31, 2011 and 2010, there were no material income effects on changes of credit risk on financial assets. The carrying values of financial assets subject to credit exposure at March 31, 2011 and 2010, net of any allowances for losses, were as follows:

	2011	2010
Financial assets		
Cash and cash equivalents	**$ 61,332**	$ 43,684
Temporary investments	**77,006**	108,544
Accounts receivable	**5,366**	18,445
Loans receivable	**126**	698
Derivative instruments	**2,493**	5,900
Corporate investments	**162,177**	118,881
	$ 308,500	$ 296,152
Financial liabilities		
Accounts payable	**$ 176**	$ 23
Derivative instruments	**913**	—
	$ 1,089	$ 23

The Company manages credit risk on corporate investments through thoughtful planning, strict investment criteria, significant due diligence of investment opportunities and oversight responsibilities with existing investee companies and by conducting activities in accordance with investment policies that are approved by the Board of Directors. Management's application of these policies is regularly monitored by the Board of Directors. Management and the Board of Directors review the financial condition of investee companies regularly.

The Company is also subject to credit risk on its accounts receivable, a significant portion of which is with its investee companies and its CEP Funds. The Company manages this risk through its oversight responsibilities with existing investee companies and by reviewing the financial condition of investee companies regularly, and through its fiduciary duty as Manager of the CEP Funds and by maintaining sufficient uncalled capital for the CEP Funds to settle obligations as they come due.

The Company manages counterparty credit risk on derivative instruments by only contracting with counterparties which are Schedule 1 Canadian chartered banks. At March 31, 2011, a portion of the Company's derivative instruments have an accrued gain and a fair value of $2.5 million. The Company believes the counterparty risk with respect to its derivative instruments is nominal.

The Company manages credit risk on cash, cash equivalents and temporary investments by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. The Company also manages credit risk by contracting with counterparties which are Schedule 1 Canadian chartered banks or through investment firms where Clairvest's funds are segregated and held in trust for Clairvest's benefit. Management's application of these policies is regularly monitored by the Audit Committee. Management and the Audit Committee review credit quality of cash equivalents and temporary investments regularly. As at March 31, 2011 and 2010, the credit ratings, based on the Dominion Bond Rating Services ("DBRS") rating scale, for the Company's cash, cash equivalents and temporary investments were as follows:

	2011	2010
Cash and term deposits	**$ 2,714**	$ 30,572
Money market savings accounts		
R1-High	**35,716**	—
Guaranteed investment certificates and savings accounts		
AA+	**5,017**	5,025
AA	**41,363**	37,941
AA-	**11,932**	6,980
Corporate bonds		
AA	**13,375**	21,544
AA-	**—**	25,466
A+	**10,049**	7,025
A	**2,991**	2,001
A-	**11,931**	6,976
BBB	**1,751**	5,166
Preferred shares		
P-1 low	**—**	1,954
P-2 low	**1,499**	1,521
Other fixed income investments		
R1-High	**—**	49
Other non-rated securities	**—**	8
Total cash, cash equivalents and temporary investments	**$ 138,338**	$ 152,228

Market Risk

Market risk includes exposure to fluctuations in the market value of the Company's investments, currency rates and interest rates. The following table presents the financial instruments measured at fair value classified by the fair value hierarchy set out in CICA Handbook Section 3862:

	2011			
	Fair value measurements using			Assets/ liabilities at fair value
	Level 1	Level 2	Level 3	
Financial assets				
Cash	$ 2,186	$ —	$ —	$ 2,186
Cash equivalents				
Money market savings accounts	35,716	—	—	35,716
Investment savings accounts	21,151	—	—	21,151
Term deposits	528	—	—	528
Corporate bonds	1,751	—	—	1,751
Fixed income mutual funds	—	—	—	—
	59,146	—	—	59,146
Temporary investments				
Guaranteed investment certificates	—	37,161	—	37,161
Corporate bonds	38,346	—	—	38,346
Preferred shares	1,499	—	—	1,499
	39,845	37,161	—	77,006
Accounts receivable	—	—	5,366	5,366
Loans receivable	—	—	126	126
Derivative instruments	—	2,493	—	2,493
Corporate investments	8,930	—	153,247	162,177
	$ 110,107	$ 39,654	$ 158,739	$ 308,500
Financial liabilities				
Accounts payable and accrued liabilities	—	—	176	176
Derivative instruments	—	913	—	913
	$ —	$ 913	$ 176	$ 1,089

2010				
	Fair value measurements using			Assets/ liabilities at fair value
	Level 1	Level 2	Level 3	
Financial assets				
Cash	$ 3,843	$ —	$ —	$ 3,843
Cash equivalents				
Investment savings accounts	7,898	—	—	7,898
Term deposits	26,728	—	—	26,728
Corporate bonds	5,166	—	—	5,166
Fixed income mutual funds	49	—	—	49
	39,841	—	—	39,841
Temporary investments				
Guaranteed investment certificates	—	42,049	—	42,049
Corporate bonds	63,020	—	—	63,020
Preferred shares	3,475	—	—	3,475
	66,495	42,049	—	108,544
Accounts receivable	—	—	18,445	18,445
Loans receivable	—	—	698	698
Derivative instruments	—	5,900	—	5,900
Corporate investments	5,564	—	113,317	118,881
	$ 115,743	$ 47,949	$ 132,460	$ 296,152
Financial liabilities				
Accounts payable and accrued liabilities	—	—	23	23
	$ —	$ —	$ 23	$ 23

The following table presents the changes in fair value measurements for instruments included in Level 3 of the fair value hierarchy set out in CICA Handbook Section 3862:

	Fair value April 1, 2010	Total realized / unrealized gains and foreign exchange revaluations included in earnings	Purchases of assets / issuances of liabilities	Sales of assets / settlements of liabilities	Fair value March 31, 2011	Unrealized gains and foreign exchange revaluations included in earnings for the year ended March 31, 2011 for positions still held
Financial assets						
Accounts receivable	**$ 18,445**	**$ —**	**$ 26,289**	**$ (39,368)**	**$ 5,366**	**$ —**
Loans receivable	**698**	**—**	**55,876**	**(56,448)**	**126**	**—**
Corporate investments	**113,317**	**17,598**	**54,270**	**(31,938)**	**153,247**	**13,737**
	132,460	**17,598**	**136,435**	**(127,754)**	**158,739**	**13,737**
Financial liabilities						
Accounts payable	**23**	**—**	**2,234**	**(2,081)**	**176**	**—**
	$ 23	**$ —**	**$ 2,234**	**$ (2,081)**	**$ 176**	**$ —**

	Fair value April 1, 2009	Total realized / unrealized gains (losses) and foreign exchange revaluations included in earnings	Purchases of assets / issuances of liabilities	Sales of assets / settlements of liabilities	Fair value March 31, 2010	Unrealized gains (losses) and foreign exchange revaluations included in earnings for the year ended March 31, 20110 for positions still held
Financial assets						
Accounts receivable	$ 6,719	$ —	$ 50,290	$ (38,564)	$ 18,445	$ —
Loans receivable	8,549	—	74,436	(82,287)	698	—
Corporate investments	102,797	(3,339)	20,077	(6,218)	113,317	(3,003)
	118,065	(3,339)	144,803	(127,069)	132,460	(3,003)
Financial liabilities						
Accounts payable	268	—	529	(774)	23	—
	$ 268	$ —	$ 529	$ (774)	$ 23	$ —

Fluctuations in market interest rates affect the Company's income derived from cash, cash equivalents, and temporary investments. For financial instruments which yield a floating interest income, the interest received is directly impacted by the prevailing market interest rate. The fair value of financial instruments which yield a fixed interest income would change when there is a change in the prevailing market interest rate. The Company manages interest rate risk on cash, cash equivalents and temporary investments by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. Management's application of these policies is regularly monitored by the Audit Committee.

If interest rates were higher or lower by 1%, the potential effect would be an increase or decrease of $1.1 million to distributions and interest income on a pre-tax basis for the year ended March 31, 2011.

The Company held $1.5 million in preferred shares of corporations in its temporary investments portfolio at March 31, 2011. A sensitivity analysis on market risk is therefore not disclosed due to the Company's minimal exposure to market risk.

As at March 31, 2011, approximately 5.5% of the fair value of the Company's corporate investments was in publicly traded companies. If market prices were higher or lower by 5% as at March 31, 2011, the potential effect would be an increase or decrease of $0.4 million to the carrying value of corporate investments and net unrealized gains (losses) on corporate investments on a pre-tax basis for the year ended March 31, 2011.

Included in corporate investments are investments for which the fair values have been estimated based on assumptions that may not be supported by observable market prices. The most significant unobservable input is the multiple used in a valuation model based on earnings used for each individual investment. In determining the appropriate multiple, Clairvest considers i) public company multiples for companies in the same or similar businesses; ii) where information is known and believed to be reliable, multiples at which recent transactions in the industry occurred; and iii) multiples at which Clairvest invested in the company, or for follow-on investments or financings. The resulting multiple is adjusted, if necessary, to take into account differences between the investee company and those the Company selected for comparisons and factors include public versus private company, company size, same versus similar business, as well as with respect to the sustainability of the company's earnings and current economic environment. Investments which are valued using the earnings multiple approach include Chilean Gaming Holdings, Casino New Brunswick, Kubra, Landauer, Light Tower Rentals, and LSNE. If the Company had used an earnings multiple for each investment that was higher or lower by 0.5 times, the potential effect would be an increase of $6.9 million or decrease of $9.1 million to the carrying value of corporate investments and net unrealized gains or losses on corporate investments, on a pre-tax basis for the year ended March 31, 2011. Earnings multiples used are based on public company valuations as well as private market multiples for comparable companies.

The Company's corporate investment portfolio is diversified across 14 companies in 8 industries and 3 countries as at March 31, 2011. Concentration risk by industry and by country is as follows:

	2011				2010			
	Canada	**United States**	**Chile**	**Fair value**	Canada	United States	Chile	Fair value
Automotive related	**$ —**	**$ —**	**$ —**	**$ —**	$ 4,853	$ —	$ —	$ 4,853
Business services	**—**	**8,033**	**—**	**8,033**	1,035	6,573	—	7,608
Contract manufacturing	**—**	**5,697**	**—**	**5,697**	—	4,887	—	4,887
Financial services	**17,131**	**—**	**—**	**17,131**	16,569	—	—	16,569
Gaming	**13,691**	**41,690**	**29,890**	**85,271**	17,318	—	39,076	56,394
Health and medical related	**—**	**5,590**	**—**	**5,590**	—	7,693	—	7,693
Information technology	**—**	**8,753**	**—**	**8,753**	—	5,494	—	5,494
Oil field service	**—**	**14,254**	**—**	**14,254**	—	6,280	—	6,280
Waste management	**—**	**16,256**	**—**	**16,256**	—	8,952	—	8,952
Other	**1,192**	**—**	**—**	**1,192**	151	—	—	151
Total	**$ 32,014**	**$100,273**	**$ 29,890**	**$ 162,177**	$ 39,926	$ 39,879	$ 39,076	$ 118,881

The Company has considered current economic events and indicators in the valuation of its corporate investments.

The Company has implemented a hedging strategy because it has, directly and indirectly, several investments outside of Canada, currently in the United States and in Chile. In order to limit its exposure to changes in the value of foreign denominated currencies relative to the Canadian dollar, Clairvest hedges 100% of the fair value of its foreign investments unless a specific exemption is approved by the board.

A number of investee companies are subject to foreign exchange risk. A significant change in foreign exchange rates can have a significant impact to the profitability of these entities and in turn the Company's fair value of these corporate investments. The Company manages this risk through oversight responsibilities with existing investee companies and by reviewing the financial condition of investee companies regularly.

Certain of the Company's corporate investments are also held in the form of subordinated debentures. Significant fluctuations in market interest rates can have a significant impact on the fair value of these investments.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. See Note 13 which describes the Company's contingencies, commitments and guarantees.

The Company maintains a conservative liquidity position that exceeds all liabilities payable on demand. The Company invests its cash equivalents and temporary investments in liquid assets such that they are available to cover any potential funding commitments and guarantees. In addition, the Company maintains various credit facilities.

15. CAPITAL DISCLOSURES

Clairvest considers the capital it manages to be the amounts it has in cash, cash equivalents, temporary investments and corporate investments. Clairvest also manages the third-party capital committed or invested in the CEP Funds and co-investments made by other investors. At March 31, 2011, Clairvest had cash, cash equivalents and temporary investments of $138.3 million (2010 – $152.2 million), in addition to $162.2 million (2010 – $118.9 million) of corporate investments. Clairvest also had access to $95.0 million (2010 – $20.0 million) through its credit facilities and $297.8 million (2010 – $267.9 million) of uncalled committed third-party capital for acquisitions through the CEP Funds at March 31, 2011.

Clairvest's objectives in managing capital are to:

- Preserve a financially strong company with substantial liquidity such that funds are available to pursue new acquisitions and growth opportunities as well as to support its operations and the growth of its existing corporate investments;
- Achieve an appropriate risk-adjusted return on capital;
- Build the long-term value of its corporate investments; and
- Have appropriate levels of committed third-party capital available to invest along with Clairvest's capital. The management of third-party capital also provides management fees and/or priority distributions to Clairvest and the ability to enhance Clairvest's returns by earning a carried interest.

At March 31, 2011 and 2010, Clairvest had no external capital requirements, other than as disclosed in Note 13.

16. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been restated from statements previously presented to conform to the presentation of the 2011 consolidated financial statements.

SHAREHOLDER INFORMATION

As at, and for the year ended, March 31, 2011

SHAREHOLDER COMMUNICATION

Clairvest has both the obligation and desire to provide its shareholders with full and continuous disclosure, on a timely basis, throughout the fiscal year. Annual and quarterly reports are provided as part of this process and the company releases information on material events through the press, as required. Further disclosure can be found on the company's website, www.clairvest.com.

VALUATION MEASURES

Clairvest's focus is on building the long–term value of its investments. Fair value accounting allows Clairvest to reflect changes in the value of our investments. The fair value method, however, is not without limitations. Clairvest's investments are often carried at values which may vary from the actual realizations.

OUTSTANDING SECURITIES

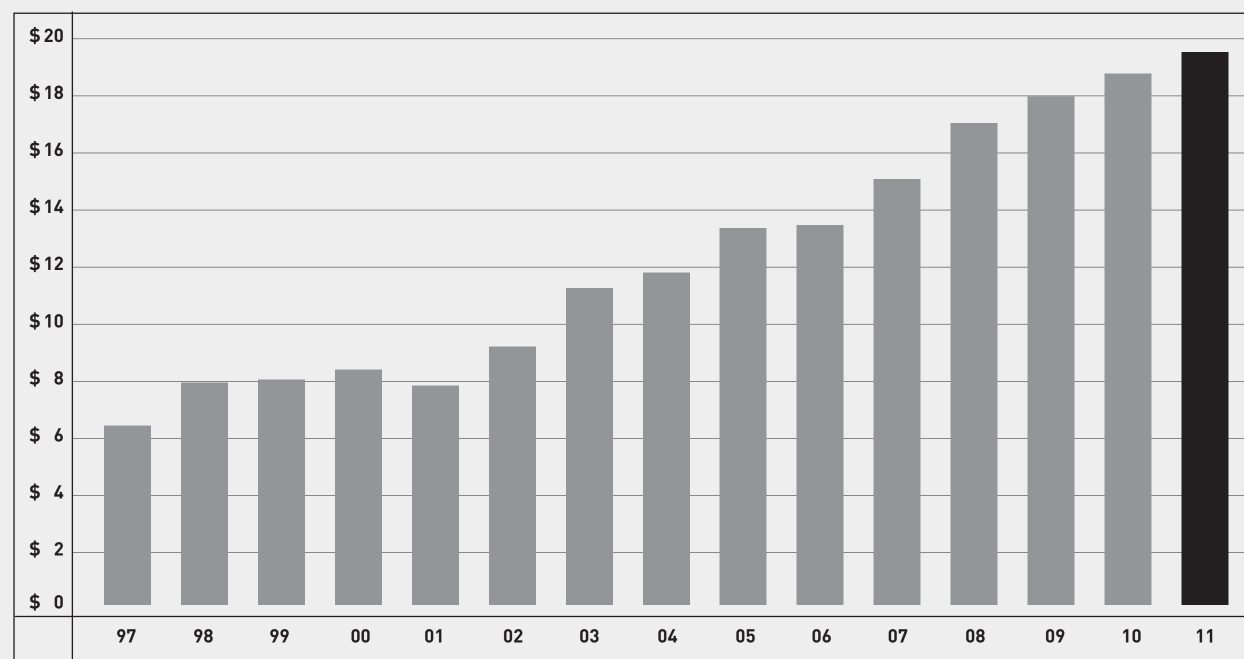
Share structure:	Common Shares[3]	
Common shares outstanding		15,392,695
Less holders of 10% or more		10,015,327
Public float:[1,2]		5,377,368
Market capitalization:[1]		$ 223,194,078
Market value of public float:[1,2]		$ 77,971,836
Stock market:	Toronto Stock Exchange	
Stock symbol:	CVG	

(1) As at May 31, 2011.
(2) Excludes holders of 10% or more of the outstanding common shares.
(3) During the year, Clairvest filed a new Normal Course Issuer Bid.

DIVIDEND INFORMATION

Clairvest has consistently paid a dividend over the last twenty-one years. Over the last nineteen years the annual dividend has been $0.10 per common share. It is Clairvest's current intention to continue to pay an annual dividend.

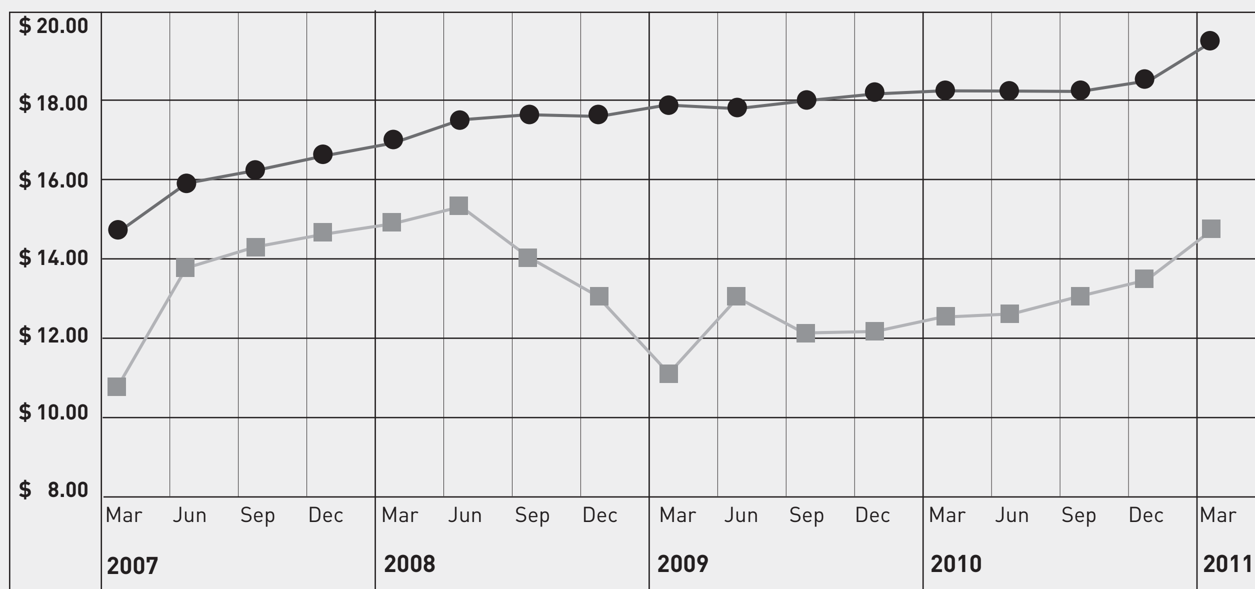
BOOK VALUE PER SHARE



SHAREHOLDER INFORMATION

As at, and for the year ended, March 31, 2011

SHARE PRICE VS BOOK VALUE PER SHARE



Book value Share price

SHARE TRADING VOLUME FISCAL 2011

Common Shares	High	Low	Close	Volume
Year to March 31, 2011				
First Quarter	**12.70**	**12.25**	**12.47**	**87,299**
Second Quarter	**12.97**	**12.30**	**12.95**	**312,932**
Third Quarter	**13.50**	**13.04**	**13.38**	**50,956**
Fourth Quarter	**15.06**	**13.34**	**14.76**	**701,552**
Year to March 31, 2010				
First Quarter	12.99	10.52	12.99	25,437
Second Quarter	12.59	11.85	12.00	63,825
Third Quarter	12.79	11.91	12.10	66,378
Fourth Quarter	12.60	12.15	12.40	50,550

SHAREHOLDER INQUIRIES

Daniel Cheng, Chief Financial Officer
tel: 416.925.9270
fax: 416.925.5753
email: danielc@clairvest.com

GREAT CANADIAN GAMING CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Month Periods Ended March 31, 2014 and 2013

(Expressed in millions of Canadian dollars, except for per share information)

GREAT CANADIAN GAMING CORPORATION
Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in millions of Canadian dollars)

		March 31, 2014	December 31, 2013
Assets			
Current			
Cash and cash equivalents	Note 4	**$ 204.7**	$ 192.6
Accounts receivable		**8.7**	7.2
Income taxes receivable		**2.8**	3.7
Prepaids, deposits and other assets		**6.9**	8.0
		223.1	211.5
Property, plant and equipment	Note 6	**591.0**	596.3
Intangible assets	Note 7	**77.1**	75.8
Goodwill	Note 8	**20.9**	20.6
Deferred tax assets		**10.3**	8.8
Other assets		**2.6**	2.7
		$ 925.0	$ 915.7
Liabilities			
Current			
Accounts payable and accrued liabilities	Note 11(c)	**$ 54.3**	$ 67.9
Other liabilities		**2.4**	2.6
		56.7	70.5
Long-term debt	Note 9	**441.2**	441.0
Deferred credits, provisions and other liabilities	Note 11(c)	**25.8**	26.4
Deferred tax liabilities		**73.6**	70.3
		597.3	608.2
Shareholders' equity			
Share capital and reserves	Note 11	**307.4**	305.1
Accumulated other comprehensive income		**1.3**	0.4
Retained earnings		**19.0**	2.0
		327.7	307.5
		$ 925.0	$ 915.7

These financial statements were approved and authorized for issue by the Company's Board of Directors on May 6, 2014

GREAT CANADIAN GAMING CORPORATION

Condensed Interim Consolidated Statements of Earnings

(Unaudited - Expressed in millions of Canadian dollars, except for per share information)

		Three months ended March 31, 2014	2013
Revenues	Note 12	**$ 103.8**	$ 100.5
Expenses			
Human resources	Note 18	**40.6**	39.1
Property, marketing and administration		**25.1**	23.1
Amortization		**12.2**	13.0
Share-based compensation	Note 11,18	**0.4**	2.1
Reversal of impairment of long-lived assets	Note 5	**(5.2)**	(28.5)
Interest and financing costs, net		**8.1**	8.2
Restructuring and other	Note 13	**-**	1.1
Foreign exchange gain and other		**(0.3)**	(0.2)
		80.9	57.9
Earnings before income taxes		**22.9**	42.6
Income taxes	Note 14	**5.9**	11.3
Net earnings		**$ 17.0**	$ 31.3
Net earnings per common share	Note 15		
Basic		**$ 0.25**	$ 0.44
Diluted		**$ 0.25**	$ 0.44
Weighted average number of common shares			
Basic		**67,459,236**	70,432,051
Diluted		**69,127,202**	71,488,532

GREAT CANADIAN GAMING CORPORATION

Condensed Interim Consolidated Statements of Comprehensive Income

(Unaudited - Expressed in millions of Canadian dollars)

	Three months ended March 31,	
	2014	2013
Net earnings	**$ 17.0**	$ 31.3
Other comprehensive income, net of tax		
Unrealized effect of foreign currency translation of foreign operations	**0.9**	0.4
Total comprehensive income	**$ 17.9**	$ 31.7

GREAT CANADIAN GAMING CORPORATION
Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited - Expressed in millions of Canadian dollars)

		Share Capital		Reserves	Share Capital and Reserves	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total
		Number [1]	Amount					
At January 1, 2013		70,436	$ 271.3	$ 42.2	$ 313.5	$ (1.0)	$ (32.2)	$ 280.3
Share-based compensation	Note 11	-	-	1.2	1.2	-	-	1.2
Exercise of incentive stock options		132	1.3	(0.4)	0.9	-	-	0.9
Common shares purchased	Note 11	(751)	(2.9)	-	(2.9)	-	(4.0)	(6.9)
Net earnings		-	-	-	-	-	31.3	31.3
Other comprehensive income		-	-	-	-	0.4		0.4
At March 31, 2013		69,817	$ 269.7	$ 43.0	$ 312.7	$ (0.6)	$ (4.9)	$ 307.2
At January 1, 2014		67,333	$ 262.7	$ 42.4	$ 305.1	$ 0.4	$ 2.0	$ 307.5
Share-based compensation	Note 11	-	-	0.4	0.4	-	-	0.4
Exercise of incentive stock options		280	2.5	(0.6)	1.9	-	-	1.9
Common shares purchased	Note 11	(1)	-	-	-	-	-	-
Net earnings		-	-	-	-	-	17.0	17.0
Other comprehensive income		-	-	-	-	0.9		0.9
At March 31, 2014		**67,612**	**$ 265.2**	**$ 42.2**	**$ 307.4**	**$ 1.3**	**$ 19.0**	**$ 327.7**

[1] Share information is presented in thousands.

GREAT CANADIAN GAMING CORPORATION
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - Expressed in millions of Canadian dollars)

		Three months ended March 31, 2014	2013
Cash Flows from Operating Activities			
Earnings before income taxes		**$ 22.9**	$ 42.6
Adjustments to reconcile earnings before income taxes to cash generated by operating activities:			
Amortization		**12.2**	13.0
Reversal of impairment of long-lived assets	Note 5	**(5.2)**	(28.5)
Share-based compensation	Note 11,18	**0.4**	2.1
Interest and financing cost, net		**8.1**	8.2
Foreign exchange gain and other		**(0.3)**	(0.2)
Other		**(0.4)**	(0.3)
Changes in non-cash operating working capital	Note 16	**(3.4)**	3.1
Income taxes paid		**(3.3)**	(4.9)
Cash generated by operating activities		**31.0**	35.1
Cash Flows from Investing Activities			
Purchase of property, plant and equipment, net of related accounts payable		**(6.0)**	(6.1)
Interest income received		**0.4**	0.3
Other		**(0.1)**	(0.9)
Cash used in investing activities		**(5.7)**	(6.7)
Cash Flows from Financing Activities			
Proceeds from exercise of incentive stock options, net of issuance costs		**1.9**	0.9
Purchase of common shares	Note 11	**-**	(6.7)
Interest paid		**(15.6)**	(15.8)
Cash used in financing activities		**(13.7)**	(21.6)
Effect of foreign exchange on cash and cash equivalents		**0.5**	0.3
Cash inflow		**12.1**	7.1
Cash and cash equivalents, beginning of period		**192.6**	121.1
Cash and cash equivalents, end of period	Note 4	**$ 204.7**	$ 128.2

See Accompanying Notes to the Condensed Interim Consolidated Financial Statements

1. NATURE OF BUSINESS

Great Canadian Gaming Corporation (the "Company") operates gaming, entertainment, and hospitality facilities in British Columbia, Ontario, Nova Scotia, and Washington State. The Company's 17 gaming properties consist of three community gaming centres, four racetracks and ten casinos, including one with a Four Diamond hotel resort.

Great Canadian Gaming Corporation is a publicly listed company incorporated in Canada under the Company Act (British Columbia). The Company's common shares are listed on the Toronto Stock Exchange ("TSX") under TSX symbol: "GC". The principal office is located at 350-13775 Commerce Parkway, Richmond, British Columbia, V6V 2V4. The registered and records office is located at 1500-1055 West Georgia Street, Vancouver, BC, V6E 4N7.

2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*. Certain information and note disclosures normally included in the audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. As a result, these condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2013 ("Annual Financial Statements").

These condensed interim consolidated financial statements were prepared using the same accounting policies as set out in the Company's Annual Financial Statements. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the condensed interim consolidated financial statements are disclosed in Note 3 of the Company's Annual Financial Statements.

3. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2014, the Company adopted the following revised IASs and IFRSs issued by the IASB and interpretation of the International Financial Reporting Standards Interpretations Committee ("IFRIC"). These revised standards and interpretation did not have a material impact on the Company's condensed interim consolidated financial statements.

- *IAS 32, Financial Instruments: Presentation* – amended to clarify under what circumstances financial assets and financial liabilities should be offset.

- *IAS 36, Impairment of Assets* – amended to clarify the standard's disclosure requirements and require the disclosure of the discount rate used in determining an impairment value calculated using a present value technique.

- *IFRS 10, Consolidated Financial Statements ("IFRS 10"), IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12") and IAS 27, Separate Financial Statements ("IAS 27")* – IFRS 10 has been amended to introduce an exception from the requirement to consolidate subsidiaries for an investment entity. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities. IFRS 12 and IAS 27 have been amended to introduce new disclosure requirements for investment entities.

- *IFRIC 21, Levies* – provides guidance for applying IAS 37, *Provisions, contingent liability and contingent assets*, with respect to when a company should recognize a liability for a levy imposed by a government.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

Recent accounting pronouncements

The IASB issued the following new and revised accounting pronouncements, which are not expected to have a material impact on the Company's consolidated financial statements:

- *IFRS 2, Share based payments* – amended the definitions of "vesting condition" and "market conditions" and added definitions for "performance condition" and service condition". These amendments apply to share based payment transactions with a grant date on or after July 1, 2014.
- *IFRS 8, Operating Segments* – amended to require the disclosure of the judgements made by management in applying the aggregation criteria to operating segments and to clarify that the reconciliation of the segment assets is required if they are regularly provided to the chief operation decision-maker. It is effective for annual periods beginning on or after July 1, 2014.
- *IFRS 13, Fair Value Measurement ("IFRS 13")* – the Basis of Conclusions was amended to clarify that issuing IFRS 13 and amending IFRS 9, *Financial Instruments* ("IFRS 9") and IAS 39, *Financial Instruments: Recognition and measurement* ("IAS 39") did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis. IFRS 13 was also amended to clarify the scope of the portfolio exception. It is effective for annual periods beginning on or after July 1, 2014.
- *IAS 16, Property, Plant and Equipment and IAS 38, Intangible assets* – amended to clarify that, under the revaluation method, the gross amount of property, plant and equipment and intangible asset is adjusted in a manner consistent with the revaluation of the carrying amount of the asset. It is effective for annual periods beginning on or after July 1, 2014.
- *IAS 24, Related Party Disclosures ("IAS 24")* – amended to clarify how payments to entities providing management services are to be disclosed. It is effective for annual periods beginning on or after July 1, 2014.
- *IFRS 9* – replaces IAS 39. IFRS 9 simplifies the classification and measurement requirements for financial instruments, which replaces the multiple classification and measurement models in IAS 39. The IASB tentatively decided that the mandatory effective date will be for annual periods beginning on or after January 1, 2018.

4. CASH AND CASH EQUIVALENTS

	March 31, 2014	December 31, 2013
Cash in banks	**$ 166.8**	$ 152.4
Cash floats	**7.7**	10.1
Cash equivalents	**30.2**	30.1
	$ 204.7	$ 192.6

5. REVERSAL OF IMPAIRMENT OF LONG-LIVED ASSETS AND IMPAIRMENT OF GOODWILL

In March 2012, the Government of Ontario announced the cancellation of the "Slots at Racetracks" program for all Ontario racetracks. As a result of this announcement, OLG was directed to both end this program on March 31, 2013 and strategically redistribute the province's slot facilities in an effort to modernize that province's gaming model. On March 29, 2012, OLG provided notice that the site holder agreements with the Company's Ontario racetracks would terminate on March 31, 2013. Georgian Downs' site holder agreement was otherwise scheduled to expire in November 2021 and Flamboro Downs' site holder agreement was otherwise scheduled to expire in April 2016.

As a result of the early termination of the Georgian Downs site holder agreement, the Company recorded impairments of goodwill, intangible assets, and property, plant and equipment of $3.2, $8.2, and $13.2, respectively. The Company also recorded impairments of intangible assets and property, plant and equipment of $24.2 and $5.2, respectively, in connection with the Flamboro Downs site holder agreement. In addition, during the year ended December 31, 2012, the Company recorded $10.3 of impairment related to land in Ontario that was written down to its estimated recoverable amount.

On March 9, 2013, the Company and OLG signed non-binding letters of intent governing the slot machine areas at the Ontario racetracks. Under the terms of these letters, OLG would lease these areas for a five-year term commencing April 1, 2013. The Company and OLG operated as though the key provisions of these leases came into effect on April 1, 2013. On November 29, 2013, the Company signed definitive agreements with OLG related to these letters of intent.

On March 26, 2013, the Company and the Government of Ontario signed non-binding letters of intent governing horse racing operations at the Ontario racetracks. On May 24, 2013, the Company signed binding agreements (the "Ontario Racing Agreements") with the Government of Ontario for horse racing transition funding. The funding provided support to continue horse racing at the Ontario racetracks for up to two years beyond March 31, 2013 and was conditional upon achievement of specific cost reduction targets. The Company continued to work with the Ontario government and the province's horse racing industry to pursue a longer-term, more sustainable business model for horse racing in Ontario.

On April 26, 2013, Georgian Downs received from OLG a one-time settlement payment of $31.5 in connection with the Georgian Downs facility, and the Company and Georgian Downs provided OLG with a release of claims. The settlement payment was recorded as a reduction of Georgian Downs' property, plant and equipment.

During the first quarter of 2013, as a result of signing the non-binding letters of intent with OLG, the anticipated future execution of definitive agreements, and the settlement payment received from OLG on April 26, 2013, the Company recorded reversals of impairments related to Georgian Downs' and Flamboro Downs' intangible assets and property, plant and equipment.

In April 2014, as a result of signing the Standardbred Alliance agreements with five other Ontario racetrack operators and the Ontario Racing Commission, the Company secured racing funding for its Georgian Downs and Flamboro Downs racetracks for up to five years and will work with the Standardbred Alliance to realize racing operating cost efficiencies. As a result, Flamboro Downs recorded a $5.2 long-lived asset impairment reversal at March 31, 2014.

5. REVERSAL OF IMPAIRMENT OF LONG-LIVED ASSETS AND IMPAIRMENT OF GOODWILL (Continued)

The following table summarizes the impairments during 2012 and the impairment reversals during 2013 and 2014 by property and by asset class:

	Georgian Downs				Flamboro Downs		
	Property, plant and equipment	Intangible assets	Goodwill	Total	Property, plant and equipment	Intangible assets	Total
Carrying amount at January 1, 2012	$ 64.9	$ 25.5	$ 3.2	$ 93.6	$ 13.9	$ 40.6	$ 54.5
Net additions and amortization	(1.9)	(1.7)	-	(3.6)	(1.3)	(4.6)	(5.9)
Impairments	(23.5)	(8.2)	(3.2)	(34.9)	(5.2)	(24.2)	(29.4)
Carrying amount at December 31, 2012	$ 39.5	$ 15.6	$ -	$ 55.1	$ 7.4	$ 11.8	$ 19.2
Net additions and amortization	(0.5)	(0.3)	-	(0.8)	(0.4)	(1.3)	(1.7)
Impairment reversals	11.7	8.0	-	19.7	1.5	7.3	8.8
Carrying amount at March 31, 2013	$ 50.7	$ 23.3	$ -	$ 74.0	$ 8.5	$ 17.8	$ 26.3
Net additions and amortization	0.4	(0.3)	-	0.1	(0.1)	(0.9)	(1.0)
Settlement payment	(31.5)	-	-	(31.5)	-	-	-
Carrying amount at June 30, 2013	$ 19.6	$ 23.0	$ -	$ 42.6	$ 8.4	$ 16.9	$ 25.3
Net additions and amortization	(0.2)	(0.5)	-	(0.7)	(0.3)	(1.8)	(2.1)
Carrying amount at December 31, 2013	$ 19.4	$ 22.5	$ -	$ 41.9	$ 8.1	$ 15.1	$ 23.2
Net additions and amortization	**(0.1)**	**(0.3)**	**-**	**(0.4)**	**(0.1)**	**(0.9)**	**(1.0)**
Impairment reversal	**-**	**-**	**-**	**-**	**1.0**	**4.2**	**5.2**
Carrying amount at March 31, 2014	**$ 19.3**	**$ 22.2**	**$ -**	**$ 41.5**	**$ 9.0**	**$ 18.4**	**$ 27.4**

The recoverable amounts for long-lived assets and goodwill at March 31, 2014 were determined based on the value in use method, which estimates the net present value of the future cash flows expected to be generated, using an after-tax discount rate based on the Company's weighted-average cost of capital. The estimates of future cash flows require a number of key assumptions about future business performance. These assumptions and estimates are primarily based on the relevant business' historical experience and economic trends, and consider past and ongoing communications with relevant stakeholders of the Company. These key assumptions include the future revenue levels, human resources and property, marketing and administration expenses, and the expected useful life of the CGU. The assumptions are subject to a number of factors and it is possible that actual results could vary materially from management's estimates. As the carrying values of Georgian Downs' and Flamboro Downs' long-lived assets as at March 31, 2014 were equal to their estimated recoverable amounts, a subsequent change in any key assumption utilized in the estimate of future cash flows may result in a further impairment loss or reversal of an impairment loss.

In connection with the impairments and subsequent impairment reversals recorded for Georgian Downs and Flamboro Downs, the Company revised the estimated remaining useful lives of its intangible assets and property, plant and equipment. The net effect of this change in estimate of remaining useful lives, the impairments and the impairment reversals will be a $0.3 increase in the annual non-cash amortization expense related to these assets on a prospective basis, when compared to the year ended December 31, 2013.

6. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Building Improvements	Leasehold Improvements	Equipment	Properties Under Development	Total
Cost						
Balance at January 1, 2013	$ 82.3	$ 681.4	$ 81.4	$ 109.2	$ 11.0	$ 965.3
Additions	-	0.4	0.1	3.4	24.3	28.2
Settlement payment [1]	-	(31.5)	-	-	-	(31.5)
Disposals	-	-	-	(0.3)	-	(0.3)
Reclassifications	0.1	22.2	0.9	5.1	(28.3)	-
Translation and other	0.2	0.7	0.2	0.4	-	1.5
Balance at December 31, 2013	$ 82.6	$ 673.2	$ 82.6	$ 117.8	$ 7.0	$ 963.2
Additions	**-**	**-**	**-**	**0.8**	**1.7**	**2.5**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**
Reclassifications	**-**	**0.4**	**-**	**0.4**	**(0.8)**	**-**
Translation and other	**0.1**	**0.4**	**0.2**	**0.2**	**-**	**0.9**
Balance at March 31, 2014	**$ 82.7**	**$ 674.0**	**$ 82.8**	**$ 119.2**	**$ 7.9**	**$ 966.6**
Accumulated amortization and impairments						
Balance at January 1, 2013	$ (11.2)	$ (182.0)	$ (54.1)	$ (93.3)	$ (3.4)	$ (344.0)
Amortization	-	(25.3)	(3.5)	(6.9)	-	(35.7)
Disposals	-	-	-	0.3	-	0.3
Impairment reversals [2]	-	13.0	-	0.2	-	13.2
Translation and other	-	(0.2)	(0.2)	(0.3)	-	(0.7)
Balance at December 31, 2013	$ (11.2)	$ (194.5)	$ (57.8)	$ (100.0)	$ (3.4)	$ (366.9)
Amortization	**-**	**(6.5)**	**(0.8)**	**(2.0)**	**-**	**(9.3)**
Impairment reversal [3]	**-**	**0.9**	**-**	**0.1**	**-**	**1.0**
Translation and other	**-**	**(0.1)**	**(0.1)**	**(0.2)**	**-**	**(0.4)**
Balance at March 31, 2014	**$ (11.2)**	**$ (200.2)**	**$ (58.7)**	**$ (102.1)**	**$ (3.4)**	**$ (375.6)**
Carrying amount						
At December 31, 2013	$ 71.4	$ 478.7	$ 24.8	$ 17.8	$ 3.6	$ 596.3
At March 31, 2014	**$ 71.5**	**$ 473.8**	**$ 24.1**	**$ 17.1**	**$ 4.5**	**$ 591.0**

[1] The settlement payment received from OLG relates to the Georgian Downs facility (see Note 5).

[2] The impairment reversals relate to Georgian Downs and Flamboro Downs (see Note 5).

[3] The impairment reversal relates to Flamboro Downs (see Note 5).

7. INTANGIBLE ASSETS

	BC Gaming Operating Agreements	Nova Scotia Gaming Operating Agreement	Ontario Siteholder/ Lease Agreements	Other	Total
Cost					
Balance at January 1, 2013, January 1, 2014 and March 31, 2014	**$ 81.4**	**$ 34.6**	**$ 106.0**	**$ 2.5**	**$ 224.5**
Accumulated amortization and impairments					
Balance at January 1, 2013	$ (47.3)	$ (23.9)	$ (78.6)	$ (1.4)	$ (151.2)
Amortization	(3.2)	(4.3)	(5.1)	(0.2)	(12.8)
Impairment reversals [1]	-	-	15.3	-	15.3
Balance at January 1, 2014	$ (50.5)	$ (28.2)	$ (68.4)	$ (1.6)	$ (148.7)
Amortization	**(0.6)**	**(1.1)**	**(1.2)**	**-**	**(2.9)**
Impairment reversal [2]	**-**	**-**	**4.2**	**-**	**4.2**
Balance at March 31, 2014	**$ (51.1)**	**$ (29.3)**	**$ (65.4)**	**$ (1.6)**	**$ (147.4)**
Carrying amount					
At December 31, 2013	$ 30.9	$ 6.4	$ 37.6	$ 0.9	$ 75.8
At March 31, 2014	**$ 30.3**	**$ 5.3**	**$ 40.6**	**$ 0.9**	**$ 77.1**

[1] The impairment reversals relate to Georgian Downs and Flamboro Downs (see Note 5).
[2] The impairment reversal relates to Flamboro Downs (see Note 5).

8. GOODWILL

	Total
Cost	
Balance at January 1, 2013	$ 47.4
Foreign exchange movements	0.5
Balance at January 1, 2014	$ 47.9
Foreign exchange movements	0.3
Balance at March 31, 2014	**$ 48.2**
Impairments	
Balance at January 1, 2013, January 1, 2014 and March 31, 2014	**$ (27.3)**

Carrying amount	GCC [1]	GCEC [2]	ORL [3]	Great American Casinos	Total
At December 31, 2013	$ 1.6	$ 3.8	$ 8.1	$ 7.1	$ 20.6
At March 31, 2014	**$ 1.6**	**$ 3.8**	**$ 8.1**	**$ 7.4**	**$ 20.9**

[1] "GCC" means Great Canadian Casinos Inc., a wholly-owned subsidiary of the Company.
[2] "GCEC" means Great Canadian Entertainment Centres Ltd., a wholly-owned subsidiary of the Company.
[3] "ORL" means Orangeville Raceway Limited, a wholly-owned subsidiary of the Company.

9. LONG-TERM DEBT

	March 31, 2014	December 31, 2013
Senior Unsecured Notes, net of unamortized transaction costs of $8.8 (2013 - $9.0)	**$ 441.2**	$ 441.0

As at March 31, 2014 and December 31, 2013, the Company's long-term debt facilities consist of $450.0 Senior Unsecured Notes ("Senior Unsecured Notes") and a $350.0 Senior Secured Revolving Credit Facility (the "Revolving Credit Facility").

a) *Senior Unsecured Notes*

On July 24, 2012, the Company completed a long-term debt refinancing and issued $450.0 of 6.625% Senior Unsecured Notes due on July 25, 2022. The net proceeds were $439.5 after transaction costs of $10.5. The use of proceeds included repayment of the US$161.1 Senior Secured Term Loan B ("Term Loan B"), repurchase or redemption of the US$170.0 Senior Subordinated Notes ("Subordinated Notes"), settlement of the derivative liabilities associated with the related cross-currency interest rate and principal swaps, and the remainder was retained for general corporate purposes.

The Senior Unsecured Notes are guaranteed by the Company's material restricted subsidiaries as defined in the long-term debt agreement covering the Trust Indenture. Interest on the Senior Unsecured Notes is payable semi-annually in arrears on January 25 and July 25 of each year. There are customary provisions for early redemptions of the Senior Unsecured Notes during defined periods prior to maturity with payment of defined premiums.

Transaction costs of approximately $10.5 associated with the issuance of the Senior Unsecured Notes were primarily related to underwriting fees, legal fees, and other expenses, and are amortized through the "interest and financing costs, net" of the condensed interim consolidated statements of earnings over the term of the Senior Unsecured Notes using the effective interest method.

b) *Revolving Credit Facility*

As at March 31, 2014, subject to compliance with the related financial covenants, the Company has $320.2 (December 31, 2013 - $320.2) of available credit on its Revolving Credit Facility after deducting outstanding letters of credit of $29.8 (December 31, 2013 - $29.8). The counterparties to this facility are major financial institutions with minimum "A" credit ratings.

On July 24, 2012, the Company extended the maturity of its Credit and Guarantee Agreement ("Credit Agreement"), which covers the terms of its $350.0 Revolving Credit Facility by one year to July 21, 2017. The interest rate on advanced amounts and the commitment fee on the unused facility are based on the Company's Total Debt to Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio (as defined in the underlying Credit Agreement), which is calculated quarterly on a trailing twelve month basis (see Note 10).

Transaction costs associated with past refinancing of the Revolving Credit Facility totalling $0.5 during the year 2012 are included in the "other assets" line of the condensed interim consolidated statements of financial position and are amortized through the "interest and financing costs, net" line of the condensed interim consolidated statements of earnings over the term of the Revolving Credit Facility using the effective interest method.

The Revolving Credit Facility is guaranteed and secured by substantially all of the assets of the Company and its subsidiaries. The Revolving Credit Facility requires the Company to comply with certain operational and financial covenants (which are defined in the underlying agreements). The financial covenants which are calculated quarterly on a trailing twelve month basis are: Total Debt to Adjusted EBITDA ratio of 5.00 or less, Senior Secured Debt to Adjusted EBITDA ratio of 3.50 or less, and Interest Coverage ratio of 2.25 or more (see Note 10).

10. CAPITAL DISCLOSURES

The Company's capital structure comprises:

- Shareholders' equity;
- Long-term debt;
- Cash and cash equivalents; and
- Outstanding letters of credit.

The Company's objectives are to maintain a flexible capital structure that optimizes the cost of capital at acceptable risk levels and to manage capital in a manner that balances the interests of equity and debt holders. The Company manages its capital structure in light of changes in economic conditions and the risk characteristics of the Company's operations. The Company's major capital allocation decisions include a comparison of the expected financial returns from those investments to its estimated weighted-average cost of capital. The Company currently plans to use its cash and cash equivalents, cash flows from operations, and established debt facilities to finance its business development plans.

The Company monitors its capital structure and must comply with certain financial covenants related to its long-term debt. The Company intends to manage its capital by operating at a level that provides a conservative margin compared to the limits of its covenants.

As at March 31, 2014, the Company was in compliance with its financial covenants as shown below:

Covenant test	Required ratio	Actual ratio
Total Debt to Adjusted EBITDA ratio [(1)]	< 5.00	2.50
Senior Secured Debt to Adjusted EBITDA ratio [(1)]	< 3.50	0.00
Interest Coverage ratio [(1)]	> 2.25	5.65
Fixed Charge Coverage ratio [(2)]	> 2.00	5.67

(1) Calculated on a trailing twelve month basis and defined in the Credit Agreement, as amended on July 24, 2012.

(2) Calculated on a trailing twelve month basis and tested on specified events as defined in the long-term debt agreement covering the Trust Indenture dated July 24, 2012.

As part of its capital structure monitoring process, the Company's independent credit ratings as at March 31, 2014 were as follows:

	Moody's	Standard & Poor's
Corporate	Ba3 Stable	BB+ Stable
Revolving Credit Facility	Ba1	BBB
Senior Unsecured Notes	B1	BB+

11. SHARE CAPITAL AND RESERVES

The Company is authorized to issue an unlimited number of common shares with no par value.

a) *Normal course issuer bid*

During the three months ended March 31, 2014, the Company purchased 800 common shares at a volume weighted-average price per share of $14.02 under its normal course issuer bid. This bid allows the Company to purchase up to 4,231,075 of its common shares, commenced on January 30, 2014, and expires on January 29, 2015, or earlier if the number of shares approved for purchase in the issuer bid has been obtained. All shares purchased by the Company were cancelled.

During the three months ended March 31, 2013, the Company purchased 751,040 common shares at a volume weighted-average price per share of $9.29 under its normal course issuer bid which expired January 29, 2014. All shares purchased by the Company were subsequently cancelled.

b) *Share option plan*

The changes in the number of share options and their weighted-average exercise price during the three months ended March 31, 2014 and the year ended December 31, 2013 were as follows:

	March 31, 2014		December 31, 2013	
	Options [1]	**Weighted-Average Exercise Price**	Options [1]	Weighted-Average Exercise Price
Outstanding, beginning of period	**4,155**	**$ 8.02**	4,493	$ 7.08
Granted	**1,511**	**13.64**	1,432	9.11
Forfeited	**(1)**	**9.11**	(81)	8.68
Expired	**-**	**-**	(280)	13.40
Exercised	**(280)**	**6.95**	(1,409)	5.00
Outstanding, end of period	**5,385**	**$ 9.65**	4,155	$ 8.02

[1] Option information is presented in thousands.

The fair values of share options granted to employees at the time of the grant and the weighted-average assumptions used in applying the Black-Scholes option pricing model were as follows:

	Three months ended March 31,	
	2014	2013
Option award fair value	**$ 2.62**	$ 1.54
Risk-free interest rate	**1.3%**	1.1%
Expected lives	**3.5 years**	2.5 years
Expected volatility [2]	**23.0%**	25.0%
Dividend yield	**0.0%**	0.0%

[2] Based on the historical volatility of the Company's share price over the most recent period commensurate with the expected lives of the option.

During the three months ended March 31, 2014, the Company recorded equity-settled share-based compensation expense of $0.4 (2013 - $1.2).

11. SHARE CAPITAL AND RESERVES (Continued)

c) Deferred Share Units ("DSUs") and Restricted Share Units ("RSUs")

The changes in DSUs and RSUs provided to non-employee directors of the Company during the three months ended March 31, 2014 and the year ended December 31, 2013 were as follows:

	March 31, 2014		December 31, 2013	
Number of Units [1]	**DSUs**	**RSUs**	DSUs	RSUs
Outstanding, beginning of period	**278**	**-**	216	17
Issued	**4**	**-**	108	8
Settled in cash	**-**	**-**	(46)	(25)
Outstanding, end of period	**282**	**-**	278	-

[1] DSU and RSU information is presented in thousands.

The Company recorded a liability of $3.3 in "deferred credits, provisions and other liabilities" at March 31, 2014 (December 31, 2013 - $3.3), $0.5 in "accounts payable and accrued liabilities" at March 31, 2014 (December 31, 2013 - $0.5), and cash-settled share-based compensation expense of $nil for the three months ended March 31, 2014 (2013 - $0.9).

Effective January 1, 2014, the Company introduced a new employee incentive program. The new program contains the opportunity for eligible employees to be awarded employee cash-settled RSUs if they exceed certain business targets for a prior fiscal year. Any RSUs so granted would vest over two years from the date of grant.

12. REVENUES

	Three months ended March 31	
	2014	2013
Gaming revenues	**$ 71.1**	$ 74.9
Facility Development Commission	**8.8**	8.8
Hospitality, lease and other revenues	**25.6**	18.2
Racetrack revenues	**3.3**	3.2
	108.8	105.1
Less: Promotional allowances	**(5.0)**	(4.6)
	$ 103.8	$ 100.5

13. RESTRUCTURING AND OTHER

	Three months ended March 31,			
		2014		2013
Severance	**$**	**0.2**	$	1.0
Business development and other		**(0.2)**		0.1
	$	**-**	$	1.1

14. INCOME TAXES

	Three months ended March 31			
		2014		2013
Applicable federal and provincial statutory income tax rates [(1)]		**26.0%**		25.0%
Earnings (loss) before income taxes	**$**	**22.9**	$	42.6
Expected income tax expense (recovery) for the period		**6.0**		10.7
Effect of:				
Non-deductible share-based compensation		**0.1**		0.3
Impact of different jurisdictional statutory tax rates on earnings of subsidiaries		**-**		0.4
Other items		**(0.2)**		(0.1)
	$	**5.9**	$	11.3

[(1)] The applicable federal and provincial statutory income tax rate used for the 2014 and 2013 reconciliations above is the income tax rate payable by corporate entities in the province of British Columbia on taxable profits under tax law in that jurisdiction. The rate increased effective April 1, 2013 from 25% to 26% due to an increase in the provincial income tax rate of 1%.

The Company's operations are conducted in countries with complex tax legislation and regulations pertaining to the Company's activities. Any reassessment of the Company's tax filings by the tax authorities may result in material adjustments to taxable income or loss, deferred tax assets or liabilities and operating or capital loss carry-forwards.

15. NET EARNINGS PER COMMON SHARE

The following table sets forth the computation of basic and diluted net earnings per common share attributable to the shareholders of the Company:

		Three months ended March 31, 2014	2013
Net earnings	(A)	**$ 17.0**	$ 31.3
Weighted-average number of common shares outstanding [1]	(B)	**67,459**	70,432
Dilutive adjustment for stock options [1]		**1,668**	1,057
Diluted weighted-average number of common shares [1]	(C)	**69,127**	71,489
Net earnings per common share			
Basic	(A/B)	**$ 0.25**	$ 0.44
Diluted	(A/C)	**$ 0.25**	$ 0.44

[1] Share information is presented in thousands.

The following table summarizes the outstanding stock options that are anti-dilutive and are not included in the above calculation:

	Three months ended March 31, 2014	2013
Options [2]	**1,511**	1,465

[2] Option information is presented in thousands.

16. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	Three months ended March 31 2014	2013
Accounts receivable	**(1.7)**	1.5
Prepaids, deposits and other assets	**1.2**	0.5
Accounts payable and accrued liabilities	**(2.9)**	1.1
	$ (3.4)	$ 3.1

17. SEGMENT INFORMATION

The Company's management considers each of its gaming properties to be an operating segment since it reviews their operating results, assesses their performance, and makes resource allocations decisions on a property-by-property basis. The Company has aggregated these operations as one reportable segment based on their similar economic characteristics, types of customers, types of services and products provided, the regulatory environment in which they operate and their management and reporting structure.

The Company also conducts its business in two geographic areas: Canada and the United States ("US"). Revenues, EBITDA[1] and additions to long-lived assets and goodwill attributable to these geographic locations are as follows:

	Three months ended March 31, 2014			Three months ended March 31, 2013		
	Revenues	**EBITDA**	**Additions to long-lived assets and goodwill**	Revenues	EBITDA	Additions to long-lived assets and goodwill
Canada	**$ 96.8**	**$ 36.9**	**$ 2.5**	$ 94.7	$ 37.4	$ 7.0
U.S.	**7.0**	**1.2**	**-**	5.8	0.9	-
	$ 103.8	**$ 38.1**	**$ 2.5**	$ 100.5	$ 38.3	$ 7.0

The following table is a reconciliation of EBITDA, as presented in the above tables, to earnings before income taxes as presented in the Company's condensed interim consolidated statements of earnings:

	Three months ended March 31,	
	2014	2013
EBITDA	**$ 38.1**	$ 38.3
Less:		
Amortization	**12.2**	13.0
Share-based compensation	**0.4**	2.1
Reversal of impairment of long-lived assets	**(5.2)**	(28.5)
Interest and financing costs, net	**8.1**	8.2
Restructuring and other	**-**	1.1
Foreign exchange gain and other	**(0.3)**	(0.2)
Earnings before income taxes	**$ 22.9**	$ 42.6

Property, plant and equipment, goodwill, and total assets attributable to each geographic location are as follows:

	As at March 31, 2014			As at December 31, 2013		
	Property, plant and equipment	**Goodwill**	**Total assets**	Property, plant and equipment	Goodwill	Total assets
Canada	**$ 578.3**	**$ 13.5**	**$ 898.5**	$ 583.9	$ 13.5	$ 890.0
U.S.	**12.7**	**7.4**	**26.5**	12.4	7.1	25.7
	$ 591.0	**$ 20.9**	**$ 925.0**	$ 596.3	$ 20.6	$ 915.7

[1] EBITDA is a non-IFRS measure and as defined by the Company means Earnings Before Interest and financing costs (net of interest income), Income Taxes, Depreciation and Amortization, share-based compensation, reversal of impairment of long-lived assets, restructuring and other, and foreign exchange gain and other.

18. RELATED PARTY TRANSACTIONS

As defined under IAS 24, key management personnel comprise the Company's Board of Directors and executive officers. Key management compensation was as follows:

	Three months ended March 31,			
		2014		2013
Human resources [1]	**$**	**0.5**	$	0.6
Share-based compensation [2]		**0.1**		1.3
Total	**$**	**0.6**	$	1.9

[1] Human resources includes salaries and other short-term employee benefits.

[2] Share-based compensation includes equity- and cash-settled share-based compensation described in Note 11.

As at March 31, 2014, the liabilities of the Company include amounts due to key management personnel of $0.7 (December 31, 2013 - $1.5) in "accounts payable and accrued liabilities" and $3.3 (December 31, 2013 - $3.3) in "deferred credits, provisions and other liabilities" of the condensed interim consolidated statements of financial position.

19. FACILITY DEVELOPMENT COMMISSION APPROVED AMOUNTS

The following table summarizes the changes in the Company's Approved Amounts, a term defined in the Company's operating services agreements with BCLC, to be recovered by future FDC receipts from BCLC:

	Three months ended March 31,			
		2014		2013
Opening Approved Amounts	**$**	**380.9**	$	412.0
Additional Approved Amounts		**1.6**		1.1
FDC receipts		**(8.8)**		(8.8)
Closing Approved Amounts	**$**	**373.7**	$	404.3

FDC is a reimbursement by BCLC of Approved Amounts of qualified, primarily capital, expenditures that have been incurred by the Company and is calculated as a fixed percentage of gross gaming win. Reimbursement of the Approved Amounts under the terms of BCLC's FDC policy requires that the Company's operating agreements with BCLC remain in good standing and that sufficient gross gaming win is generated. As a result, Approved Amounts have not been recorded in the condensed interim consolidated statements of financial position.

20. FAIR VALUE MEASUREMENTS

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short term nature.

The Company does not hold any Level 1 financial assets or liabilities that are based on unadjusted quoted prices trading in active markets.

The Company's long-term debt instruments are Level 2 financial instruments as they are estimated based on quoted prices that are observable for similar instruments or on the current rates offered to the Company for debt of the same maturity. As at March 31, 2014, the fair value and carrying value of the Company's cash equivalents was $30.2 (December 31, 2013 - $30.1). As at March 31, 2014, the Company's long-term debt instruments had a fair value of $473.2 (December 31, 2013 - $464.7) and a carrying value of $441.2 (December 31, 2013 - $441.0).

The Company's contingent future trailing payments are recurring Level 3 financial instruments as they require management to make assumptions regarding the measurement of fair value using significant inputs that are not based on observable market data. As at March 31, 2014, the fair value and carrying value of the Company's contingent future trailing payments was $3.3 (December 31, 2013 - $3.7). The following table reconciles the opening to the ending balances of the trailing payments:

		Trailing payments
Balance at January 1, 2014	$	3.7
Net credit to earnings[(1)]		(0.1)
Settlement		(0.3)
Balance at March 31, 2014	**$**	**3.3**

[(1)] The net credit to earnings comprise of a decrease in the estimated provision of $0.2 recorded in "restructuring and other" and accretion of $0.1 recorded in "interest and financing costs, net" on the condensed interim consolidated statements of earnings.

The valuation technique used in the determination of the fair value measurement of contingent future trailing payments is the discounted cash flow approach. The valuation model considers the present value of the cash flows expected to be paid as trailing payments. The key unobservable inputs are the estimated future slot revenues at Chances Chilliwack and the discount rate. The estimated fair value of this liability increases with higher estimated future slot revenues and lower discount rates. The calculation of the fair value of the contingent future trailing payments is performed by the Company at the end of each reporting period.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 2 and Level 3 financial instruments during the period.

GREAT CANADIAN GAMING CORPORATION
Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in millions of Canadian dollars)

		March 31, 2014	December 31, 2013
Assets			
Current			
Cash and cash equivalents	Note 4	**$ 204.7**	$ 192.6
Accounts receivable		**8.7**	7.2
Income taxes receivable		**2.8**	3.7
Prepaids, deposits and other assets		**6.9**	8.0
		223.1	211.5
Property, plant and equipment	Note 6	**591.0**	596.3
Intangible assets	Note 7	**77.1**	75.8
Goodwill	Note 8	**20.9**	20.6
Deferred tax assets		**10.3**	8.8
Other assets		**2.6**	2.7
		$ 925.0	$ 915.7
Liabilities			
Current			
Accounts payable and accrued liabilities	Note 11(c)	**$ 54.3**	$ 67.9
Other liabilities		**2.4**	2.6
		56.7	70.5
Long-term debt	Note 9	**441.2**	441.0
Deferred credits, provisions and other liabilities	Note 11(c)	**25.8**	26.4
Deferred tax liabilities		**73.6**	70.3
		597.3	608.2
Shareholders' equity			
Share capital and reserves	Note 11	**307.4**	305.1
Accumulated other comprehensive income		**1.3**	0.4
Retained earnings		**19.0**	2.0
		327.7	307.5
		$ 925.0	$ 915.7

These financial statements were approved and authorized for issue by the Company's Board of Directors on May 6, 2014

GREAT CANADIAN GAMING CORPORATION

Condensed Interim Consolidated Statements of Earnings

(Unaudited - Expressed in millions of Canadian dollars, except for per share information)

		Three months ended March 31, 2014	2013
Revenues	Note 12	**$ 103.8**	$ 100.5
Expenses			
Human resources	Note 18	**40.6**	39.1
Property, marketing and administration		**25.1**	23.1
Amortization		**12.2**	13.0
Share-based compensation	Note 11,18	**0.4**	2.1
Reversal of impairment of long-lived assets	Note 5	**(5.2)**	(28.5)
Interest and financing costs, net		**8.1**	8.2
Restructuring and other	Note 13	**-**	1.1
Foreign exchange gain and other		**(0.3)**	(0.2)
		80.9	57.9
Earnings before income taxes		**22.9**	42.6
Income taxes	Note 14	**5.9**	11.3
Net earnings		**$ 17.0**	$ 31.3
Net earnings per common share	Note 15		
Basic		**$ 0.25**	$ 0.44
Diluted		**$ 0.25**	$ 0.44
Weighted average number of common shares			
Basic		**67,459,236**	70,432,051
Diluted		**69,127,202**	71,488,532

GREAT CANADIAN GAMING CORPORATION
Condensed Interim Consolidated Statements of Comprehensive Income
(Unaudited - Expressed in millions of Canadian dollars)

	Three months ended March 31,	
	2014	2013
Net earnings	**$ 17.0**	$ 31.3
Other comprehensive income, net of tax		
Unrealized effect of foreign currency translation of foreign operations	**0.9**	0.4
Total comprehensive income	**$ 17.9**	$ 31.7

See Accompanying Notes to the Condensed Interim Consolidated Financial Statements

GREAT CANADIAN GAMING CORPORATION
Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited - Expressed in millions of Canadian dollars)

		Share Capital			Share Capital and	Accumulated Other Comprehensive	Retained Earnings	
		Number [1]	Amount	Reserves	Reserves	Income (Loss)	(Deficit)	Total
At January 1, 2013		70,436	$ 271.3	$ 42.2	$ 313.5	$ (1.0)	$ (32.2)	$ 280.3
Share-based compensation	Note 11	-	-	1.2	1.2	-	-	1.2
Exercise of incentive stock options		132	1.3	(0.4)	0.9	-	-	0.9
Common shares purchased	Note 11	(751)	(2.9)	-	(2.9)	-	(4.0)	(6.9)
Net earnings		-	-	-	-	-	31.3	31.3
Other comprehensive income		-	-	-	-	0.4		0.4
At March 31, 2013		69,817	$ 269.7	$ 43.0	$ 312.7	$ (0.6)	$ (4.9)	$ 307.2
At January 1, 2014		67,333	$ 262.7	$ 42.4	$ 305.1	$ 0.4	$ 2.0	$ 307.5
Share-based compensation	Note 11	-	-	0.4	0.4	-	-	0.4
Exercise of incentive stock options		280	2.5	(0.6)	1.9	-	-	1.9
Common shares purchased	Note 11	(1)	-	-	-	-	-	-
Net earnings		-	-	-	-	-	17.0	17.0
Other comprehensive income		-	-	-	-	0.9		0.9
At March 31, 2014		**67,612**	**$ 265.2**	**$ 42.2**	**$ 307.4**	**$ 1.3**	**$ 19.0**	**$ 327.7**

[1] Share information is presented in thousands.

GREAT CANADIAN GAMING CORPORATION
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - Expressed in millions of Canadian dollars)

		Three months ended March 31,	
		2014	2013
Cash Flows from Operating Activities			
Earnings before income taxes		**$ 22.9**	$ 42.6
Adjustments to reconcile earnings before income taxes to cash generated by operating activities:			
Amortization		**12.2**	13.0
Reversal of impairment of long-lived assets	Note 5	**(5.2)**	(28.5)
Share-based compensation	Note 11,18	**0.4**	2.1
Interest and financing cost, net		**8.1**	8.2
Foreign exchange gain and other		**(0.3)**	(0.2)
Other		**(0.4)**	(0.3)
Changes in non-cash operating working capital	Note 16	**(3.4)**	3.1
Income taxes paid		**(3.3)**	(4.9)
Cash generated by operating activities		**31.0**	35.1
Cash Flows from Investing Activities			
Purchase of property, plant and equipment, net of related accounts payable		**(6.0)**	(6.1)
Interest income received		**0.4**	0.3
Other		**(0.1)**	(0.9)
Cash used in investing activities		**(5.7)**	(6.7)
Cash Flows from Financing Activities			
Proceeds from exercise of incentive stock options, net of issuance costs		**1.9**	0.9
Purchase of common shares	Note 11	**-**	(6.7)
Interest paid		**(15.6)**	(15.8)
Cash used in financing activities		**(13.7)**	(21.6)
Effect of foreign exchange on cash and cash equivalents		**0.5**	0.3
Cash inflow		**12.1**	7.1
Cash and cash equivalents, beginning of period		**192.6**	121.1
Cash and cash equivalents, end of period	Note 4	**$ 204.7**	$ 128.2

1. NATURE OF BUSINESS

Great Canadian Gaming Corporation (the "Company") operates gaming, entertainment, and hospitality facilities in British Columbia, Ontario, Nova Scotia, and Washington State. The Company's 17 gaming properties consist of three community gaming centres, four racetracks and ten casinos, including one with a Four Diamond hotel resort.

Great Canadian Gaming Corporation is a publicly listed company incorporated in Canada under the Company Act (British Columbia). The Company's common shares are listed on the Toronto Stock Exchange ("TSX") under TSX symbol: "GC". The principal office is located at 350-13775 Commerce Parkway, Richmond, British Columbia, V6V 2V4. The registered and records office is located at 1500-1055 West Georgia Street, Vancouver, BC, V6E 4N7.

2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*. Certain information and note disclosures normally included in the audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. As a result, these condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2013 ("Annual Financial Statements").

These condensed interim consolidated financial statements were prepared using the same accounting policies as set out in the Company's Annual Financial Statements. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the condensed interim consolidated financial statements are disclosed in Note 3 of the Company's Annual Financial Statements.

3. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2014, the Company adopted the following revised IASs and IFRSs issued by the IASB and interpretation of the International Financial Reporting Standards Interpretations Committee ("IFRIC"). These revised standards and interpretation did not have a material impact on the Company's condensed interim consolidated financial statements.

- *IAS 32, Financial Instruments: Presentation* – amended to clarify under what circumstances financial assets and financial liabilities should be offset.

- *IAS 36, Impairment of Assets* – amended to clarify the standard's disclosure requirements and require the disclosure of the discount rate used in determining an impairment value calculated using a present value technique.

- *IFRS 10, Consolidated Financial Statements ("IFRS 10"), IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12") and IAS 27, Separate Financial Statements ("IAS 27")* – IFRS 10 has been amended to introduce an exception from the requirement to consolidate subsidiaries for an investment entity. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities. IFRS 12 and IAS 27 have been amended to introduce new disclosure requirements for investment entities.

- *IFRIC 21, Levies* – provides guidance for applying IAS 37, *Provisions, contingent liability and contingent assets*, with respect to when a company should recognize a liability for a levy imposed by a government.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

Recent accounting pronouncements

The IASB issued the following new and revised accounting pronouncements, which are not expected to have a material impact on the Company's consolidated financial statements:

- *IFRS 2, Share based payments* – amended the definitions of "vesting condition" and "market conditions" and added definitions for "performance condition" and service condition". These amendments apply to share based payment transactions with a grant date on or after July 1, 2014.

- *IFRS 8, Operating Segments* – amended to require the disclosure of the judgements made by management in applying the aggregation criteria to operating segments and to clarify that the reconciliation of the segment assets is required if they are regularly provided to the chief operation decision-maker. It is effective for annual periods beginning on or after July 1, 2014.

- *IFRS 13, Fair Value Measurement ("IFRS 13")* – the Basis of Conclusions was amended to clarify that issuing IFRS 13 and amending IFRS 9, *Financial Instruments* ("IFRS 9") and IAS 39, *Financial Instruments: Recognition and measurement* ("IAS 39") did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis. IFRS 13 was also amended to clarify the scope of the portfolio exception. It is effective for annual periods beginning on or after July 1, 2014.

- *IAS 16, Property, Plant and Equipment and IAS 38, Intangible assets* – amended to clarify that, under the revaluation method, the gross amount of property, plant and equipment and intangible asset is adjusted in a manner consistent with the revaluation of the carrying amount of the asset. It is effective for annual periods beginning on or after July 1, 2014.

- *IAS 24, Related Party Disclosures ("IAS 24")* – amended to clarify how payments to entities providing management services are to be disclosed. It is effective for annual periods beginning on or after July 1, 2014.

- *IFRS 9* – replaces IAS 39. IFRS 9 simplifies the classification and measurement requirements for financial instruments, which replaces the multiple classification and measurement models in IAS 39. The IASB tentatively decided that the mandatory effective date will be for annual periods beginning on or after January 1, 2018.

4. CASH AND CASH EQUIVALENTS

	March 31, 2014	December 31, 2013
Cash in banks	**$ 166.8**	$ 152.4
Cash floats	**7.7**	10.1
Cash equivalents	**30.2**	30.1
	$ 204.7	$ 192.6

5. REVERSAL OF IMPAIRMENT OF LONG-LIVED ASSETS AND IMPAIRMENT OF GOODWILL

In March 2012, the Government of Ontario announced the cancellation of the "Slots at Racetracks" program for all Ontario racetracks. As a result of this announcement, OLG was directed to both end this program on March 31, 2013 and strategically redistribute the province's slot facilities in an effort to modernize that province's gaming model. On March 29, 2012, OLG provided notice that the site holder agreements with the Company's Ontario racetracks would terminate on March 31, 2013. Georgian Downs' site holder agreement was otherwise scheduled to expire in November 2021 and Flamboro Downs' site holder agreement was otherwise scheduled to expire in April 2016.

As a result of the early termination of the Georgian Downs site holder agreement, the Company recorded impairments of goodwill, intangible assets, and property, plant and equipment of $3.2, $8.2, and $13.2, respectively. The Company also recorded impairments of intangible assets and property, plant and equipment of $24.2 and $5.2, respectively, in connection with the Flamboro Downs site holder agreement. In addition, during the year ended December 31, 2012, the Company recorded $10.3 of impairment related to land in Ontario that was written down to its estimated recoverable amount.

On March 9, 2013, the Company and OLG signed non-binding letters of intent governing the slot machine areas at the Ontario racetracks. Under the terms of these letters, OLG would lease these areas for a five-year term commencing April 1, 2013. The Company and OLG operated as though the key provisions of these leases came into effect on April 1, 2013. On November 29, 2013, the Company signed definitive agreements with OLG related to these letters of intent.

On March 26, 2013, the Company and the Government of Ontario signed non-binding letters of intent governing horse racing operations at the Ontario racetracks. On May 24, 2013, the Company signed binding agreements (the "Ontario Racing Agreements") with the Government of Ontario for horse racing transition funding. The funding provided support to continue horse racing at the Ontario racetracks for up to two years beyond March 31, 2013 and was conditional upon achievement of specific cost reduction targets. The Company continued to work with the Ontario government and the province's horse racing industry to pursue a longer-term, more sustainable business model for horse racing in Ontario.

On April 26, 2013, Georgian Downs received from OLG a one-time settlement payment of $31.5 in connection with the Georgian Downs facility, and the Company and Georgian Downs provided OLG with a release of claims. The settlement payment was recorded as a reduction of Georgian Downs' property, plant and equipment.

During the first quarter of 2013, as a result of signing the non-binding letters of intent with OLG, the anticipated future execution of definitive agreements, and the settlement payment received from OLG on April 26, 2013, the Company recorded reversals of impairments related to Georgian Downs' and Flamboro Downs' intangible assets and property, plant and equipment.

In April 2014, as a result of signing the Standardbred Alliance agreements with five other Ontario racetrack operators and the Ontario Racing Commission, the Company secured racing funding for its Georgian Downs and Flamboro Downs racetracks for up to five years and will work with the Standardbred Alliance to realize racing operating cost efficiencies. As a result, Flamboro Downs recorded a $5.2 long-lived asset impairment reversal at March 31, 2014.

5. REVERSAL OF IMPAIRMENT OF LONG-LIVED ASSETS AND IMPAIRMENT OF GOODWILL (Continued)

The following table summarizes the impairments during 2012 and the impairment reversals during 2013 and 2014 by property and by asset class:

	Georgian Downs				Flamboro Downs		
	Property, plant and equipment	Intangible assets	Goodwill	Total	Property, plant and equipment	Intangible assets	Total
Carrying amount at January 1, 2012	$ 64.9	$ 25.5	$ 3.2	$ 93.6	$ 13.9	$ 40.6	$ 54.5
Net additions and amortization	(1.9)	(1.7)	-	(3.6)	(1.3)	(4.6)	(5.9)
Impairments	(23.5)	(8.2)	(3.2)	(34.9)	(5.2)	(24.2)	(29.4)
Carrying amount at December 31, 2012	$ 39.5	$ 15.6	$ -	$ 55.1	$ 7.4	$ 11.8	$ 19.2
Net additions and amortization	(0.5)	(0.3)	-	(0.8)	(0.4)	(1.3)	(1.7)
Impairment reversals	11.7	8.0	-	19.7	1.5	7.3	8.8
Carrying amount at March 31, 2013	$ 50.7	$ 23.3	$ -	$ 74.0	$ 8.5	$ 17.8	$ 26.3
Net additions and amortization	0.4	(0.3)	-	0.1	(0.1)	(0.9)	(1.0)
Settlement payment	(31.5)	-	-	(31.5)	-	-	-
Carrying amount at June 30, 2013	$ 19.6	$ 23.0	$ -	$ 42.6	$ 8.4	$ 16.9	$ 25.3
Net additions and amortization	(0.2)	(0.5)	-	(0.7)	(0.3)	(1.8)	(2.1)
Carrying amount at December 31, 2013	$ 19.4	$ 22.5	$ -	$ 41.9	$ 8.1	$ 15.1	$ 23.2
Net additions and amortization	**(0.1)**	**(0.3)**	**-**	**(0.4)**	**(0.1)**	**(0.9)**	**(1.0)**
Impairment reversal	**-**	**-**	**-**	**-**	**1.0**	**4.2**	**5.2**
Carrying amount at March 31, 2014	**$ 19.3**	**$ 22.2**	**$ -**	**$ 41.5**	**$ 9.0**	**$ 18.4**	**$ 27.4**

The recoverable amounts for long-lived assets and goodwill at March 31, 2014 were determined based on the value in use method, which estimates the net present value of the future cash flows expected to be generated, using an after-tax discount rate based on the Company's weighted-average cost of capital. The estimates of future cash flows require a number of key assumptions about future business performance. These assumptions and estimates are primarily based on the relevant business' historical experience and economic trends, and consider past and ongoing communications with relevant stakeholders of the Company. These key assumptions include the future revenue levels, human resources and property, marketing and administration expenses, and the expected useful life of the CGU. The assumptions are subject to a number of factors and it is possible that actual results could vary materially from management's estimates. As the carrying values of Georgian Downs' and Flamboro Downs' long-lived assets as at March 31, 2014 were equal to their estimated recoverable amounts, a subsequent change in any key assumption utilized in the estimate of future cash flows may result in a further impairment loss or reversal of an impairment loss.

In connection with the impairments and subsequent impairment reversals recorded for Georgian Downs and Flamboro Downs, the Company revised the estimated remaining useful lives of its intangible assets and property, plant and equipment. The net effect of this change in estimate of remaining useful lives, the impairments and the impairment reversals will be a $0.3 increase in the annual non-cash amortization expense related to these assets on a prospective basis, when compared to the year ended December 31, 2013.

6. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Building Improvements	Leasehold Improvements	Equipment	Properties Under Development	Total
Cost						
Balance at January 1, 2013	$ 82.3	$ 681.4	$ 81.4	$ 109.2	$ 11.0	$ 965.3
Additions	-	0.4	0.1	3.4	24.3	28.2
Settlement payment [(1)]	-	(31.5)	-	-	-	(31.5)
Disposals	-	-	-	(0.3)	-	(0.3)
Reclassifications	0.1	22.2	0.9	5.1	(28.3)	-
Translation and other	0.2	0.7	0.2	0.4	-	1.5
Balance at December 31, 2013	$ 82.6	$ 673.2	$ 82.6	$ 117.8	$ 7.0	$ 963.2
Additions	**-**	**-**	**-**	**0.8**	**1.7**	**2.5**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**
Reclassifications	**-**	**0.4**	**-**	**0.4**	**(0.8)**	**-**
Translation and other	**0.1**	**0.4**	**0.2**	**0.2**	**-**	**0.9**
Balance at March 31, 2014	**$ 82.7**	**$ 674.0**	**$ 82.8**	**$ 119.2**	**$ 7.9**	**$ 966.6**
Accumulated amortization and impairments						
Balance at January 1, 2013	$ (11.2)	$ (182.0)	$ (54.1)	$ (93.3)	$ (3.4)	$ (344.0)
Amortization	-	(25.3)	(3.5)	(6.9)	-	(35.7)
Disposals	-	-	-	0.3	-	0.3
Impairment reversals [(2)]	-	13.0	-	0.2	-	13.2
Translation and other	-	(0.2)	(0.2)	(0.3)	-	(0.7)
Balance at December 31, 2013	$ (11.2)	$ (194.5)	$ (57.8)	$ (100.0)	$ (3.4)	$ (366.9)
Amortization	**-**	**(6.5)**	**(0.8)**	**(2.0)**	**-**	**(9.3)**
Impairment reversal [(3)]	**-**	**0.9**	**-**	**0.1**	**-**	**1.0**
Translation and other	**-**	**(0.1)**	**(0.1)**	**(0.2)**	**-**	**(0.4)**
Balance at March 31, 2014	**$ (11.2)**	**$ (200.2)**	**$ (58.7)**	**$ (102.1)**	**$ (3.4)**	**$ (375.6)**
Carrying amount						
At December 31, 2013	$ 71.4	$ 478.7	$ 24.8	$ 17.8	$ 3.6	$ 596.3
At March 31, 2014	**$ 71.5**	**$ 473.8**	**$ 24.1**	**$ 17.1**	**$ 4.5**	**$ 591.0**

[(1)] The settlement payment received from OLG relates to the Georgian Downs facility (see Note 5).

[(2)] The impairment reversals relate to Georgian Downs and Flamboro Downs (see Note 5).

[(3)] The impairment reversal relates to Flamboro Downs (see Note 5).

7. INTANGIBLE ASSETS

	BC Gaming Operating Agreements	Nova Scotia Gaming Operating Agreement	Ontario Siteholder/ Lease Agreements	Other	Total
Cost					
Balance at January 1, 2013, January 1, 2014 and March 31, 2014	**$ 81.4**	**$ 34.6**	**$ 106.0**	**$ 2.5**	**$ 224.5**
Accumulated amortization and impairments					
Balance at January 1, 2013	$ (47.3)	$ (23.9)	$ (78.6)	$ (1.4)	$ (151.2)
Amortization	(3.2)	(4.3)	(5.1)	(0.2)	(12.8)
Impairment reversals [1]	-	-	15.3	-	15.3
Balance at January 1, 2014	$ (50.5)	$ (28.2)	$ (68.4)	$ (1.6)	$ (148.7)
Amortization	**(0.6)**	**(1.1)**	**(1.2)**	**-**	**(2.9)**
Impairment reversal [2]	**-**	**-**	**4.2**	**-**	**4.2**
Balance at March 31, 2014	**$ (51.1)**	**$ (29.3)**	**$ (65.4)**	**$ (1.6)**	**$ (147.4)**
Carrying amount					
At December 31, 2013	$ 30.9	$ 6.4	$ 37.6	$ 0.9	$ 75.8
At March 31, 2014	**$ 30.3**	**$ 5.3**	**$ 40.6**	**$ 0.9**	**$ 77.1**

[1] The impairment reversals relate to Georgian Downs and Flamboro Downs (see Note 5).
[2] The impairment reversal relates to Flamboro Downs (see Note 5).

8. GOODWILL

	Total
Cost	
Balance at January 1, 2013	$ 47.4
Foreign exchange movements	0.5
Balance at January 1, 2014	$ 47.9
Foreign exchange movements	0.3
Balance at March 31, 2014	**$ 48.2**
Impairments	
Balance at January 1, 2013, January 1, 2014 and March 31, 2014	**$ (27.3)**

Carrying amount	GCC [1]	GCEC [2]	ORL [3]	Great American Casinos	Total
At December 31, 2013	$ 1.6	$ 3.8	$ 8.1	$ 7.1	$ 20.6
At March 31, 2014	**$ 1.6**	**$ 3.8**	**$ 8.1**	**$ 7.4**	**$ 20.9**

[1] "GCC" means Great Canadian Casinos Inc., a wholly-owned subsidiary of the Company.
[2] "GCEC" means Great Canadian Entertainment Centres Ltd., a wholly-owned subsidiary of the Company.
[3] "ORL" means Orangeville Raceway Limited, a wholly-owned subsidiary of the Company.

9. LONG-TERM DEBT

	March 31, 2014	December 31, 2013
Senior Unsecured Notes, net of unamortized transaction costs of $8.8 (2013 - $9.0)	**$ 441.2**	$ 441.0

As at March 31, 2014 and December 31, 2013, the Company's long-term debt facilities consist of $450.0 Senior Unsecured Notes ("Senior Unsecured Notes") and a $350.0 Senior Secured Revolving Credit Facility (the "Revolving Credit Facility").

a) *Senior Unsecured Notes*

On July 24, 2012, the Company completed a long-term debt refinancing and issued $450.0 of 6.625% Senior Unsecured Notes due on July 25, 2022. The net proceeds were $439.5 after transaction costs of $10.5. The use of proceeds included repayment of the US$161.1 Senior Secured Term Loan B ("Term Loan B"), repurchase or redemption of the US$170.0 Senior Subordinated Notes ("Subordinated Notes"), settlement of the derivative liabilities associated with the related cross-currency interest rate and principal swaps, and the remainder was retained for general corporate purposes.

The Senior Unsecured Notes are guaranteed by the Company's material restricted subsidiaries as defined in the long-term debt agreement covering the Trust Indenture. Interest on the Senior Unsecured Notes is payable semi-annually in arrears on January 25 and July 25 of each year. There are customary provisions for early redemptions of the Senior Unsecured Notes during defined periods prior to maturity with payment of defined premiums.

Transaction costs of approximately $10.5 associated with the issuance of the Senior Unsecured Notes were primarily related to underwriting fees, legal fees, and other expenses, and are amortized through the "interest and financing costs, net" of the condensed interim consolidated statements of earnings over the term of the Senior Unsecured Notes using the effective interest method.

b) *Revolving Credit Facility*

As at March 31, 2014, subject to compliance with the related financial covenants, the Company has $320.2 (December 31, 2013 - $320.2) of available credit on its Revolving Credit Facility after deducting outstanding letters of credit of $29.8 (December 31, 2013 - $29.8). The counterparties to this facility are major financial institutions with minimum "A" credit ratings.

On July 24, 2012, the Company extended the maturity of its Credit and Guarantee Agreement ("Credit Agreement"), which covers the terms of its $350.0 Revolving Credit Facility by one year to July 21, 2017. The interest rate on advanced amounts and the commitment fee on the unused facility are based on the Company's Total Debt to Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio (as defined in the underlying Credit Agreement), which is calculated quarterly on a trailing twelve month basis (see Note 10).

Transaction costs associated with past refinancing of the Revolving Credit Facility totalling $0.5 during the year 2012 are included in the "other assets" line of the condensed interim consolidated statements of financial position and are amortized through the "interest and financing costs, net" line of the condensed interim consolidated statements of earnings over the term of the Revolving Credit Facility using the effective interest method.

The Revolving Credit Facility is guaranteed and secured by substantially all of the assets of the Company and its subsidiaries. The Revolving Credit Facility requires the Company to comply with certain operational and financial covenants (which are defined in the underlying agreements). The financial covenants which are calculated quarterly on a trailing twelve month basis are: Total Debt to Adjusted EBITDA ratio of 5.00 or less, Senior Secured Debt to Adjusted EBITDA ratio of 3.50 or less, and Interest Coverage ratio of 2.25 or more (see Note 10).

10. CAPITAL DISCLOSURES

The Company's capital structure comprises:

- Shareholders' equity;
- Long-term debt;
- Cash and cash equivalents; and
- Outstanding letters of credit.

The Company's objectives are to maintain a flexible capital structure that optimizes the cost of capital at acceptable risk levels and to manage capital in a manner that balances the interests of equity and debt holders. The Company manages its capital structure in light of changes in economic conditions and the risk characteristics of the Company's operations. The Company's major capital allocation decisions include a comparison of the expected financial returns from those investments to its estimated weighted-average cost of capital. The Company currently plans to use its cash and cash equivalents, cash flows from operations, and established debt facilities to finance its business development plans.

The Company monitors its capital structure and must comply with certain financial covenants related to its long-term debt. The Company intends to manage its capital by operating at a level that provides a conservative margin compared to the limits of its covenants.

As at March 31, 2014, the Company was in compliance with its financial covenants as shown below:

Covenant test	Required ratio	Actual ratio
Total Debt to Adjusted EBITDA ratio (1)	< 5.00	2.50
Senior Secured Debt to Adjusted EBITDA ratio (1)	< 3.50	0.00
Interest Coverage ratio (1)	> 2.25	5.65
Fixed Charge Coverage ratio (2)	> 2.00	5.67

(1) Calculated on a trailing twelve month basis and defined in the Credit Agreement, as amended on July 24, 2012.
(2) Calculated on a trailing twelve month basis and tested on specified events as defined in the long-term debt agreement covering the Trust Indenture dated July 24, 2012.

As part of its capital structure monitoring process, the Company's independent credit ratings as at March 31, 2014 were as follows:

	Moody's	Standard & Poor's
Corporate	Ba3 Stable	BB+ Stable
Revolving Credit Facility	Ba1	BBB
Senior Unsecured Notes	B1	BB+

11. SHARE CAPITAL AND RESERVES

The Company is authorized to issue an unlimited number of common shares with no par value.

a) Normal course issuer bid

During the three months ended March 31, 2014, the Company purchased 800 common shares at a volume weighted-average price per share of $14.02 under its normal course issuer bid. This bid allows the Company to purchase up to 4,231,075 of its common shares, commenced on January 30, 2014, and expires on January 29, 2015, or earlier if the number of shares approved for purchase in the issuer bid has been obtained. All shares purchased by the Company were cancelled.

During the three months ended March 31, 2013, the Company purchased 751,040 common shares at a volume weighted-average price per share of $9.29 under its normal course issuer bid which expired January 29, 2014. All shares purchased by the Company were subsequently cancelled.

b) Share option plan

The changes in the number of share options and their weighted-average exercise price during the three months ended March 31, 2014 and the year ended December 31, 2013 were as follows:

	March 31, 2014		December 31, 2013	
	Options [1]	**Weighted-Average Exercise Price**	Options [1]	Weighted-Average Exercise Price
Outstanding, beginning of period	**4,155**	**$ 8.02**	4,493	$ 7.08
Granted	**1,511**	**13.64**	1,432	9.11
Forfeited	**(1)**	**9.11**	(81)	8.68
Expired	**-**	**-**	(280)	13.40
Exercised	**(280)**	**6.95**	(1,409)	5.00
Outstanding, end of period	**5,385**	**$ 9.65**	4,155	$ 8.02

[1] Option information is presented in thousands.

The fair values of share options granted to employees at the time of the grant and the weighted-average assumptions used in applying the Black-Scholes option pricing model were as follows:

	Three months ended March 31,	
	2014	2013
Option award fair value	**$ 2.62**	$ 1.54
Risk-free interest rate	**1.3%**	1.1%
Expected lives	**3.5 years**	2.5 years
Expected volatility [2]	**23.0%**	25.0%
Dividend yield	**0.0%**	0.0%

[2] Based on the historical volatility of the Company's share price over the most recent period commensurate with the expected lives of the option.

During the three months ended March 31, 2014, the Company recorded equity-settled share-based compensation expense of $0.4 (2013 - $1.2).

11. SHARE CAPITAL AND RESERVES (Continued)

c) Deferred Share Units ("DSUs") and Restricted Share Units ("RSUs")

The changes in DSUs and RSUs provided to non-employee directors of the Company during the three months ended March 31, 2014 and the year ended December 31, 2013 were as follows:

	March 31, 2014		December 31, 2013	
Number of Units [1]	**DSUs**	**RSUs**	DSUs	RSUs
Outstanding, beginning of period	**278**	**-**	216	17
Issued	**4**	**-**	108	8
Settled in cash	**-**	**-**	(46)	(25)
Outstanding, end of period	**282**	**-**	278	-

[1] DSU and RSU information is presented in thousands.

The Company recorded a liability of $3.3 in "deferred credits, provisions and other liabilities" at March 31, 2014 (December 31, 2013 - $3.3), $0.5 in "accounts payable and accrued liabilities" at March 31, 2014 (December 31, 2013 - $0.5), and cash-settled share-based compensation expense of $nil for the three months ended March 31, 2014 (2013 - $0.9).

Effective January 1, 2014, the Company introduced a new employee incentive program. The new program contains the opportunity for eligible employees to be awarded employee cash-settled RSUs if they exceed certain business targets for a prior fiscal year. Any RSUs so granted would vest over two years from the date of grant.

12. REVENUES

	Three months ended March 31	
	2014	2013
Gaming revenues	**$ 71.1**	$ 74.9
Facility Development Commission	**8.8**	8.8
Hospitality, lease and other revenues	**25.6**	18.2
Racetrack revenues	**3.3**	3.2
	108.8	105.1
Less: Promotional allowances	**(5.0)**	(4.6)
	$ 103.8	$ 100.5

13. RESTRUCTURING AND OTHER

	Three months ended March 31,			
		2014		2013
Severance	**$**	**0.2**	$	1.0
Business development and other		**(0.2)**		0.1
	$	**-**	$	1.1

14. INCOME TAXES

	Three months ended March 31			
		2014		2013
Applicable federal and provincial statutory income tax rates [(1)]		**26.0%**		25.0%
Earnings (loss) before income taxes	**$**	**22.9**	$	42.6
Expected income tax expense (recovery) for the period		**6.0**		10.7
Effect of:				
Non-deductible share-based compensation		**0.1**		0.3
Impact of different jurisdictional statutory tax rates on earnings of subsidiaries		**-**		0.4
Other items		**(0.2)**		(0.1)
	$	**5.9**	$	11.3

[(1)] The applicable federal and provincial statutory income tax rate used for the 2014 and 2013 reconciliations above is the income tax rate payable by corporate entities in the province of British Columbia on taxable profits under tax law in that jurisdiction. The rate increased effective April 1, 2013 from 25% to 26% due to an increase in the provincial income tax rate of 1%.

The Company's operations are conducted in countries with complex tax legislation and regulations pertaining to the Company's activities. Any reassessment of the Company's tax filings by the tax authorities may result in material adjustments to taxable income or loss, deferred tax assets or liabilities and operating or capital loss carry-forwards.

15. NET EARNINGS PER COMMON SHARE

The following table sets forth the computation of basic and diluted net earnings per common share attributable to the shareholders of the Company:

		Three months ended March 31,	
		2014	2013
Net earnings	(A)	**$ 17.0**	$ 31.3
Weighted-average number of common shares outstanding [1]	(B)	**67,459**	70,432
Dilutive adjustment for stock options [1]		**1,668**	1,057
Diluted weighted-average number of common shares [1]	(C)	**69,127**	71,489
Net earnings per common share			
Basic	(A/B)	**$ 0.25**	$ 0.44
Diluted	(A/C)	**$ 0.25**	$ 0.44

[1] Share information is presented in thousands.

The following table summarizes the outstanding stock options that are anti-dilutive and are not included in the above calculation:

	Three months ended March 31,	
	2014	2013
Options [2]	**1,511**	1,465

[2] Option information is presented in thousands.

16. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	Three months ended March 31	
	2014	2013
Accounts receivable	**(1.7)**	1.5
Prepaids, deposits and other assets	**1.2**	0.5
Accounts payable and accrued liabilities	**(2.9)**	1.1
	$ (3.4)	$ 3.1

17. SEGMENT INFORMATION

The Company's management considers each of its gaming properties to be an operating segment since it reviews their operating results, assesses their performance, and makes resource allocations decisions on a property-by-property basis. The Company has aggregated these operations as one reportable segment based on their similar economic characteristics, types of customers, types of services and products provided, the regulatory environment in which they operate and their management and reporting structure.

The Company also conducts its business in two geographic areas: Canada and the United States ("US"). Revenues, EBITDA[1] and additions to long-lived assets and goodwill attributable to these geographic locations are as follows:

	Three months ended March 31, 2014			Three months ended March 31, 2013		
	Revenues	**EBITDA**	**Additions to long-lived assets and goodwill**	Revenues	EBITDA	Additions to long-lived assets and goodwill
Canada	**$ 96.8**	**$ 36.9**	**$ 2.5**	$ 94.7	$ 37.4	$ 7.0
U.S.	**7.0**	**1.2**	**-**	5.8	0.9	-
	$ 103.8	**$ 38.1**	**$ 2.5**	$ 100.5	$ 38.3	$ 7.0

The following table is a reconciliation of EBITDA, as presented in the above tables, to earnings before income taxes as presented in the Company's condensed interim consolidated statements of earnings:

	Three months ended March 31, 2014	2013
EBITDA	**$ 38.1**	$ 38.3
Less:		
Amortization	**12.2**	13.0
Share-based compensation	**0.4**	2.1
Reversal of impairment of long-lived assets	**(5.2)**	(28.5)
Interest and financing costs, net	**8.1**	8.2
Restructuring and other	**-**	1.1
Foreign exchange gain and other	**(0.3)**	(0.2)
Earnings before income taxes	**$ 22.9**	$ 42.6

Property, plant and equipment, goodwill, and total assets attributable to each geographic location are as follows:

	As at March 31, 2014			As at December 31, 2013		
	Property, plant and equipment	**Goodwill**	**Total assets**	Property, plant and equipment	Goodwill	Total assets
Canada	**$ 578.3**	**$ 13.5**	**$ 898.5**	$ 583.9	$ 13.5	$ 890.0
U.S.	**12.7**	**7.4**	**26.5**	12.4	7.1	25.7
	$ 591.0	**$ 20.9**	**$ 925.0**	$ 596.3	$ 20.6	$ 915.7

[1] EBITDA is a non-IFRS measure and as defined by the Company means Earnings Before Interest and financing costs (net of interest income), Income Taxes, Depreciation and Amortization, share-based compensation, reversal of impairment of long-lived assets, restructuring and other, and foreign exchange gain and other.

18. RELATED PARTY TRANSACTIONS

As defined under IAS 24, key management personnel comprise the Company's Board of Directors and executive officers. Key management compensation was as follows:

	Three months ended March 31,	
	2014	2013
Human resources [1]	**$ 0.5**	$ 0.6
Share-based compensation [2]	**0.1**	1.3
Total	**$ 0.6**	$ 1.9

[1] Human resources includes salaries and other short-term employee benefits.

[2] Share-based compensation includes equity- and cash-settled share-based compensation described in Note 11.

As at March 31, 2014, the liabilities of the Company include amounts due to key management personnel of $0.7 (December 31, 2013 - $1.5) in "accounts payable and accrued liabilities" and $3.3 (December 31, 2013 - $3.3) in "deferred credits, provisions and other liabilities" of the condensed interim consolidated statements of financial position.

19. FACILITY DEVELOPMENT COMMISSION APPROVED AMOUNTS

The following table summarizes the changes in the Company's Approved Amounts, a term defined in the Company's operating services agreements with BCLC, to be recovered by future FDC receipts from BCLC:

	Three months ended March 31,	
	2014	2013
Opening Approved Amounts	**$ 380.9**	$ 412.0
Additional Approved Amounts	**1.6**	1.1
FDC receipts	**(8.8)**	(8.8)
Closing Approved Amounts	**$ 373.7**	$ 404.3

FDC is a reimbursement by BCLC of Approved Amounts of qualified, primarily capital, expenditures that have been incurred by the Company and is calculated as a fixed percentage of gross gaming win. Reimbursement of the Approved Amounts under the terms of BCLC's FDC policy requires that the Company's operating agreements with BCLC remain in good standing and that sufficient gross gaming win is generated. As a result, Approved Amounts have not been recorded in the condensed interim consolidated statements of financial position.

20. FAIR VALUE MEASUREMENTS

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short term nature.

The Company does not hold any Level 1 financial assets or liabilities that are based on unadjusted quoted prices trading in active markets.

The Company's long-term debt instruments are Level 2 financial instruments as they are estimated based on quoted prices that are observable for similar instruments or on the current rates offered to the Company for debt of the same maturity. As at March 31, 2014, the fair value and carrying value of the Company's cash equivalents was $30.2 (December 31, 2013 - $30.1). As at March 31, 2014, the Company's long-term debt instruments had a fair value of $473.2 (December 31, 2013 - $464.7) and a carrying value of $441.2 (December 31, 2013 - $441.0).

The Company's contingent future trailing payments are recurring Level 3 financial instruments as they require management to make assumptions regarding the measurement of fair value using significant inputs that are not based on observable market data. As at March 31, 2014, the fair value and carrying value of the Company's contingent future trailing payments was $3.3 (December 31, 2013 - $3.7). The following table reconciles the opening to the ending balances of the trailing payments:

	Trailing payments
Balance at January 1, 2014	$ 3.7
Net credit to earnings[(1)]	(0.1)
Settlement	(0.3)
Balance at March 31, 2014	**$ 3.3**

(1) The net credit to earnings comprise of a decrease in the estimated provision of $0.2 recorded in "restructuring and other" and accretion of $0.1 recorded in "interest and financing costs, net" on the condensed interim consolidated statements of earnings.

The valuation technique used in the determination of the fair value measurement of contingent future trailing payments is the discounted cash flow approach. The valuation model considers the present value of the cash flows expected to be paid as trailing payments. The key unobservable inputs are the estimated future slot revenues at Chances Chilliwack and the discount rate. The estimated fair value of this liability increases with higher estimated future slot revenues and lower discount rates. The calculation of the fair value of the contingent future trailing payments is performed by the Company at the end of each reporting period.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 2 and Level 3 financial instruments during the period.

GREAT CANADIAN GAMING CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2013

As at March 4, 2014

(Expressed in millions of Canadian dollars, except for per share information)

TABLE OF CONTENTS

Page

INTRODUCTION ... 1

- Basis of Discussion and Analysis ... 1
- Non-IFRS Measures ... 1
- Forward-Looking Information ... 2

FINANCIAL HIGHLIGHTS ... 4

BUSINESS DESCRIPTION ... 7

- General ... 8
- Business Strategy ... 9
- Operations ... 10

MAJOR DEVELOPMENTS ... 15

MARKET UPDATE ... 22

CONSOLIDATED RESULTS OF OPERATIONS ... 23

- Discussion of Results ... 24
  - *River Rock Casino Resort* ... 25
  - *Boulevard Casino (now “Hard Rock Casino Vancouver”)* ... 27
  - *Vancouver Island Casinos* ... 29
  - *Other BC Casinos* ... 30
  - *Nova Scotia Casinos* ... 32
  - *Great American Casinos* ... 34
  - *BC Racinos* ... 36
  - *Ontario Racetracks* ... 38
  - *Corporate & Other* ... 40
- Discussion of Items Excluded from EBITDA ... 41

CONSOLIDATED QUARTERLY RESULTS TREND ... 43

LIQUIDITY AND CAPITAL RESOURCES ... 44

- Financial Position ... 45
- Cash Flows ... 46
- Capital Resources ... 47
- Capital Spending and Development ... 48
- Contingencies ... 49
- Litigation ... 49
- Guarantees and Indemnifications ... 49
- Commitments ... 50
- Future Cash Requirements ... 50

OTHER FINANCIAL INFORMATION ... 51

SUPPLEMENTAL FINANCIAL INFORMATION ... 58

INTRODUCTION

Basis of Discussion and Analysis

This management's discussion and analysis ("MD&A") of the financial highlights, major developments, consolidated results of operations, consolidated quarterly results trend, liquidity and capital resources, and other financial information of Great Canadian Gaming Corporation ("Great Canadian", the "Company", "we", "our") is dated as of March 4, 2014.

This MD&A should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2013 ("Annual Financial Statements"). The Annual Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless expressly stated otherwise, all financial information is expressed in Canadian dollars.

Capitalized terms are either defined when they first appear or are defined at the end of this MD&A in the section titled "Other Financial Information – Definitions of Other Terms Used in the MD&A".

Non-IFRS Measures

The following non-IFRS definitions are used in this MD&A because management believes that they provide useful information regarding our ongoing operations. Readers are cautioned that the definitions are not recognized measures under IFRS, do not have standardized meanings prescribed by IFRS, and should not be construed to be alternatives to revenues and net earnings (loss) determined in accordance with IFRS 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, share-based compensation, (reversal of) impairment of long-lived assets, impairment of goodwill, litigation settlement, restructuring and other, and foreign exchange (gain) loss and other. EBITDA is derived from the consolidated statements of earnings (loss), 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 management about the operating and financial performance of the Company and its ability to generate operating cash flow to fund future working capital needs, service outstanding debt and fund future capital expenditures. EBITDA is also used by the investors and analysts for the purpose of valuing the Company. A reconciliation of EBITDA to shareholders' net earnings (loss) under IFRS is shown in the "Consolidated Results of Operations" section of this MD&A.

Adjusted net earnings, as defined by the Company, means net earnings (loss) plus or minus items of note that management may reasonably quantify and that it believes will provide the reader with a better understanding of the Company's underlying business performance. Items of note may vary from time to time and in this MD&A include (reversal of) impairment of long-lived assets and goodwill, a special share-based award to employees for Company share purchases, rebranding and pre-opening costs for Hard Rock Casino Vancouver, Chances Maple Ridge and Chances Chilliwack, one-time non-recurring accelerated FDC at Chances Chilliwack, litigation settlement, equity investment loss, FDC revenues previously deferred at Fraser Downs, without prejudice dispute resolution payments received from the Ontario Lottery and Gaming Corporation ("OLG"), Senior Subordinated Notes redemption costs and previously deferred transaction costs associated with Term Loan B and Senior Subordinated Notes, settlement of derivative liabilities associated with the cross-currency interest rate and principal swaps, human resources severance costs, restructuring severance costs, and income taxes on the above items of note. A reconciliation between net earnings (loss) and adjusted net earnings is presented in the

"Financial Highlights" section of this MD&A. Adjusted net earnings per common share is defined as adjusted net earnings divided by the weighted average number of common shares outstanding.

The following non-IFRS measures have common definitions in the gaming industry and provide both investors and management with indications of its business' operating volumes and the volatility inherent in the Company's casino games:

- 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.

Forward-Looking Information

This MD&A 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 terms and expected benefits of the normal course issuer bid, the Company's strategy for growth and its objectives, expected future expenditures, costs, operating and financial results and expected impact of future commitments, the future ability of the Company to operate the Georgian Downs and Flamboro Downs facilities beyond the terms of the signed Ontario Lease Agreements and Ontario Racing Agreements, and expectations and implications of changes in legislation and government policies. Forward-looking information may be identified by words such as "anticipate", "believe", "expect", or similar expressions. 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 unknown risks, uncertainties, and 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 services agreements with lottery corporations; changes to gaming laws that may impact the operational services agreements; pending, proposed or unanticipated regulatory or policy changes; the outcome of restructuring of gaming in Ontario; the Company's ability to obtain and renew required business licenses, leases, and operational services agreements; the future of horse racing in Ontario; unanticipated fines, sanctions and suspensions imposed on the Company by its regulators; 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 Company's ability to manage its capital projects and its expanding operations; the risk that systems, procedures and controls may not be adequate to meet regulatory requirements or to support current and expanding operations; potential undisclosed liabilities and capital expenditures associated with acquisitions; negative connotations linked to the gaming industry; First Nations rights with respect to some 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; economic uncertainty and financial market volatility; technology dependence; and privacy breaches and data theft. The Company cautions that this list of factors is not exhaustive. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. These factors and other risks and uncertainties are discussed in the Company's continuous disclosure documents filed with the Canadian securities regulatory authorities from time to time, including in the "Risk Factors" section of the Company's Annual Information Form for fiscal 2013, and as identified in the Company's disclosure record 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, is subject to change after such date, and is expressly qualified in its entirety by cautionary statements in this MD&A.

FINANCIAL HIGHLIGHTS

	Fourth Quarter			Twelve Months of				
	2013	2012	% Chg	**2013**	2012	% Chg	2011	% Chg
Revenues	**$ 101.6**	$ 102.8	(1%)	**$ 407.3**	$ 408.7	0%	$ 388.2	5%
EBITDA (1)	**$ 35.2**	$ 37.5	(6%)	**$ 150.6**	$ 147.6	2%	$ 138.9	6%
EBITDA as a % of Revenues	**34.6%**	36.5%		**37.0%**	36.1%		35.8%	
Net earnings (loss)	**$ 7.2**	$ 2.5	188%	**$ 63.1**	$ (27.6)		$ 26.2	
Net earnings (loss) per common share								
Basic	**$ 0.11**	$ 0.04		**$ 0.92**	$ (0.36)		$ 0.32	
Diluted	**$ 0.10**	$ 0.03		**$ 0.90**	$ (0.36)		$ 0.31	
Adjusted net earnings (1)	**$ 11.7**	$ 9.0	30%	**$ 46.9**	$ 45.2	4%	$ 33.2	36%
				December 31, 2013	December 31, 2012	% Chg	December 31, 2011	% Chg
Total assets				**$ 915.7**	$ 862.7	6%	$ 976.1	(12%)
Long-term debt & Derivative liabilities, excluding current portion				**$ 441.0**	$ 439.9	0%	$ 398.9	10%

(1) EBITDA and Adjusted net earnings are non-IFRS measures and are defined in the "Introduction - Non-IFRS Measures" section of this MD&A.

Recent Developments
Chances Maple Ridge opened its new permanent facility on October 23, 2013. Hard Rock Casino Vancouver (formerly "Boulevard Casino") was launched on December 20, 2013.

Revenues
For the three month period ended December 31, 2013 ("fourth quarter of 2013"), the Company recorded revenues of $101.6, a $1.2 decrease from the fourth quarter of 2012. This revenue decrease was primarily due to declines at Flamboro Downs and Georgian Downs (the "Ontario Racetracks"), Boulevard Casino (now "Hard Rock Casino Vancouver"), and the Other BC Casinos. As described in the "Major Developments" section of this MD&A, since April 1, 2013, the Company's Ontario Racetracks no longer receive 10% of OLG's slot machine revenues nor directly share in the horse racing pari-mutuel wagering revenues that the tracks generate. Instead, these Ontario Racetracks currently receive slot facility lease revenues from the OLG and horse racing transition funds from the Government of Ontario. Consequently, there was a decline in revenues at the Ontario Racetracks in the fourth quarter of 2013 when compared to the fourth quarter of 2012. At Boulevard Casino ("Boulevard"), the declines in table drop, slot coin-in and food and beverage revenues were attributable to decreased visitation mostly due to disruptions arising from the property refresh, a weakened local economy and construction disruption primarily associated with a heightened level of proximate highway construction that has been ongoing since 2010. The drop in revenues at the Other BC Casinos is primarily due to the $1.7 non-recurring accelerated FDC revenues related to the previous bingo operations at Chilliwack Bingo in the fourth quarter of 2012. These decreases were partially offset by increased revenues at River Rock Casino Resort ("River Rock") and Great American Casinos.

For the twelve month period ended December 31, 2013 ("twelve months of 2013"), the Company recorded revenues of $407.3, a $1.4 decrease from the twelve months of 2012. The revenue decrease was primarily due to declines at Boulevard and the Ontario Racetracks. These decreases were partially offset by increased revenues at River Rock, the Other BC Casinos and Great American Casinos.

Revenues for the twelve month period ended December 31, 2012 were $408.7, a $20.5 increase from the twelve months of 2011. This revenue increase was primarily due to River Rock's growth in table drop, slot coin-in, and hospitality revenues. The Other BC Casinos also experienced an increase in revenue, primarily due to both the non-recurring accelerated FDC revenues of Chilliwack Bingo and the commencement of slot operations at Chances Chilliwack. These increases were partially offset by

decreased gaming revenues at Great American Casinos and by decreased racetrack revenues at the BC Racinos.

EBITDA

The $2.3 decrease in EBITDA in the fourth quarter of 2013 was primarily due to both the decreased revenue performances from the Ontario Racetracks and Boulevard and Chances Chilliwack's receipt of $1.7 in retroactive accelerated FDC revenues in the fourth quarter of 2012. Also contributing to the decrease in EBITDA was the $1.1 pre-opening expenses that the Company incurred for Hard Rock Casino Vancouver and Chances Maple Ridge during the fourth quarter of 2013. The EBITDA deteriorations were partially offset by growth at River Rock and Great American Casinos. EBITDA as a percentage of revenues for the fourth quarter of 2013 was 34.6%, a 1.9 percentage point drop from the fourth quarter of 2012.

The $3.0 increase in EBITDA in the twelve months of 2013 was primarily due to increases at River Rock, Other BC Casinos, Corporate & Other and Great American Casinos, which were partially offset by EBITDA decreases at Boulevard and the Ontario Racetracks. EBITDA as a percentage of revenues for the twelve months of 2013 was 37.0%, a 0.9 percentage point increase from the twelve months of 2012.

EBITDA in the twelve months of 2012 was $147.6, an $8.7 increase from the twelve months of 2011. This increase was primarily due to the increased revenues, which were partially offset by increased operating costs that included non-recurring severance costs of $1.8.

Net earnings (loss)

During the fourth quarter of 2013, Great Canadian's net earnings increased by $4.7, primarily due to both a $6.9 non-cash impairment charge on long-lived assets and $1.8 higher restructuring and other costs that were recognized during the fourth quarter of 2012 as well as $1.3 reduced amortization expenses in 2013. These items were partially offset by the reductions in both EBITDA and income taxes as well as a $5.9 increase in share based compensation expenses related to a special share-based award to certain employees for the purpose of purchasing the Company's shares, as described in the "Major Developments" section of this MD&A.

Net earnings was $63.1 in the twelve months of 2013, compared to net loss of $27.6 in the twelve months of 2012. The improvement is primarily due to two factors: the reversal of $28.5 in non-cash impairment charges on long-lived assets in the twelve months of 2013 associated with Georgian Downs and Flamboro Downs that were originally part of the $64.3 non-cash impairment charges recorded in the twelve months of 2012, as described in the "Major Developments" section of this MD&A, as well as the non-recurring expense of $11.0 associated with the litigation settlement in the second quarter of 2012. Partially offsetting these two factors was the increase in share-based compensation expense, higher income taxes due to earnings growth, which included the non-cash long-lived asset impairment reversals and the increase to the British Columbia provincial corporate income tax rate in 2013.

Net loss was $27.6 in the twelve months of 2012, compared to net earnings of $26.2 in the twelve months of 2011. During the twelve months of 2012, the Company recognized non-cash impairment charges of $54.0 associated with Georgian Downs and Flamboro Downs, as described in the "Major Developments" section of this MD&A, non-cash impairment charges of $10.3 related to land in Ontario that was written down to its estimated recoverable amount, a non-recurring expense of $11.0 related to a litigation settlement and non-recurring expenses of $14.4 associated with the debt refinancing and settlement of the related derivative liabilities. These items were partially offset by lower amortization expense and improved EBITDA.

The current and prior periods' net earnings (loss) included some items of note, which are summarized in the following adjusted net earnings table:

	Fourth Quarter			Twelve Months of				
	2013	2012	% Chg	**2013**	2012	% Chg	2011	% Chg
Net earnings (loss)	**$ 7.2**	$ 2.5	188%	**$ 63.1**	$ (27.6)		$ 26.2	
Items of note								
(Reversal of) impairment of long-lived assets and goodwill	**-**	6.9		**(28.5)**	64.3		4.4	
Special share-based award to employees	**4.8**	-		**4.8**	-		-	
Rebranding and pre-opening costs for Hard Rock Casino Vancouver, Chances Maple Ridge and Chances Chilliwack	**1.1**	0.2		**1.7**	0.2		-	
One-time non-recurring accelerated FDC revenues at Chances Chilliwack	**-**	(1.7)		**-**	(1.7)		-	
Litigation settlement	**-**	-		**-**	11.0		-	
Equity investment loss	**-**	0.9		**-**	3.5		-	
FDC revenues previously deferred at Fraser Downs	**-**	-		**(0.7)**	-		-	
Without prejudice dispute resolution payments received from OLG	**-**	-		**(0.7)**	-		-	
Senior Subordinated Notes redemption costs and previously deferred transaction costs associated with Term Loan B and Senior Subordinated Notes	**-**	-		**-**	6.3		-	
Settlement of derivative liabilities associated with the cross-currency interest rate and principal swaps	**-**	-		**-**	8.1		5.0	
Human resources severance costs	**-**	-		**-**	1.8		-	
Restructuring severance costs	**0.2**	**-**		**1.3**	-		-	
Income taxes on the above items of note	**(1.6)**	0.2		**5.9**	(20.7)		(2.4)	
Adjusted net earnings [(1)]	**$ 11.7**	$ 9.0	30%	**$ 46.9**	$ 45.2	4%	$ 33.2	36%
Adjusted net earnings per common share [(1)]								
Basic	**$ 0.17**	$ 0.13		**$ 0.68**	$ 0.59		$ 0.40	
Diluted	**$ 0.17**	$ 0.13		**$ 0.67**	$ 0.58		$ 0.39	
Weighted average shares outstanding								
Basic	**67,327**	70,346		**68,560**	76,814		82,670	
Diluted	**69,208**	71,605		**69,934**	78,219		84,210	

(1) Adjusted net earnings and Adjusted net earnings per common share are non-IFRS measures and are defined in the "Introduction - Non-IFRS Measures" section of this MD&A.

After adjusting for the above items of note, the Company's adjusted net earnings increased by $2.7, or 30%, in the fourth quarter of 2013, when compared to the fourth quarter of 2012. This increase was primarily due higher earnings and a decrease in income taxes. Adjusted net earnings for the twelve months of 2013 were relatively consistent with the twelve months of 2012. The Company's adjusted net earnings increased by 36% in the twelve months of 2012, when compared to the twelve months of 2011. This increase was primarily due to the growth in EBITDA and lower amortization expense.

Total assets

Total assets increased by $53.0 in the twelve months of 2013, when compared to the total assets as at December 31, 2012. This increase was primarily due to cash generated by operating activities and reversal of impairment charges associated with Georgian Downs and Flamboro Downs, as described in the "Major Developments" section of this MD&A, which was partially offset by the $31.5 settlement payment from OLG, common shares repurchased of $46.6 and the amortization of property, plant and equipment.

Total assets decreased by $113.4 as at December 31, 2012, when compared to the total assets as at December 31, 2011. This decrease was primarily due to the cash outflow of $130.1 to repurchase common shares during 2012, non-cash impairment charges of $64.3 associated with Georgian Downs, Flamboro Downs, and land in Ontario that was written down to its estimated recoverable amount and the amortization of property, plant and equipment and intangibles. These decreases were partially offset by cash generated by operating activities, additions to property, plant and equipment and net proceeds of $31.7 associated with the debt refinancing.

Long-term debt

Long-term debt was relatively consistent at the end of the fourth quarter of 2013 when compared with the balance as at December 31, 2012.

Long-term debt and derivative liabilities increased by $41.0 as at December 31, 2012, when compared to the long-term debt and derivative liabilities as at December 31, 2011. This increase was primarily due to the net proceeds associated with the debt refinancing.

BUSINESS DESCRIPTION

General

The Company operates gaming, entertainment, and hospitality facilities in British Columbia, Ontario, Nova Scotia, and Washington State. The Company's 17 gaming properties consist of three community gaming centres, four racetracks and ten casinos, including one with a Four Diamond hotel resort. In Canada, the Company operates its casinos both within managed markets that feature high barriers to entry and under long-term agreements as partners with provincial lottery corporations. As at December 31, 2013, the Company had approximately 4,600 employees.

Information on the Canadian and Washington State gaming industries, regulatory environment and the Company's operating agreements in these jurisdictions are included in the Annual Information Form located on the SEDAR website at www.sedar.com or on the Company's website at www.gcgaming.com.

The Company's principal operating entities as at December 31, 2013 and 2012 were:

Entity	Ownership interest at December 31, 2013 and 2012
Chilliwack Gaming Ltd.	100%
Flamboro Downs Limited	100%
Georgian Downs Limited	100%
Great American Gaming Corporation	100%
Great Canadian Casinos Inc.	100%
Great Canadian Entertainment Centres Ltd.	100%
Hastings Entertainment Inc.	100%
Metropolitan Entertainment Group	100%
Orangeville Raceway Limited	100%
TBC Teletheatre B.C.[1]	50%

[1] The Company accounts for its ownership interest in TBC using the equity method.

Business Strategy

The Company's vision is to be the leading gaming, entertainment and hospitality company in its chosen markets by providing superior entertainment value and exceptional experiences. To achieve this goal, the Company has adopted the strategies as outlined below.

1. **Discover New Growth Opportunities.** Great Canadian is actively seeking opportunities to grow shareholder value. These opportunities may be located within both the Company's existing markets and new jurisdictions, and include property expansions, the implementation of new offerings, the development of new properties or projects, and strategic acquisitions. Depending upon the size, scope, and regulatory requirements associated with these opportunities, the Company may elect to align itself with strategic business partners. As a result, the Company may hold minority positions in new investment vehicles.

2. **Drive Incremental Growth at the Company's Existing Facilities.** The majority of Great Canadian's existing properties operate within mature, highly regulated markets. As a result of this regulation, these markets feature considerable barriers to entry that offer significant advantages and protection for incumbent operators. This regulation also requires that the Company work alongside its Crown corporation partners when expanding or introducing gaming offerings. These partners also oversee any loyalty programs within the Company's existing markets. In order to increase market share, penetrate new demographics, and drive incremental growth within this environment, the Company seeks to provide its patrons with a superior entertainment experience. In pursuit of this goal, the Company actively reinvests in its properties, supports its gaming offerings with premium non-gaming entertainment and hospitality options, and strives to maintain the highest standards of guest service.

3. **Continually Improve Guest Experiences.** Great Canadian believes guest satisfaction to be the primary driver of patron loyalty, particularly within mature markets. As a result, the Company constantly strives to distinguish itself from its peers by providing exceptional guest service across its entire property portfolio. The Company pursues this service vision through staff training, performance recognition, and communication, all of which emphasizes the importance of each employee taking personal responsibility to exceed our guests' expectations.

4. **Continuously Improve the Company's Operating Efficiency and Effectiveness.** Much of Great Canadian's recent success can be attributed to the Company's commitment to operating efficiency. This efficiency has been primarily driven by an integrated corporate structure that centralizes major property functions such as accounting, purchasing, and human resources. This structure has been supported by investments in technology and resources that have allowed the Company to realize operational synergies, business process improvements and enhanced labour analysis.

5. **Pursue and Promote Exceptional Corporate Culture.** Since its founding, Great Canadian has placed great emphasis on the importance of social responsibility and corporate citizenship. These core values are best reflected in the Company's commitment to developing and assisting the communities in which it operates. The Company is also committed to maintaining an inclusive corporate culture that rewards and recognizes exceptional service and teamwork. The Company mandates a respectful workplace that prioritizes regulatory compliance.

Operations

The following table summarizes our Canadian casino operations as at December 31, 2013:

Facility and Location	Year Built/ Renovated	Additional Facilities and Activities	Slot Machines	Table Games	Operational Services Agreements Initial / Renewal Term Expiry Dates[(1)]
British Columbia					
River Rock Casino Resort, Richmond, BC	2012	2 hotels with 395 rooms, 1,000 seat show theatre, 7 dining options, conference facilities, pool/spa, Racebook[(3)], marina, 28 Touch Bet Roulette terminals	1,110	102	June 23, 2024[(2)]
Boulevard Casino[(4)] (now "Hard Rock Casino Vancouver"), Coquitlam, BC	2013	1,051 seat show theatre convertible to 729 seat cabaret with dance floor, 7 dining options, 22 Touch Bet Roulette terminals, 12 Touch Bet Baccarat terminals	949	58	November 16, 2015 / November 16, 2025
View Royal Casino, Victoria, BC	2009	2 dining options, 10 Touch Bet Roulette terminals	601	14	February 28, 2021
Casino Nanaimo, Nanaimo, BC	2013	1 dining option, Racebook[(3)], 1 electronic table gaming device	384	6	February 28, 2021
Chances Dawson Creek, Dawson Creek, BC	2006	Bingo, 1 dining option, 2 electronic table gaming devices	147	-	June 30, 2016/ June 30, 2026
Chances Maple Ridge[(5)], Maple Ridge, BC	2013	Bingo, 1 dining option, 2 meeting rooms, entertainment space, outdoor patio, Racebook[(3)], 2 electronic table gaming devices	173	-	October 31, 2023 / October 31, 2033
Chances Chilliwack, Chilliwack, BC	2012	Bingo, 1 dining option, meeting facility, 2 electronic table gaming devices	173	-	October 31, 2022 / October 31, 2032
Hastings Racecourse and Slots Facility (Thoroughbred Racing), Vancouver, BC	2008	3 dining options[(6)], concession, Racebook[(3)]	596	-	October 28, 2017[(7)]
Fraser Downs Racetrack and Casino (Standardbred Racing), Surrey, BC	2005	4 dining options, 6 Touch Bet Roulette terminals, Racebook[(3)]	469	22	March 31, 2014 / March 31, 2024
TBC Teletheatre BC[(3)]	various	21 Racebooks[(3)]	-	-	-
Ontario					
Georgian Downs (Standardbred Racing)[(8)], Innisfil, Ontario	2009	4 dining options, concession, meeting facilities, Racebook, 1,000 slot machines owned and operated by OLG	-	-	March 31, 2018
Flamboro Downs (Standardbred Racing)[(8)], Flamborough, Ontario	2001	4 dining options, meeting facility, Racebook, 800 slot machines owned and operated by OLG	-	-	March 31, 2018
Nova Scotia					
Casino Nova Scotia Halifax[(9)], Halifax, Nova Scotia	2006	2 dining options, entertainment show room, lounge, meeting facilities	541	32	July 1, 2015/ July 1, 2025
Casino Nova Scotia Sydney[(9)], Sydney, Nova Scotia	2006	1 dining option, lounge	275	11	July 1, 2015/ July 1, 2025
			5,418	245	

(1) Renewal terms, at the option of the Company in BC and Nova Scotia. Renewal terms, at the option of OLG in Ontario.
(2) On September 19, 2013, BCLC approved the Company's request to exercise its 10-year extension for River Rock's COSA.

(3) The Company owns or holds an interest in 23 Racebooks in BC. We own and operate two Racebooks; one at each of Hastings Racecourse and Slots Facility and Fraser Downs Racetrack and Casino. The remaining 21 Racebooks, including those at River Rock Casino & Resort, Hard Rock Casino Vancouver, Casino Nanaimo and Chances Maple Ridge are operated by TBC. TBC also offers internet and phone racetrack wagering. The Company owns a 50% interest in TBC and the remaining 50% interest is held by two horsemen's associations, the Harness Racing BC Society and the Horsemen's Benevolent and Protective Association.

(4) The Company completed its rebranding of Boulevard Casino into Hard Rock Casino Vancouver in December 2013, as described in the "Major Developments" section of this MD&A.

(5) Chances Maple Ridge opened its permanent facility in October 2013, as described in the "Major Developments" section of this MD&A. The Community Gaming Centre Operational Services Agreement with BCLC was extended for a 10-year term.

(6) There are up to 5 dining options during the racing season.

(7) The term of Hastings' COSA with BCLC is conditional upon the renewal of the lease term with the City of Vancouver, which expires on November 9, 2014.

(8) The Site Holder Agreements with OLG for the Ontario Racetracks terminated on March 31, 2013. Effective April 1, 2013, OLG is leasing the slot machine areas at the Ontario Racetracks for a five-year term, as described in the "Major Developments" section of this MD&A. Slot machines are owned and operated by OLG and lease revenues are earned from OLG at these properties.

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

The following table summarizes the Company's consolidated Revenues for the years ended December 31, 2013, 2012, and 2011:

	Twelve Months of		
	2013	2012	2011
Gross Gaming Revenues	**$ 821.3**	$ 827.9	$ 787.6
Facility Development Commission	**34.1**	35.2	32.1
Hospitality, lease and other revenues	**96.8**	82.6	70.4
Racetrack revenues	**14.3**	15.8	19.5
	966.5	961.5	909.6
Less:			
Provincial / state government portion of Gross Gaming Revenues	**(540.7)**	(533.0)	(505.7)
Promotional allowances	**(18.5)**	(19.8)	(15.7)
Revenues	**$ 407.3**	$ 408.7	$ 388.2

The following table summarizes the Company's racetrack operations and the number of actual live race days in 2013, 2012, and 2011:

		Live Race Days		
Property	**Location**	**2013**	2012	2011
Hastings Racecourse and Slot Facility	Vancouver, BC	**63**	67	69
Fraser Downs Racetrack and Casino	Surrey, BC	**77**	79	74
Georgian Downs	Innisfil, ON	**29**	103	103
Flamboro Downs	Flamborough, ON	**94**	188	195

All of our racetrack operations offer simulcast wagering, which allows patrons to place wagers on international and domestic live horse racing events.

British Columbia

Regulatory

In British Columbia, gaming activities are managed and conducted by the British Columbia Lottery Corporation ("BCLC"). BCLC in turn engages service providers, such as the Company, to operate the gaming activities pursuant to operational services agreements. The Company earns a commission based upon its casinos' gaming win, but a significant portion of that gaming win is retained by BCLC. BCLC provides its share of the gaming win to the Province of British Columbia, which then dedicates the funds to many areas. These areas include the consolidated revenue fund for public service programs such as education, the Health Special Account for health care expenditures, and disbursements to charitable organizations.

Since 1997, when BCLC assumed responsibility for casino gaming and introduced slot machines in the BC marketplace, the casino business has developed into BCLC's largest earnings stream. The Company believes that the current market and regulatory environment favours the province's incumbent gaming operators.

BCLC's strategy is to continue to develop casino properties that provide players with an exceptional entertainment experience, while positioning casino gaming as a potential tourism attraction where market demand allows. BCLC is also working closely with service provider partners to provide players with tournaments and services that provide entertaining gaming experiences. In addition, the FDC component of the operational services agreements encourages service providers such as the Company to earn additional commissions by investing capital in the improvement of their gaming facilities.

According to BCLC's annual report for its fiscal year ended March 31, 2013, the Company's facilities represented 43% of the province's slot machines, which produced 44% of the province's win from slot machines, and 45% of the province's table games, which produced 58% of the province's win from table games.

In BC, the strategic direction and business leadership of the local horse racing industry is provided by the B.C. Horse Racing Industry Management Committee ("BCHRIMC"), which also provides a forum for industry participants to cooperate collectively in the development of the industry. The current BCHRIMC members include representatives from both the thoroughbred and standardbred horse associations, the President and Chief Executive Officer of BCLC, representatives from the Government of British Columbia, and the Vice-President of Business Development for the Company. The Agreement provides for mandatory representation on the Committee of a representative of the major racetracks in the province that are owned by the Company.

Under the direction of the BCHRIMC, as described in the "Business of the Company" section of the Company's 2013 Annual Information Form, the Company's BC horse racing operations shared approximately 42% of a consolidated horse racing industry revenue fund in 2013 (2012 – 42%). This fund includes all revenues generated from horse racing and government grants in the province and which has been established and maintained for the purpose of facilitating financial allocations among industry organizations. Also under the direction of the BCHRIMC, TBC Teletheatre B.C., currently operates on a break-even basis whereby it is allocated and permitted to retain a sufficient portion of its revenues to cover its operating expenses, with any surplus of funds being provided to the consolidated horse racing industry revenue fund. Financial allocations from the consolidated horse racing industry revenue fund may be adjusted by resolution of the BCHRIMC. Under the current financial allocations for 2014, the Company's racing industry revenue share percentage is expected to be consistent with 2013.

Seasonality

While the Company's BC casinos operate year-round, its racetracks are subject to seasonal variations due to the timing of their respective live racing seasons. Live racing generally operates from April to October at Hastings Racecourse, and from August to May at Fraser Downs. Gaming offerings and Racebooks at both locations operate year-round.

Metro Vancouver and Vancouver Island, where the majority of the Company's BC facilities are located, do not generally experience harsh weather during the summer or winter months. However, occasional extreme weather conditions can produce a negative impact upon short-term attendance at the Company's BC facilities.

Ontario

Regulatory

In Ontario, gaming activities are managed and conducted by OLG. OLG's operations and revenues are organized under four business lines: lotteries, slots and casinos, resort casinos, and bingo. Prior to April 1, 2013, the Company operated two racetracks, with slot operations owned and operated by OLG pursuant to site holder agreements. The Company earned a site holder payment based upon the win generated from the OLG slot machines, but a substantial portion of that win was retained by OLG. According to OLG's website, it directs gaming proceeds to Ontario's health care, education, infrastructure, amateur sports, problem gaming prevention, treatment and research, and to charitable organizations and non-profit corporations through the Ontario Trillium Foundation.

In March 2012, the Government of Ontario and OLG decided to end the "Slots at Racetracks" program for all Ontario racetracks on March 31, 2013 as part of an overall plan to modernize that province's gaming model. As part of that plan, and as permitted under the related agreements, on March 29, 2012, OLG provided notice that the site holder agreements with the Company's Georgian Downs and Flamboro Downs racetracks would terminate on March 31, 2013. On March 9, 2013, the Company and OLG signed non-binding letters of intent governing the slot machine areas at the Ontario racetracks. On March 26, 2013, the Company and the Government of Ontario signed non-binding letters of intent governing horse racing operations at the Ontario racetracks. On May 24, 2013, the Company signed binding agreements (the "Ontario Racing Agreements") with the Government of Ontario for horse racing transition funding. The funding would provide support to continue horse racing at the Ontario Racetracks for up to two years beyond March 31, 2013 and is conditional upon achievement of specific cost reduction targets. On November 29, 2013, the Company signed definitive agreements with OLG whereby OLG would lease slot machine areas at the Ontario racetracks for a five-year term terminating on March 31, 2018.

Seasonality

According to the Ontario Racing Agreements, Georgian Downs will operate live racing from June to August of 2013 and 2014, and Flamboro Downs will operate between November 2013 and March 2014 and for six consecutive months during the twelve-months ending March 31, 2015.

Nova Scotia

Regulatory

In Nova Scotia, gaming activities are managed and conducted by the Nova Scotia Provincial Lotteries & Casinos Corporation ("NSPLCC"). NSPLCC operates two different gaming models: commercial casinos, of which the Company operates the only two within the province, and ticket and video lotteries. Lottery ticket sales are permitted at various locations, whereas video lottery terminals are permitted in licensed liquor establishments, and on First Nations' land. The Company is a service supplier to NSPLCC and earns a commission based upon its casinos' revenues, a portion of which are retained by the NSPLCC. According to NSPLCC's website, the revenues that it retains are directed to the provincial government's general revenue account to help pay for programs and services that benefit the province's residents. These programs and services include investments in infrastructure, schools, hospitals, and community outreach and prevention programs.

In October 2012, the Company signed the second amended and restated operating contract ("AROC") with NSPLCC, effective October 1, 2012. Under the AROC, the Company is entitled to receive an operator's fee equal to 52.24% of the facilities' total revenues, plus an additional 47.76% of non-gaming revenues after

deduction of the capital reserve contribution ("CRC"). The CRC is the greater of 5% of total revenue and $5.0 (adjusted for inflation in each year since 2009). The Company is also entitled to receive an additional operator's fee equal to the lesser of $1.3 or 10% of leased slot machines revenues. Prior to October 1, 2012, the Company received 55.5% of both gross gaming and non-gaming revenues, after deduction of the CRC, as well as $1.0 per year related to the operation of leased slot machines. Prior to October 1, 2012, the $1.0 per year received for the leased slot machines was recorded as a reduction to the related leased slot operating expenses that were part of property, marketing and administration expenses.

Seasonality

Halifax and Sydney, where the Nova Scotia casinos are located, do not generally experience harsh weather during the summer months. However, occasional extreme weather conditions in the winter can result in a negative impact on short-term attendance. The gaming industry in Nova Scotia has also historically witnessed a slight increase in business volumes during the summer months, primarily as a result of both tourism and favourable weather conditions.

Washington State

The following table summarizes our Washington gaming operations as at December 31, 2013:

Name	Location	Table Games
Great American Casino Everett	Everett, WA	15
Great American Casino Kent	Kent, WA	14
Great American Casino Lakewood	Lakewood, WA	15
Great American Casino Tukwila	Tukwila, WA	15
		59

Regulatory

In Washington State, gaming operations are regulated by the Washington State Gambling Commission ("WSGC") and fall into three categories: charitable, commercial and tribal. The Company operates four commercial card rooms in the Greater Seattle area.

While the commercial gaming environment in Washington State is highly regulated, it does not feature the significant barriers to entry associated with the Company's Canadian operations. Individual cities or counties within Washington State may choose to restrict card room operations within their jurisdiction, which could result in the closure of certain locations. Washington State card room operations are conducted pursuant to house banked card room licenses that limit the number of table games to fifteen per location. These card room licenses must be renewed annually with WSGC, and the Company's renewals have historically been granted automatically.

MAJOR DEVELOPMENTS

British Columbia

Boulevard Casino (now "Hard Rock Casino Vancouver")

On July 3, 2013, the Company announced that it planned to rebrand its wholly owned and operated Boulevard Casino, located in Coquitlam, British Columbia, into the "Hard Rock Casino Vancouver" by the end of 2013 under a trademark license from Hard Rock Hotel & Casino HRHH IP, LLC ("HRHH"). The Hard Rock Casino Vancouver facility continues to be owned and operated by Great Canadian, and the renovations are intended to deliver an improved entertainment experience, including a refreshed gaming floor, updated food and beverage offerings, rock and roll memorabilia as well as guest service that is consistent with the brand standard. The initial term of the license agreement is for a period of 10 years and will renew for additional two periods of five years provided the property achieves specified increased revenue targets. If such revenue targets are not achieved, the license agreement may be extended at the Company's option.

The license fees, which are subject to a minimum annual amount, are not expected to have a significant effect on the facility's property, marketing and administration expenses. However, as the facility's revenues grow, the license fees will also increase based on a graduated percentage of revenues. By applying this graduated license fee formula, the value of revenue increases will be significantly more than the value of the license fee increases, so as the business grows, more dollars will be available to contribute to the property's increased operating expenses required to support such growth.

During the third quarter of 2012, the Company commenced the refresh and repositioning of Boulevard Casino to both attract new patrons and bring back guests who had been inconvenienced by proximate local highway construction. The first phase of the project was substantially completed on December 20, 2013 with the relaunch of the property as Hard Rock Casino Vancouver. The Company anticipates our guests' access to the property may still be affected by some continued municipal and provincial roadwork during the first quarter of 2014, and it will take some time for them to become familiar with the improved access and newly established routes to the property. As at December 31, 2013, the Company has spent approximately $12.3 of an estimated total of $13.2 on this first phase of the project. Non-recurring pre-opening and training costs associated with the rebranding of the casino of $1.0 and $1.5 were expensed in the fourth quarter and twelve months of 2013, respectively.

The second phase of the redevelopment is being considered. It is contemplated that this second phase will feature a hotel, conference facilities, additional dining options, and better integration of the facility's existing entertainment and dining amenities. The property's performance has experienced substantial erosion and the local economy has not recovered the way the Company had expected when plans were initially made for this second phase of development. The Company will need to gain greater certainty of the business's recovery before proceeding with the second phase investments. Management believes the Hard Rock Casino Vancouver brand will improve the property's long-term performance and is optimistic that it will create momentum that will support proceeding with the second phase plans. The timeline for the second phase will be announced at a later date. The property redevelopments and modifications remain subject to approvals from BCLC and the City of Coquitlam. As at December 31, 2013, the Company has spent approximately $2.7 of an estimated total of $50.0 on this second phase of the project.

Chances Maple Ridge (formerly "Maple Ridge Community Gaming Centre")

On October 23, 2013, the Company closed its temporary facility and relocated its Maple Ridge Community Gaming Centre operations to the newly opened "Chances Maple Ridge", a community gaming centre in Maple Ridge, BC. This permanent facility features 173 slot machines, two electronic table games, bingo, dining options with liquor service throughout the facility, a meeting facility, and improved parking capacity. In order to facilitate both the operation of slots at the Company's temporary facility in Maple Ridge and the construction of the permanent facility, the Company committed $4.3 for both property enhancements and servicing commitments to the District of Maple Ridge. As at December 31, 2013, the Company has incurred $3.5 towards fulfilling servicing commitments related to the construction of the permanent facility. The Company has also invested $4.7 for the purchase of land required for the permanent facility and incurred $13.6 in construction costs, which was $0.2 below the original estimate of $13.8.

With the opening of the new facility, the CGCCOSA with BCLC was extended for a 10-year term, expiring on October 31, 2023, with a second renewal term at the Company's option until October 31, 2033.

River Rock

On September 19, 2013, BCLC approved the Company's request to exercise its 10-year extension option for the River Rock Casino Resort's Casino Operational Services Agreement ("COSA"). This 10-year extension resets the COSA expiry date to June 23, 2024.

Chances Chilliwack

On November 1, 2012, the Company relocated its Chilliwack Bingo operations to the newly opened 'Chances Chilliwack', a community gaming centre in Chilliwack, BC. This new, permanent facility has been developed on the approximately five-acre site that the Company purchased as part of the Chilliwack Bingo acquisition in May 2011. The facility features 173 slot machines, two electronic table gaming devices, bingo, dining options and a meeting facility. In December 2013, the facility obtained a liquor primary license and is now permitted to serve liquor throughout the facility. The total cost to develop this facility and to acquire adjacent land was $14.3, which was $0.7 below the original estimate of $15.0.

BC Horse Racing

On February 14, 2014, BCHRIMC finalized a multi-year industry funding arrangement amongst both the province's Thoroughbred sector and the Standardbred sector and their respective track operators, Hastings Racecourse and Fraser Downs. The BCHRIMC has indicated that this funding arrangement will be in place for the next three years for the Thoroughbred sector and for the next five years for Standardbreds.

The funding model is an extension of the arrangements in place since 2012 whereby pooled income from all the industry's revenue sources is allocated to the industry stakeholders. For 2014, the total of both Hastings' and Fraser Downs' racing industry revenue share percentage is expected to be consistent with the prior year. The BRHRIMC also approved race days and seasons lengths for 2014, subject to ratification by the provincial GPEB. These include 51 confirmed Thoroughbred race days at Hastings over a six-month season and 71 confirmed Standardbred race days at Fraser Downs over an eight-month season. The season length at Fraser Downs will move to seven months in 2015 and to six months in 2016.

The Company is optimistic about reaching this multi-year industry funding arrangement and looks forward to collaborating with industry stakeholders to reverse the negative trend on the provinces racing revenues.

Ontario

Termination of Site Holder Agreements

As described in the "Business Description" section of this MD&A, the Government of Ontario terminated the "Slots at Racetracks" program and OLG terminated the site holder agreements with the Company's Ontario properties effective March 31, 2013. Georgian Downs' site holder agreement was otherwise scheduled to expire in November 2021 and Flamboro Downs' site holder agreement was otherwise scheduled to expire in April 2016. The termination of the "Slots at Racetracks" program has had and is expected to have a negative effect on the future revenues of Georgian Downs and Flamboro Downs.

Lease Agreements and Horse Racing Agreements

The Government of Ontario asked a panel of three former Ontario Cabinet ministers (the "Ontario Horse Racing Industry Transition Panel" or the "Panel") to consult with the horse racing industry to determine how the Government of Ontario can support the industry's transition to a self-sufficient business model, including the allocation of transition funds. In October 2012, the Panel released a report that included recommendations to materially reduce the total province-wide annual horse racing days by approximately half, with these reduced days to be provided by a minimum of six racetracks. The model proposed by the Panel assumes that the participating racetrack operators will not derive profit from racing operations. The Panel recommended that operating costs incurred by the racetracks would be publicly funded and that additional public funding be provided to the horse racing industry over three years, subject to ongoing accountability audits. The Panel also supported the development of an alliance between the participating racetracks in Ontario to manage racing operations, subject to certain conditions. While not exhaustive, these conditions include pooling all Ontario pari-mutuel wagering revenues, allocating and directing those revenues towards racing purses and reinvesting any residual industry earnings.

On March 9, 2013, the Company and OLG signed non-binding letters of intent governing the slot machine areas at the Ontario Racetracks. Under the terms of these letters, OLG will lease these areas for a five-year term commencing April 1, 2013. The Company and OLG have been operating as though the key provisions of these leases came into effect on April 1, 2013 as evidenced by interim lease arrangements. On April 26, 2013, Georgian Downs received from OLG a one-time settlement payment of $31.5 in connection with the Georgian Downs facility, and the Company and Georgian Downs provided OLG with a release of claims. The settlement payment has been recorded as a reduction to Georgian Downs' property, plant and equipment. On November 29, 2013, the Company signed definitive lease agreements with OLG related to these letters of intent.

On March 26, 2013, the Company and the Government of Ontario signed non-binding letters of intent governing horse racing operations at the Ontario Racetracks. On May 24, 2013, the Company signed binding agreements (the "Ontario Racing Agreements") with the Government of Ontario for horse racing transition funding. The funding will provide support to continue horse racing at the Ontario Racetracks for up to two years beyond March 31, 2013 and is conditional upon achievement of specific cost reduction targets. On October 11, 2013, the Government of Ontario released a five-year horse racing plan (the "Horse Racing Plan"), consistent with the recommendations of the Panel as contained in their final report which was also publicly released on the same day. Effective April 1, 2014, the Horse Racing Plan includes proposed annual government funding of $80.0 to support live racing, approximately 75% of

which would be directed to supporting industry programs and a core group of tracks centred around the concentrated horse supply in Central and South West Ontario that would conduct Thoroughbred, Standardbred and Quarter Horse racing attractive to wagering customers. The core group of tracks includes an alliance of Standardbred tracks, including the Company's own Georgian Downs and Flamboro Downs. According to the Horse Racing Plan, the alliance would work cooperatively to coordinate race dates, standardize purses for races of similar calibre, and create a racing circuit. The Horse Racing Plan also includes creating a new arm of the Ontario Racing Commission ("ORC") to be called Ontario Horse Racing ("OHR") which would oversee all the non-regulatory aspects of racing, including the distribution of government and consolidated industry funds, and would develop new business and marketing synergies with OLG. Under the Horse Racing Plan, public funding would be directed to purse support and pari-mutuel commissions would be split between the racetrack operator and horsepeople. If the Company enters into an agreement as part of the alliance to receive funding under the Horse Racing Plan effective April 1, 2014, the second year of the current Ontario Racing Agreements would be rescinded. The Company is evaluating the implications of the Horse Racing Plan on its businesses in Ontario and looks forward to working with both ORC and OHR on a long-term, more sustainable model for racing in the province.

Georgian Downs operated 29 race days during the twelve months ended December 31, 2013, a significant reduction as compared to the twelve months ended December 31, 2012 (103 race days over a 10-month period). Flamboro Downs operated 94 race days during the twelve months ended December 31, 2013, a significant reduction as compared to the twelve months ended December 31, 2012 (188 race days over an 11-month period). Since April 1, 2013, the Ontario Racetracks no longer directly share in the horse racing pari-mutuel wagering revenues that these properties generate, other than any that may be attributed as a source of funding for the horse racing transition payments received from the Government of Ontario.

Based on the terms of both the lease agreements with OLG and the Ontario Racing Agreements with the Province of Ontario, the anticipated racing schedules, which also remain subject to approval by ORC, and assumptions regarding operating costs, the Company expects that the Ontario Racetracks' future EBITDA will decline as compared to levels realized prior to March 31, 2013.

On January 14, 2014, the Company made progress with certain other Standardbred horse racing tracks in Ontario by reaching a non-binding agreement in principle to implement the Horse Racing Plan with respect to forming a Standardbred Alliance for the province. The Standardbred Alliance intends to implement a racing program that will see a coordinated racing calendar of year-round racing, a program of racing that is expected to be attractive to both foreign and domestic customers, consistent purses levels at each member track's and enhanced efficiencies.

The Standardbred Alliance has advised both the Ministry of Agriculture and Food and ORC about its agreement in principle and racing program plans. If ORC supports the agreement in principle and the proposed racing program, then the Company expects that definitive Standardbred Alliance agreements will be entered into.

Long-lived assets impairments and impairment reversals

As a result of the early termination of the site holder agreements for both Georgian Downs and Flamboro Downs, the Company recorded in the first quarter of 2012 impairments of goodwill, intangible assets, and property, plant and equipment for each property. During the first quarter of 2013, as a result of signing the non-binding letters of intent with OLG, the anticipated execution of definitive agreements, and the settlement payment received from OLG on April 26, 2013, the Company recorded reversals of impairments related to Georgian Downs' and Flamboro Downs' intangible assets and property, plant and equipment.

In addition, during the three months ended March 31, 2012 and the year ended December 31, 2012, the Company recorded impairments of $3.4 and $10.3, respectively, related to land in Ontario that was written down to its estimated recoverable amount.
The following table summarizes the impairments during 2012 and the impairment reversals during 2013 by property and by asset class:

	Georgian Downs				Flamboro Downs		
	Property, plant and equipment	Intangible assets	Goodwill	Total	Property, plant and equipment	Intangible assets	Total
Carrying amount at January 1, 2012	$ 64.9	$ 25.5	$ 3.2	$ 93.6	$ 13.9	$ 40.6	$ 54.5
Net additions and amortization	(0.7)	(0.5)	-	(1.2)	(0.3)	(0.7)	(1.0)
Impairments	(16.6)	(8.2)	(3.2)	(28.0)	(5.2)	(24.2)	(29.4)
Carrying amount at March 31, 2012	$ 47.6	$ 16.8	$ -	$ 64.4	$ 8.4	$ 15.7	$ 24.1
Net additions and amortization	(1.2)	(1.2)	-	(2.4)	(1.0)	(3.9)	(4.9)
Impairments	(6.9)	-	-	(6.9)	-	-	-
Carrying amount at December 31, 2012	$ 39.5	$ 15.6	$ -	$ 55.1	$ 7.4	$ 11.8	$ 19.2
Net additions and amortization	(0.5)	(0.3)	-	(0.8)	(0.4)	(1.3)	(1.7)
Impairment reversals	11.7	8.0	-	19.7	1.5	7.3	8.8
Carrying amount at March 31, 2013	$ 50.7	$ 23.3	$ -	$ 74.0	$ 8.5	$ 17.8	$ 26.3
Net additions and amortization	0.4	(0.3)	-	0.1	(0.1)	(0.9)	(1.0)
Settlement payment	(31.5)	-	-	(31.5)	-	-	-
Carrying amount at June 30, 2013	$ 19.6	$ 23.0	$ -	$ 42.6	$ 8.4	$ 16.9	$ 25.3
Net additions and amortization	**(0.2)**	**(0.5)**	**-**	**(0.7)**	**(0.3)**	**(1.8)**	**(2.1)**
Carrying amount at December 31, 2013	**$ 19.4**	**$ 22.5**	**$ -**	**$ 41.9**	**$ 8.1**	**$ 15.1**	**$ 23.2**

The recoverable amounts for Georgian Downs' and Flamboro Downs' long-lived assets and goodwill at December 31, 2013 were determined based on the value in use method, which estimates the net present value of the future cash flows expected to be generated, using an after-tax discount rate based on the Company's weighted-average cost of capital. The estimates of future cash flows require a number of key assumptions about future business performance. These assumptions and estimates are primarily based on the relevant business' historical experience and economic trends, and consider past and ongoing communications with relevant stakeholders of the Company. These key assumptions include the future revenue levels, EBITDA, and the expected useful life of the cash generating unit ("CGU"). The assumptions are subject to a number of factors and it is possible that actual results could vary materially from management's estimates. As the carrying values of Georgian Downs' and Flamboro Downs' long-lived assets as at December 31, 2013 were equal to their estimated recoverable amounts, a subsequent change in any key assumption utilized in the estimate of future cash flows may result in a further impairment loss or reversal of an impairment loss.

Request for Gaming Service Providers

In May 2012, OLG issued a request for information ("RFI") to obtain input from potential industry participants regarding the modernization of gaming in Ontario. OLG stated that as a result of the feedback from the RFI, and to enable OLG to more effectively manage the gaming market in Ontario, OLG is grouping many of the 29 Gaming Zones into Gaming Bundles where each bundle represents a separate bidding opportunity. In November 2012, OLG initiated the request for pre-qualifications ("RFPQ") process to pre-qualify service providers for eligibility to participate in the request for proposals process for the Gaming Bundles. The Company is participating in the potential future opportunities that have arisen and from the continued modernization of gaming in Ontario. It is not certain at this time the full extent of the impact that the continued modernization of gaming in Ontario may have on the Company.

Casino Nova Scotia

In October 2012, the Company and NSPLCC signed the second AROC, as described in the "Business Description" section of this MD&A. Prior to October 1, 2012, when the AROC was amended, the Company received $1.0 per year related to the operation of leased slot machines that was recorded as a reduction in leased slot operating expenses that were part of property, marketing and administration expenses. Since October 1, 2012, the Company has been receiving an additional operator's fee, recorded as gaming revenues, equal to the lesser of $1.3 per year or 10% of leased slot machine revenues.

Debt Refinancing

On July 24, 2012, the Company completed a long-term debt refinancing and issued $450.0 of 6.625% Senior Unsecured Notes due on July 25, 2022 ("Senior Unsecured Notes"). The net proceeds were $439.5 after transaction costs of $10.5. The use of proceeds included repayment of the US$161.1 Senior Secured Term Loan B ("Term Loan B"), repurchase or redemption of the US$170.0 Senior Subordinated Notes ("Subordinated Notes"), settlement of the derivative liabilities associated with the related cross-currency interest rate and principal swaps, and the remainder was retained for general corporate purposes.

Issuer Bids

In January 2013, the Company commenced a normal course issuer bid that authorized the Company to purchase up to 4,511,644 of its common shares. For the year ended December 31, 2013, the Company completed this normal course issuer bid by purchasing 4,511,644 common shares at a volume weighted-average price per share of $10.32.

For the year ended December 31, 2012, the Company purchased for cancellation 3,657,210 common shares at a weighted-average price per share of $8.15 under its normal course issuer bid, which expired on January 26, 2013. On July 6, 2012, the Company commenced a substantial issuer bid, pursuant to which the Company offered to purchase for cancellation up to 10,000,000 of its outstanding common shares from shareholders at a purchase price of $10.00 per share. On August 21, 2012, the Company accepted for purchase 10,000,000 of the validly tendered common shares at a purchase price of $10.00 per share for a total of $100.0 and $0.3 in related transaction costs. At the time of the repurchase, the paid-up capital per common share for the purposes of the *Income Tax Act (Canada)* was $3.79.

All shares purchased by the Company were cancelled. The Company's share capital was reduced by an amount equal to the carrying value of the shares repurchased and the remainder was recorded as a reduction to retained earnings on the consolidated statements of changes in equity.

Subsequent to December 31, 2013, the Company received approval from the TSX to commence another normal course issuer bid for up to 4,231,075 of its common shares, representing approximately 10% of the Company's common shares in the public float. The bid commenced on January 30, 2014 and will end on January 29, 2015, or earlier if the number of shares approved for purchase in the issuer bid has been obtained. Pursuant to TSX policies, daily purchases made by the Company will not exceed 17,799 common shares or 25% of the prior six-month average trading volume of 71,194 common shares on the TSX. Purchases will be by way of open market purchases through the facilities of the TSX, and other Canadian market places, and payment for the shares will be in accordance with the TSX's by-laws and rules. Any shares purchased by the Company will be subsequently cancelled.

Board approved special share-based award to certain management and employees

As part of the Board of Directors' ongoing review of management's performance, during December 2013, the Board awarded certain members of management and other employees bonuses which were required to be used to buy common shares in the Company that are subject to a mandatory minimum three year hold period. The related shares were purchased on behalf of the employees on the open, public market through the Company's employee share purchase plan in December 2013. As a result, each recipient paid the same $15.03 price for each of his/her common shares. This share-based compensation incentive has helped to better align the interests of these employees with those of our shareholders.

MARKET UPDATE

British Columbia

Extension of Operating Agreement for Hastings Racecourse and Slots Facility

On October 25, 2012, the Company reached an agreement with the City of Vancouver for a two-year extension to the operating agreement at Hastings Racecourse and Slots Facility until November 9, 2014 on substantially the same terms. This two-year period was intended to afford the horse racing industry, under the leadership of the BCHRIMC, time to determine the appropriate plan of action to best assure itself of long-term sustainability. With the multi-year industry funding arrangement announced by the BCHRIMC in February 2014, the Company has commenced discussions with the City of Vancouver for a new longer term arrangement at Hastings Racecourse that works for both parties.

Competition

One of the Company's direct competitors, Paragon Gaming LLC ("Paragon"), operates the Edgewater Casino in downtown Vancouver, BC. Paragon has received approval to redevelop the Edgewater Casino. This redevelopment would relocate its current facility to a new location within the same area of downtown Vancouver. In December 2013, the City of Vancouver conditionally approved Paragon's development application for a $535 million casino complex adjacent to B.C. Place Stadium. The new casino is permitted to host a maximum of 600 slot machines and 75 table games (the same number that they are permitted to operate at their current facility) and includes plans to add two hotel towers, a conference centre, and restaurants. However, the application is subject to final approval by the City of Vancouver. Management is closely monitoring the development as it may impact our facilities.

In October 2012, the City of Surrey approved the installation of up to 150 temporary slot machines in the existing Newton bingo hall, which commenced operations in November 2012. The operation of the temporary slot machines, as approved by the City of Surrey, will be limited to: 18 calendar months from the date of activation, or the date on which permanent slot machines are activated in a new Newton community gaming centre, whichever occurs first.

CONSOLIDATED RESULTS OF OPERATIONS

The following table summarizes the consolidated operating results for the three month and twelve month periods ended December 31, 2013 with comparatives for the prior periods.

	Fourth Quarter			Twelve Months of		
	2013	2012	% Chg	**2013**	2012	% Chg
Gaming revenues	**$ 67.7**	$ 71.4	(5%)	**$ 280.6**	$ 294.9	(5%)
Facility Development Commission	**8.2**	10.7	(23%)	**34.1**	35.2	(3%)
Hospitality, lease and other revenues	**27.1**	21.9	24%	**96.8**	82.6	17%
Racetrack revenues	**3.4**	3.5	(3%)	**14.3**	15.8	(9%)
	106.4	107.5	(1%)	**425.8**	428.5	(1%)
Less: Promotional allowances	**(4.8)**	(4.7)	2%	**(18.5)**	(19.8)	(7%)
Revenues	**101.6**	102.8	(1%)	**407.3**	408.7	0%
Human resources	**40.8**	40.8	0%	**160.5**	163.8	(2%)
Property, marketing and administration	**25.6**	24.5	4%	**96.2**	97.3	(1%)
	66.4	65.3	2%	**256.7**	261.1	(2%)
EBITDA	**35.2**	37.5	(6%)	**150.6**	147.6	2%
Human resources as a % of Revenues before Promotional allowances	**38.3%**	38.0%		**37.7%**	38.2%	
EBITDA as a % of Revenues	**34.6%**	36.5%		**37.0%**	36.1%	
Amortization	**11.6**	12.9		**48.5**	51.6	
Share-based compensation	**6.1**	0.2		**9.7**	3.6	
(Reversals of) impairments of long-lived assets	**-**	6.9		**(28.5)**	61.1	
Impairment of goodwill	**-**	-		**-**	3.2	
Interest and financing costs, net	**8.0**	8.4		**32.8**	37.0	
Litigation settlement	**-**	-		**-**	11.0	
Restructuring and other	**0.6**	2.4		**2.0**	5.1	
Foreign exchange (gain) loss and other	**(0.3)**	(0.2)		**(0.9)**	6.8	
Income taxes	**2.0**	4.4		**23.9**	(4.2)	
Net earnings (loss)	**$ 7.2**	$ 2.5	188%	**$ 63.1**	$ (27.6)	
Net earnings (loss) per common share						
Basic	**$ 0.11**	$ 0.04		**$ 0.92**	$ (0.36)	
Diluted	**$ 0.10**	$ 0.03		**$ 0.90**	$ (0.36)	
Weighted average number of common shares (in thousands)						
Basic	**67,327**	70,346		**68,560**	76,814	
Diluted	**69,208**	71,605		**69,934**	76,814	

Discussion of Results

The Company's operating results are discussed in two sections. Revenues, human resources expenses, property, marketing and administration expenses, and EBITDA are discussed on a property or, where appropriate, group of similar properties basis. Items excluded from EBITDA are discussed on a consolidated basis. The following table reconciles the property results to the consolidated results of operations on the previous page.

REVENUES and EBITDA

	Fourth Quarter			Twelve Months of		
	2013	2012	% Chg	**2013**	2012	% Chg
REVENUES						
Casinos						
River Rock Casino Resort	**$ 43.2**	$ 39.6	9%	**$ 170.1**	$ 159.5	7%
Boulevard Casino (now "Hard Rock Casino Vancouver")	**13.0**	14.4	(10%)	**50.0**	57.9	(14%)
Vancouver Island Casinos	**9.1**	10.1	(10%)	**38.2**	39.2	(3%)
Other BC Casinos	**5.0**	6.1	(18%)	**19.1**	15.3	25%
Nova Scotia Casinos	**9.8**	10.4	(6%)	**41.0**	41.8	(2%)
Great American Casinos	**6.6**	5.3	25%	**24.8**	21.6	15%
	86.7	85.9	1%	**343.2**	335.3	2%
BC Racinos	**8.4**	8.9	(6%)	**37.9**	40.1	(5%)
Ontario Racetracks	**6.5**	8.0	(19%)	**26.2**	33.3	(21%)
Total Revenues	**$ 101.6**	$ 102.8	(1%)	**$ 407.3**	$ 408.7	0%
EBITDA						
Casinos						
River Rock Casino Resort	**$ 22.3**	$ 18.8	19%	**$ 89.8**	$ 79.4	13%
Boulevard Casnio (now "Hard Rock Casino Vancouver")	**2.6**	5.1	(49%)	**13.3**	21.1	(37%)
Vancouver Island Casinos	**4.8**	5.7	(16%)	**20.9**	21.6	(3%)
Other BC Casinos	**2.0**	3.4	(41%)	**8.9**	7.1	25%
Nova Scotia Casinos	**2.3**	3.1	(26%)	**11.1**	11.4	(3%)
Great American Casinos	**0.9**	0.6	50%	**3.9**	2.6	50%
	34.9	36.7	(5%)	**147.9**	143.2	3%
BC Racinos	**1.3**	1.6	(19%)	**7.2**	7.3	(1%)
Ontario Racetracks	**3.6**	4.3	(16%)	**14.0**	17.3	(19%)
Corporate & Other	**(4.6)**	(5.1)	10%	**(18.5)**	(20.2)	8%
Total EBITDA	**$ 35.2**	$ 37.5	(6%)	**$ 150.6**	$ 147.6	2%

Casinos

River Rock Casino Resort

	Fourth Quarter			Twelve Months of		
	2013	2012	% Chg	**2013**	2012	% Chg
Gaming revenues	**$ 29.0**	$ 26.2	11%	**$ 116.6**	$ 108.4	8%
Facility Development Commission	**4.2**	3.9	8%	**16.8**	15.8	6%
Hospitality and other revenues	**11.9**	11.4	4%	**44.4**	43.3	3%
Revenues before Promotional allowances	**45.1**	41.5	9%	**177.8**	167.5	6%
Less: Promotional allowances	**(1.9)**	(1.9)	0%	**(7.7)**	(8.0)	(4%)
Revenues	**43.2**	39.6	9%	**170.1**	159.5	7%
Human resources	**13.3**	13.0	2%	**51.4**	51.2	0%
Property, marketing and administration	**7.6**	7.8	(3%)	**28.9**	28.9	0%
EBITDA	**$ 22.3**	$ 18.8	19%	**$ 89.8**	$ 79.4	13%
Human resources as a % of Revenues before Promotional allowances	**29.5%**	31.3%		**28.9%**	30.6%	
EBITDA as a % of Revenues	**51.6%**	47.5%		**52.8%**	49.8%	

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Average
Table Drop	$ 241.4	$ 283.0	$ 221.4	$ 227.6	$ 233.4	$ 205.3	$ 189.0	$ 219.6	$ 169.4	
Table Hold	$ 48.7	$ 49.7	$ 44.6	$ 53.8	$ 41.7	$ 42.0	$ 40.9	$ 53.3	$ 32.5	
Table Hold %	20.2%	17.6%	20.2%	23.7%	17.9%	20.5%	21.6%	24.3%	19.2%	20.5%
Poker Rake	$ 1.1	$ 1.0	$ 0.9	$ 1.0	$ 1.2	$ 1.0	$ 1.1	$ 1.1	$ 1.2	
Slot Coin-In	$ 525.2	$ 536.0	$ 511.5	$ 545.4	$ 521.7	$ 518.1	$ 519.6	$ 493.4	$ 522.8	
Slot Win	$ 35.5	$ 37.0	$ 35.3	$ 35.2	$ 34.9	$ 35.2	$ 34.6	$ 33.9	$ 34.5	
Slot Win/Slot/Day[1,2]	$ 351	$ 364	$ 352	$ 355	$ 345	$ 349	$ 355	$ 372	$ 375	
Slot Win %	6.8%	6.9%	6.9%	6.5%	6.7%	6.8%	6.7%	6.9%	6.6%	6.7%

[1] Slot Win/Slot/Day is an average, presented in dollars.
[2] During the second quarter of 2012, the Company added 104 slot machines at River Rock, resulting in 1,110 slot machines since June 30, 2012.

Revenues

Gaming revenues at River Rock increased by 11% in the fourth quarter of 2013 when compared to the fourth quarter of 2012. This growth was primarily due to the 3% increase in table drop and the 2.3 percentage point increase in table hold percentage, resulting in a 17% increase in table hold. Slot win increased by 2% due to a 1% increase in slot coin-in and 0.1 percentage point increase in slot win percentage.

Gaming revenues increased by 8% in the twelve months of 2013, when compared to the twelve months of 2012. This increase was primarily attributable to the growth in table drop of 15%.

Hospitality and other revenues in the fourth quarter and twelve months of 2013 were relatively consistent with the fourth quarter and twelve months of 2012.

River Rock's hotel capacity includes the "River Rock Casino Resort Suites", which has 202 rooms, and "The Hotel at River Rock" with 193 rooms offered at a lower price point. On a combined basis, River Rock's average daily hotel revenue per available room ("REVPAR") was $106 dollars in the fourth quarter of 2013, compared to $96 dollars in the fourth quarter of 2012. This increase was due to a seven percentage point increase in the average hotel occupancy rate to 70%. The average daily room rate ("ADR") remained consistent at $152 dollars. For the twelve months of 2013, River Rock's REVPAR was $106 dollars, compared to $102 dollars in the twelve months of 2012. This increase was due to a three percentage point increase in the average hotel occupancy rate to 72%, partially offset by a 0.2% decrease in ADR to $147 dollars.

Expenses
Both human resources and property, marketing and administration expenses in the fourth quarter and twelve months of 2013 were relatively consistent with the fourth quarter and twelve months of 2012.

EBITDA
EBITDA increased by 19% and 13% in the fourth quarter and twelve months of 2013, respectively, when compared to the same periods in 2012. These increases were primarily due to River Rock's revenue increase.

Boulevard Casino (now "Hard Rock Casino Vancouver")

	Fourth Quarter			Twelve Months of		
	2013	2012	% Chg	**2013**	2012	% Chg
Gaming revenues	**$ 9.7**	$ 10.6	(8%)	**$ 37.5**	$ 43.3	(13%)
Facility Development Commission	**1.5**	1.7	(12%)	**6.2**	7.1	(13%)
Hospitality and other revenues	**2.5**	2.6	(4%)	**8.6**	9.7	(11%)
Revenues before Promotional allowances	**13.7**	14.9	(8%)	**52.3**	60.1	(13%)
Less: Promotional allowances	**(0.7)**	(0.5)	40%	**(2.3)**	(2.2)	5%
Revenues	**13.0**	14.4	(10%)	**50.0**	57.9	(14%)
Human resources	**6.6**	6.2	6%	**24.5**	24.9	(2%)
Property, marketing and administration	**3.8**	3.1	23%	**12.2**	11.9	3%
EBITDA	**$ 2.6**	$ 5.1	(49%)	**$ 13.3**	$ 21.1	(37%)
Human resources as a % of Revenues before Promotional allowances	**48.2%**	41.6%		**46.8%**	41.4%	
EBITDA as a % of Revenues	**20.0%**	35.4%		**26.6%**	36.4%	

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Average
Table Drop	$ 38.9	$ 32.7	$ 36.2	$ 37.9	$ 41.6	$ 40.9	$ 42.1	$ 42.0	$ 41.6	
Table Hold	$ 7.6	$ 6.6	$ 7.3	$ 7.8	$ 8.2	$ 8.4	$ 8.4	$ 9.0	$ 8.4	
Table Hold %	19.4%	20.2%	20.2%	20.6%	19.7%	20.5%	20.0%	21.4%	20.2%	20.2%
Poker Rake	$ 1.1	$ 0.8	$ 0.6	$ 0.7	$ 1.0	$ 0.7	$ 0.9	$ 1.2	$ 1.1	
Slot Coin-In	$ 306.0	$ 304.0	$ 313.8	$ 353.3	$ 385.5	$ 391.3	$ 414.6	$ 400.4	$ 400.6	
Slot Win	$ 23.0	$ 22.6	$ 23.9	$ 24.8	$ 26.7	$ 27.2	$ 28.5	$ 26.6	$ 26.7	
Slot Win/Slot/Day[1,2]	$ 271	$ 300	$ 326	$ 310	$ 292	$ 302	$ 315	$ 298	$ 289	
Slot Win %	7.5%	7.4%	7.6%	7.0%	6.9%	6.9%	6.9%	6.6%	6.7%	7.0%

(1) Slot Win/Slot/Day is an average, presented in dollars.
(2) During the twelve months of 2013, the Company removed 41 slot machines at Hard Rock resulting in 949 slot machines as at December 31, 2013.

Recent Developments

As described in the "Major Developments" section of this MD&A, Boulevard completed the refresh and repositioning of the property with the relaunch of Boulevard as Hard Rock Casino Vancouver on December 20, 2013. Since the grand opening, the property has seen improvements in its gaming volumes and food and beverage revenues.

Revenues

Revenues at Boulevard decreased by 10% in the fourth quarter and 14% in the twelve months of 2013, when compared to the same periods in 2012. These decreases were attributed to declines in table drop, slot coin-in and food and beverage revenues, which we believe was a result of decreased visitation due to a weakened local economy and guest disruption primarily associated with a heightened level of proximate highway construction that has been ongoing since 2010. During the twelve months of 2013, this construction included intermittent weekday and multiple weekend evening road closures affecting access to the property. Guests were also affected by the property repositioning and refresh that commenced on the gaming floor in January 2013 and had the most impact on visitation in the fourth quarter of 2013. The completion of the first phase of the property redevelopment coincided with the substantial completion of the highway construction, although some minor roadwork is expected during the first quarter of 2014, which may continue to hinder our guests' access to the property. These decreases were partially offset by a 0.6 percentage point improvement in the slot win percentage during the fourth quarter of 2013 when compared to the fourth quarter of 2012. Boulevard has also been impacted by nearby competition, including the Company's properties in Chilliwack, Maple Ridge and Surrey.

Expenses

Included in human resources and property, marketing and administration expenses were rebranding and

pre-opening costs of $1.0 and $1.5 for the fourth quarter and twelve months of 2013, respectively. Human resources expenses increased by 6% in the fourth quarter of 2013, when compared to the fourth quarter of 2012, primarily due to an increase in pre-opening training costs. Human resources expenses for the twelve months of 2013 were relatively consistent with the twelve months of 2012. Property, marketing and administration expenses increased by 23% in the fourth quarter and 3% in the twelve months of 2013, when compared to the same periods in 2012, primarily due to increased marketing costs related to the rebranding.

EBITDA
EBITDA decreased by 49% and 37% in the fourth quarter and twelve months of 2013, respectively, when compared to the same periods in 2012. These decreases were primarily due to the decline in revenues, as well as the increase in property, marketing and administration expenses that was primarily associated with the Hard Rock Casino Vancouver rebranding and pre-opening expenses.

Vancouver Island Casinos (View Royal Casino and Casino Nanaimo)

	Fourth Quarter			Twelve Months of		
	2013	2012	% Chg	**2013**	2012	% Chg
Gaming revenues	**$ 7.3**	$ 7.6	(4%)	**$ 30.3**	$ 31.0	(2%)
Facility Development Commission	**1.2**	1.9	(37%)	**5.2**	5.9	(12%)
Hospitality and other revenues	**1.1**	1.0	10%	**4.4**	4.1	7%
Revenues before Promotional allowances	**9.6**	10.5	(9%)	**39.9**	41.0	(3%)
Less: Promotional allowances	**(0.5)**	(0.4)	25%	**(1.7)**	(1.8)	(6%)
Revenues	**9.1**	10.1	(10%)	**38.2**	39.2	(3%)
Human resources	**3.0**	3.0	0%	**11.9**	12.2	(2%)
Property, marketing and administration	**1.3**	1.4	(7%)	**5.4**	5.4	0%
EBITDA	**$ 4.8**	$ 5.7	(16%)	**$ 20.9**	$ 21.6	(3%)
Human resources as a % of Revenues before Promotional allowances	**31.3%**	28.6%		**29.8%**	29.8%	
EBITDA as a % of Revenues	**52.7%**	56.4%		**54.7%**	55.1%	

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Average
Table Drop	$ 10.8	$ 12.2	$ 12.6	$ 12.4	$ 12.5	$ 13.0	$ 12.4	$ 13.0	$ 11.6	
Table Hold	$ 2.7	$ 2.6	$ 2.8	$ 2.9	$ 2.9	$ 2.8	$ 2.9	$ 2.7	$ 2.5	
Table Hold %	25.0%	21.1%	22.0%	23.4%	23.2%	21.5%	23.4%	20.8%	21.6%	22.4%
Slot Coin-In	$ 359.8	$ 382.0	$ 392.0	$ 372.6	$ 379.8	$ 390.0	$ 397.2	$ 378.1	$ 381.4	
Slot Win	$ 25.9	$ 27.6	$ 28.0	$ 26.7	$ 26.9	$ 28.3	$ 27.8	$ 27.1	$ 27.5	
Slot Win/Slot/Day[(1)]	$ 287	$ 305	$ 314	$ 294	$ 289	$ 305	$ 303	$ 295	$ 296	
Slot Win %	7.2%	7.2%	7.2%	7.2%	7.1%	7.3%	7.0%	7.2%	7.2%	7.2%

[(1)] Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Revenues at the Vancouver Island Casinos decreased by 10% in the fourth quarter and 3% in the twelve months of 2013, when compared to the fourth quarter and twelve months of 2012. These decreases were primarily due to decreases in table drop and slot coin-in, attributable to lower visitation caused by inclement winter weather conditions, and lower accelerated FDC revenues. As at December 31, 2012, the majority of the eligible expenditures approved by BCLC for the accelerated FDC project at Casino Nanaimo were reimbursed.

Expenses

Both human resources and property, marketing and administration expenses in the fourth quarter and twelve months of 2013 were relatively consistent with the same periods in 2012.

EBITDA

EBITDA decreased by 16% in the fourth quarter and 3% in the twelve months of 2013, when compared to the fourth quarter and twelve months of 2012. These decreases were primarily due to the decrease in FDC revenues.

Other BC Casinos (Chances Dawson Creek, Chances Maple Ridge (formerly "Maple Ridge Community Gaming Centre") and Chances Chilliwack)

	Fourth Quarter			Twelve Months of		
	2013	2012	% Chg	**2013**	2012	% Chg
Gaming revenues	**$ 3.5**	$ 3.0	17%	**$ 14.1**	$ 10.3	37%
Facility Development Commission	**0.7**	2.6	(73%)	**2.7**	3.5	(23%)
Hospitality and other revenues	**1.0**	0.7	43%	**3.0**	2.0	50%
Revenues before Promotional allowances	**5.2**	6.3	(17%)	**19.8**	15.8	25%
Less: Promotional allowances	**(0.2)**	(0.2)	0%	**(0.7)**	(0.5)	40%
Revenues	**5.0**	6.1	(18%)	**19.1**	15.3	25%
Human resources	**1.6**	1.6	0%	**6.0**	5.0	20%
Property, marketing and administration	**1.4**	1.1	27%	**4.2**	3.2	31%
EBITDA	**$ 2.0**	$ 3.4	(41%)	**$ 8.9**	$ 7.1	25%
Human resources as a % of Revenues before Promotional allowances	**30.8%**	25.4%		**30.3%**	31.6%	
EBITDA as a % of Revenues	**40.0%**	55.7%		**46.6%**	46.4%	

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Average
Slot Coin-In	$ 196.5	$ 180.6	$ 189.6	$ 191.2	$ 165.3	$ 107.3	$ 107.9	$ 114.1	$ 118.7	
Slot Win	$ 13.2	$ 12.4	$ 13.2	$ 12.6	$ 10.6	$ 7.0	$ 7.1	$ 7.6	$ 7.4	
Slot Win/Slot/Day[(1)]	$ 286	$ 308	$ 331	$ 321	$ 315	$ 296	$ 305	$ 327	$ 316	
Slot Win %	6.7%	6.9%	7.0%	6.6%	6.4%	6.5%	6.6%	6.7%	6.2%	6.6%

[(1)] Slot Win/Slot/Day is an average, presented in dollars.

Recent Developments
As described in the "Major Developments" section of this MD&A, Chances Maple Ridge relocated from its temporary facility to its new permanent facility on October 23, 2013. Since the grand opening, the property has seen improvements in its gaming volumes and food and beverage revenues.

Revenues
Gaming revenues at the Company's Other BC Casinos increased by 17% in the fourth quarter and 37% in the twelve months of 2013, when compared to the same periods in 2012. These increases were primarily due to incremental revenues associated with the increase in slot coin-in arising from the opening of the permanent facility for Chances Maple Ridge in October 2013, which features an additional 73 slot machines over the now closed temporary facility, and the commencement of slot operations at Chances Chilliwack on November 1, 2012. The decline in FDC revenues for the fourth quarter and twelve months of 2013 compared to the same periods in 2012 was due to the non-recurring accelerated FDC revenues of $1.7 related to the previous bingo operations at Chilliwack Bingo recorded in the fourth quarter of 2012.

Expenses
Human resources expenses remained relatively consistent in the fourth quarter of 2013, when compared to the fourth quarter of 2012. Human resources expenses increased 20% in the twelve months of 2013, when compared to the same period in 2012. Property, marketing and administration expenses increased by 27% in the fourth quarter and 31% in the twelve months of 2013 when compared to the fourth quarter and twelve months of 2012. These increases were primarily due to the incremental costs associated with Chances Chilliwack, which commenced slot operations on November 1, 2012, as well as the opening of the permanent facility for Chances Maple Ridge in October 2013.

EBITDA
EBITDA decreased by 41% in the fourth quarter of 2013 compared with the fourth quarter of 2012. This was attributable to the decrease in accelerated FDC revenue, which was partially offset by the increases in

gaming and hospitality and other revenues. EBITDA increased by 25% in the twelve months of 2013, when compared to the same period in 2012. This increase was primarily due to the growth in gaming revenues, which was partially offset by the decrease in accelerated FDC revenues and increase in expenses.

Labour Relations

Previously a collective agreement between Chilliwack Gaming Limited and National Automobile, Aerospace, Transportation and General Workers Union of Canada ("CAW"), Local 3000, governed wages and working conditions for the property's bingo workers.

Effective February 13, 2013, following a decertification application and a representation vote, the BC Labour Relations Board cancelled the Certification held by the CAW for the property's bingo workers.

Nova Scotia Casinos (Casino Nova Scotia Halifax and Casino Nova Scotia Sydney)

	Fourth Quarter			**Twelve Months of**		
	2013	2012	% Chg	**2013**	2012	% Chg
Gaming revenues	**$ 8.4**	$ 9.0	(7%)	**$ 36.1**	$ 39.2	(8%)
Hospitality and other revenues	**1.8**	2.0	(10%)	**6.6**	5.7	16%
Revenues before Promotional allowances	**10.2**	11.0	(7%)	**42.7**	44.9	(5%)
Less: Promotional allowances	**(0.4)**	(0.6)	(33%)	**(1.7)**	(3.1)	(45%)
Revenues	**9.8**	10.4	(6%)	**41.0**	41.8	(2%)
Human resources	**4.0**	4.2	(5%)	**16.1**	17.1	(6%)
Property, marketing and administration	**3.5**	3.1	13%	**13.8**	13.3	4%
EBITDA	**$ 2.3**	$ 3.1	(26%)	**$ 11.1**	$ 11.4	(3%)
Human resources as a % of Revenues before Promotional allowances	**39.2%**	38.2%		**37.7%**	38.1%	
EBITDA as a % of Revenues	**23.5%**	29.8%		**27.1%**	27.3%	

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Average
Table Drop	$ 10.0	$ 11.9	$ 11.3	$ 9.6	$ 10.9	$ 10.4	$ 9.8	$ 10.5	$ 11.0	
Table Hold	$ 2.4	$ 2.2	$ 2.0	$ 2.4	$ 2.5	$ 1.9	$ 1.9	$ 2.3	$ 2.2	
Table Hold %	24.0%	18.8%	17.7%	25.0%	22.9%	18.3%	19.4%	21.9%	20.0%	20.8%
Poker Rake	$ 0.4	$ 0.5	$ 0.5	$ 0.6	$ 0.5	$ 0.5	$ 0.4	$ 0.4	$ 0.5	
Slot Coin-In	$ 182.0	$ 222.5	$ 202.6	$ 174.4	$ 193.7	$ 228.3	$ 206.2	$ 192.6	$ 193.5	
Slot Win	$ 14.0	$ 17.6	$ 15.8	$ 13.6	$ 14.8	$ 18.3	$ 16.1	$ 15.2	$ 15.0	
Slot Win/Slot/Day[(1)]	$ 186	$ 228	$ 208	$ 184	$ 185	$ 227	$ 205	$ 191	$ 185	
Slot Win %	7.7%	7.9%	7.8%	7.8%	7.6%	8.0%	7.8%	7.9%	7.8%	7.8%

(1) Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Gaming revenues at the Nova Scotia Casinos decreased by 7% in the fourth quarter of 2013, when compared with the fourth quarter of 2012. This decrease is primarily due to declines in table drop and slot coin-in. Inclement weather conditions resulting in two days of closure during the fourth quarter of 2013 and the weakened local economy had an adverse impact on visitation. Gaming revenues decreased by 8% in the twelve months of 2013, when compared to the same period in 2012. This decline was primarily due to a decrease in the Company's percentage of gaming revenues earned from NSPLCC as a result of the AROC amendment on October 1, 2012, as described in the "Major Developments" section of this MD&A. The decrease in the Company's share of gaming revenues was offset by an increase in the operator's fee associated with leased slots of $1.0 prior to the AROC amendment that was recorded as a contribution towards slot lease operating expenses under property, marketing and administration expenses.

Hospitality and other revenues in the fourth quarter of 2013 decreased by 10%, when compared with the fourth quarter of 2012, which is primarily attributable to decreased food and beverage revenues. Hospitality and other revenues increased by 16% in the twelve months of 2013, when compared to the same period in 2012. This increase was primarily due to the increase in the Company's operator's fee related to non-gaming revenues as a result of the AROC amendment in the fourth quarter of 2012.

Promotional allowances decreased by 33% in the fourth quarter and 45% in the twelve months of 2013, when compared to the same periods in 2012. These decreases were primarily attributable to a change in direct marketing efforts and strategies.

Expenses

Human resources expenses decreased by 5% in the fourth quarter and 6% in the twelve months of 2013, when compared to the same periods in 2012, primarily due to staffing adjustments to address decreased

business volume.

Prior to October 1, 2012, when the AROC was amended, the Company received $1.0 per year related to the operation of leased slot machines that was recorded as a reduction to the related leased slot operating expenses that were part of property, marketing and administration expenses. Since October 1, 2012, the Company has been receiving an additional operator's fee, recorded as gaming revenues, equal to the lesser of $1.3 per year or 10% of leased slot machine revenues. As a result, property, marketing and administration expenses increased by 13% in the fourth quarter and by 4% in the twelve months of 2013, when compared with the same periods in 2012.

EBITDA
EBITDA decreased by 26% and 3% in the fourth quarter and twelve months of 2013 respectively, when compared to the same periods in 2012. These declines were primarily due to the decreases in revenues and human resources expenses, which were partially offset by the increase in property, marketing and administration expenses.

Great American Casinos

Results in U.S. Dollars (in millions)

	Fourth Quarter			Twelve Months of		
	2013	2012	% Chg	**2013**	2012	% Chg
Gaming revenues	**$ 5.0**	$ 4.4	14%	**$ 20.0**	$ 18.1	10%
Hospitality and other revenues	**1.9**	1.6	19%	**6.7**	5.8	16%
Revenues before Promotional allowances	**6.9**	6.0	15%	**26.7**	23.9	12%
Less: Promotional allowances	**(0.6)**	(0.7)	(14%)	**(2.6)**	(2.3)	13%
Revenues	**6.3**	5.3	19%	**24.1**	21.6	12%
Human resources	**3.4**	3.1	10%	**13.3**	12.8	4%
Property, marketing and administration	**2.0**	1.6	25%	**6.9**	6.2	11%
EBITDA	**$ 0.9**	$ 0.6	50%	**$ 3.9**	$ 2.6	50%
Human resources as a % of Revenues before Promotional allowances	**49.3%**	51.7%		**49.8%**	53.6%	
EBITDA as a % of Revenues	**14.3%**	11.3%		**16.2%**	12.0%	

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Average
Table Drop	$ 35.4	$ 34.7	$ 34.1	$ 33.9	$ 34.5	$ 31.6	$ 33.2	$ 35.5	$ 35.5	
Table Hold	$ 5.7	$ 5.6	$ 5.9	$ 5.5	$ 5.1	$ 4.7	$ 5.1	$ 5.4	$ 5.4	
Table Hold %	16.0%	16.1%	17.3%	16.2%	14.7%	14.9%	15.4%	15.2%	15.2%	15.6%

Results in Canadian Dollars

	Fourth Quarter			Twelve Months of		
	2013	2012	% Chg	**2013**	2012	% Chg
Revenues	**$ 6.6**	$ 5.3	25%	**$ 24.8**	$ 21.6	15%
EBITDA	**$ 0.9**	$ 0.6	50%	**$ 3.9**	$ 2.6	50%

Discussion in U.S. Dollars

Revenues

Revenues at Great American Casinos increased by 19% in the fourth quarter and 12% in the twelve months of 2013 when compared to the same periods in 2012. These increases were mainly due to the improvements in table drop and hold percentage and increased food and beverage revenues.

Expenses

Human resources expenses increased by 10% in the fourth quarter and by 4% in the twelve months of 2013, when compared to the same periods in 2012. Property, marketing and administration expenses increased by 25% in the fourth quarter and 11% in the twelve months of 2013 when compared to the same periods in 2012. These increases were primarily due to increased staffing cost, marketing expenses and food and beverage costs associated with the growth in gaming and hospitality revenues.

EBITDA

Great American Casinos' EBITDA increased by 50% both in the fourth quarter and twelve months of 2013 when compared to the same periods in 2012. These increases were mainly due to the increase in revenues.

The value of the Great American Casinos' functional currency, the U.S. dollar, in comparison to the Company's reporting currency, the Canadian dollar, affects the reported results of the Great American

Casinos. The average value of the U.S. dollar increased by 6% in the fourth quarter and increased by 3% in the twelve months of 2013, when compared to the same periods in 2012.

BC Racinos (Fraser Downs Racetrack and Casino, and Hastings Racecourse and Slots Facility)

	Fourth Quarter			Twelve Months of		
	2013	2012	% Chg	**2013**	2012	% Chg
Gaming revenues	**$ 4.5**	$ 4.8	(6%)	**$ 19.0**	$ 20.1	(5%)
Facility Development Commission	**0.6**	0.6	0%	**3.2**	2.9	10%
Racetrack revenues	**2.2**	2.4	(8%)	**10.1**	11.3	(11%)
Hospitality and other revenues	**1.5**	1.5	0%	**7.3**	7.6	(4%)
Revenues before Promotional allowances	**8.8**	9.3	(5%)	**39.6**	41.9	(5%)
Less: Promotional allowances	**(0.4)**	(0.4)	0%	**(1.7)**	(1.8)	(6%)
Revenues	**8.4**	8.9	(6%)	**37.9**	40.1	(5%)
Human resources	**4.1**	4.3	(5%)	**17.9**	19.5	(8%)
Property, marketing and administration	**3.0**	3.0	0%	**12.8**	13.3	(4%)
EBITDA	**$ 1.3**	$ 1.6	(19%)	**$ 7.2**	$ 7.3	(1%)
Human resources as a % of Revenues before Promotional allowances	**46.6%**	46.2%		**45.2%**	46.5%	
EBITDA as a % of Revenues	**15.5%**	18.0%		**19.0%**	18.2%	

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Average
Table Drop	$ 5.5	$ 5.6	$ 6.0	$ 7.0	$ 7.1	$ 7.0	$ 7.2	$ 6.4	$ 6.0	
Table Hold	$ 1.5	$ 1.4	$ 1.4	$ 1.7	$ 1.7	$ 1.4	$ 1.4	$ 1.4	$ 1.3	
Table Hold %	26.8%	24.6%	23.3%	24.3%	24.2%	20.0%	19.4%	21.9%	21.7%	22.8%
Poker Rake	$ 0.2	$ 0.1	$ 0.2	$ 0.3	$ 0.1	$ 0.5	$ 0.3	$ 0.2	$ -	
Slot Coin-In	$ 196.9	$ 207.3	$ 225.8	$ 218.5	$ 227.3	$ 239.4	$ 246.3	$ 234.7	$ 240.4	
Slot Win	$ 15.4	$ 16.1	$ 17.7	$ 16.1	$ 16.5	$ 17.9	$ 18.4	$ 17.6	$ 17.3	
Slot Win/Slot/Day(1)	$ 161	$ 167	$ 184	$ 170	$ 169	$ 184	$ 191	$ 183	$ 179	
Slot Win %	7.8%	7.8%	7.8%	7.4%	7.3%	7.5%	7.5%	7.5%	7.2%	7.5%

(1) Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Revenues at the BC Racinos decreased by 6% in the fourth quarter and 5% in the twelve months of 2013, when compared to the same periods in 2012. These decreases were primarily due to decreases in gaming and racetrack revenues, which are attributable to 2 and 6 fewer live races in the fourth quarter and twelve months of 2013, respectively, when compared to the same periods in 2012 and the ongoing industry-wide decline in horse race wagering.

FDC revenues increased in the twelve months of 2013, when compared to the twelve months of 2012, due to the recognition of $0.7 previously deferred FDC revenues that were realized in the second quarter of 2013 when BCLC approved the related eligible expenditures for reimbursement.

Expenses

Human resources and property, marketing and administration expenses were both relatively consistent in the fourth quarter of 2013, when compared with the fourth quarter of 2012. Human resources and property, marketing and administration expenses decreased by 8% and 4%, respectively, in the twelve months of 2013, when compared to the same period in 2012. These decreases were primarily due to operational efficiencies implemented as a result of reduced revenues.

EBITDA

EBITDA at the BC Racinos decreased by 19% in the fourth quarter and by 1% in the twelve months of 2013, when compared with the same periods in 2012. These decreases are a result of declines in revenues, which were partially offset by the decrease in expenses.

Labour Relations

A collective agreement with UNITE HERE!, Local 40, with a term covering April 01, 2008 through December 31, 2010, is applicable to food and beverage workers at Hastings Racecourse. Collective bargaining for a renewal collective agreement commenced on January 20, 2011 and no further meetings have been held since that date. Collective bargaining is in abeyance.

A collective agreement with Canadian Office and Professional Employees Union (COPE), Local 378, is applicable to specified racing, general and casino workers at the property. Collective bargaining commenced in January 2013, and a new collective agreement was reached in June 2013 covering the term August 1, 2012 through December 31, 2014.

Ontario Racetracks

	Fourth Quarter			Twelve Months of		
	2013	2012	% Chg	**2013**	2012	% Chg
Gaming revenues	**$ -**	$ 5.8	(100%)	**$ 6.4**	$ 24.6	(74%)
Racetrack revenues	**1.2**	1.1	9%	**4.2**	4.5	(7%)
Hospitality, lease and other revenues (1)	**5.3**	1.1	382%	**15.6**	4.2	271%
Revenues	**6.5**	8.0	(19%)	**26.2**	33.3	(21%)
Human resources	**1.3**	1.9	(32%)	**5.5**	7.6	(28%)
Property, marketing and administration	**1.6**	1.8	(11%)	**6.7**	8.4	(20%)
EBITDA	**$ 3.6**	$ 4.3	(16%)	**$ 14.0**	$ 17.3	(19%)
Human resources as a % of Revenues before Promotional allowances	**20.0%**	23.8%		**21.0%**	22.8%	
EBITDA as a % of Revenues	**55.4%**	53.8%		**53.4%**	52.0%	

(1) Included in Hospitality, lease and other revenues are lease and food and beverage revenues from OLG since the second quarter of 2013.

Recent Developments

As described in the "Major Developments" section of this MD&A, the Company received notice from OLG regarding the early termination of Georgian Downs' and Flamboro Downs' site holder agreements effective March 31, 2013. On November 29, 2013, the Company and OLG signed lease agreements, whereby OLG would lease the previously-existing slot machine areas of the properties for a period of five years commencing on April 1, 2013.

In May 2013, the Company and the Government of Ontario signed Ontario Racing Agreements outlining terms under which the Company will operate a reduced level of horse racing at the properties until March 31, 2015 on a transitional basis and will receive transition funding from the Government of Ontario.

Revenues

Revenues decreased by 19% in the fourth quarter and 21% in the twelve months of 2013, when compared to the same periods in 2012. As described in the "Major Developments" section of this MD&A, since April 1, 2013, the Company's Ontario Racetracks no longer receive 10% of OLG's slot machine revenues nor directly share in the horse racing pari-mutuel wagering revenues that the tracks generate. Instead, these Ontario Racetracks currently receive slot facility lease revenues from the OLG and fixed horse racing transition funds from the Government of Ontario. Consequently, there has been a decline in revenues at the Ontario Racetracks in the fourth quarter and twelve months of 2013 when compared to the fourth quarter and twelve months of 2012.

Included in gaming revenues in the second quarter of 2013 was a total of $0.7 without prejudice payments received to resolve disputes with OLG regarding the calculation of compensation due under the Flamboro Downs and Georgian Downs site holder agreements that ended on March 31, 2013.

Expenses

Human resources and property, marketing and administration expenses decreased by 22% in the fourth quarter and 24% in the twelve months of 2013, when compared to the same periods in 2012. These decreases were primarily due to operational adjustments implemented as a result of operating cost reductions required under the Ontario Racing Agreements.

EBITDA

EBITDA declined by 16% in the fourth quarter and 19% in the twelve months of 2013, when compared to

the same periods in 2012 mainly as a result of the decreases in revenues.

Labour Relations
A collective agreement with Public Service Alliance of Canada, Local 00500 (PSAC), with a term covering September 18, 2010 to September 17, 2013, covers workers at Georgian Downs. Notice to commence collective bargaining was served on September 5, 2013, and collective bargaining concluded on October 24, 2013, resulting in a renewal collective agreement effective September 18, 2013 through September 17, 2015.

A collective agreement with Service Employees International Union, Local 2 (SEIU), with a term covering January 1, 2011 through December 31, 2013 and subsequently extended by mutual agreement to December 31, 2014, covers workers at Flamboro Downs.

Corporate & Other

	Fourth Quarter			Twelve Months of		
	2013	2012	% Chg	**2013**	2012	% Chg
Human resources	**$ 3.3**	$ 3.5	(6%)	**$ 13.5**	$ 13.5	0%
Property, marketing and administration	**1.3**	1.6	(19%)	**5.0**	6.7	(25%)
EBITDA	**$ (4.6)**	$ (5.1)	10%	**$ (18.5)**	$ (20.2)	8%

EBITDA
Corporate & Other EBITDA improved by 10% in the fourth quarter and 8% in the twelve months of 2013, when compared to the same periods in 2012. EBITDA was lower in 2012 primarily due to legal costs associated with a litigation that was settled during the year.

Discussion of Items Excluded from EBITDA

Amortization
Amortization decreased by $1.3 in the fourth quarter and $3.1 in the twelve months of 2013, when compared to the fourth quarter and twelve months of 2012. These decreases were primarily due to the settlement payment received from OLG in 2013, which was applied against the long-lived assets at Georgian Downs as described in the "Major Developments" section of this MD&A.

Share-Based Compensation
Share-based compensation of $6.1 (2012 - $0.2) in the fourth quarter of 2013 comprises equity-settled share-based compensation of $0.3 (2012 - $0.4) and cash-settled share-based compensation of $5.8 (2012 - $0.2). The increase in share-based compensation was primarily due to the special share-based award of $4.8 as described in the "Major Developments" section of this MD&A. Also contributing to this increase was the higher cost of the Company's outstanding Deferred Share Units as a result of an increase in the Company's common share price.

Share-based compensation of $9.7 (2012 - $3.6) in the twelve months of 2013 comprises equity-settled share-based compensation of $2.3 (2012 - $2.2) and cash-settled share-based compensation of $7.4 (2012 - $1.4). The increase in share-based compensation was primarily due to both an increase in the cost of the Company's outstanding Deferred Share Units as a result of an increase in the Company's common share price and the special share-based award of $4.8.

(Reversal of) Impairment of Long-Lived Assets and Impairment of Goodwill
In the twelve months of 2013, the Company recorded non-cash impairment reversals of long-lived assets of $28.5 in connection with signing letters of intent for lease arrangements and horse racing transition funding for Georgian Downs and Flamboro Downs, as described in the "Major Developments" section of this MD&A.

In the twelve months of 2012, the Company recorded non-cash impairments of long-lived assets of $50.8 and a non-cash impairment of goodwill of $3.2 associated with the early termination notice of the site holder agreements for Georgian Downs and Flamboro Downs, as described in the "Major Developments" section of this MD&A, as well as a non-cash impairment charge of $10.3 related to land in Ontario that was written down to its estimated recoverable amount.

Interest and Financing Costs, net
Interest and financing costs, net of interest income remained relatively consistent in the fourth quarter of 2013, when compared to the fourth quarter of 2012. Interest and financing costs, net of interest income decreased by $4.2 in the twelve months of 2013, when compared to the twelve months of 2012. This decrease was primarily due to the non-recurring expenses of $3.9 associated with the Subordinated Notes redemption and $2.4 in previously deferred financing transaction costs related to the Subordinated Notes and Term Loan B that were expensed during the twelve months of 2012 as part of the debt refinancing as described in the "Major Developments" section of this MD&A. These decreases were partially offset by higher net interest and financing costs primarily due to a higher amount of outstanding long-term debt.

Litigation Settlement
Litigation settlement of $11.0 in the twelve months of 2012 relates to the settlement of a legal dispute.

Restructuring and other
Restructuring and other expenses incurred in the fourth quarter of 2012 included the equity investment loss of $0.9 attributable to the acquisition of PDX Entertainment Company recognized in the fourth quarter

of 2012.

Restructuring and other expenses decreased by $3.1 in the twelve months of 2013, when compared to the twelve months of 2012, which was primarily attributable to the equity investment loss of $3.5 recognized in the twelve months of 2012. Restructuring expenses included $1.3 related to non-recurring staff severance costs incurred during the twelve months of 2013 primarily as a result of an expected reduction in the number of live horse racing days to be held at Georgian Downs and Flamboro Downs, as described in the "Major Developments" section of this MD&A.

Foreign exchange (gain) loss and other

Foreign exchange gain and other income in the fourth quarter of 2013 was relatively consistent with the fourth quarter of 2012. Foreign exchange gain and other income decreased by $7.7 in the twelve months of 2013, when compared to the same periods in 2012. Foreign exchange loss and other expenses in the fourth quarter of 2012 included $8.1 of accumulated losses on derivatives designated as cash flow hedges that were reclassified from "accumulated other comprehensive loss" on the final settlement of the Company's cross-currency interest rate and principal swaps in July 2012 as part of a debt refinancing.

Income Taxes

Income tax expense was higher in the fourth quarter of 2012, when compared to the fourth quarter of 2013. The higher tax expense was due to the non-recognition of a deferred tax asset, which was partially offset by a corporate income tax rate that was 0.75 percentage point lower when compared to 2013.

Income taxes increased by $28.1 in the twelve months of 2013, when compared to the twelve months of 2012. This increase was primarily due to higher earnings before income taxes and a corporate income tax rate that was 25.75% in 2013 compared to 25.0% in 2012.

CONSOLIDATED QUARTERLY RESULTS TREND

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
Revenues	$ 101.6	$ 103.1	$ 102.1	$ 100.5	$ 102.8	$ 101.8	$ 101.3	$ 102.8	$ 95.7
EBITDA	$ 35.2	$ 39.1	$ 38.0	$ 38.3	$ 37.5	$ 35.8	$ 35.3	$ 39.0	$ 31.0
EBITDA as a % of Revenues	34.6%	37.9%	37.2%	38.1%	36.5%	35.2%	34.8%	37.9%	32.4%
Net earnings (loss)	$ 7.2	$ 13.3	$ 11.3	$ 31.3	$ 2.5	$ (0.9)	$ 2.7	$ (31.9)	$ 2.3
Net earnings (loss) per common share									
Basic	$ 0.11	$ 0.20	$ 0.17	$ 0.44	$ 0.04	$ (0.01)	$ 0.03	$ (0.39)	$ 0.03
Diluted	$ 0.10	$ 0.19	$ 0.16	$ 0.44	$ 0.03	$ (0.01)	$ 0.03	$ (0.39)	$ 0.03

In the fourth quarter of 2013, the Company's consolidated revenues decreased by 1% from those in the prior year comparable period. As described earlier in this MD&A, this decrease was primarily due to declines in revenues at the Ontario Racetracks, Boulevard and the Other BC Casinos and was partially offset by growth in revenues at River Rock and Great American Casinos. Gaming revenues have declined compared to the prior year primarily due to OLG's termination of the site holder agreement at Flamboro Downs and Georgian Downs as well as continued revenue decreases at Boulevard arising from a weakened local economy and guest disruption from the rebranding renovations and proximate highway construction that has been ongoing since 2010. During the twelve months of 2013, this construction included intermittent weekday and multiple weekend evening road closures affecting access to the property. Despite the receipt of lease revenues from OLG and horse racing transition funding from the Government of Ontario, there was an overall decline in revenues at the Ontario Racetracks since the second quarter of 2013.

Although the Company continues to focus on operating efficiencies, EBITDA has been affected by the one-time rebranding and pre-opening costs of $1.0 in the fourth quarter of 2013 for the relaunch of Boulevard as Hard Rock Casino Vancouver, which was completed in December 2013.

The net earnings (loss) trend reflects the items noted above, as well as certain impairment charges, reversals of impairment charges, share-based compensation expense, equity investment loss, business development expenses, litigation settlement costs, expenses associated with the debt refinancing and settlement of the related derivative liabilities, and the related income tax effects.

LIQUIDITY AND CAPITAL RESOURCES

The Company manages liquidity risks by closely monitoring its capital structure and operating costs, regularly monitoring forecast and actual cash flows, taking a conservative approach to capital investment, managing the maturity profiles of financial assets and financial liabilities and maintaining credit capacity within its Revolving Credit Facility.

As at December 31, 2013, the Company had:

- Relatively low levels of receivables of which the majority are due from: sales tax rebates from the federal government, racetrack operators, other provincial gaming corporations, and financial institutions;
- Low exposure to foreign currency exchange rate movements and low exposure to floating interest rate changes since it has relatively low levels of foreign denominated assets and liabilities and has fixed interest rates with its Canadian dollar denominated Senior Unsecured Notes;
- $320.2 of available credit on its Revolving Credit Facility, subject to compliance with the related financial covenants; and
- Counterparties to its existing debt and credit facilities that are primarily major financial institutions that have minimum grade “A” credit ratings.

Financial Position

		December 31, 2013		December 31, 2012	% Chg		December 31, 2011	% Chg
Cash and cash equivalents	**$**	**192.6**	$	121.1	59%	$	141.8	(15%)
Other current assets		**18.9**		13.8	37%		15.5	(11%)
Property, plant and equipment		**596.3**		621.3	(4%)		663.6	(6%)
Other long-term assets		**107.9**		106.5	1%		155.2	(31%)
Total Assets	**$**	**915.7**	$	862.7	6%	$	976.1	(12%)
Current liabilities	**$**	**70.5**	$	63.8	11%	$	64.9	(2%)
Long-term debt & Derivative liabilities (excluding current portion)		**441.0**		439.9	0%		398.9	10%
Other long-term liabilities		**96.7**		78.7	23%		89.9	(12%)
Total Liabilities		**608.2**		582.4	4%		553.7	5%
Shareholders' equity		**307.5**		280.3	10%		422.4	(34%)
Total Liabilities and Shareholders' equity	**$**	**915.7**	$	862.7	6%	$	976.1	(12%)

Total Assets

Total assets increased by $53.0 in the twelve months of 2013, when compared to the total assets as at December 31, 2012. This increase was primarily due to cash generated by operating activities and reversal of impairment charges on long-lived assets associated with Georgian Downs and Flamboro Downs, as described in the "Major Developments" section of this MD&A, which was partially offset by the $31.5 settlement payment from OLG, common shares repurchased of $46.6 and the amortization of property, plant and equipment.

Total assets decreased by $113.4 as at December 31, 2012, when compared to the total assets as at December 31, 2011. This decrease was primarily due to the cash outflow of $130.1 to repurchase common shares, non-cash impairment charges, and the amortization of property, plant and equipment and intangible assets. These decreases were partially offset by cash generated by operating activities, additions to property, plant and equipment, and net proceeds of $31.7 associated with the debt refinancing.

Total Liabilities

Total liabilities increased by $25.8 in the twelve months of 2013, when compared to the total liabilities as at December 31, 2012. This increase was primarily due to increases in accounts payable and deferred tax liabilities associated with the reversals of impairments of Georgian Downs' and Flamboro Downs' long-lived assets.

Total liabilities increased by $28.7 as at December 31, 2012, when compared to the total liabilities as at December 31, 2011. This increase was primarily due to the increase in long-term debt related to the debt refinancing. This increase was partially offset by the decrease in deferred tax liabilities associated with the impairments of Georgian Downs' and Flamboro Downs' long-lived assets.

Shareholders' equity

Shareholders' equity increased by $27.2 in the twelve months of 2013, when compared to shareholders' equity as at December 31, 2012. This increase was primarily due to the net earnings of $63.1, comprehensive income of $1.4 and equity-settled share-based compensation of $2.3, and share options exercised of $7.0. The increase was partially offset by common shares repurchased of $46.6.

Shareholders' equity decreased by $142.1 as at December 31, 2012, when compared to shareholders' equity as at December 31, 2011. This decrease was primarily due to the common shares repurchased under the substantial issuer bid and normal course issuer bid totalling $130.1, and a net loss of $27.6. This decrease was partially offset by share options exercised of $7.9, other comprehensive income of $5.5, and equity-settled share-based compensation of $2.2.

Cash Flows

	Fourth Quarter			Twelve Months of		
	2013	2012	% Chg	**2013**	2012	% Chg
Cash generated by operating activities	**$ 34.2**	$ 36.5	(6%)	**$ 135.4**	$ 121.4	12%
Cash (used in) generated by investing activities	**(7.8)**	(5.9)	(32%)	**7.1**	(27.6)	
Cash used in financing activities	**(10.0)**	-		**(72.2)**	(114.9)	37%
Effect of foreign exchange on cash and cash equivalents	**0.5**	0.3	67%	**1.2**	0.4	200%
Cash inflow (outflow)	**$ 16.9**	$ 30.9	(45%)	**$ 71.5**	$ (20.7)	

Cash generated by operating activities was lower in the fourth quarter of 2013, when compared to the same period in 2012. This decrease was primarily due to lower EBITDA as discussed in the "Financial Highlights" section of this MD&A.

Cash generated by operating activities was higher in the twelve months of 2013, when compared to the same period in 2012. This increase was primarily due to higher EBITDA as discussed in the "Financial Highlights" section of this MD&A.

Cash used in investing activities in the fourth quarter of 2013 was primarily for the development of Chances Maple Ridge and the rebranding and redevelopment of Boulevard.

Cash generated by investing activities in the twelve months of 2013 was mainly attributable to the settlement payment related to the Georgian Downs facility that was received from OLG in April 2013 as described in the "Major Developments" section of this MD&A. This was partially offset by the capital investment for the development of Chances Maple Ridge and the redevelopment of Boulevard.

Cash used in financing activities was higher in the fourth quarter of 2013, when compared to the fourth quarter of 2012. A higher amount of cash was used to repurchase and cancel the Company's common shares in the fourth quarter of 2013, when compared to the same period in 2012.

Cash used in financing activities was lower in the twelve months of 2013, when compared to the twelve months of 2012. A lower amount of cash was used to repurchase and cancel the Company's common shares in the twelve months of 2013, when compared to the twelve months of 2012, which included a $100.0 substantial issuer bid. The Company also paid transaction costs of $6.3 associated with a debt refinancing in the twelve months of 2012. This decrease was partially offset by an $8.2 increase in interest paid during the twelve months of 2013, when compared to the twelve months of 2012.

Capital Resources

Long-Term Debt and Equity

	December 31, 2013	December 31, 2012
Senior Unsecured Notes, net of unamortized transaction costs of $9.0 (2012 - $10.1)	**$ 441.0**	$ 439.9

As at December 31, 2013, the Company was in compliance with its financial covenants as shown below:

Covenant test	**Required ratio**	**Actual ratio**
Total Debt to Adjusted EBITDA ratio [(1)]	< 5.00	2.51
Senior Secured Debt to Adjusted EBITDA ratio [(1)]	< 3.50	0.00
Interest Coverage ratio [(1)]	> 2.25	5.61
Fixed Charge Coverage ratio [(2)]	> 2.00	5.65

(1) Calculated on a trailing twelve month basis and defined in the Credit Agreement, as amended on July 24, 2012.

(2) Calculated on a trailing twelve month basis and tested on specified events as defined in the long-term debt

The Company and its debt facilities had independent credit ratings as at December 31, 2013 as follows:

	Moody's	**Standard & Poor's**
Corporate	Ba3 Stable	BB+ Stable
Revolving Credit Facility	Ba1	BBB
Senior Unsecured Notes	B1	BB+

Outstanding Share Data

As at December 31, 2013 there were 67,333,249 common shares issued and outstanding compared to 70,436,319 as at December 31, 2012. This decrease was primarily due to the purchase and cancellation of common shares under the Company's normal course issuer bid during the year ended December 31, 2013 which was partially offset by stock option exercises.

As at December 31, 2013, there were 4,155,107 share options outstanding at a weighted-average exercise price of $8.02.

As at March 4, 2014, there were 67,527,482 common shares outstanding and 3,959,874 share options outstanding.

Capital Spending and Development

Under its operating agreements in BC, the Company earns a commission on capital investments as a percentage of Gross Gaming Revenues. Under its operating agreement in Nova Scotia, the Company is reimbursed for the majority of its capital projects. The majority of the Company's capital expenditures on gaming operations in British Columbia and Nova Scotia are eligible for reimbursement by the provincial gaming authorities. In British Columbia, through the FDC program, BCLC provides commissions for approved capital and operating expenditures related to the development or improvement of gaming properties as defined in the operating services agreements. Currently, the FDC percentage is 3% of the Gross Gaming Revenues from gaming activities. BCLC provides for an additional accelerated FDC equal to 2% of the Gross Gaming Revenues and is intended to be a one-time reimbursement of the timely development or redevelopment of gaming facilities and additional entertainment amenities of significant value which may be completed through phases. The Company continues to receive accelerated FDC until the approved eligible costs of the project are recovered**.**

The following table summarizes the changes in the Company's Approved Amounts (a term defined in the Company's operating services agreements with BCLC) to be recovered by future FDC receipts from BCLC:

	Year ended December 31,	
	2013	2012
Opening Approved Amounts	**$ 412.0**	$ 424.4
Additional Approved Amounts	**3.0**	22.8
FDC receipts	**(34.1)**	(35.2)
Closing Approved Amounts	**$ 380.9**	$ 412.0

The differences between the FDC Additional Approved Amounts and the additions to property, plant and equipment are primarily due to the difference in timing between when the expenditures are incurred, when the invoices are received, and when they are submitted to BCLC for approval.

Approved expenditures incurred to improve or maintain the two Nova Scotia casinos are reimbursed by NSPLCC from a Capital Reserve Account ("CRA"). The Company is required to make contributions to the CRA equal to 5% of the annual gross operational revenues from the two Nova Scotia casinos with a minimum contribution of approximately $5.0 per year adjusted for inflation since April 2010. If the CRA is in a deficit balance, the amount owed to the Company accrues interest at a rate of bank prime plus 2% per annum.

The following table summarizes the Company's maintenance and development capital expenditures net of accounts payable for the fourth quarter and twelve months of 2013:

	Fourth Quarter		**Twelve Months of**	
	2013	2012	**2013**	2012
Maintenance capital expenditures net of related accounts payable	**$ -**	$ 0.5	**$ 3.6**	$ 3.3
Development capital expenditures net of related accounts payable	**7.3**	5.3	**21.3**	16.2
Total capital expenditures net of related accounts payable	**$ 7.3**	$ 5.8	**$ 24.9**	$ 19.5

Maintenance capital expenditures were primarily related to various property upgrades and information technology. Development capital expenditures during the fourth quarter and twelve months of 2013 were primarily related to Chances Maple Ridge and the rebranding and redevelopment of Boulevard. For the upcoming twelve months of 2014, the Company estimates that development capital expenditures and maintenance capital expenditures net of related accounts payable will total approximately $5.0 and $5.0, respectively.

Contingencies

The Company has issued letters of credit to guarantee performance primarily under gaming cash floats, construction contracts, and provincial gaming corporation payables in the aggregate amount of $29.8 as at December 31, 2013 (December 31, 2012 - $29.9).

Litigation

On June 29, 2012, the Company settled a long-standing legal dispute with a former Ontario-based consultant for a total cash payment of $11.0.

The Company is subject to legal proceedings, claims and investigations in the ordinary course of business. Liabilities related to such matters are recorded when it is both probable that a liability has been incurred and the amount of the liability can be reasonably estimated. All legal costs associated with litigation are expensed as incurred.

Guarantees and Indemnifications

The Company may provide guarantees and indemnifications in conjunction with transactions in the normal course of operations. These are recorded as liabilities when reasonable estimates of the obligations can be made. Guarantees and indemnifications that the Company has provided include obligations to indemnify:

- directors and officers of the Company and its subsidiaries for potential liability while acting as a director or officer of the Company, together with various expenses associated with defending and settling such suits or actions due to association with the Company, the risk of which is mitigated by the Company's directors' and officers' liability insurance;
- certain vendors of acquired companies or properties for obligations that may or may not have been known at the date of the transaction;
- certain financial institutions for costs that they may incur as a result of representations made in our debt and equity offering documents; and
- lessors of leased properties for personal injury claims that may arise at the facilities we operate.

Commitments

The Company expects the following maturities of its financial liabilities (including interest), operating leases and other contractual commitments:

	Expected payments by period as at December 31, 2013				
	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	$ 67.9	$ -	$ -	$ -	$ 67.9
Income taxes payable	-	-	-	-	-
Senior Unsecured Notes	29.8	59.6	59.6	569.3	718.3
Provisions	1.3	2.0	1.0	6.9	11.2
Operating leases (1)	3.7	4.1	3.6	7.6	19.0
Other contractual commitments (2)	6.5	2.9	2.1	5.6	17.1
Total	$ 109.2	$ 68.6	$ 66.3	$ 589.4	$ 833.5

(1) Operating leases include a ground lease with the City of Surrey, BC for Fraser Downs Racetrack and Casino, an operating agreement with the City of Vancouver, BC for Hastings Racecourse and Slots Facility, property leases for the Company's head office and Great American Gaming Corporation, and a ground lease with the City of Sydney, NS for Casino Nova Scotia Sydney.

(2) Other contractual commitments include the acquisition of property, plant and equipment of $0.8 (2012 - $1.0), various service contracts of $14.6 (2012 - $4.6), and amounts committed to NSPLCC to fund responsible gaming programs of $1.5 (2012 - $2.7).

Expected payments related to facility development projects are not reflected in this table unless they are contractually committed.

Future Cash Requirements

Management believes that the Company's current operational requirements and major development plans can be funded from existing cash and cash equivalents, cash generated from operations, and existing capacity on our Revolving Credit Facility. If future circumstances dictate an increased cash requirement and we elect not to delay, limit, or eliminate some of our plans, we may raise additional funds through the refinancing of existing debt, the issuance of additional debt that fits within the limitations established by the covenants on our existing credit and debt facilities, the issuance of hybrid debt-equity securities, or additional equity securities. If the Company needs to access the capital markets for additional financial resources, we believe we will be able to do so at prevailing market rates.

OTHER FINANCIAL INFORMATION

Related Party Transactions

As defined under International Accounting Standards ("IAS") 24, *Related Party Disclosures*, key management personnel comprise the Company's Board of Directors and executive officers. Key management compensation was as follows:

	Year ended December 31,	
	2013	2012
Human resources [1]	**$ 2.4**	$ 2.3
Share-based compensation [2]	**5.6**	2.3
Total	**$ 8.0**	$ 4.6

[1] Human resources includes salaries and other short-term employee benefits.

[2] Share-based compensation includes equity and cash settled share-based compensation.

As at December 31, 2013, the liabilities of the Company included amounts due to key management personnel of $1.5 (2012 - $0.9) in "accounts payable and accrued liabilities" and $3.3 (2012 - $2.2) in "deferred credits, provisions and other liabilities" in the consolidated statements of financial position.

Restricted Cash

Restricted cash balance of $4.9, previously presented as "restricted cash" on the consolidated statements of financial position at December 31, 2012, has been retrospectively reclassified to "cash and cash equivalents." This change is also reflected in the calculation of cash flows for the fourth quarter and twelve months of 2012. Management believes this presentation better demonstrates the Company's true cash and cash equivalent position on the consolidated statements of financial position and cash flows.

Changes in Accounting Policies

Effective January 1, 2013, the Company adopted the following revised IASs and IFRSs issued by the International Accounting Standards Board ("IASB"). These revised IFRSs did not have a material impact on the Company's consolidated financial statements.

- *IAS 1, Presentation of Financial Statements* – amended to clarify the requirements for comparative information in the financial statements.

- *IAS 16, Property, Plant and Equipment* – amended to clarify the classification of servicing equipment.

- *IAS 19, Employee Benefits (2011)* – amended to change the accounting for defined benefit plans and terminations benefits, and improve the understandability and usefulness of disclosures.

- *IAS 32, Financial Instruments: Presentation ("IAS 32")* – amended to clarify that the tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12, *Income Taxes.*

- *IAS 34, Interim Financial Reporting* – amended to clarify the requirements for segment information related to total assets and total liabilities.

- *IFRS 7, Financial Instruments: Disclosures ("IFRS 7")* – amended to require disclosure about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement.

- *IFRS 13, Fair Value Measurement ("IFRS 13")* – provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. IFRS 13 was subsequently amended to clarify the scope of the portfolio exception.

Effective January 1, 2013, the Company also concurrently adopted the following five new and revised standards addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements with other entities. These standards did not have a material impact on the Company's consolidated financial statements.

- *IFRS 10, Consolidated Financial Statements ("IFRS 10")* – replaces the consolidation guidance in IAS 27 (2008), *Consolidated and Separate Financial Statements* ("IAS 27 (2008)"), and SIC-12, *Consolidated Special Purpose Entities*, by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee.

- *IFRS 11, Joint Arrangements ("IFRS 11")* – replaces IAS 31, *Interests in Joint Ventures*. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed.

- *IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12")* – requires enhanced disclosures about the entity's interests in subsidiaries, joint arrangements and associates, and unconsolidated structured entities.

- *IAS 27 (2011), Separate Financial Statements* – the consolidation requirements previously forming part of IAS 27 (2008) have been revised and are now contained in IFRS 10.

- *IAS 28 (2011), Investments in Associates and Joint Ventures* – amended to conform to changes based on the issuance of IFRS 10, IFRS 11, and IFRS 12.

Recent Accounting Pronouncements

The Company is currently evaluating the effects of the following new and revised accounting pronouncements and their impact on the Company's consolidated financial statements:

- *IAS 32* – amended to clarify under what circumstances financial assets and financial liabilities should be offset. It is effective for annual periods beginning on or after January 1, 2014.

- *IAS 36, Impairment of Assets* – amended to clarify the standard's disclosure requirements and require the disclosure of the discount rate used in determining an impairment value calculated using a present value technique. It is effective for annual periods beginning on or after January 1, 2014.

- *IFRS 10, 12 and IAS 27* – IFRS 10 has been amended to introduce an exception from the

requirement to consolidate subsidiaries for an investment entity. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities. IFRS 7 and IAS 27 have been amended to introduce new disclosure requirements for investment entities. These amendments are effective for annual periods beginning on or after January 1, 2014.

- International Financial Reporting Standards Interpretations Committee's Interpretation 21, *Levies* – provides guidance for applying IAS 37, *Provisions, contingent liability and contingent assets*, with respect to when a company should recognize a liability for a levy imposed by a government. It is effective for annual periods beginning on or after January 1, 2014.

- *IFRS 2, Share based payments* – amended the definitions of "vesting condition" and "market conditions" and added definitions for "performance condition" and service condition". These amendments apply to share based payment transactions with a grant date on or after July 1, 2014.

- *IFRS 8, Operating Segments* – amended to require the disclosure of the judgments made by management in applying the aggregation criteria to operating segments and to clarify that the reconciliation of the segment assets is required if they are regularly provided to the chief operation decision-maker. It is effective for annual periods beginning on or after July 1, 2014.

- *IFRS 13* – the Basis of Conclusions was amended to clarify that issuing IFRS 13 and amending IFRS 9, *Financial Instruments* ("IFRS 9") and IAS 39, *Financial Instruments: Recognition and measurement* ("IAS 39") did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis. It is effective for annual periods beginning on or after July 1, 2014.

- *IAS 16 and IAS 38, Intangible assets* – amended to clarify that, under the revaluation method, the gross amount of property, plant and equipment and intangible asset is adjusted in a manner consistent with the revaluation of the carrying amount of the asset. It is effective for annual periods beginning on or after July 1, 2014.

- *IAS 24* – amended to clarify how payments to entities providing management services are to be disclosed. It is effective for annual periods beginning on or after July 1, 2014.

- *IFRS 9* – replaces IAS 39. IFRS 9 simplifies the classification and measurement requirements for financial instruments, which replaces the multiple classification and measurement models in IAS 39. The IASB tentatively decided that the mandatory effective date will be no earlier than annual periods beginning on or after 1 January 2017.

Critical Accounting Estimates and Judgments

The Company's reported financial position and results of operations are dependent on the selection of accounting policies that are based on IFRS and accounting estimates that underlie the preparation of the Company's Annual Financial Statements. The Company's Annual Financial Statements contain a summary of its significant accounting policies and accounting estimates. Estimates by their nature are subject to risks, uncertainties and assumptions, which could cause the Company's financial position and operating results to differ materially from those presented in the Company's Annual Financial Statements. Future changes in accounting estimates will be applied on a prospective basis.

The estimates used in determining the recorded amounts in the Company's Annual Financial Statements include the following:

- *Impairment of long-lived assets and goodwill*

  The determination of a long-lived asset or goodwill impairment requires significant estimates and assumptions to determine the recoverable amount of an asset and/or CGU, wherein the recoverable amount is the higher of fair value less costs to sell and value in use. The value in use method involves estimating the net present value of future cash flows derived from the use of the asset and/or CGU, discounted at an appropriate rate.

  The estimates of future cash flows require a number of key assumptions about future business performance. These assumptions and estimates are primarily based on the relevant business' historical experience, economic trends, and consider past communications with relevant stakeholders of the Company. These key assumptions include the future revenue levels and human resources and property, marketing and administration expenses. The assumptions are subject to a number of factors and it is possible that actual results could vary materially from management's estimates. Significant changes in the key assumptions utilized in the estimate of future cash flows could result in an impairment loss or reversal of an impairment loss.

- *Estimated useful lives of long-lived assets*

  Judgment is used to estimate each component of an asset's useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost, and renewal history. If the estimated useful lives were incorrect, this could result in an increase or decrease in the annual amortization expense, and future impairment charges or recoveries.

- *Equity-settled share-based compensation*

  The Company estimates the cost of equity-settled share-based compensation using the Black-Scholes option pricing model. The model takes into account an estimate of the expected life of the option, the current price of the underlying common share, the expected volatility, an estimate of future dividends on the underlying common share, the risk-free rate of return expected for an instrument with a term equal to the expected life of the option, and the expected forfeiture rate.

- *Income taxes*

  Deferred tax assets and liabilities are due to temporary differences between the carrying amount for accounting purposes and the tax basis of certain assets and liabilities, as well as undeducted tax losses. Estimation is required for the timing of the reversal of these temporary differences and the tax rate applied. The carrying amounts of assets and liabilities are based on amounts recorded in the financial statements and are subject to the accounting estimates inherent in those balances. The tax basis of assets and liabilities and the amount of undeducted tax losses are based on the applicable income tax legislation, regulations and interpretations. The timing of the reversal of the temporary differences and the timing of deduction of tax losses are based on estimations of the Company's future financial results.

  Changes in the expected operating results, enacted tax rates, legislation or regulations, and the Company's interpretations of income tax legislation will result in adjustments to the expectations

of future timing difference reversals and may require material deferred tax adjustments.

- *Contingencies*

  Provisions are accrued for liabilities with uncertain timing or amounts, if, in the opinion of management, it is both likely that a future event will confirm that a liability had been incurred at the date of the financial statements and the amount can be reasonably estimated. In cases where it is not possible to determine whether such a liability has occurred, or to reasonably estimate the amount of loss until the performance of some future event, no accrual is made until that time. In the ordinary course of business, the Company may be party to legal proceedings which include claims for monetary damages asserted against the Company and its subsidiaries. The adequacy of provisions is regularly assessed as new information becomes available.

  The Company does not record contingent assets.

The judgments used in applying the Company's significant accounting policies include the following:

- *Hedge accounting*

  The Company designated its cross-currency interest rate and principal swaps as cash flow hedges, and assessed the effectiveness of its hedging instruments at each reporting period up to their settlement on July 24, 2012, as described in the "Capital Resources" section of this MD&A. The fair values of the Company's cross-currency interest rate and principal swaps were based on credit risk adjusted discounted cash flows that require assumptions regarding the U.S. dollar exchange rate and discount rates, which were based on the prevailing U.S. dollar exchange rates and prevailing interest rates in Canada and U.S.

  The Company applied hedge accounting as it believed this was more representative of the economic substance of the underlying transactions. If the Company chooses to revoke this designation at a future period, the changes in fair value of the cross-currency interest rate and principal swaps would have been recorded in the consolidated statements of earnings (loss).

- *Determination of CGUs*

  The Company's assets are grouped into CGUs based on their ability to generate separate identifiable cash flows. The determination of CGUs involves an assessment regarding the interdependency of cash inflows, and the Company's organizational structure.

Financial Instruments and Other Instruments

The Company's risk management strategy is to minimize exposure to currencies other than the Canadian dollar and, with the exception of revolving lines of credit, to fix substantially all of its floating interest rate debt. The financial instrument that gives rise or may give rise to the most significant exposure to floating interest rate risk is the Revolving Credit Facility.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

The Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal controls over financial reporting to provide reasonable assurance a) that material information about the Company and its subsidiaries would have been made known to them and b) regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

The Chief Executive Officer and Chief Financial Officer have evaluated and conclude that the Company's disclosure controls and procedures are adequately designed and effective for providing reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would have been made known to them as of the end of the fiscal year ended December 31, 2013.

As well, as of the end of the fiscal year ended December 31, 2013, the Chief Executive Officer and Chief Financial Officer have evaluated and concluded that the Company's internal controls over financial reporting, designed under the 1992 Committee of Sponsoring Organizations of the Treadway Commission's internal control integrated framework, are adequately designed and effective for providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

During 2013 there was no change in the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Definitions of Other Terms Used in the MD&A

Gross Gaming Revenues – the amounts wagered on gaming activities, less the payout or prizes to winning customers.

Racebook – an off-racetrack betting facility for pari-mutuel wagering on live horse races displayed by television broadcasts operated by the Company or TBC.

Revenues – the sum of the following:

- Casino gaming in BC – gaming revenues are net of amounts paid to BCLC (provincial government portion is 60% of the win on most table games and 75% of the slot machine win) and are net of accruals for anticipated payouts of progressive slot machine jackpots and progressive table game payouts.
- Bingo and slots at a community gaming centre in BC – gaming revenues are net of amounts paid to BCLC (provincial government portion is 75% of the win on slots, and 40% to 75% of the weekly bingo win) and are net of prizes.
- Horse racing in BC – Racetrack revenues represent the Company's share of total wagering less amounts returned as winning wagers, provincial and federal taxes, and includes the host track share of wagering on the Company's races simulcast to other associations.

- Horse racing in Ontario – Effective April 1, 2013, racetrack revenues includes transition funding for horse racing received from the Government of Ontario. Prior to April 1, 2013, racetrack revenues represented the Company's share of total wagering less amounts returned as winning wagers, provincial and federal taxes, and included the host track share of wagering on the Company's races simulcast to other associations.

- Casino gaming in Washington – gaming revenues are net of county gaming taxes at various rates ranging from 10% to 11% for card and progressive jackpot games, 5% on pull-tabs and 2% on amusement games.

- Casino gaming in Nova Scotia – effective October 1, 2012, gaming revenues are approximately equal to 52.24% of the gross gaming revenues, after deduction of the capital reserve contribution ("CRC"). The CRC is the greater of 5% of total revenue or $5.0 (adjusted for inflation in each year since 2009). The Company is also entitled to receive additional Operator Fees equal to the lesser of $1.3, or 10% of leased slot machine revenues. Prior to October 1, 2012, gaming revenues were approximately equal to 55.5%, after deduction of the CRC, as described in the "Business Description" section of this MD&A.

- Facility Development Commission ("FDC") – revenues earned from BCLC as a fixed percentage of gross gaming revenues, subject to the Company incurring sufficient Approved Amounts (a defined term in the casino operating service agreements and generally consists of approved capital and operating expenditures related to the development or improvement of gaming properties). BCLC also provides for an accelerated FDC amount towards the timely development or redevelopment of gaming facilities and additional entertainment amenities of significant value which may be completed through phases. Generally, the FDC percentage is 3% or 5% of gross gaming win from casinos, racetracks and community gaming centres.

- Hospitality, lease and other revenues – food and beverage revenues, hotel revenues, and other revenues such as: ATM commissions, theatre revenues, advertising revenues, lease revenues and other income from ancillary services.

- Promotional allowances – the retail value of promotional allowances furnished to guests without charge, which have been included in gaming revenues or hospitality, lease and other revenues, are deducted.

Additional Information

Additional information relating to the Company, including the Company's latest Annual Financial Statements and Annual Information Form, can be located on the SEDAR website at www.sedar.com or on the Company's website at www.gcgaming.com.

Shareholders of the Company may obtain a copy of the Company's TSX Form 12 Notice of Intention to Make a Normal Course Issuer Bid as filed with and as accepted by the TSX, at no charge, by contacting the Company.

SUPPLEMENTAL FINANCIAL INFORMATION

Consolidated Quarterly Results Trend

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Gaming Revenues					
River Rock Casino Resort	$ 29.0	$ 29.7	$ 27.4	$ 30.6	$ 26.2
Boulevard (now "Hard Rock Casino Vancouver")	9.7	8.8	9.3	9.7	10.6
Vancouver Island Casinos	7.3	7.7	7.8	7.5	7.6
Other BC Casinos	3.5	3.4	3.7	3.5	3.0
Nova Scotia Casinos	8.4	10.2	9.2	8.3	9.0
Great American Casinos	5.3	5.1	5.3	4.8	4.4
BC Racinos	4.5	4.6	5.0	4.9	4.8
Ontario Racetracks	-	-	0.7	5.6	5.8
	67.7	**69.5**	**68.4**	**74.9**	**71.4**
Facility Development Commission					
River Rock Casino Resort	4.2	4.3	3.9	4.4	3.9
Boulevard (now "Hard Rock Casino Vancouver")	1.5	1.5	1.6	1.6	1.7
Vancouver Island Casinos	1.2	1.2	1.3	1.5	1.9
Other BC Casinos	0.7	0.7	0.7	0.7	2.6
BC Racinos	0.6	0.6	1.4	0.6	0.6
	8.2	**8.3**	**8.9**	**8.8**	**10.7**
Hospitality, Lease and Other Revenues					
River Rock Casino Resort	11.9	11.7	11.1	9.6	11.4
Boulevard (now "Hard Rock Casino Vancouver")	2.5	1.9	2.2	2.1	2.6
Vancouver Island Casinos	1.1	1.1	1.1	1.0	1.0
Other BC Casinos	1.0	0.7	0.7	0.6	0.7
Nova Scotia Casinos	1.8	1.7	1.7	1.4	2.0
Great American Casinos	2.0	1.7	1.6	1.6	1.6
BC Racinos	1.5	2.5	2.0	1.2	1.5
Ontario Racetracks	5.3	5.0	4.8	0.7	1.1
	27.1	**26.3**	**25.2**	**18.2**	**21.9**
Racetrack Revenues					
BC Racinos	2.2	2.7	2.9	2.2	2.4
Ontario Racetracks	1.2	1.1	1.1	1.0	1.1
	3.4	**3.8**	**4.0**	**3.2**	**3.5**
Promotional Allowances	(4.8)	(4.8)	(4.4)	(4.6)	(4.7)
Revenues	**$ 101.6**	**$ 103.1**	**$ 102.1**	**$ 100.5**	**$ 102.8**
EBITDA					
River Rock Casino Resort	$ 22.3	$ 23.7	$ 21.2	$ 22.7	$ 18.8
Boulevard (now "Hard Rock Casino Vancouver")	2.6	3.0	3.5	4.1	5.1
Vancouver Island Casinos	4.8	5.3	5.5	5.3	5.7
Other BC Casinos	2.0	2.2	2.4	2.3	3.4
Nova Scotia Casinos	2.3	3.9	2.9	2.1	3.1
Great American Casinos	0.9	0.8	1.3	0.9	0.6
BC Racinos	1.3	1.6	2.8	1.4	1.6
Ontario Racetracks	3.6	3.2	3.3	4.0	4.3
Corporate & Other	(4.6)	(4.6)	(4.9)	(4.5)	(5.1)
	$ 35.2	**$ 39.1**	**$ 38.0**	**$ 38.3**	**$ 37.5**

GREAT CANADIAN GAMING CORPORATION

AUDITOR'S REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2013

(Expressed in millions of Canadian dollars, except for per share information)

Deloitte LLP
2800 - 1055 Dunsmuir Street
4 Bentall Centre
P.O. Box 49279
Vancouver BC V7X 1P4
Canada

Tel: 604-669-4466
Fax: 778-374-0496
www.deloitte.ca

Independent Auditor's Report

To the Shareholders of
Great Canadian Gaming Corporation

We have audited the accompanying consolidated financial statements of Great Canadian Gaming Corporation, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of earnings (loss), comprehensive income (loss), changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Great Canadian Gaming Corporation as at December 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) Deloitte LLP

Chartered Accountants
March 4, 2014
Vancouver, British Columbia

GREAT CANADIAN GAMING CORPORATION
Consolidated Statements of Financial Position
(Expressed in millions of Canadian dollars)
As at December 31,

			2013		2012
Assets					
Current					
Cash and cash equivalents	Note 5	**$**	**192.6**	$	121.1
Accounts receivable	Note 6		**7.2**		7.7
Income taxes receivable			**3.7**		-
Prepaids, deposits and other assets			**8.0**		6.1
			211.5		134.9
Property, plant and equipment	Note 8		**596.3**		621.3
Intangible assets	Note 9		**75.8**		73.3
Goodwill	Note 10		**20.6**		20.1
Deferred tax assets	Note 19		**8.8**		9.9
Other assets			**2.7**		3.2
		$	**915.7**	$	862.7
Liabilities					
Current					
Accounts payable and accrued liabilities		**$**	**67.9**	$	60.4
Income taxes payable			**-**		0.5
Other liabilities	Note 11		**2.6**		2.9
			70.5		63.8
Long-term debt	Note 12		**441.0**		439.9
Deferred credits, provisions and other liabilities	Note 15		**26.4**		25.4
Deferred tax liabilities	Note 19		**70.3**		53.3
			608.2		582.4
Shareholders' equity					
Share capital and reserves	Note 16		**305.1**		313.5
Accumulated other comprehensive income (loss)			**0.4**		(1.0)
Retained earnings (deficit)			**2.0**		(32.2)
			307.5		280.3
		$	**915.7**	$	862.7

Commitments (Note 26); Subsequent events (Note 16(b))

These financial statements were approved and authorized for issue by the Company's Board of Directors on March 4, 2014.

GREAT CANADIAN GAMING CORPORATION
Consolidated Statements of Earnings (Loss)
(Expressed in millions of Canadian dollars, except for per share information)
For the years ended December 31,

		2013	2012
Revenues	Note 17	**$ 407.3**	$ 408.7
Expenses			
Human resources	Note 23	**160.5**	163.8
Property, marketing and administration		**96.2**	97.3
Amortization		**48.5**	51.6
Share-based compensation	Note 16, 23	**9.7**	3.6
(Reversal of) impairment of long-lived assets	Note 7	**(28.5)**	61.1
Impairment of goodwill	Note 7	**-**	3.2
Interest and financing costs, net	Note 12	**32.8**	37.0
Litigation settlement	Note 26	**-**	11.0
Restructuring and other	Note 18	**2.0**	5.1
Foreign exchange (gain) loss and other		**(0.9)**	6.8
		320.3	440.5
Earnings (loss) before income taxes		**87.0**	(31.8)
Income taxes	Note 19	**23.9**	(4.2)
Net earnings (loss)		**$ 63.1**	$ (27.6)
Net earnings (loss) per common share	Note 20		
Basic		**$ 0.92**	$ (0.36)
Diluted		**$ 0.90**	$ (0.36)
Weighted average number of common shares			
Basic		**68,559,932**	76,814,381
Diluted		**69,934,075**	76,814,381

GREAT CANADIAN GAMING CORPORATION
Consolidated Statements of Comprehensive Income (Loss)
(Expressed in millions of Canadian dollars)
For the years ended December 31,

		2013		2012
Net earnings (loss)	**$**	**63.1**	$	(27.6)
Other comprehensive income (loss), net of tax				
Current period changes in fair values of derivatives designated as cash flow hedges, net of income taxes of $nil (2012 - $0.8)		**-**		(2.4)
Loss on derivatives designated as cash flow hedges transferred to net earnings (loss) in the period, net of income taxes of $nil (2012 - $2.7)		**-**		8.2
Unrealized effect of foreign currency translation of foreign operations		**1.4**		(0.3)
Other comprehensive income		**1.4**		5.5
Total comprehensive income (loss)	**$**	**64.5**	$	(22.1)

See Accompanying Notes to the Consolidated Financial Statements

GREAT CANADIAN GAMING CORPORATION
Consolidated Statements of Changes in Equity
(Expressed in millions of Canadian dollars)

		Share Capital			Share Capital and Reserves	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total
		Number [1]	Amount	Reserves				
At January 1, 2012		82,477	$ 313.9	$ 42.6	$ 356.5	$ (6.5)	$ 72.4	$ 422.4
Share-based compensation	Note 16	-	-	2.2	2.2	-	-	2.2
Exercise of incentive stock options		1,616	10.5	(2.6)	7.9	-	-	7.9
Common shares purchased	Note 16	(13,657)	(53.1)	-	(53.1)	-	(77.0)	(130.1)
Net loss		-	-	-	-	-	(27.6)	(27.6)
Other comprehensive income		-	-	-	-	5.5	-	5.5
At December 31, 2012		70,436	$ 271.3	$ 42.2	$ 313.5	$ (1.0)	$ (32.2)	$ 280.3
At January 1, 2013		70,436	$ 271.3	$ 42.2	$ 313.5	$ (1.0)	$ (32.2)	$ 280.3
Share-based compensation	Note 16	-	-	2.3	2.3	-	-	2.3
Exercise of incentive stock options		1,409	9.1	(2.1)	7.0	-	-	7.0
Common shares purchased	Note 16	(4,512)	(17.7)	-	(17.7)	-	(28.9)	(46.6)
Net earnings		-	-	-	-	-	63.1	63.1
Other comprehensive income		-	-	-	-	1.4	-	1.4
At December 31, 2013		**67,333**	**$ 262.7**	**$ 42.4**	**$ 305.1**	**$ 0.4**	**$ 2.0**	**$ 307.5**

[1] Share information is presented in thousands.

GREAT CANADIAN GAMING CORPORATION
Consolidated Statements of Cash Flows
(Expressed in millions of Canadian dollars)
For the years ended December 31,

		2013	2012
Cash Flows from Operating Activities			
Earnings (loss) before income taxes		**$ 87.0**	$ (31.8)
Adjustments to reconcile earnings (loss) before income taxes to cash generated by operating activities:			
Amortization		**48.5**	51.6
(Reversal of) impairment of long-lived assets	Note 7	**(28.5)**	61.1
Impairment of goodwill	Note 7	**-**	3.2
Share-based compensation	Note 16	**9.7**	3.6
Interest and financing costs, net	Note 12	**32.8**	37.0
Foreign exchange (gain) loss and other		**(0.9)**	6.8
Special share-based award	Note 16	**(4.8)**	-
Equity investment loss	Note 18	**-**	3.5
Other		**(1.5)**	0.1
Changes in non-cash operating working capital	Note 21	**3.3**	(2.2)
Income taxes paid		**(10.2)**	(11.5)
Cash generated by operating activities		**135.4**	121.4
Cash Flows from Investing Activities			
Purchase of property, plant and equipment, net of related accounts payable		**(24.8)**	(25.4)
Georgian Downs facility settlement payment	Note 7, 8	**31.5**	-
Equity investment in PDX Entertainment Company		**-**	(3.5)
Interest income received		**1.6**	1.3
Other		**(1.2)**	-
Cash generated by (used in) investing activities		**7.1**	(27.6)
Cash Flows from Financing Activities			
Proceeds from long-term debt	Note 12	**-**	450.0
Repayment of debt		**-**	(403.4)
Debt refinancing transaction costs	Note 12	**-**	(14.9)
Common shares issued for cash, net of issuance costs		**7.0**	7.9
Purchase of common shares	Note 16	**(46.6)**	(130.1)
Interest paid		**(32.6)**	(24.4)
Cash used in financing activities		**(72.2)**	(114.9)
Effect of foreign exchange on cash and cash equivalents		**1.2**	0.4
Cash inflow (outflow)		**71.5**	(20.7)
Cash and cash equivalents, beginning of year		**121.1**	141.8
Cash and cash equivalents, end of year	Note 5	**$ 192.6**	$ 121.1

1. NATURE OF BUSINESS

Great Canadian Gaming Corporation (the "Company") operates gaming, entertainment, and hospitality facilities in British Columbia, Ontario, Nova Scotia, and Washington State. The Company's 17 gaming properties consist of three community gaming centres, four racetracks and ten casinos, including one with a Four Diamond hotel resort.

Great Canadian Gaming Corporation is a publicly listed company incorporated in Canada under the Company Act (British Columbia). The Company's common shares are listed on the Toronto Stock Exchange ("TSX") under TSX symbol: "GC". The principal office is located at 350-13775 Commerce Parkway, Richmond, British Columbia, V6V 2V4. The registered and records office is located at 1500-1055 West Georgia Street, Vancouver, BC, V6E 4N7.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Standards Interpretations Committee ("IFRIC").

Basis of Presentation

These consolidated financial statements were prepared on a going concern basis, under the historical cost convention, except for the revaluation of certain financial instruments. The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities over which the Company has control, where control is defined as the power to govern financial and operating policies. Generally, the Company has a shareholding of more than 50% of the voting rights in its subsidiaries. The effects of potential voting rights that are currently exercisable and Board of Directors presence are also considered when assessing whether control exists. Subsidiaries are fully consolidated from the date the Company acquires control of them and are deconsolidated from the date control ceases. Significant inter-company balances and transactions with subsidiaries are eliminated upon consolidation.

The acquisition method of accounting is used to account for the acquisition of subsidiaries as follows:

- cost is measured as the aggregate of the fair values of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange;
- identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date;
- the excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill; and
- if the acquisition cost is less than the fair value of the net assets acquired, the fair value of the net assets is re-assessed and any remaining difference is recognized directly in the consolidated statements of earnings (loss).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Principles of consolidation (Continued)

Equity method investees are entities over which the Company has significant influence, but not control. Generally, in order to have significant influence, the Company has a shareholding of between 20% and 50% of the voting rights. The equity method is used to account for investees over which the Company has significant influence, which results in the presentation of these investments within "other assets" on the consolidated statements of financial position. The investment is initially recorded at cost, and is increased by the investment's periodic net earnings and decreased by any distributions that are received. The Company's share of the investment's net earnings is recognized as "restructuring and other" on the consolidated statements of earnings (loss).

b) Principal operating entities

Entity	Abbreviation	Ownership interest at December 31, 2013 and 2012
Chilliwack Gaming Ltd.	CGL	100%
Flamboro Downs Limited	FDL	100%
Georgian Downs Limited	GDL	100%
Great American Gaming Corporation	GAGC	100%
Great Canadian Casinos Inc.	GCC	100%
Great Canadian Entertainment Centres Ltd.	GCEC	100%
Hastings Entertainment Inc.	HEI	100%
Metropolitan Entertainment Group	MEG	100%
Orangeville Raceway Limited	ORL	100%
TBC Teletheatre B.C. (1)	TBC	50%

(1) The Company accounts for its ownership interest in TBC using the equity method.

c) Translation of foreign operations and foreign currency transactions

The Company's consolidated financial statements are presented in Canadian dollars, which is also the functional currency for all Canadian operations. The Company's non-Canadian operations are measured in the currency in which they operate and are translated into Canadian dollars at each reporting date. Assets and liabilities are translated into Canadian dollars using the exchange rates in effect on the reporting dates. Revenues and expenses are translated at average exchange rates prevailing during the period. The resulting translation gains and losses are included as a separate component of other comprehensive income ("OCI").

For Canadian operations, transactions completed in foreign currencies are translated into Canadian dollars at the rates prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are reflected in the consolidated financial statements at the exchange rates prevailing at the reporting dates, with the resulting gain or loss included in the consolidated statements of earnings (loss).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Operating segments

The Company's operating segments are organized around the markets it serves and are reported in a manner consistent with the internal reporting provided to the President and Chief Executive Officer, the Company's chief operating decision-maker.

e) Cash and cash equivalents

Cash and cash equivalents include cash and liquid investments with an original maturity of three months or less.

f) Accounts receivable

Accounts receivable balances are due from the federal government for sales tax rebates, provincial gaming corporations, racetrack operators, and financial institutions. The provision for doubtful accounts receivable is estimated based on an assessment of individual accounts and the length of time balances have been outstanding.

g) Facility Development Commission

The Facility Development Commission ("FDC") is a compensation component of the Company's Casino Operational Services Agreements ("COSAs") and Community Gaming Centre Operational Services Agreements ("CGCOSAs") with the British Columbia Lottery Corporation ("BCLC"). FDC is earned (paid by BCLC to the Company) as a fixed percentage of gross gaming revenues. Gross gaming revenues are amounts wagered on gaming activities, less the payout or prizes to winning customers.

Earned FDC is subject to the Company incurring sufficient Approved Amounts (a defined term in the COSAs and CGCOSAs, which generally consists of approved capital and 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 part of revenues on the consolidated statements of earnings (loss) when earned. Currently, the FDC percentage is 3% of the gross revenues from gaming activities. BCLC provides for an accelerated FDC equal to 2% of the gross gaming revenues and is intended to be a one-time reimbursement of the timely development or redevelopment of gaming facilities and additional entertainment amenities of significant value which may be completed through phases. The Company continues to receive accelerated FDC until the approved eligible costs of the project are recovered.

h) Marketing fees to BCLC

The Company contributes 0.6% of the gross gaming revenues in three of its BC casinos and its two BC racing properties to BCLC as contributions toward marketing programs. BCLC uses the contributions to fund various BCLC marketing programs. The Company records its contributions when incurred as property, marketing and administration expenses on the consolidated statements of earnings (loss).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Capital Reserve Account

The Amended and Restated Operating Contract ("AROC") with the Nova Scotia Provincial Lotteries & Casinos Corporation ("NSPLCC", formerly Nova Scotia Gaming Corporation) includes a provision for the reimbursement of the Company's qualifying expenditures under the NSPLCC's Capital Reserve Account.

The Company is required under the AROC to make contributions to the NSPLCC's Capital Reserve Account equal to 5% of the annual gross operational revenues from the two Nova Scotia casinos, with a minimum contribution of approximately $5.0 per year adjusted for inflation since April 2010. Reimbursement of qualifying expenditures is received from the Capital Reserve Account, or if there is an insufficient balance in the Capital Reserve Account, the reimbursement is recorded as a receivable from NSPLCC and recorded as a reduction in the historical cost of the related expenditures at the time approval is given by NSPLCC. As provided for in the AROC, to the extent a receivable balance exists, the Company earns interest on the balance at a rate of bank prime plus 2% per annum.

j) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization, impairments, and amounts approved under the Capital Reserve Account. Amortization is expensed on a straight-line basis from the month assets are available for use over the estimated useful lives of the assets generally at the following rates, which are intended to reduce the carrying value to the estimated residual value:

Land	not amortized
Buildings	lesser of useful life or 40 years
Building improvements	lesser of useful life or 5 years
Equipment	1 to 5 years
Leasehold improvements	lesser of useful life or lease term, including renewal term, if applicable

During the construction period of significant facilities, the Company capitalizes construction and overhead costs, including borrowing costs, directly attributable to the construction project. The costs of construction of the Company's gaming and ancillary facilities are classified as properties under development. When the property or portion thereof is substantially complete and available for use, costs cease to be capitalized, are transferred from properties under development to their respective asset component categories, and are amortized separately over the assets' estimated useful lives down to the estimated residual value, if applicable.

The amortization method, useful life and residual values are assessed annually and are tested for impairment as described in Note 2(m).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Intangible assets

The Company has finite-lived intangible assets which consist of COSAs and CGCOSAs in British Columbia, lease agreements in Ontario, an operational services agreement for gaming in Nova Scotia, and other gaming-related rights. Intangible assets are primarily generated through acquisitions and are amortized over their estimated useful lives, ranging from three to twenty years. Judgment is used to estimate an intangible asset's useful life and is based on an analysis of all pertinent factors, including expected use of the intangible asset, contractual provisions that enable renewal or extension of the intangible asset's legal or contractual life without substantial cost, and renewal history. The remaining useful lives of the intangible assets are reviewed at the end of each annual reporting period, with any changes in the estimate of an intangible asset's useful life or the amortization method being treated as a change in accounting estimate and applied prospectively.

Intangible assets are assessed for impairment as described in Note 2(m).

l) Goodwill

Goodwill represents the excess of the purchase price of acquired businesses over the estimated fair value of the tangible and intangible net assets at the date acquired, and is allocated to the cash generating unit ("CGU") expected to benefit from the acquisition. A CGU is the smallest group of assets for which there are separately identifiable cash flows.

Goodwill is not amortized but is assessed for impairment at least annually and whenever events or circumstances indicate that its carrying value may not be fully recoverable. The impairment test requires comparing the carrying values of the Company's CGUs, including goodwill, to their recoverable amounts. The Company determines the recoverable amounts using estimated future cash flows discounted at an after-tax rate that reflects the risk adjusted weighted-average cost of capital. Any excess of the carrying value amount of a CGU over the recoverable amount is expensed in the period the impairment is identified. An impairment loss recorded for goodwill is not reversed in a subsequent period.

Upon disposal of a business, any related goodwill is included in the determination of gain or loss on disposal. Goodwill associated with the Company's foreign operations is translated to the Canadian dollar reporting currency at each period end.

m) Impairment of long-lived assets

Property, plant and equipment and intangible assets are assessed for impairment at the end of each reporting period for events or circumstances that indicate that the carrying value may not be recoverable. Where an indicator of impairment exists, the recoverable amount of the asset is estimated to determine whether there is an impairment loss. The recoverable amount of an asset is first tested on an individual basis, if determinable, or otherwise at the CGU level. Corporate level assets are allocated to the respective CGUs where an allocation can be done on a reasonable and consistent basis.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Impairment of long-lived assets (Continued)

The recoverable amount is the higher of fair value less costs to sell and value in use. The best evidence of fair value is the value obtained from an active market or binding sale agreement. Where neither exists, fair value is based on the best information available to reflect the amount the Company could receive for the asset (or CGU) in an arm's length transaction. The value in use method estimates the net present value of future cash flows expected to be generated by the asset (or CGU), discounted using an after-tax discount rate that reflects the current market rates and risks specific to the asset (or CGU).

An impairment loss is recorded when the carrying value of an asset (or CGU) exceeds its estimated recoverable amount.

In cases where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to its current recoverable amount, to the extent that the new carrying amount does not exceed the carrying amount that would have existed had the original impairment loss not been recorded. The reversal of an impairment loss is immediately recorded in the consolidated statements of earnings (loss).

n) Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business. They are classified as current liabilities if payment is due within one year or less and are recorded initially at fair value and subsequently measured at amortized cost.

o) Provisions

Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recorded when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of the expected expenditures required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provisions due to the passage of time is recorded in “interest and financing costs, net” on the consolidated statements of earnings (loss). Provisions are not recorded for future operating losses.

p) Debt transaction costs

Debt transaction costs relate to the costs associated with securing long-term financing and credit facilities, and are recorded net of the long-term debt instrument. These costs are expensed to “interest and financing costs, net” on the consolidated statements of earnings (loss) over the term of the related debt using the effective interest method. When a credit facility is retired by the Company, any remaining balance of related debt transaction costs is expensed to “interest and financing costs, net” on the consolidated statements of earnings (loss).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) Comprehensive income (loss)

Comprehensive income (loss) consists of net earnings (loss) and OCI as presented on the consolidated statements of comprehensive income (loss). OCI represents changes in shareholders' equity in a period arising from the portion of the change in the fair values of the Company's derivatives designated as cash flow hedges that are determined to be effective, gains and losses on derivatives designated as cash flow hedges transferred to net earnings (loss) in the current period, and the unrealized effect of foreign currency translation of foreign operations.

r) Financial instruments

Financial Assets
Financial assets are initially recorded at fair value and are classified as: "fair value through profit or loss"; "available-for-sale"; "held-to-maturity"; or "loans and receivables". The classification is determined at initial recognition and depends on the nature and purpose of the financial asset and management's intentions.

Fair Value Through Profit or Loss
Financial assets at fair value through profit or loss are classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management.

Financial assets classified at fair value through profit or loss are measured at fair value, with the realized and unrealized changes in fair value recorded each reporting period through "interest and financing costs, net" on the consolidated statements of earnings (loss).

Available-for-Sale
Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in other non-current financial assets unless management intends to dispose of the investment within 12 months of the consolidated statement of financial position date.

Financial assets classified as available-for-sale are measured at fair value, with the unrealized changes in fair value recorded each reporting period in OCI. Investments in equity instruments classified as available-for-sale, whose fair value cannot be reliably measured, are recorded at cost. Available-for-sale assets are written down to fair value through "interest and financing costs, net" on the consolidated statements of earnings (loss) if there is objective evidence that impairment exists.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) *Financial instruments (Continued)*

Held-to-Maturity and Loans and Receivables
Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the intention and ability to hold to maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the consolidated statement of financial position date, which are classified as non-current assets.

Financial instruments classified as held-to-maturity or loans and receivables are initially recorded at fair value and subsequently measured at amortized cost using the effective interest method.

Impairment
At the end of each reporting period, the Company assesses whether a financial asset or a group of financial assets, other than those classified as fair value through profit or loss, is impaired. If there is objective evidence that an impairment exists, the loss is recorded in the consolidated statements of earnings (loss). The impairment loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recorded in the consolidated statements of earnings (loss).

Financial Liabilities
Financial liabilities are classified as either “financial liabilities at fair value through profit or loss”, or “other financial liabilities”. Financial liabilities are initially measured at fair value and subsequently measured at amortized cost for liabilities that are not hedged, and fair value for liabilities that are hedged. Non-performance risk, including the Company's own credit risk for financial liabilities, is considered when determining the discount rates used to fair value financial assets or liabilities, including derivative liabilities.

Classification of Financial Instruments
The following table summarizes the Company's selected financial instrument classifications based on its intentions:

Financial instrument	Classification
Cash	Loans and receivables
Cash equivalents	Held-to-maturity
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Long-term debt	Other financial liabilities

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) Hedges

The Company entered into cross-currency interest rate and principal swaps (see Note 14) to hedge the U.S. dollar exchange rate and interest rate risks associated with the long-term debt issued in 2007. The Company designated these cross-currency interest rate and principal swaps as cash flow hedges. The portion of the changes in fair values of the cross-currency interest rate and principal swaps that was determined to be effective was recorded in OCI, and any ineffective portion was recorded in the consolidated statements of earnings (loss). The hedged debt was translated to Canadian dollars at the exchange rate in effect on the last day of the reporting period, and through the application of hedge accounting, the resulting foreign exchange gains or losses recorded in the consolidated statements of earnings (loss) were effectively offset by the gains or losses on derivatives designated as cash flow hedges.

The Company assessed the effectiveness of its hedging instruments at each reporting period, up to their settlement on July 24, 2012 (see Note 14). Hedge accounting is discontinued prospectively when the hedging relationship no longer qualifies as an effective hedge, or it is terminated upon the early termination of the hedged item. When hedge accounting is discontinued, changes in fair value of these financial instruments are recorded as “foreign exchange (gain) loss and other” on the consolidated statements of earnings (loss).

t) Share-based compensation

The Company has equity-settled and cash-settled share-based compensation plans.

Equity-settled share-based compensation
The Company applies the fair value method of accounting for share option awards using the Black-Scholes option pricing model. Under this method, the Company recognizes compensation expense for employee share option awards, based on the grant date fair value, over the vesting period of the options.

Non-employee equity-settled share-based payments are measured at the fair value of the goods and services received, except where that fair value cannot be estimated reliably. If the fair value cannot be measured reliably, non-employee equity-settled share-based payments are measured at the fair value of the equity instrument granted, measured at the date the entity obtains the goods or the counterparty renders the service. Equity-settled share-based compensation expense is recognized in the “share-based compensation” line of the consolidated statements of earnings (loss) over the vesting period.

The Company adjusts the share-based compensation expense based on the number of share options expected to vest at the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

t) Share-based compensation (Continued)

Cash-settled share-based compensation
Cash-settled share-based compensation such as Deferred Share Units ("DSUs") and Restricted Share Units ("RSUs") are recorded as a liability at the grant date based on the market value of the Company's common shares. DSUs and RSUs vest immediately, and the liability is initially recorded as "deferred credits, provisions and other liabilities" on the consolidated statements of financial position, and is re-measured at each reporting period and at the redemption date, or the date when the unit holder ceases to be a director. The initial liability and changes in that liability are recorded as "share-based compensation" on the consolidated statements of earnings (loss).

u) Revenue recognition

Gaming revenues, which include revenues from table games, slot machines, bingo games, Facility Development Commission from BCLC, and site holder payments from the Ontario Lottery and Gaming Corporation ("OLG") up to March 31, 2013, are recorded when earned by the Company after deduction for the portion of gaming and other revenues payable to BCLC, OLG, and NSPLCC, accruals for payouts on progressive games, and gaming taxes payable to Washington State.

Racetrack revenues are recorded when earned by the Company, net of amounts returned as winning wagers, provincial and federal taxes, and purses for wagering. Racetrack revenues also include the net amount of the on-site wagering on races simulcast from third parties as well as fees received based on off-site wagering on races simulcast to other racetracks. Transition funding for horse racing received from the Government of Ontario is recognized on a systematic basis over the periods in which the Company records the related eligible horse racing costs for which the funding is intended to compensate.

Food and beverage, hotel, entertainment, lease and other operating revenues are recorded as goods are delivered, or services are performed. Lease revenues includes income from OLG for leasing the slot machine areas at Georgian Downs and Flamboro Downs from April 1, 2013.

Promotional allowances are recorded as the retail value of food and beverage, accommodations, and other incentives furnished to guests without charge and are deducted from gross revenues (see Note 17).

v) Taxation

Income tax expense represents the sum of current and deferred taxes. Current and deferred taxes are recognized in the consolidated statement of earnings (loss), except to the extent it relates to items recognized in OCI or in equity.

Current tax
The tax currently payable is based on taxable income for the year. Taxable income differs from earnings as reported in the consolidated statements of comprehensive income (loss) because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

v) Taxation (Continued)

Deferred tax
Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities on the consolidated statements of financial position and the corresponding tax bases used in the computation of taxable income, as well as the benefit of tax losses available to be carried forward to future years to the extent it is probable it will be realized. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable income (expense) nor accounting earnings (loss).

The Company recognizes the income tax benefit of uncertain tax positions only when it is probable that the tax position taken will be sustained upon examination by the applicable tax authority.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

w) Net earnings (loss) per common share

Basic net earnings (loss) per common share is calculated using the weighted-average number of common shares outstanding during the period. Diluted net earnings (loss) per common share is presented using the treasury stock method and is calculated by dividing net earnings (loss) applicable to common shares by the sum of the weighted-average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

The estimates used in determining the recorded amounts in these financial statements include the following:

- *(Reversal of) impairment of long-lived assets and impairment of goodwill*

  The determination of a long-lived asset or goodwill impairment requires significant estimates and assumptions to determine the recoverable amount of an asset and/or CGU, wherein the recoverable amount is the higher of fair value less costs to sell and value in use. The value in use method involves estimating the net present value of future cash flows derived from the use of the asset and/or CGU, discounted at an appropriate rate.

  The estimates of future cash flows require a number of key assumptions about future business performance. These assumptions and estimates are primarily based on the relevant business' historical experience, economic trends, and consider past communications with relevant stakeholders of the Company. These key assumptions include the future revenue levels and human resources and property, marketing and administration expenses. The assumptions are subject to a number of factors and it is possible that actual results could vary materially from management's estimates. Significant changes in the key assumptions utilized in the estimate of future cash flows could result in an impairment loss or reversal of an impairment loss.

- *Estimated useful lives of long-lived assets*

  Judgment is used to estimate each component of an asset's useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost, and renewal history. If the estimated useful lives were incorrect, this could result in an increase or decrease in the annual amortization expense, and future impairment charges or recoveries.

- *Equity-settled share-based compensation*

  The Company estimates the cost of equity-settled share-based compensation using the Black-Scholes option pricing model. The model takes into account an estimate of the expected life of the option, the current price of the underlying common share, the expected volatility, an estimate of future dividends on the underlying common share, the risk-free rate of return expected for an instrument with a term equal to the expected life of the option, and the expected forfeiture rate.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

- *Income taxes*

  Deferred tax assets and liabilities are due to temporary differences between the carrying amount for accounting purposes and the tax basis of certain assets and liabilities, as well as undeducted tax losses. Estimation is required for the timing of the reversal of these temporary differences and the tax rate applied. The carrying amounts of assets and liabilities are based on amounts recorded on the consolidated statements of financial position and are subject to the accounting estimates inherent in those balances. The tax basis of assets and liabilities and the amount of undeducted tax losses are based on the applicable income tax legislation, regulations and interpretations. The timing of the reversal of the temporary differences and the timing of deduction of tax losses are based on estimations of the Company's future financial results.

  Changes in the expected operating results, enacted tax rates, legislation or regulations, and the Company's interpretations of income tax legislation will result in adjustments to the expectations of future timing difference reversals and may require material deferred tax adjustments.

- *Contingencies*

  Provisions are accrued for liabilities with uncertain timing or amounts, if, in the opinion of management, it is both likely that a future event will confirm that a liability had been incurred at the date of the consolidated financial statements of financial position and the amount can be reasonably estimated. In cases where it is not possible to determine whether such a liability has occurred, or to reasonably estimate the amount of loss until the performance of some future event, no accrual is made until that time. In the ordinary course of business, the Company may be party to legal proceedings which include claims for monetary damages asserted against the Company and its subsidiaries. The adequacy of provisions is regularly assessed as new information becomes available.

  The Company does not record contingent assets.

The judgments used in applying the Company's significant accounting policies and disclosures include the following:

- *Hedge accounting*

  The Company designated its cross-currency interest rate and principal swaps as cash flow hedges, and assessed the effectiveness of its hedging instruments at each reporting period up to their settlement on July 24, 2012 (see Note 14). The fair values of the Company's cross-currency interest rate and principal swaps were based on credit risk adjusted discounted cash flows that required assumptions regarding the U.S. dollar exchange rate and discount rates, which were based on the prevailing U.S. dollar exchange rates and prevailing interest rates in Canada and U.S.

  The Company applied hedge accounting as it believed this was more representative of the economic substance of the underlying transactions.

- *Determination of CGUs*

  The Company's assets are grouped into CGUs based on their ability to generate separate identifiable cash flows. The determination of CGUs involves an assessment regarding the interdependency of cash inflows, and the Company's organizational structure.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

- *Segment Reporting*

  The Company has aggregated its operating segments into one reportable segment based on an assessment that each operating segment has similar economic characteristics, types of customers, types of services and products provided, regulatory environments and management and reporting structures.

4. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2013, the Company adopted the following revised International Accounting Standards ("IAS") and IFRSs issued by the IASB. These revised IFRSs did not have a material impact on the Company's consolidated financial statements.

- *IAS 1, Presentation of Financial Statements* – amended to clarify the requirements for comparative information in the financial statements.
- *IAS 16, Property, Plant and Equipment* – amended to clarify the classification of servicing equipment.
- *IAS 19, Employee Benefits (2011)* – amended to change the accounting for defined benefit plans and terminations benefits, and improve the understandability and usefulness of disclosures.
- *IAS 32, Financial Instruments: Presentation ("IAS 32")* – amended to clarify that the tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12, *Income Taxes*.
- *IAS 34, Interim Financial Reporting* – amended to clarify the requirements for segment information related to total assets and total liabilities.
- *IFRS 7*, *Financial Instruments: Disclosures ("IFRS 7")* – amended to require disclosure about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement.
- *IFRS 13, Fair Value Measurement ("IFRS 13")* – provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. IFRS 13 was subsequently amended to clarify the scope of the portfolio exception.

Effective January 1, 2013, the Company also concurrently adopted the following five new and revised standards addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements with other entities. These standards did not have a material impact on the Company's consolidated financial statements.

- *IFRS 10, Consolidated Financial Statements ("IFRS 10")* – replaces the consolidation guidance in IAS 27 (2008), *Consolidated and Separate Financial Statements* ("IAS 27 (2008)"), and SIC-12, *Consolidated Special Purpose Entities*, by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee.
- *IFRS 11, Joint Arrangements ("IFRS 11")* – replaces IAS 31, *Interests in Joint Ventures*. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed.

4. CHANGES IN ACCOUNTING POLICIES (Continued)

- *IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12")* – requires enhanced disclosures about the entity's interests in subsidiaries, joint arrangements and associates, and unconsolidated structured entities.

- *IAS 27 (2011), Separate Financial Statements ("IAS 27")* – the consolidation requirements previously forming part of IAS 27 (2008) have been revised and are now contained in IFRS 10.

- *IAS 28 (2011), Investments in Associates and Joint Ventures* – amended to conform to changes based on the issuance of IFRS 10, IFRS 11, and IFRS 12.

Recent accounting pronouncements

The Company is currently evaluating the effects of the following new and revised accounting pronouncements and their impact on the Company's consolidated financial statements:

- *IAS 32* – amended to clarify under what circumstances financial assets and financial liabilities should be offset. It is effective for annual periods beginning on or after January 1, 2014.

- *IAS 36, Impairment of Assets* – amended to clarify the standard's disclosure requirements and require the disclosure of the discount rate used in determining an impairment value calculated using a present value technique. It is effective for annual periods beginning on or after January 1, 2014.

- *IFRS 10, 12 and IAS 27* – IFRS 10 has been amended to introduce an exception from the requirement to consolidate subsidiaries for an investment entity. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities. IFRS 7 and IAS 27 have been amended to introduce new disclosure requirements for investment entities. These amendments are effective for annual periods beginning on or after January 1, 2014.

- IFRIC 21, *Levies* – provides guidance for applying IAS 37, *Provisions, contingent liability and contingent assets*, with respect to when a company should recognize a liability for a levy imposed by a government. These amendments are effective for annual periods beginning on or after January 1, 2014.

- *IFRS 2, Share based payments* – amended the definitions of "vesting condition" and "market conditions" and added definitions for "performance condition" and service condition". These amendments apply to share based payment transactions with a grant date on or after July 1, 2014.

- *IFRS 8, Operating Segments* – amended to require the disclosure of the judgements made by management in applying the aggregation criteria to operating segments and to clarify that the reconciliation of the segment assets is required if they are regularly provided to the chief operation decision-maker. It is effective for annual periods beginning on or after July 1, 2014.

- *IFRS 13* – the Basis of Conclusions was amended to clarify that issuing IFRS 13 and amending IFRS 9, *Financial Instruments* ("IFRS 9") and IAS 39, *Financial Instruments: Recognition and measurement* ("IAS 39") did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis. It is effective for annual periods beginning on or after July 1, 2014.

- *IAS 16 and IAS 38, Intangible assets* – amended to clarify that, under the revaluation method, the gross amount of property, plant and equipment and intangible asset is adjusted in a manner consistent with the revaluation of the carrying amount of the asset. It is effective for annual periods beginning on or after July 1, 2014.

4. CHANGES IN ACCOUNTING POLICIES (Continued)

Recent accounting pronouncements (Continued)

- *IAS 24, Related Party Disclosures ("IAS 24")* – amended to clarify how payments to entities providing management services are to be disclosed. It is effective for annual periods beginning on or after July 1, 2014.
- *IFRS 9* – replaces IAS 39. IFRS 9 simplifies the classification and measurement requirements for financial instruments, which replaces the multiple classification and measurement models in IAS 39. The IASB tentatively decided that the mandatory effective date will be no earlier than annual periods beginning on or after 1 January 2017.

5. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012
Cash in banks	**$ 152.4**	$ 100.9
Cash floats	**10.1**	10.2
Cash equivalents	**30.1**	10.0
	$ 192.6	$ 121.1

Cash equivalents include investments in term deposits and bankers' acceptances with original maturities within three months of the investment date.

Cash floats exclude amounts provided by BCLC of $16.2 (2012 - $16.1) for use in BC casino operations. Since these cash floats are owned by BCLC, they are not included in the Company's cash floats balances. The Company has issued letters of credit in favour of BCLC as security for these amounts (Note 26(a)).

As at December 31, 2013, cash in banks included $4.8 and $0.9 of amounts related to the horsemen's purse pools and future payments for construction projects, respectively, which were previously recorded separately as "restricted cash". The current presentation better reflects the Company's true cash and cash equivalent position on the consolidated statements of financial position and consolidated statements of cash flows. As a result, the comparative period amounts at December 31, 2012 of $4.1, $0.5 and $0.3 related to the horsemen's purse pools, capital expenditures that require approval from OLG and future payments for construction projects, respectively, were reclassified from restricted cash to cash and cash equivalents in the consolidated statements of financial position. The effects of the change in presentation on the 2012 consolidated statement of cash flows are $2.0 decrease in cash generated by operating activities, $0.2 increase in cash used in investing activities, $2.2 increase in cash outflow, $7.1 increase in cash and cash equivalents, beginning of year, and $4.9 increase in cash and cash equivalents, end of year.

6. ACCOUNTS RECEIVABLE

	December 31, 2013	December 31, 2012
Trade receivables	**$ 5.0**	$ 4.6
Other receivables	**1.2**	3.1
Due from NSPLCC	**1.0**	-
	$ 7.2	$ 7.7

The balance due from NSPLCC is the Capital Reserve Account receivable. It represents amounts spent by the Company on approved expenditures, plus accrued interest on the outstanding balance at prime plus 2% per annum, less repayments from the NSPLCC's Capital Reserve Account based on 5% of the gross operating revenues from the two Nova Scotia casinos.

7. (REVERSAL OF) IMPAIRMENT OF LONG-LIVED ASSETS AND IMPAIRMENT OF GOODWILL

In March 2012, the Government of Ontario announced the cancellation of the "Slots at Racetracks" program for all Ontario racetracks. As a result of this announcement, OLG was directed to both end this program on March 31, 2013 and strategically redistribute the province's slot facilities in an effort to modernize that province's gaming model. On March 29, 2012, OLG provided notice that the site holder agreements with the Company's Ontario racetracks would terminate on March 31, 2013. Georgian Downs' site holder agreement was otherwise scheduled to expire in November 2021 and Flamboro Downs' site holder agreement was otherwise scheduled to expire in April 2016.

As a result of the early termination of the Georgian Downs site holder agreement, the Company recorded impairments of goodwill, intangible assets, and property, plant and equipment of $3.2, $8.2, and $13.2, respectively. The Company also recorded impairments of intangible assets and property, plant and equipment of $24.2 and $5.2, respectively, in connection with the Flamboro Downs site holder agreement. In addition, during the year ended December 31, 2012, the Company recorded $10.3 of impairment related to land in Ontario that was written down to its estimated recoverable amount.

On March 9, 2013, the Company and OLG signed non-binding letters of intent governing the slot machine areas at the Ontario racetracks. Under the terms of these letters, OLG will lease these areas for a five-year term commencing April 1, 2013. The Company and OLG have been operating as though the key provisions of these leases came into effect on April 1, 2013. On November 29, 2013, the Company signed definitive agreements with OLG related to these letters of intent.

On March 26, 2013, the Company and the Government of Ontario signed non-binding letters of intent governing horse racing operations at the Ontario racetracks. On May 24, 2013, the Company signed binding agreements (the "Ontario Racing Agreements") with the Government of Ontario for horse racing transition funding. The funding will provide support to continue horse racing at the Ontario racetracks for up to two years beyond March 31, 2013 and is conditional upon achievement of specific cost reduction targets. The Company continues to work with the Ontario government and the province's horse racing industry to pursue a longer-term, more sustainable business model for horse racing in Ontario.

On April 26, 2013, Georgian Downs received from OLG a one-time settlement payment of $31.5 in connection with the Georgian Downs facility, and the Company and Georgian Downs provided OLG with a release of claims. The settlement payment has been recorded as a reduction of Georgian Downs' property, plant and equipment.

During the first quarter of 2013, as a result of signing the non-binding letters of intent with OLG, the anticipated future execution of definitive agreements, and the settlement payment received from OLG on April 26, 2013, the Company recorded reversals of impairments related to Georgian Downs' and Flamboro Downs' intangible assets and property, plant and equipment.

7. (REVERSAL OF) IMPAIRMENT OF LONG-LIVED ASSETS AND IMPAIRMENT OF GOODWILL (Continued)

The following table summarizes the impairments during 2012 and the impairment reversals during 2013 by property and by asset class:

	Georgian Downs				Flamboro Downs		
	Property, plant and equipment	**Intangible assets**	**Goodwill**	**Total**	**Property, plant and equipment**	**Intangible assets**	**Total**
Carrying amount at January 1, 2012	$ 64.9	$ 25.5	$ 3.2	$ 93.6	$ 13.9	$ 40.6	$ 54.5
Net additions and amortization	(0.7)	(0.5)	-	(1.2)	(0.3)	(0.7)	(1.0)
Impairments	(16.6)	(8.2)	(3.2)	(28.0)	(5.2)	(24.2)	(29.4)
Carrying amount at March 31, 2012	$ 47.6	$ 16.8	$ -	$ 64.4	$ 8.4	$ 15.7	$ 24.1
Net additions and amortization	(1.2)	(1.2)	-	(2.4)	(1.0)	(3.9)	(4.9)
Impairments	(6.9)	-	-	(6.9)	-	-	-
Carrying amount at December 31, 2012	$ 39.5	$ 15.6	$ -	$ 55.1	$ 7.4	$ 11.8	$ 19.2
Net additions and amortization	(0.5)	(0.3)	-	(0.8)	(0.4)	(1.3)	(1.7)
Impairment reversals	11.7	8.0	-	19.7	1.5	7.3	8.8
Carrying amount at March 31, 2013	$ 50.7	$ 23.3	$ -	$ 74.0	$ 8.5	$ 17.8	$ 26.3
Net additions and amortization	0.4	(0.3)	-	0.1	(0.1)	(0.9)	(1.0)
Settlement payment	(31.5)	-	-	(31.5)	-	-	-
Carrying amount at June 30, 2013	$ 19.6	$ 23.0	$ -	$ 42.6	$ 8.4	$ 16.9	$ 25.3
Net additions and amortization	**(0.2)**	**(0.5)**	**-**	**(0.7)**	**(0.3)**	**(1.8)**	**(2.1)**
Carrying amount at December 31, 2013	**$ 19.4**	**$ 22.5**	**$ -**	**$ 41.9**	**$ 8.1**	**$ 15.1**	**$ 23.2**

The recoverable amounts for long-lived assets and goodwill at December 31, 2013 were determined based on the value in use method, which estimates the net present value of the future cash flows expected to be generated, using an after-tax discount rate based on the Company's weighted-average cost of capital. The estimates of future cash flows require a number of key assumptions about future business performance. These assumptions and estimates are primarily based on the relevant business' historical experience and economic trends, and consider past and ongoing communications with relevant stakeholders of the Company. These key assumptions include the future revenue levels, human resources and property, marketing and administration expenses, and the expected useful life of the CGU. The assumptions are subject to a number of factors and it is possible that actual results could vary materially from management's estimates. As the carrying values of Georgian Downs' and Flamboro Downs' long-lived assets as at December 31, 2013 were equal to their estimated recoverable amounts, a subsequent change in any key assumption utilized in the estimate of future cash flows may result in a further impairment loss or reversal of an impairment loss.

In connection with the impairments and subsequent impairment reversals recorded for Georgian Downs and Flamboro Downs, the Company revised the estimated remaining useful lives of its intangible assets and property, plant and equipment. The net effect of this change in estimate of remaining useful lives, the impairments and the impairment reversals will be a $1.0 decrease in the annual non-cash amortization expense related to these assets on a prospective basis, when compared to the year ended December 31, 2013.

8. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Building Improvements	Leasehold Improvements	Equipment	Properties Under Development	Total
Cost						
Balance at January 1, 2012	$ 82.2	$ 673.2	$ 76.3	$ 102.3	$ 7.8	$ 941.8
Additions	0.1	0.1	0.2	2.6	21.4	24.4
Disposals	-	-	(0.1)	(0.2)	-	(0.3)
Reclassifications	-	8.4	5.2	4.6	(18.2)	-
Translation and other	-	(0.3)	(0.2)	(0.1)	-	(0.6)
Balance at December 31, 2012	$ 82.3	$ 681.4	$ 81.4	$ 109.2	$ 11.0	$ 965.3
Additions	**-**	**0.4**	**0.1**	**3.4**	**24.3**	**28.2**
Settlement payment [1]	**-**	**(31.5)**	**-**	**-**	**-**	**(31.5)**
Disposals	**-**	**-**	**-**	**(0.3)**	**-**	**(0.3)**
Reclassifications	**0.1**	**22.2**	**0.9**	**5.1**	**(28.3)**	**-**
Translation and other	**0.2**	**0.7**	**0.2**	**0.4**	**-**	**1.5**
Balance at December 31, 2013	**$ 82.6**	**$ 673.2**	**$ 82.6**	**$ 117.8**	**$ 7.0**	**$ 963.2**
Accumulated amortization and impairments						
Balance at January 1, 2012	$ (0.9)	$ (136.5)	$ (51.1)	$ (86.1)	$ (3.6)	$ (278.2)
Amortization	-	(27.6)	(2.9)	(7.1)	-	(37.6)
Disposals	-	-	0.1	0.2	-	0.3
Impairments [2]	(10.3)	(18.0)	-	(0.4)	-	(28.7)
Reclassifications [3]	-	-	(0.2)	-	0.2	-
Translation and other	-	0.1	-	0.1	-	0.2
Balance at December 31, 2012	$ (11.2)	$ (182.0)	$ (54.1)	$ (93.3)	$ (3.4)	$ (344.0)
Amortization	**-**	**(25.3)**	**(3.5)**	**(6.9)**	**-**	**(35.7)**
Disposals	**-**	**-**	**-**	**0.3**	**-**	**0.3**
Impairment reversals [4]	**-**	**13.0**	**-**	**0.2**	**-**	**13.2**
Translation and other	**-**	**(0.2)**	**(0.2)**	**(0.3)**	**-**	**(0.7)**
Balance at December 31, 2013	**$ (11.2)**	**$ (194.5)**	**$ (57.8)**	**$ (100.0)**	**$ (3.4)**	**$ (366.9)**
Carrying amount						
At December 31, 2012	$ 71.1	$ 499.4	$ 27.3	$ 15.9	$ 7.6	$ 621.3
At December 31, 2013	**$ 71.4**	**$ 478.7**	**$ 24.8**	**$ 17.8**	**$ 3.6**	**$ 596.3**

[1] The settlement payment received from OLG relates to the Georgian Downs facility (see Note 7).
[2] The impairments relate to Georgian Downs, Flamboro Downs and land previously held for development (see Note 7).
[3] The reclassifications relate to properties under development that were previously impaired and subsequently transferred to leasehold improvements.
[4] The impairment reversals relate to Georgian Downs and Flamboro Downs (see Note 7).

9. INTANGIBLE ASSETS

	BC Gaming Operating Agreements	Nova Scotia Gaming Operating Agreement	Ontario Siteholder/ Lease Agreements	Other	Total
Cost					
Balance at January 1, 2012 and January 1, 2013	**$ 81.4**	**$ 34.6**	**$ 106.0**	**$ 2.5**	**$ 224.5**
Accumulated amortization and impairments					
Balance at January 1, 2012	$ (44.0)	$ (19.7)	$ (39.9)	$ (1.2)	$ (104.8)
Amortization	(3.3)	(4.2)	(6.3)	(0.2)	(14.0)
Impairments [1]	-	-	(32.4)	-	(32.4)
Balance at January 1, 2013	$ (47.3)	$ (23.9)	$ (78.6)	$ (1.4)	$ (151.2)
Amortization	**(3.2)**	**(4.3)**	**(5.1)**	**(0.2)**	**(12.8)**
Impairment reversals [2]	**-**	**-**	**15.3**	**-**	**15.3**
Balance at December 31, 2013	**$ (50.5)**	**$ (28.2)**	**$ (68.4)**	**$ (1.6)**	**$ (148.7)**
Carrying amount					
At December 31, 2012	$ 34.1	$ 10.7	$ 27.4	$ 1.1	$ 73.3
At December 31, 2013	**$ 30.9**	**$ 6.4**	**$ 37.6**	**$ 0.9**	**$ 75.8**

[1] The impairments relate to Georgian Downs and Flamboro Downs (see Note 7).
[2] The impairment reversals relate to Georgian Downs and Flamboro Downs (see Note 7).

10. GOODWILL

	Total
Cost	
Balance at January 1, 2013	$ 47.4
Foreign exchange movements	0.5
Balance at December 31, 2013	**$ 47.9**
Impairments	
Balance at January 1, 2012	$ (24.1)
Impairment [1]	(3.2)
Balance at January 1, 2013	$ (27.3)
Balance at December 31, 2013	**$ (27.3)**

Carrying amount	GCC	GCEC	ORL	GAGC	Total
At December 31, 2012	$ 1.6	$ 3.8	$ 8.1	$ 6.6	$ 20.1
At December 31, 2013	**$ 1.6**	**$ 3.8**	**$ 8.1**	**$ 7.1**	**$ 20.6**

[1] The impairment relates to Georgian Downs (see Note 7).

There were no changes to the methodology used to assess goodwill impairment since the last annual impairment test. The recoverable value for each CGU was based on the value in use method, which estimates the net present value of the future cash flows expected to be generated by the CGU, discounted using an after-tax discount rate that was based on the Company's weighted-average cost of capital.

The expected future cash flows are based on the most recent annual forecasts prepared by management and extrapolated over five years, after which a rate of 2% is applied for inflation. These expected future cash flows require a number of assumptions about future business performance. These assumptions and estimates were based primarily on the relevant business' historical performance and economic trends, and considered past communications with relevant stakeholders. The revenue growth rate assumptions used in the impairment assessments ranged from 0% to 3% across the CGUs and earnings as a percentage of revenues was based on each CGU's most recent annual operating levels.

11. OTHER LIABILITIES

	December 31, 2013	December 31, 2012
Provisions, current	**$ 1.8**	$ 2.0
Deferred credits, current (Note 15)	**0.7**	0.7
Other current liabilities	**0.1**	0.2
	$ 2.6	$ 2.9

12. LONG-TERM DEBT

	December 31, 2013	December 31, 2012
Senior Unsecured Notes, net of unamortized transaction costs of $9.0 (2012 - $10.1)	**$ 441.0**	$ 439.9

As at December 31, 2013 and December 31, 2012, the Company's long-term debt facilities consist of $450.0 Senior Unsecured Notes ("Senior Unsecured Notes") and a $350.0 Senior Secured Revolving Credit Facility (the "Revolving Credit Facility").

a) *Senior Unsecured Notes*

On July 24, 2012, the Company completed a long-term debt refinancing and issued $450.0 of 6.625% Senior Unsecured Notes due on July 25, 2022. The net proceeds were $439.5 after transaction costs of $10.5. The use of proceeds included repayment of the US$161.1 Senior Secured Term Loan B ("Term Loan B"), repurchase or redemption of the US$170.0 Senior Subordinated Notes ("Subordinated Notes"), settlement of the derivative liabilities associated with the related cross-currency interest rate and principal swaps, and the remainder was retained for general corporate purposes.

The Senior Unsecured Notes are guaranteed by the Company's material restricted subsidiaries as defined in the long-term debt agreement covering the Trust Indenture. Interest on the Senior Unsecured Notes is payable semi-annually in arrears on January 25 and July 25 of each year. There are customary provisions for early redemptions of the Senior Unsecured Notes during defined periods prior to maturity with payment of defined premiums.

Transaction costs of approximately $10.5 associated with the issuance of the Senior Unsecured Notes were primarily related to underwriting fees, legal fees, and other expenses, and are amortized through the "interest and financing costs, net" of the consolidated statements of earnings (loss) over the term of the Senior Unsecured Notes using the effective interest method.

b) *Revolving Credit Facility*

As at December 31, 2013, subject to compliance with the related financial covenants, the Company has $320.2 (2012 - $320.1) of available credit on its Revolving Credit Facility after deducting outstanding letters of credit of $29.8 (2012 - $29.9). The counterparties to this facility are major financial institutions with minimum "A" credit ratings.

12. LONG-TERM DEBT (Continued)

b) Revolving Credit Facility (Continued)

On July 24, 2012, the Company extended the maturity of its Credit and Guarantee Agreement ("Credit Agreement"), which covers the terms of its $350.0 Revolving Credit Facility by one year to July 21, 2017. The interest rate on advanced amounts and the commitment fee on the unused facility are based on the Company's Total Debt to Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio (as defined in the underlying Credit Agreement), which is calculated quarterly (see Note 13).

Transaction costs associated with past refinancing of the Revolving Credit Facility totalling $0.5 during the year 2012 are included in the "other assets" line of the consolidated statements of financial position and are amortized through the "interest and financing costs, net" line of the consolidated statements of earnings (loss) over the term of the Revolving Credit Facility using the effective interest method.

The Revolving Credit Facility is guaranteed and secured by substantially all of the assets of the Company and its subsidiaries. The Revolving Credit Facility requires the Company to comply with certain operational and financial covenants (which are defined in the underlying agreements). The financial covenants which are tested quarterly are: Total Debt to Adjusted EBITDA ratio of 5.00 or less, Senior Secured Debt to Adjusted EBITDA ratio of 3.50 or less, and Interest Coverage ratio of 2.25 or more (see Note 13).

c) Subordinated Notes

In connection with the issuance of the Senior Unsecured Notes, on July 5, 2012, the Company commenced a cash tender offer and consent solicitation with respect to the Subordinated Notes ("Tender Offer"). A total of approximately US$146.7 (or 86.3%) of the US$170.0 Subordinated Notes were validly tendered and repurchased under the Tender Offer, which expired on August 2, 2012. On July 24, 2012, the Company issued a 30 day advanced notice of mandatory redemption of the remaining US$23.3 Subordinated Notes, which were outstanding after the Tender Offer. These remaining Subordinated Notes were redeemed on August 23, 2012. The total transaction costs of $3.9 associated with the repurchase and redemption of the Subordinated Notes were expensed as "interest and financing costs, net" on the consolidated statements of earnings (loss), and included a $3.1 tender premium related to the Tender Offer, a $0.4 redemption premium, and legal and other costs of $0.4.

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 debt facilities 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.

d) Interest and financing costs, net

	Year ended December 31,	
	2013	2012
Interest and financing costs on long-term debt	**$ 33.7**	$ 33.7
Subordinated Notes redemption premium and fees	**-**	3.9
Bank charges and other	**0.8**	0.7
Interest income	**(1.7)**	(1.3)
	$ 32.8	$ 37.0

13. CAPITAL DISCLOSURES

The Company's capital structure comprises:

- Shareholders' equity;
- Long-term debt;
- Cash and cash equivalents; and
- Outstanding letters of credit.

The Company's objectives are to maintain a flexible capital structure that optimizes the cost of capital at acceptable risk levels and to manage capital in a manner that balances the interests of equity and debt holders. The Company manages its capital structure in light of changes in economic conditions and the risk characteristics of the Company's operations. The Company's major capital allocation decisions include a comparison of the expected financial returns from those investments to its estimated weighted-average cost of capital. The Company currently plans to use its cash and cash equivalents, cash flows from operations, and established debt facilities to finance its business development plans.

The Company monitors its capital structure and must comply with certain financial covenants related to its long-term debt. The Company intends to manage its capital by operating at a level that provides a conservative margin compared to the limits of its covenants.

As at December 31, 2013, the Company was in compliance with its financial covenants as shown below:

Covenant test	Required ratio	Actual ratio
Total Debt to Adjusted EBITDA ratio [(1)]	< 5.00	2.51
Senior Secured Debt to Adjusted EBITDA ratio [(1)]	< 3.50	0.00
Interest Coverage ratio [(1)]	> 2.25	5.61
Fixed Charge Coverage ratio [(2)]	> 2.00	5.65

(1) Calculated on a trailing twelve month basis and defined in the Credit Agreement, as amended on July 24, 2012.

(2) Calculated on a trailing twelve month basis and tested on specified events as defined in the long-term debt agreement covering the Trust Indenture dated July 24, 2012.

As part of its capital structure monitoring process, the Company's independent credit ratings as at December 31, 2013 were as follows:

	Moody's	Standard & Poor's
Corporate	Ba3 Stable	BB+ Stable
Revolving Credit Facility	Ba1	BBB
Senior Unsecured Notes	B1	BB+

14. DERIVATIVES

In 2007, the Company entered into cross-currency interest rate and principal swaps to hedge the U.S. dollar exchange rate and interest rate risks associated with the Term Loan B and Subordinated Notes issued in that year. The Company designated these cross-currency interest rate and principal swaps as cash flow hedges, wherein the effective portion of the swap was recorded in “other comprehensive income”.

On July 24, 2012, as part of the long-term debt refinancing (see Note 12), the Company settled all of its cross-currency interest rate and principal swaps and paid $69.9 to its counterparties, which represented the fair value of the swaps.

15. DEFERRED CREDITS, PROVISIONS AND OTHER LIABILITIES

	December 31, 2013	December 31, 2012
Deferred credits, non-current	**$ 18.4**	$ 19.1
Provisions, non-current	**3.8**	3.4
Other non-current liabilities	**4.2**	2.9
	$ 26.4	$ 25.4

Deferred credits, non-current relates to agreements entered into between the Company with the South Coast British Columbia Transportation Authority (“TransLink”) and Canada Line Rapid Transit Inc. (“Canada Line”) in 2008 to build and operate a 1,200 stall multi-level parking garage at Bridgeport Station, across from the River Rock Casino Resort (“River Rock”) in Richmond, British Columbia.

The consideration received from TransLink is being treated as compensation for the cost of providing future parking services to Canada Line’s passengers. Accordingly, the fair value of the land received of $17.2 was accounted for as a non-monetary transaction and cash of $4.5 was recorded as “cash and cash equivalents”, with a corresponding credit to “deferred credits”. These “deferred credits” are amortized on a straight-line basis over a period of 32 years.

Translink may exercise its option to purchase the portion of the parking garage used by the 1,200 stalls if certain events defined in the agreement occur. Examples of these include the relocation of the River Rock, or the Company failing to provide Canada Line’s passengers access to the parking stalls as set out in the agreement.

16. SHARE CAPITAL AND RESERVES

The Company is authorized to issue an unlimited number of common shares with no par value.

a) Substantial issuer bid

On July 6, 2012, the Company commenced a substantial issuer bid, pursuant to which the Company offered to purchase for cancellation up to 10,000,000 of its outstanding common shares from shareholders at a purchase price of $10.00 per share. On August 21, 2012, the Company accepted for purchase 10,000,000 of the validly tendered common shares at a purchase price of $10.00 per share for a total of $100.0 and $0.3 in related transaction costs. At the time of the repurchase, the paid-up capital per common share for the purposes of the *Income Tax Act (Canada)* was $3.79. All shares purchased by the Company were subsequently cancelled.

16. SHARE CAPITAL AND RESERVES (Continued)

b) Normal course issuer bid

In January 2013, the Company commenced a normal course issuer bid that authorized the Company to purchase up to 4,511,644 of its common shares. For the year ended December 31, 2013, the Company completed this normal course issuer bid by purchasing 4,511,644 common shares at a volume weighted-average price per share of $10.32.

For the year ended December 31, 2012, the Company purchased for cancellation 3,657,210 common shares at a weighted-average price per share of $8.15 under its normal course issuer bid, which expired on January 26, 2013.

All shares purchased by the Company were cancelled. The Company's share capital was reduced by an amount equal to the carrying value of the shares repurchased and the remainder was recorded as a reduction to retained earnings on the consolidated statements of changes in equity.

Subsequent to December 31, 2013, the Company received approval from the TSX to commence another normal course issuer bid for up to 4,231,075 of its common shares, representing approximately 10% of the Company's common shares in the public float. The bid commenced on January 30, 2014 and will end on January 29, 2015, or earlier if the number of shares approved for purchase in the issuer bid have been obtained. Pursuant to TSX policies, daily purchases made by the Company will not exceed 17,799 common shares or 25% of the prior six-month average trading volume of 71,194 common shares on the TSX. Purchases will be by way of open market purchases through the facilities of the TSX, and other Canadian market places, and payment for the shares will be in accordance with the TSX's by-laws and rules. Any shares purchased by the Company will be subsequently cancelled.

c) Share option plan

The changes in the number of share options and their weighted-average exercise price were as follows:

	December 31, 2013		December 31, 2012	
	Options [1]	**Weighted-Average Exercise Price**	Options [1]	Weighted-Average Exercise Price
Outstanding, beginning of period	**4,493**	**$ 7.08**	5,895	$ 7.16
Granted	**1,432**	**9.11**	1,288	7.73
Forfeited	**(81)**	**8.68**	(89)	8.73
Expired	**(280)**	**13.40**	(985)	11.92
Exercised	**(1,409)**	**5.00**	(1,616)	4.88
Outstanding, end of period	**4,155**	**$ 8.02**	4,493	$ 7.08

[1] Option information is presented in thousands.

For the year ended December 31, 2013, the weighted-average share price at the time of exercise was $11.75 (2012 - $9.63).

16. SHARE CAPITAL AND RESERVES (Continued)

c) Share option plan (Continued)

Options outstanding and exercisable at December 31, 2013 were as follows:

	Options Outstanding					Options Exercisable		
Exercise Prices	**Number Outstanding(1)**	**Weighted-Average Remaining Contractual Life**		**Weighted-Average Exercise Price**		**Number Exercisable(1)**		**Weighted-Average Vested Exercise Price**
$2.62-$6.99	46	0.2 years	$	2.62		46	$	2.62
$7.00-$7.49	571	2.0 years		7.14		571		7.14
$7.50-$7.64	934	1.1 years		7.62		934		7.62
$7.65-$7.84	1,044	3.2 years		7.67		667		7.67
$7.85-$8.99	175	2.5 years		7.94		175		7.94
$9.00-$9.29	1,385	4.1 years		9.12	#	461		9.12
	4,155	2.8 years	$	8.02		2,854	$	7.72

(1) Option information is presented as options for thousands of common shares.

The fair values of share options granted to employees at the time of the grant and the weighted-average assumptions used in applying the Black-Scholes option pricing model were as follows:

	Year ended December 31,	
	2013	2012
Option award fair value	**$ 1.54**	$ 1.67
Risk-free interest rate	**1.1%**	1.1%
Expected lives	**2.5 years**	2.5 years
Expected volatility (1)	**25.0%**	30.5%
Dividend yield	**0.0%**	0.0%

(1) Based on the historical volatility of the Company's share price over the most recent period commensurate with the expected lives of the option.

The Company recorded equity-settled share-based compensation expense of $2.3 for the year ended December 31, 2013 (2012 - $2.2).

d) Deferred Share Units ("DSUs") and Restricted Share Units ("RSUs")

The changes in the number of DSUs and RSUs provided to non-employee directors of the Company were as follows:

	December 31, 2013		December 31, 2012	
Number of Units (1)	**DSUs (2)**	**RSUs (2)**	DSUs (2)	RSUs (2)
Outstanding, beginning of period	**216**	**17**	106	7
Issued	**108**	**8**	128	10
Settled in cash	**(46)**	**(25)**	(18)	-
Outstanding, end of period	**278**	**-**	216	17

(1) DSU and RSU information is presented in thousands.

The Company recorded a liability of $3.3 in "deferred credits, provisions and other liabilities" and $0.5 in "accounts payable and accrued liabilities" at December 31, 2013 (2012 - $2.2), and cash-settled share-based compensation expense of $2.6 for the year ended December 31, 2013 (2012 - $1.4).

16. SHARE CAPITAL AND RESERVES (Continued)

e) Special Share-based Award

Included in share-based compensation expense is $4.8 of cash-settled share-based compensation related to a special share-based award paid to a select group of Company employees. The related common shares that the employees acquired may not be sold for a minimum of three years.

f) Employee share purchase plan

Eligible employees of the Company may elect to participate in the Employee Share Purchase Plan (the "Share Purchase Plan") by contributing a portion of their gross pay to purchase the Company's shares in the open market. As at December 31, 2013, 844,565 (2012 - 716,663) common shares were held by employees under the Share Purchase Plan and 24% of employees participated in the Plan (2012 - 25%).

17. REVENUES

	Year ended December 31,	
	2013	2012
Gaming revenues	**$ 280.6**	$ 294.9
Facility Development Commission	**34.1**	35.2
Hospitality, lease and other revenues	**96.8**	82.6
Racetrack revenues	**14.3**	15.8
	425.8	428.5
Less: Promotional allowances	**(18.5)**	(19.8)
	$ 407.3	$ 408.7

18. RESTRUCTURING AND OTHER

	Year ended December 31,	
	2013	2012
Severance [(a)]	**$ 1.3**	$ -
Equity investment loss [(b)]	**-**	3.5
Business development and other	**0.4**	0.1
Acquisition-related contingent future trailing payments [(c)]	**0.3**	1.5
	$ 2.0	$ 5.1

(a) Severance

Non-recurring severance costs were incurred during the year ended December 31, 2013 primarily as a result of an expected reduction in the number of live horse racing days to be held at the Company's Georgian Downs and Flamboro Downs properties (See Note 7).

18. RESTRUCTURING AND OTHER (Continued)

(b) Equity investment loss

During the year ended December, 2012, the Company acquired a 38% minority equity interest in PDX Entertainment Company ("PDX") for $3.5. PDX pursued the opportunity to build and operate an entertainment and gaming complex in Wood Village, Oregon. The proposed development required the approval of Wood Village voters through a local municipal ballot measure, and the approval of Oregon voters through two state ballot measures, one of which would have changed the state constitution to permit private-sector casino gaming in Oregon. The ballot measures were voted on November 6, 2012, and the constituents did not support the amendment to the state constitution as proposed. The Company's investment in PDX was fully expensed as at December 31, 2012.

(c) *Acquisition-related contingent future trailing payments*

The purchase price of the Chilliwack Bingo acquisition in 2011 included contingent future trailing payments to be paid over 20 years, dependent on the level of future slot win at Chances Chilliwack As at December 31, 2013, the discounted trailing payment provision was estimated at $3.0 (2012 - $2.5) based on the current performance of the facility. The change in the estimated provision of $0.3 was recorded as "restructuring and other" on the consolidated statements of earnings (loss) during the year ended December 31, 2013 (2012 - $1.5).

19. INCOME TAXES

a) Income tax recognized in net earnings (loss)

The Company's income tax expense (recovery) is as follows:

	Year ended December 31,	
	2013	2012
Current tax expense	**$ 5.8**	$ 11.4
Deferred tax expense (recovery)	**18.1**	(15.6)
Total tax expense (recovery)	**$ 23.9**	$ (4.2)

The Company's income tax expense (recovery) for the year can be reconciled to net earnings (loss) as follows:

	Year ended December 31,	
	2013	2012
Applicable federal and provincial statutory income tax rate [1]	**25.75%**	25.00%
Earnings (loss) before income taxes	**$ 87.0**	$ (31.8)
Expected income tax expense (recovery)	**22.4**	(8.0)
Effect of:		
Non-deductible impairment of goodwill	**-**	0.8
Non-deductible share-based compensation	**0.6**	0.6
Impact of deferred income tax rates applied versus current income tax rates	**-**	(1.2)
Impact of different jurisdictional statutory tax rates on earnings of subsidiaries	**0.4**	0.6
Adjustments to deferred tax attributable to changes in tax rates	**1.6**	-
Revaluation of current income tax liabilities from prior year taxes	**(0.4)**	(0.4)
Deferred tax benefits not recognized	**-**	2.5
Other items	**(0.7)**	0.9
Total income tax expense (recovery) recognized in net earnings (loss)	**$ 23.9**	$ (4.2)

[1] The applicable federal and provincial statutory income tax rate used for the 2013 and 2012 reconciliations above is the corporate tax rate payable by corporate entities in the province of British Columbia on taxable profits under tax law in that jurisdiction. The rate increased on April 1, 2013 from 25% to 26% due to an increase in the BC income tax rate of 1%.

19. INCOME TAXES (Continued)

b) Income tax recognized in OCI

The Company's income tax expense (recovery) recognized in OCI comprises:

	Year ended December 31, 2013	2012
Changes in fair values of derivatives designated as cash flow hedges	**$ -**	$ (0.8)
Changes in fair values of derivatives designated as cash flow hedges transferred to net earnings	**-**	2.7
Total income tax expense (recovery) recognized in OCI	**$ -**	$ 1.9

c) Deferred tax balances

The following are the major deferred tax assets (liabilities) recognized and movements thereon during the current and prior year:

2013	Opening balance	Recognized in net earnings (loss)	Recognized in OCI	**Closing balance**
Temporary differences				
Property, plant and equipment	$ (32.3)	$ (11.3)	$ -	**$ (43.6)**
Intangible assets	(19.2)	(1.2)	-	**(20.4)**
Deferred partnership income	(2.2)	0.7	-	**(1.5)**
Debt refinancing transaction costs	(0.5)	(0.3)	-	**(0.8)**
Deferred credits, provisions and other liabilities	1.7	0.6	-	**2.3**
Former debt redemption costs	2.4	(1.1)	-	**1.3**
Other	(0.1)	0.1	-	**-**
	(50.2)	(12.5)	-	**(62.7)**
Unused tax losses and credits				
Non-capital loss carry-forwards	5.7	(5.7)	-	**-**
Capital loss carry-forwards	1.1	0.1	-	**1.2**
	6.8	(5.6)	-	**1.2**
	$ (43.4)	$ (18.1)	$ -	**$ (61.5)**

2012	Opening balance	Recognized in net earnings (loss)	Recognized in OCI	Closing balance
Temporary differences				
Property, plant and equipment	$ (31.3)	$ (1.0)	$ -	$ (32.3)
Intangible assets	(30.4)	11.2	-	(19.2)
Deferred partnership income	(2.4)	0.2	-	(2.2)
Debt refinancing transaction costs	(1.0)	0.5	-	(0.5)
Cross-currency interest rate and principal swaps	2.9	(1.0)	(1.9)	-
Deferred credits, provisions and other liabilities	0.7	1.0	-	1.7
Former debt redemption costs	2.4	-	-	2.4
Other	(0.3)	0.2	-	(0.1)
	(59.4)	11.1	(1.9)	(50.2)
Unused tax losses and credits				
Non-capital loss carry-forwards	0.6	5.1	-	5.7
Capital loss carry-forwards	1.7	(0.6)	-	1.1
	2.3	4.5	0.0	6.8
	$ (57.1)	$ 15.6	$ (1.9)	$ (43.4)

19. INCOME TAXES (Continued)

c) Deferred tax balances (Continued)

The deferred tax balances are presented on the consolidated statements of financial position as:

	Year ended December 31,			
		2013		2012
Deferred tax assets	**$**	**8.8**	$	9.9
Deferred tax liabilities		**(70.3)**		(53.3)
Net deferred tax liabilities	**$**	**(61.5)**	$	(43.4)

The Company has recognized deferred tax assets of approximately $8.7 (2012 - $8.4) that are dependent on future taxable profits in excess of those that will arise from the reversal of existing taxable temporary differences. If necessary, the Company may also undertake a legal restructuring of its subsidiaries or other transactions in order to fully use these deferred tax assets.

The Company has recognized a deferred tax asset relating to non-capital loss carry-forwards of approximately $0.1 (2012 - $22.9) which are available to reduce future years' income for tax purposes. Management believes the Company will generate future taxable profits in excess of the losses in the jurisdictions to which the losses relate before they expire. These losses will expire as follows:

2029 - 2033	**$**	**0.1**

The Company has recognized a deferred tax asset relating to capital loss carry-forwards of $9.2 (2012- $8.5) which may be used to offset future years' capital gains. Management believes the Company will generate future capital gains in excess of the losses in the jurisdiction to which the losses relate. These losses may be carried forward indefinitely.

d) Unrecognized deferred tax assets

In addition to the capital losses noted above, the Company has $5.8 (2012 - $5.4) of capital losses carried forward, which may only be used to offset future capital gains, and in respect of which the Company has not recognized a deferred tax asset. These losses may be carried forward indefinitely, with the exception of approximately $3.7 (2012 - $3.5) of capital losses incurred by our US subsidiary, which expire in 2017 and 2018.

20. NET EARNINGS (LOSS) PER COMMON SHARE

The following table sets forth the computation of basic and diluted net earnings (loss) per common share attributable to the shareholders of the Company:

		Year ended December 31,	
		2013	2012
Net earnings (loss)	(A)	**$ 63.1**	$ (27.6)
Weighted-average number of common shares outstanding [1]	(B)	**68,560**	76,814
Dilutive adjustment for stock options [1]		**1,374**	-
Diluted weighted-average number of common shares [1]	(C)	**69,934**	76,814
Net earnings (loss) per common share			
Basic	(A/B)	**$ 0.92**	$ (0.36)
Diluted	(A/C)	**$ 0.90**	$ (0.36)

(1) Share information is presented in thousands.

The following table summarizes the outstanding stock options that are anti-dilutive and are not included in the above calculation:

	Year ended December 31,	
	2013	2012
Options [2]	**-**	4,493

(2) Option information is presented in thousands.

21. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	Year ended December 31,	
	2013	2012
Accounts receivable	**1.5**	-
Prepaids, deposits and other assets	**(1.9)**	0.5
Accounts payable and accrued liabilities	**3.7**	(2.7)
	$ 3.3	$ (2.2)

22. SEGMENT INFORMATION

The Company's management considers each of its gaming properties to be an operating segment since it reviews their operating results, assesses their performance, and makes resource allocations decisions on a property-by-property basis. The Company has aggregated these operations as one reportable segment based on their similar economic characteristics, types of customers, types of services and products provided, the regulatory environment in which they operate and their management and reporting structure.

The Company also conducts its business in two geographic areas: Canada and the United States ("US"). Revenues, EBITDA[1] and additions to long-lived assets and goodwill attributable to these geographic locations are as follows:

	Year ended December 31, 2013			Year ended December 31, 2012		
	Revenues	**EBITDA**	**Additions to long-lived assets and goodwill**	Revenues	EBITDA	Additions to long-lived assets and goodwill
Canada	**$ 382.5**	**$ 146.7**	**$ 28.0**	$ 387.1	$ 145.0	$ 24.1
U.S.	**24.8**	**3.9**	**0.2**	21.6	2.6	0.3
	$ 407.3	**$ 150.6**	**$ 28.2**	$ 408.7	$ 147.6	$ 24.4

The following table is a reconciliation of EBITDA, as presented in the above tables, to earnings (loss) before income taxes as presented in the Company's consolidated statements of earnings (loss):

	Year ended December 31, 2013	Year ended December 31, 2012
EBITDA	**$ 150.6**	$ 147.6
Less:		
Amortization	**48.5**	51.6
Share-based compensation	**9.7**	3.6
(Reversals of) impairments of long-lived assets	**(28.5)**	61.1
Impairment of goodwill	**-**	3.2
Interest and financing costs, net	**32.8**	37.0
Litigation settlement	**-**	11.0
Restructuring and other	**2.0**	5.1
Foreign exchange (gain) loss and other	**(0.9)**	6.8
Earnings (loss) before income taxes	**$ 87.0**	$ (31.8)

Property, plant and equipment, goodwill, and total assets attributable to each geographic location are as follows:

	As at December 31, 2013			As at December 31, 2012		
	Property, plant and equipment	**Goodwill**	**Total assets**	Property, plant and equipment	Goodwill	Total assets
Canada	**$ 583.9**	**$ 13.5**	**$ 890.0**	$ 609.1	$ 13.5	$ 838.9
U.S.	**12.4**	**7.1**	**25.7**	12.2	6.6	23.8
	$ 596.3	**$ 20.6**	**$ 915.7**	$ 621.3	$ 20.1	$ 862.7

[1] EBITDA is a non-IFRS measure and as defined by the Company means Earnings Before Interest and financing costs (net of interest income), Income Taxes, Depreciation and Amortization, share-based compensation, (reversal of) impairment of long-lived assets, impairment of goodwill, litigation settlement, restructuring and other, and foreign exchange (gain) loss and other.

23. RELATED PARTY TRANSACTIONS

As defined under IAS 24, key management personnel comprise the Company's Board of Directors and executive officers. Key management compensation was as follows:

	Year ended December 31,	
	2013	2012
Human resources [1]	**$ 2.4**	$ 2.3
Share-based compensation [2]	**5.6**	2.3
Total	**$ 8.0**	$ 4.6

[1] Human resources includes salaries and other short-term employee benefits.

[2] Share-based compensation includes equity and cash settled share-based compensation described in Nc

As at December 31, 2013, the liabilities of the Company include amounts due to key management personnel of $1.5 (2012 - $0.9) in "accounts payable and accrued liabilities" and $3.3 (2012 - $2.2) in "deferred credits, provisions and other liabilities" of the consolidated statements of financial position.

24. EMPLOYEE FUTURE BENEFITS

The Company maintains a defined contribution pension plan for its Canadian employees. Under this plan, eligible employees contribute a minimum of 2% to a maximum of 15% of their gross pay. The Company makes contributions representing 2% of eligible employees' base pay. Contributions made by the Company during the year ended December 31, 2013 totalled $1.9 (2012 - $1.8).

25. FACILITY DEVELOPMENT COMMISSION APPROVED AMOUNTS

The following table summarizes the changes in the Company's Approved Amounts, a term defined in the Company's operating services agreements with BCLC, to be recovered by future FDC receipts from BCLC:

	Year ended December 31,	
	2013	2012
Opening Approved Amounts	**$ 412.0**	$ 424.4
Additional Approved Amounts	**3.0**	22.8
FDC receipts	**(34.1)**	(35.2)
Closing Approved Amounts	**$ 380.9**	$ 412.0

FDC is earned as a fixed percentage of gross gaming win, subject to the Company incurring sufficient Approved Amounts. Recovery of Approved Amounts requires that the operating agreements with BCLC remain in good standing and the generation of sufficient gross gaming win. As a result, Approved Amounts have not been recorded in the consolidated statements of financial position.

26. COMMITMENTS, CONTINGENCIES AND LITIGATION

a) *Letters of credit*

As at December 31, 2013, letters of credit in the amount of $29.8 (2012 - $29.9) were outstanding as security in connection with gaming cash floats, bonds with local municipality to secure commitments under construction permits and provincial gaming corporation payables.

b) *Litigation*

On June 29, 2012, the Company settled a long-standing legal dispute with a former Ontario-based consultant for a total cash payment of $11.0.

The Company is subject to legal proceedings, claims and investigations in the ordinary course of business. Liabilities related to such matters are recorded when it is both probable that a liability has been incurred and the amount of the liability can be reasonably estimated. All legal costs associated with litigation are expensed as incurred.

c) *Guarantees and indemnifications*

The Company may provide guarantees and indemnifications in conjunction with transactions in the normal course of operations. These are recorded as liabilities when reasonable estimates of the obligations can be made. Guarantees and indemnifications that the Company has provided include obligations to indemnify:

i. directors and officers of the Company and its subsidiaries for potential liability while acting as a director or officer of the Company, together with various expenses associated with defending and settling such suits or actions due to association with the Company, the risk of which is mitigated by the Company's directors' and officers' liability insurance;

ii. certain vendors of acquired companies or property for obligations that may or may not have been known at the date of the transaction;

iii. certain financial institutions for costs that they may incur as a result of representations made in debt and equity offering documents; and

iv. lessors of leased properties for personal injury claims that may arise at the facilities the Company operates.

e) *Other contractual commitments*

The Company's operating leases and other contractual commitments are described in Note 27(b).

27. FINANCIAL INSTRUMENTS

The Company's financial instruments and the types of risks to which their carrying values are exposed are as follows:

	Risks			
			Market risks	
Financial instrument	Credit	Liquidity	Interest rate	Currency
Measured at amortized cost:				
Cash in banks	x			x
Cash equivalents	x		x	
Accounts receivable	x			x
Accounts payable and accrued liabilities		x		x
Long-term debt		x	x	x
Other liabilities		x	x	x

a) *Credit risk*

Credit risk is the risk that a party to one of the Company's financial instruments will cause a financial loss to the Company by failing to discharge an obligation. The carrying values of the Company's financial assets, which represent the maximum exposure to credit risk, are as follows:

	December 31, 2013	December 31, 2012
Cash in banks	**$ 152.4**	$ 96.0
Cash equivalents	**30.1**	10.0
Accounts receivable	**7.2**	7.7
	$ 189.7	$ 113.7

Cash in banks and cash equivalents: Credit risk associated with these assets is minimized substantially by ensuring that these financial assets are placed primarily with major financial institutions that have minimum grade "A" credit ratings.

Accounts receivable: Credit risk associated with most of these assets is minimized due to their nature. The majority of these receivable balances are due from the federal government for sales tax rebates, provincial gaming corporations, racetrack operators, and financial institutions. The provision for doubtful accounts receivable is estimated based on an assessment of individual accounts and the length of time balances have been outstanding. As at December 31, 2013, the provision for doubtful accounts receivable totalled $0.6 (2012 - $0.6).

27. FINANCIAL INSTRUMENTS (Continued)

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company manages liquidity risk by monitoring its capital structure (see Note 13), regularly monitoring forecast and actual cash flows, managing the maturity profiles of financial assets and financial liabilities and maintaining credit capacity within the Revolving Credit Facility (see Note 12). The Company expects the following maturities of its financial liabilities (including interest), operating leases and other contractual commitments:

	Expected payments by period as at December 31, 2013				
	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	$ 67.9	$ -	$ -	$ -	$ 67.9
Income taxes payable	-	-	-	-	-
Senior Unsecured Notes	29.8	59.6	59.6	569.3	718.3
Provisions	1.3	2.0	1.0	6.9	11.2
Operating leases (1)	3.7	4.1	3.6	7.6	19.0
Other contractual commitments (2)	6.5	2.9	2.1	5.6	17.1
Total	$ 109.2	$ 68.6	$ 66.3	$ 589.4	$ 833.5

(1) Operating leases include a ground lease with the City of Surrey, BC for Fraser Downs Racetrack and Casino, an operating agreement with the City of Vancouver, BC for Hastings Racecourse and Slots Facility, property leases for the Company's head office and Great American Gaming Corporation, and a ground lease with the City of Sydney, NS for Casino Nova Scotia Sydney.

(2) Other contractual commitments include the acquisition of property, plant and equipment of $0.8 (2012 - $1.0), various service contracts of $14.6 (2012 - $4.6), and amounts committed to NSPLCC to fund responsible gaming programs of $1.5 (2012 - $2.7).

27. FINANCIAL INSTRUMENTS (Continued)

c) Market risk

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates and/or foreign currency exchange rates. The following table sets out a sensitivity analysis of the effect on the carrying amount of the Company's financial instruments that are subject to foreign currency risk by applying reasonably possible changes in foreign currency rates relative to the Company's functional currency, the Canadian dollar:

		Foreign Currency Risk [1]			
		-10%		+10%	
	Carrying amount December 31, 2013	Net earnings (loss)	OCI	Net earnings (loss)	OCI
Financial Assets					
Cash and cash equivalents	$ 192.6	$ (0.7)	$ (0.5)	$ 0.7	$ 0.5
Accounts receivable	7.2	-	-	-	-
Financial Liabilities					
Accounts payable and accrued liabilities	67.9	0.1	0.3	(0.1)	(0.3)
Total (decrease) increase		$ (0.6)	$ (0.2)	$ 0.6	$ 0.2

[1] Displayed is the effect on the Company's U.S. dollar denominated financial assets and liabilities if the value of the U.S. dollar were to decrease or increase relative to the Canadian dollar by 10% from the actual period end rate.

Revolving Credit Facility

The Revolving Credit Facility has interest rates on advanced amounts and a standby fee on the unused facility that are based on the Total Debt to Adjusted EBITDA ratio (defined in the underlying debt agreement) which is calculated quarterly (see Note 13). The following table summarizes the interest rate and standby fee on the Revolving Credit Facility that apply, depending on the Company's quarterly Total Debt to Adjusted EBITDA ratio calculated for the most recent trailing twelve months:

Total Debt / Adjusted EBITDA	**Margin on Bankers' Acceptances or Eurodollar Rate Advances & Letters of Credit**	**Margin on Canadian Prime Rate or U.S. Base Rate Advances**	**Standby Fee**
>= 4.50	3.00%	2.00%	0.68%
4.00 to < 4.50	2.75%	1.75%	0.62%
3.50 to < 4.00	2.50%	1.50%	0.56%
3.00 to < 3.50	2.13%	1.13%	0.48%
2.50 to < 3.00	1.88%	0.88%	0.42%
2.00 to <2.50	1.75%	0.75%	0.39%
< 2.00	1.50%	0.50%	0.34%

27. FINANCIAL INSTRUMENTS (Continued)

d) Fair values

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short term nature.

The Company does not hold any Level 1 financial assets or liabilities that are based on unadjusted quoted prices trading in active markets.

The Company's long-term debt instruments are Level 2 financial instruments as they are estimated based on quoted prices that are observable for similar instruments or on the current rates offered to the Company for debt of the same maturity. As at December, 2013, the fair value and carrying value of the Company's cash equivalents was $30.1 (2012 - $10.0). As at December 31, 2013, the Company's long-term debt instruments had a fair value of $464.7 (2012 - $468.0) and a carrying value of $441.0 (2012 - $439.9).

The Company's contingent future trailing payments are recurring Level 3 financial instruments as they require management to make assumptions regarding the measurement of fair value using significant inputs that are not based on observable market data. As at December 31, 2013, the fair value and carrying value of the Company's contingent future trailing payments was $3.7 (2012 - $3.3). The change in the contingent future trailing payments, net of the $0.3 change in the estimated provision, was recorded in "Interest and financing costs, net" on the consolidated statements of earnings (loss).

The valuation technique used in the determination of the fair value measurement of contingent future trailing payments is the discounted cash flow approach. The valuation model considers the present value of the cash flows expected to be paid as trailing payments. The key unobservable inputs are the estimated future slot revenues at Chances Chilliwack and the discount rate. The estimated fair value of this liability increases with higher estimated future slot revenues and lower discount rates. The calculation of the fair value of the contingent future trailing payments is performed by the Company at the end of each reporting period.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 2 and Level 3 financial instruments during the year.

GREAT CANADIAN GAMING CORPORATION

AUDITOR'S REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

As at March 5, 2013

(Expressed in millions of Canadian dollars, except for per share information)

Deloitte LLP
2800 - 1055 Dunsmuir Street
4 Bentall Centre
P.O. Box 49279
Vancouver BC V7X 1P4
Canada

Tel: 604-669-4466
Fax: 778-374-0496
www.deloitte.ca

Independent Auditor's Report

To the Shareholders of
Great Canadian Gaming Corporation

We have audited the accompanying consolidated financial statements of Great Canadian Gaming Corporation, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, and the consolidated statements of earnings (loss), comprehensive income (loss), changes in equity, cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Great Canadian Gaming Corporation as at December 31, 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) Deloitte LLP

Chartered Accountants
March 5, 2013
Vancouver, British Columbia

GREAT CANADIAN GAMING CORPORATION

Consolidated Statements of Financial Position

(Expressed in millions of Canadian dollars)

As at December 31,

			2012		2011
Assets					
Current					
Cash and cash equivalents	Note 5	**$**	**116.2**	$	134.7
Restricted cash	Note 5		**4.9**		7.1
Accounts receivable	Note 6		**7.7**		8.9
Prepaids, deposits and other assets			**6.1**		6.6
			134.9		157.3
Property, plant and equipment	Note 8		**621.3**		663.6
Intangible assets	Note 9		**73.3**		119.7
Goodwill	Note 10		**20.1**		23.5
Deferred tax assets	Note 20		**9.9**		9.1
Other assets			**3.2**		2.9
		$	**862.7**	$	976.1
Liabilities					
Current					
Accounts payable and accrued liabilities		**$**	**60.4**	$	59.0
Income taxes payable			**0.5**		0.8
Other liabilities	Note 11		**2.9**		5.1
			63.8		64.9
Long-term debt	Note 12		**439.9**		332.6
Derivative liabilities	Note 14		**-**		66.3
Deferred credits, provisions and other liabilities	Note 15		**25.4**		23.7
Deferred tax liabilities	Note 20		**53.3**		66.2
			582.4		553.7
Shareholders' equity					
Share capital and contributed surplus	Note 16		**313.5**		356.5
Accumulated other comprehensive loss	Note 17		**(1.0)**		(6.5)
(Deficit) retained earnings			**(32.2)**		72.4
			280.3		422.4
		$	**862.7**	$	976.1

These financial statements were approved and authorized for issue by the Company's Board of Directors on March 5, 2013.

GREAT CANADIAN GAMING CORPORATION

Consolidated Statements of Earnings (Loss)

(Expressed in millions of Canadian dollars, except for per share information)
For the years ended December 31,

			2012		2011
Revenues	Note 18	**$**	**408.7**	$	388.2
Expenses					
Human resources			**163.8**		154.9
Property, marketing and administration			**97.3**		94.4
Amortization			**51.6**		58.5
Share-based compensation	Note 16		**3.6**		4.9
Impairment of long-lived assets	Note 7		**61.1**		4.4
Impairment of goodwill	Note 7		**3.2**		-
Interest and financing costs, net	Note 12		**37.0**		29.5
Litigation settlement	Note 27		**11.0**		-
Equity investment loss and other	Note 19		**5.1**		1.6
Foreign exchange loss and other	Note 14		**6.8**		3.2
			440.5		351.4
(Loss) earnings before income taxes			**(31.8)**		36.8
Income taxes	Note 20		**(4.2)**		10.6
Net (loss) earnings		**$**	**(27.6)**	$	26.2
Net (loss) earnings per common share	Note 21				
Basic		**$**	**(0.36)**	$	0.32
Diluted		**$**	**(0.36)**	$	0.31
Weighted average number of common shares					
Basic			**76,814,381**		82,670,151
Diluted			**76,814,381**		84,209,875

See Accompanying Notes to the Consolidated Financial Statements

GREAT CANADIAN GAMING CORPORATION
Consolidated Statements of Comprehensive Income (Loss)
(Expressed in millions of Canadian dollars)
For the years ended December 31,

		2012		2011
Net (loss) earnings	**$**	**(27.6)**	$	26.2
Other comprehensive income (loss), net of tax				
Items that may be reclassified subsequently to net earnings				
Current period changes in fair values of derivatives designated as cash flow hedges, net of income taxes of $0.8 (2011 - $1.1)		**(2.4)**		(0.9)
Loss on derivatives designated as cash flow hedges transferred to net (loss) earnings in the period, net of income taxes of $2.7 (2011 - $1.6)		**8.2**		(1.2)
Unrealized effect of foreign currency translation of foreign operations		**(0.3)**		0.5
Other comprehensive income (loss)		**5.5**		(1.6)
Total comprehensive (loss) income	**$**	**(22.1)**	$	24.6

See Accompanying Notes to the Consolidated Financial Statements

GREAT CANADIAN GAMING CORPORATION
Consolidated Statements of Changes in Equity
(Expressed in millions of Canadian dollars)

		Share Capital		Contributed	Share Capital and Contributed	Accumulated Other Comprehensive	Retained	
		Number [1]	Amount	Surplus	Surplus	Loss	Earnings	Total
At December 31, 2010		82,872	$ 314.7	$ 40.2	$ 354.9	$ (4.9)	$ 51.1	$ 401.1
Share-based compensation		-	-	3.9	3.9	-	-	3.9
Exercise of incentive stock options		1,085	4.9	(1.5)	3.4	-	-	3.4
Common shares purchased	Note 16	(1,480)	(5.7)	-	(5.7)	-	(4.9)	(10.6)
Total comprehensive (loss) income		-	-	-	-	(1.6)	26.2	24.6
At December 31, 2011		82,477	$ 313.9	$ 42.6	$ 356.5	$ (6.5)	$ 72.4	$ 422.4
Share-based compensation		-	-	2.2	2.2	-	-	2.2
Exercise of incentive stock options		1,616	10.5	(2.6)	7.9	-	-	7.9
Common shares purchased	Note 16	(13,657)	(53.1)	-	(53.1)	-	(77.0)	(130.1)
Total comprehensive income (loss)		-	-	-	-	5.5	(27.6)	(22.1)
At December 31, 2012		70,436	$ 271.3	$ 42.2	$ 313.5	$ (1.0)	$ (32.2)	$ 280.3

[1] Share information is presented in thousands.

GREAT CANADIAN GAMING CORPORATION
Consolidated Statements of Cash Flows
(Expressed in millions of Canadian dollars)
For the years ended December 31,

		2012	2011
Cash Flows from Operating Activities			
(Loss) earnings before income taxes		**$ (31.8)**	$ 36.8
Adjustments to reconcile (loss) earnings before income taxes to net cash generated by operating activities:			
Amortization		**51.6**	58.5
Impairment of long-lived assets	Note 7	**61.1**	4.4
Impairment of goodwill	Note 7	**3.2**	-
Share-based compensation		**3.6**	4.9
Interest and financing cost, net		**37.0**	29.5
Foreign exchange loss and other	Note 14	**6.8**	3.2
Equity investment loss	Note 19	**3.5**	-
Other		**0.2**	(0.6)
Changes in non-cash operating working capital	Note 22	**(0.3)**	(0.9)
Cash generated from operations		**134.9**	135.8
Income taxes paid		**(11.5)**	(14.8)
Net cash generated by operating activities		**123.4**	121.0
Cash Flows from Investing Activities			
Proceeds from the maturity of short-term investments		**-**	88.3
Purchase of short-term investments		**-**	(35.3)
Purchase of property, plant and equipment, net of related accounts payable		**(25.4)**	(41.9)
Acquisition of Chilliwack Bingo		**-**	(10.2)
Restricted cash - construction holdbacks		**0.2**	0.1
Equity investment in PDX Entertainment Company	Note 19	**(3.5)**	-
Other		**-**	(0.7)
Interest income received		**1.3**	1.2
Cash (used in) generated by investing activities		**(27.4)**	1.5
Cash Flows from Financing Activities			
Proceeds from long-term debt	Note 12	**450.0**	-
Repayment of debt and related derivative liabilities	Note 12	**(403.4)**	(2.0)
Debt refinancing transaction costs	Note 12	**(14.9)**	(2.8)
Common shares issued for cash, net of issuance costs		**7.9**	3.4
Purchase of common shares	Note 16	**(130.1)**	(10.6)
Interest paid		**(24.4)**	(27.5)
Cash used in financing activities		**(114.9)**	(39.5)
Effect of foreign exchange on cash and cash equivalents		**0.4**	0.8
Cash (outflow) inflow		**(18.5)**	83.8
Cash and cash equivalents, beginning of year		**134.7**	50.9
Cash and cash equivalents, end of year		**$ 116.2**	$ 134.7

See Accompanying Notes to the Consolidated Financial Statements

1. NATURE OF BUSINESS

Great Canadian Gaming Corporation (the "Company") operates gaming, entertainment, and hospitality facilities in British Columbia, Ontario, Nova Scotia, and Washington State. The Company's 17 gaming properties consist of ten casinos, including one with a Four Diamond hotel resort, four horse racetrack casinos, and three community gaming centres.

Great Canadian Gaming Corporation is a publicly listed company incorporated in Canada under the Company Act (British Columbia). The Company's common shares are listed on the Toronto Stock Exchange ("TSX") under TSX symbol: "GC". The principal office is located at 350-13775 Commerce Parkway, Richmond, British Columbia, V6V 2V4. The registered and records office is located at 1500-1055 West Georgia Street, Vancouver, BC, V6E 4N7.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Standards Interpretations Committee ("IFRIC").

Basis of Presentation

These consolidated financial statements were prepared on a going concern basis, under the historical cost convention, except for the revaluation of certain financial instruments. The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities over which the Company has control, where control is defined as the power to govern financial and operating policies. Generally, the Company has a shareholding of more than 50% of the voting rights in its subsidiaries. The effects of potential voting rights that are currently exercisable and Board of Directors presence are also considered when assessing whether control exists. Subsidiaries are fully consolidated from the date the Company acquires control of them and are deconsolidated from the date control ceases. Significant inter-company balances and transactions with subsidiaries are eliminated upon consolidation.

The acquisition method of accounting is used to account for the acquisition of subsidiaries as follows:

- cost is measured as the aggregate of the fair values of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange;
- identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date;
- the excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill; and
- if the acquisition cost is less than the fair value of the net assets acquired, the fair value of the net assets is re-assessed and any remaining difference is recognized directly in the consolidated statements of earnings (loss).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Principles of consolidation (Continued)

Equity method investees are entities over which the Company has significant influence, but not control. Generally, in order to have significant influence, the Company has a shareholding of between 20% and 50% of the voting rights. The equity method is used to account for investees over which the Company has significant influence, which results in the presentation of these investments within "other assets" on the consolidated statements of financial position. The investment is initially recorded at cost, and is increased by the investment's periodic net earnings and decreased by any distributions that are received. The Company's share of the investment's net earnings is recognized as "equity loss and other" on the consolidated statements of earnings (loss).

b) Principal operating entities

Entity	Abbreviation	Ownership interest at December 31, 2012 and 2011
Chilliwack Gaming Ltd.	CGL	100%
Flamboro Downs Limited	FDL	100%
Georgian Downs Limited	GDL	100%
Great American Gaming Corporation	GAGC	100%
Great Canadian Casinos Inc.	GCCI	100%
Great Canadian Entertainment Centres Ltd.	GCEC	100%
Hastings Entertainment Inc.	HEI	100%
Metropolitan Entertainment Group	MEG	100%
Orangeville Raceway Limited	ORL	100%
TBC Teletheatre B.C.[1]	TBC	50%

[1] The Company accounts for its ownership interest in TBC using the equity method.

c) Translation of foreign operations and foreign currency transactions

The Company's consolidated financial statements are presented in Canadian dollars, which is also the functional currency for all Canadian operations. The Company's non-Canadian operations are measured in the currency in which they operate and are translated into Canadian dollars at each reporting date. Assets and liabilities are translated into Canadian dollars using the exchange rates in effect on the reporting dates. Revenues and expenses are translated at average exchange rates prevailing during the period. The resulting translation gains and losses are included as a separate component of other comprehensive income ("OCI").

For Canadian operations, transactions completed in foreign currencies are translated into Canadian dollars at the rates prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are reflected in the consolidated financial statements at the exchange rates prevailing at the reporting dates, with the resulting gain or loss included in the consolidated statements of earnings (loss).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Operating segments

The Company's operating segments are organized around the markets it serves and are reported in a manner consistent with the internal reporting provided to the President and Chief Executive Officer, the Company's chief operating decision-maker.

e) Cash and cash equivalents

Cash and cash equivalents include cash and liquid investments with an original maturity of three months or less.

f) Short-term investments

Short-term investments are investments current in nature, with an original maturity greater than three months and less than one year.

g) Facility Development Commission

The Facility Development Commission ("FDC") is a compensation component of the Company's Casino Operational Services Agreements ("COSAs") and Community Gaming Centre Operational Services Agreements ("CGCOSAs") with the British Columbia Lottery Corporation ("BCLC"). FDC is earned (paid by BCLC to the Company) as a fixed percentage of gross gaming revenues. Gross gaming revenues are amounts wagered on gaming activities, less the payout or prizes to winning customers.

Earned FDC is subject to the Company incurring sufficient Approved Amounts (a defined term in the COSAs and CGCOSAs, which generally consists of approved capital and 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 part of revenues on the consolidated statements of earnings (loss) when earned. Currently, the FDC percentage is 3% of the gross revenues from gaming activities. BCLC provides for an accelerated FDC equal to 2% of the gross gaming revenues towards site-specific reimbursements of new gaming redevelopments. The accelerated FDC is limited to the initial redevelopment of a property and continues to be received until the approved eligible costs of the redevelopment are recovered.

h) Marketing fees to BCLC

The Company contributes between 0.5% and 0.6% of the gross gaming revenues in three of its BC casinos and its two BC racing properties to BCLC as contributions toward marketing programs. BCLC uses the contributions to fund various BCLC marketing programs. The Company records its contributions when incurred as property, marketing and administration expenses on the consolidated statements of earnings (loss).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) *Capital Reserve Account*

The Amended and Restated Operating Contract ("AROC") with the Nova Scotia Provincial Lotteries & Casinos Corporation ("NSPLCC", formerly Nova Scotia Gaming Corporation) includes a provision for the reimbursement of the Company's qualifying expenditures under the NSPLCC's Capital Reserve Account.

The Company is required under the AROC to make contributions to the NSPLCC's Capital Reserve Account equal to 5% of the annual gross operational revenues from the two Nova Scotia casinos, with a minimum contribution of approximately $5.0 per year adjusted for inflation since April 2010. Reimbursement of qualifying expenditures is received from the Capital Reserve Account, or if there is an insufficient balance in the Capital Reserve Account, the reimbursement is recorded as a receivable from NSPLCC and recorded as a reduction in the historical cost of the related expenditures at the time approval is given by NSPLCC. As provided for in the AROC, to the extent a receivable balance exists, the Company earns interest on the balance at a rate of bank prime plus 2% per annum.

j) *Property, plant and equipment*

Property, plant and equipment are recorded at cost less accumulated amortization, impairments, and amounts approved under the Capital Reserve Account. Amortization is expensed on a straight-line basis from the month assets are available for use over the estimated useful lives of the assets generally at the following rates, which are intended to reduce the carrying value to the estimated residual value:

Land	not amortized
Buildings	lesser of useful life or 40 years
Building improvements	lesser of useful life or 5 years
Equipment	1 to 5 years
Leasehold improvements	lesser of useful life or lease term, including renewal term, if applicable

During the construction period of significant facilities, the Company capitalizes construction and overhead costs, including borrowing costs, directly attributable to the construction project. The costs of construction of the Company's gaming and ancillary facilities are classified as properties under development. When the property or portion thereof is substantially complete and available for use, costs cease to be capitalized, are transferred from properties under development to their respective asset component categories, and are amortized separately over the assets' estimated useful lives down to the estimated residual value, if applicable.

The amortization method, useful life and residual values are assessed annually and are tested for impairment as described in Note 2(m).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Intangible assets

The Company has finite-lived intangible assets which consist of COSAs and CGCOSAs in British Columbia, site holder agreements in Ontario, an operational services agreement for gaming in Nova Scotia, and other gaming-related rights. Intangible assets are primarily generated through acquisitions and are amortized over their estimated useful lives, ranging from three to twenty years. Judgment is used to estimate an intangible asset's useful life and is based on an analysis of all pertinent factors, including expected use of the intangible asset, contractual provisions that enable renewal or extension of the intangible asset's legal or contractual life without substantial cost, and renewal history. The remaining useful lives of the intangible assets are reviewed at the end of each annual reporting period, with any changes in the estimate of an intangible asset's useful life or the amortization method being treated as a change in accounting estimate and applied prospectively.

Intangible assets are assessed annually for impairment as described in Note 2(m).

l) Goodwill

Goodwill represents the excess of the purchase price of acquired businesses over the estimated fair value of the tangible and intangible net assets at the date acquired, and is allocated to the cash generating unit ("CGU") expected to benefit from the acquisition. A CGU is the smallest group of assets for which there are separately identifiable cash flows.

Goodwill is not amortized but is assessed for impairment at least annually and whenever events or circumstances indicate that its carrying value may not be fully recoverable. The impairment test requires comparing the carrying values of the Company's CGUs, including goodwill, to their recoverable amounts. The Company determines the recoverable amounts using estimated future cash flows discounted at a pre-tax rate that reflects the risk adjusted weighted-average cost of capital. Any excess of the carrying value amount of a CGU over the recoverable amount is expensed in the period the impairment is identified. An impairment loss recorded for goodwill is not reversed in a subsequent period.

Upon disposal of a business, any related goodwill is included in the determination of gain or loss on disposal. Goodwill associated with the Company's foreign operations is translated to the Canadian dollar reporting currency at each period end.

m) Impairment of long-lived assets

Property, plant and equipment and intangible assets are assessed for impairment at the end of each reporting period for events or circumstances that indicate that the carrying value may not be recoverable. Where an indicator of impairment exists, the recoverable amount of the asset is estimated to determine whether there is an impairment loss. The recoverable amount of an asset is first tested on an individual basis, if determinable, or otherwise at the CGU level. Corporate level assets are allocated to the respective CGUs where an allocation can be done on a reasonable and consistent basis.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Impairment of long-lived assets (Continued)

The recoverable amount is the higher of fair value less costs to sell and value in use. The best evidence of fair value is the value obtained from an active market or binding sale agreement. Where neither exists, fair value is based on the best information available to reflect the amount the Company could receive for the asset (or CGU) in an arm's length transaction. The value in use method estimates the net present value of future cash flows expected to be generated by the asset (or CGU), discounted using a pre-tax discount rate that reflects the current market rates and risks specific to the asset (or CGU).

An impairment loss is recorded when the carrying value of an asset (or CGU) exceeds its estimated recoverable amount.

In cases where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to its current recoverable amount, to the extent that the new carrying amount does not exceed the carrying amount that would have existed had the original impairment loss not been recorded. The reversal of an impairment loss is immediately recorded in the consolidated statements of earnings (loss).

n) Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business. They are classified as current liabilities if payment is due within one year or less and are recorded initially at fair value and subsequently measured at amortized cost.

o) Provisions

Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recorded when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of the expected expenditures required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provisions due to the passage of time is recorded in "interest and financing costs, net" on the consolidated statements of earnings (loss). Provisions are not recorded for future operating losses.

p) Debt transaction costs

Debt transaction costs relate to the costs associated with securing long-term financing and credit facilities, and are recorded net of the long-term debt instrument. These costs are expensed to "interest and financing costs, net" on the consolidated statements of earnings (loss) over the term of the related debt using the effective interest method. When a credit facility is retired by the Company, any remaining balance of related debt transaction costs is expensed to "interest and financing costs, net" on the consolidated statements of earnings (loss).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) Comprehensive income (loss)

Comprehensive income (loss) consists of net earnings (loss) and OCI as presented on the consolidated statements of comprehensive income (loss). OCI represents changes in shareholders' equity in a period arising from the portion of the change in the fair values of the Company's derivatives designated as cash flow hedges that are determined to be effective, gains and losses on derivatives designated as cash flow hedges transferred to net earnings (loss) in the current period, and the unrealized effect of foreign currency translation of foreign operations.

r) Financial instruments

Financial Assets
Financial assets are initially recorded at fair value and are classified as: "fair value through profit or loss"; "available-for-sale"; "held-to-maturity"; or "loans and receivables". The classification is determined at initial recognition and depends on the nature and purpose of the financial asset and management's intentions.

Fair Value Through Profit or Loss
Financial assets at fair value through profit or loss are classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management.

Financial assets classified at fair value through profit or loss are measured at fair value, with the realized and unrealized changes in fair value recorded each reporting period through "interest and financing costs, net" on the consolidated statements of earnings (loss).

Available-for-Sale
Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in other non-current financial assets unless management intends to dispose of the investment within 12 months of the consolidated statement of financial position date.

Financial assets classified as available-for-sale are measured at fair value, with the unrealized changes in fair value recorded each reporting period in OCI. Investments in equity instruments classified as available-for-sale, whose fair value cannot be reliably measured, are recorded at cost. Available-for-sale assets are written down to fair value through "interest and financing costs, net" on the consolidated statements of earnings (loss) if there is objective evidence that impairment exists.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Financial instruments (Continued)

Held-to-Maturity and Loans and Receivables
Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the intention and ability to hold to maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the consolidated statement of financial position date, which are classified as non-current assets.

Financial instruments classified as held-to-maturity or loans and receivables are initially recorded at fair value and subsequently measured at amortized cost using the effective interest method.

Impairment
At the end of each reporting period, the Company assesses whether a financial asset or a group of financial assets, other than those classified as fair value through profit or loss, is impaired. If there is objective evidence that an impairment exists, the loss is recorded in the consolidated statements of earnings (loss). The impairment loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recorded in the consolidated statements of earnings (loss).

Financial Liabilities
Financial liabilities are classified as either “financial liabilities at fair value through profit or loss”, or “other financial liabilities”. Financial liabilities are initially measured at fair value and subsequently measured at amortized cost for liabilities that are not hedged, and fair value for liabilities that are hedged. Non-performance risk, including the Company's own credit risk for financial liabilities, is considered when determining the discount rates used to fair value financial assets or liabilities, including derivative liabilities.

Classification of Financial Instruments
The following table summarizes the Company's selected financial instrument classifications based on its intentions:

Financial instrument	Classification
Cash	Fair value through profit or loss
Cash equivalents	Held-to-maturity
Restricted cash	Fair value through profit or loss
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Long-term debt	Other financial liabilities
Derivative liabilities	Cash flow hedge

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) Hedges

The Company entered into cross-currency interest rate and principal swaps (see Note 14) to hedge the U.S. dollar exchange rate and interest rate risks associated with the long-term debt issued in 2007. The Company designated these cross-currency interest rate and principal swaps as cash flow hedges. The portion of the changes in fair values of the cross-currency interest rate and principal swaps that was determined to be effective was recorded in OCI, and any ineffective portion was recorded in the consolidated statements of earnings (loss). The hedged debt was translated to Canadian dollars at the exchange rate in effect on the last day of the reporting period, and through the application of hedge accounting, the resulting foreign exchange gains or losses recorded in the consolidated statements of earnings (loss) were effectively offset by the gains or losses on derivatives designated as cash flow hedges.

The Company assessed the effectiveness of its hedging instruments at each reporting period, up to their settlement on July 24, 2012 (see Note 14). Hedge accounting is discontinued prospectively when the hedging relationship no longer qualifies as an effective hedge, or it is terminated upon the early termination of the hedged item. When hedge accounting is discontinued, changes in fair value of these financial instruments are recorded as “foreign exchange loss and other” on the consolidated statements of earnings (loss).

t) Share-based compensation

The Company has equity-settled and cash-settled share-based compensation plans.

Equity-settled share-based compensation
The Company applies the fair value method of accounting for share option awards using the Black-Scholes option pricing model. Under this method, the Company recognizes compensation expense for employee share option awards, based on the grant date fair value, over the vesting period of the options.

Non-employee equity-settled share-based payments are measured at the fair value of the goods and services received, except where that fair value cannot be estimated reliably. If the fair value cannot be measured reliably, non-employee equity-settled share-based payments are measured at the fair value of the equity instrument granted, measured at the date the entity obtains the goods or the counterparty renders the service. Equity-settled share-based compensation expense is recognized in the “share-based compensation” line of the consolidated statements of earnings (loss) over the vesting period.

The Company adjusts the share-based compensation expense based on the number of share options expected to vest at the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

t) Share-based compensation (Continued)

Cash-settled share-based compensation
Cash-settled share-based compensation such as Deferred Share Units ("DSUs") and Restricted Share Units ("RSUs") are recorded as a liability at the grant date based on the market value of the Company's common shares. DSUs and RSUs vest immediately, and the liability is initially recorded as "deferred credits, provisions and other liabilities" on the consolidated statements of financial position, and is re-measured at each reporting period and at the redemption date, or the date when the unit holder ceases to be a director. The initial liability and changes in that liability are recorded as "share-based compensation" on the consolidated statements of earnings (loss).

u) Revenue recognition

Gaming revenues, which include revenues from table games, slot machines, bingo games, FDC from BCLC, and site holder payments from the Ontario Lottery and Gaming Corporation ("OLG") are recorded when earned by the Company after deduction for the portion of gaming and other revenues payable to BCLC, OLG, and NSPLCC, accruals for payouts on progressive games, and gaming taxes payable to Washington State.

Racetrack revenues are recorded when earned by the Company, net of amounts returned as winning wagers, provincial and federal taxes, and purses for wagering. Racetrack revenues also include the net amount of the on-site wagering on races simulcast from third parties as well as fees received based on off-site wagering on races simulcast to other racetracks.

Food and beverage, hotel, entertainment and other operating revenues are recorded as goods are delivered, or services are performed.

The retail value of food and beverage, accommodations, and other incentives furnished to guests without charge is included in gross revenues and then deducted as promotional allowances (see Note 18).

v) Taxation

Income tax expense represents the sum of current and deferred taxes. Current and deferred taxes are recognized in the consolidated statement of earnings (loss), except to the extent it relates to items recognized in OCI or in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

v) Taxation (Continued)

Current tax
The tax currently payable is based on taxable income for the year. Taxable income differs from earnings as reported in the consolidated statements of comprehensive income (loss) because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax
Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income, as well as the benefit of tax losses available to be carried forward to future years to the extent it is probable it will be realized. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable income nor accounting earnings (loss).

The Company recognizes the income tax benefit of uncertain tax positions only when it is probable that the tax position taken will be sustained upon examination by the applicable tax authority.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

w) Net earnings (loss) per common share

Basic net earnings (loss) per common share is calculated using the weighted-average number of common shares outstanding during the period. Diluted net earnings (loss) per common share is presented using the treasury stock method and is calculated by dividing net earnings (loss) applicable to common shares by the sum of the weighted-average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

The estimates used in determining the recorded amounts in these financial statements include the following:

- *Impairment of long-lived assets and goodwill*

  The determination of a long-lived asset or goodwill impairment requires significant estimates and assumptions to determine the recoverable amount of an asset and/or CGU, wherein the recoverable amount is the higher of fair value less costs to sell and value in use. The value in use method involves estimating the net present value of future cash flows derived from the use of the asset and/or CGU, discounted at an appropriate rate.

  The estimates of future cash flows require a number of key assumptions about future business performance. These assumptions and estimates are primarily based on the relevant business' historical experience, economic trends, and consider past communications with relevant stakeholders of the Company. These key assumptions include the future revenue levels and EBITDA[1] margin as a percentage of revenues. The assumptions are subject to a number of factors and it is possible that actual results could vary materially from management's estimates. Significant changes in the key assumptions utilized in the estimate of future cash flows could result in an impairment loss or reversal of an impairment loss.

- *Estimated useful lives of long-lived assets*

  Judgment is used to estimate each component of an asset's useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost, and renewal history. If the estimated useful lives were incorrect, this could result in an increase or decrease in the annual amortization expense, and future impairment charges or recoveries.

[1] EBITDA as defined by the Company means earnings before interest and financing costs (net of interest income), income taxes, depreciation and amortization, share-based compensation, impairment of long-lived assets and goodwill, litigation settlement, equity investment loss and other, and foreign exchange loss and other. EBITDA can be computed as revenues less human resources, and property, marketing and administration expenses.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

- *Fair value of net assets acquired in business combinations*

  The cost of an acquired business ("purchase price") is assigned to the identifiable tangible and intangible assets purchased and liabilities assumed on the basis of their fair values at the date of acquisition. The identification of assets purchased and liabilities assumed and the valuation thereof is specialized and judgmental. Where appropriate, the Company engages business valuators to assist in the valuation of tangible and intangible assets acquired. Any excess of purchase price over the fair value of the identifiable tangible and intangible assets purchased and liabilities assumed is allocated to goodwill.

  When a business combination involves contingent consideration, an amount equal to the fair value of the contingent consideration is recorded as a liability at the time of acquisition. The key assumptions utilized in determining fair value may include probabilities associated with the occurrence of specified future events, financial projections of the acquired business, the timing of future cash flows, and the appropriate discount rate.

- *Fair value of assets acquired in business transactions with non-monetary consideration*

  The Company measures the fair value of assets acquired in business transactions with non-monetary consideration at the fair value of the asset given up or the fair value of the asset received, whichever is more reliably measurable. Measurement of fair value is based on an analysis of pertinent information that may include third-party asset appraisals, market values evidenced from similar transactions, and discounted cash flows.

- *Equity-settled share-based compensation*

  The Company estimates the cost of equity-settled share-based compensation using the Black-Scholes option pricing model. The model takes into account an estimate of the expected life of the option, the current price of the underlying common share, the expected volatility, an estimate of future dividends on the underlying common share, the risk-free rate of return expected for an instrument with a term equal to the expected life of the option, and the expected forfeiture rate.

- *Income taxes*

  Deferred tax assets and liabilities are due to temporary differences between the carrying amount for accounting purposes and the tax basis of certain assets and liabilities, as well as undeducted tax losses. Estimation is required for the timing of the reversal of these temporary differences and the tax rate applied. The carrying amounts of assets and liabilities are based on amounts recorded in the financial statements and are subject to the accounting estimates inherent in those balances. The tax basis of assets and liabilities and the amount of undeducted tax losses are based on the applicable income tax legislation, regulations and interpretations. The timing of the reversal of the temporary differences and the timing of deduction of tax losses are based on estimations of the Company's future financial results.

  Changes in the expected operating results, enacted tax rates, legislation or regulations, and the Company's interpretations of income tax legislation will result in adjustments to the expectations of future timing difference reversals and may require material deferred tax adjustments.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

- *Contingencies*

  Provisions are accrued for liabilities with uncertain timing or amounts, if, in the opinion of management, it is both likely that a future event will confirm that a liability had been incurred at the date of the financial statements and the amount can be reasonably estimated. In cases where it is not possible to determine whether such a liability has occurred, or to reasonably estimate the amount of loss until the performance of some future event, no accrual is made until that time. In the ordinary course of business, the Company may be party to legal proceedings which include claims for monetary damages asserted against the Company and its subsidiaries. The adequacy of provisions is regularly assessed as new information becomes available.

  The Company does not record contingent assets.

The judgments used in applying the Company's significant accounting policies include the following:

- *Hedge accounting*

  The Company designated its cross-currency interest rate and principal swaps as cash flow hedges, and assessed the effectiveness of its hedging instruments at each reporting period up to their settlement on July 24, 2012 (see Note 14). The fair values of the Company's cross-currency interest rate and principal swaps were based on credit risk adjusted discounted cash flows that required assumptions regarding the U.S. dollar exchange rate and discount rates, which were based on the prevailing U.S. dollar exchange rates and prevailing interest rates in Canada and U.S.

  The Company applied hedge accounting as it believed this was more representative of the economic substance of the underlying transactions.

- *Determination of CGUs*

  The Company's assets are grouped into CGUs based on their ability to generate separate identifiable cash flows. The determination of CGUs involves an assessment regarding the interdependency of cash inflows, and the Company's organizational structure.

4. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2012, the Company adopted the following revised IFRSs issued by the IASB. These revised IFRSs did not have a material impact on the Company's consolidated financial statements.

- *IAS 12, Income Taxes ("IAS 12")* – amended to provide a practical solution to determining the recovery of investment properties as it relates to accounting for deferred taxes.

- *IFRS 7, Financial Instruments: Disclosures* – amended to increase the disclosure requirements in connection with the transfer of financial assets to a third party that are not derecognised from the Company's consolidated financial statements.

Recent accounting pronouncements
The IASB issued the following new and revised standards addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements with other entities:

- *IFRS 10, Consolidated Financial Statements ("IFRS 10")* – replaces the consolidation guidance in IAS 27 (2008), *Consolidated and Separate Financial Statements* ("IAS 27 (2008)"), and SIC-12, *Consolidated Special Purpose Entities*, by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee.

- *IFRS 11, Joint Arrangements ("IFRS 11")* – replaces IAS 31, *Interests in Joint Ventures*. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed.

- *IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12")* – requires enhanced disclosures about the entity's interests in subsidiaries, joint arrangements and associates, and unconsolidated structured entities.

- *IAS 27 (2011), Separate Financial Statements* – the consolidation requirements previously forming part of IAS 27 (2008) have been revised and are now contained in IFRS 10.

- *IAS 28 (2011), Investments in Associates and Joint Ventures* – amended to conform to changes based on the issuance of IFRS 10, IFRS 11, and IFRS 12.

These five standards must be adopted concurrently and are effective for annual periods beginning on or after January 1, 2013. These standards are not expected to have a material impact on the Company's consolidated financial statements.

4. CHANGES IN ACCOUNTING POLICIES (Continued)

Recent accounting pronouncements (Continued)

The IASB also issued the following new and revised accounting pronouncements, which are not expected to have a material impact on the Company's consolidated financial statements:

Effective for annual periods beginning on or after January 1, 2013:

- *IAS 1, Presentation of Financial Statements* – amended to clarify the requirements for comparative information in the financial statements.
- *IAS 19, Employee Benefits (2011)* – amended to change the accounting for defined benefit plans and terminations benefits, and improve the understandability and usefulness of disclosures.
- *IAS 16, Property, Plant and Equipment ("IAS 16")* – amended to clarify the classification of servicing equipment.
- *IAS 32, Financial Instruments: Presentation* – amended to clarify that the tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12.
- *IAS 34, Interim Financial Reporting* – amended to clarify the requirements for segment information related to total assets and total liabilities.
- *IFRS 13, Fair Value Measurement* – provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.

Effective for annual periods beginning on or after January 1, 2015:

- *IFRS 9, Financial Instruments ("IFRS 9") – replaces IAS 39, Financial Instruments: Recognition and measurement* ("IAS 39"). IFRS 9 simplifies the classification and measurement requirements for financial instruments, which replaces the multiple classification and measurement models in IAS 39.

5. CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH

	December 31, 2012	December 31, 2011
Cash in banks	**$ 96.0**	$ 109.4
Cash floats	**10.2**	9.8
Cash equivalents	**10.0**	15.5
	$ 116.2	$ 134.7

Cash equivalents include investments in term deposits and bankers' acceptances with original maturities within three months of the investment date.

Cash floats exclude amounts provided by BCLC of $16.1 (2011 - $15.9) for use in BC casino operations. Since these cash floats are owned by BCLC, they are not included in the Company's cash floats balances. The Company has issued letters of credit in favour of BCLC as security for these amounts (Note 27(a)).

Restricted cash comprises primarily $4.1 (2011 - $6.0) for horsemen's purse pools, $0.5 (2011 - $0.6) held for capital expenditures that require approval from OLG, and $0.3 (2011 - $0.5) related to future payments for construction projects.

6. ACCOUNTS RECEIVABLE

	December 31, 2012	December 31, 2011
Trade receivables	**$ 4.6**	$ 4.5
Other receivables	**3.1**	3.2
Due from NSPLCC	**-**	1.2
	$ 7.7	$ 8.9

The balance due from NSPLCC is the Capital Reserve Account receivable. It represents amounts spent by the Company on approved expenditures, plus accrued interest on the outstanding balance at prime plus 2% per annum, less repayments from the NSPLCC's Capital Reserve Account based on 5% of the gross operating revenues from the two Nova Scotia casinos.

7. IMPAIRMENT OF LONG-LIVED ASSETS AND GOODWILL

In March 2012, the Government of Ontario and OLG decided to end the "Slots at Racetracks" program for all Ontario racetracks on March 31, 2013, in an effort to modernize that province's gaming model. As part of that plan, and as permitted under the related agreements, on March 29, 2012, OLG provided notice that the site holder agreements with the Company's Georgian Downs and Flamboro Downs racetracks will terminate on March 31, 2013. All other "Slots at Racetracks" facilities in Ontario received similar termination notices, with the exception of three facilities located proximate to the U.S. border, which closed on April 30, 2012.

As a result of the early termination of Georgian Downs' site holder agreement, which was previously scheduled to expire in November 2021, the Company recorded impairments of goodwill, intangible assets, and property, plant and equipment of $3.2, $8.2, and $13.2, respectively. The Company also recorded impairments of intangible assets and property, plant and equipment of $24.2 and $5.2, respectively, in connection with Flamboro Downs' site holder agreement, which was previously scheduled to expire in April 2016.

The recoverable amounts for long-lived assets and goodwill were determined based on the value in use method, which estimates the net present value of the future cash flows expected to be generated, using a pre-tax discount rate based on the Company's weighted-average cost of capital. The estimates of future cash flows require a number of key assumptions about future business performance. These assumptions and estimates are primarily based on the relevant business' historical experience and economic trends, and consider past and ongoing communications with relevant stakeholders of the Company. These key assumptions include the future revenue levels, EBITDA, and the expected useful life of the CGU. The assumptions are subject to a number of factors and it is possible that actual results could vary materially from management's estimates.

7. IMPAIRMENT OF LONG-LIVED ASSETS AND GOODWILL (Continued)

As the carrying value of Georgian Downs' and Flamboro Downs' assets are equal to their estimated recoverable amounts, a subsequent change in any key assumption utilized in the estimate of future cash flows may result in a further impairment loss or a reversal of an impairment loss. The Company is in discussions with OLG to negotiate lease arrangements that would facilitate the continued operation of these properties beyond March 31, 2013. Based on recent discussions, if leases are agreed, the Company expects these properties' EBITDA will decline as compared to levels realized in 2012. If the Company is unable to enter into lease agreements, further impairments may be recorded against the remaining long-lived assets of these properties. As at December 31, 2012, the carrying values of the intangible assets and property, plant and equipment associated with Georgian Downs were $15.6 and $29.7, respectively. As at December 31, 2012, the carrying values of the intangible assets and property, plant and equipment associated with Flamboro Downs were $11.8 and $7.4, respectively.

In connection with the impairments recorded for Georgian Downs and Flamboro Downs, the Company revised the estimated remaining useful lives of its intangible assets and property, plant and equipment. The net effect of this change in estimate and the impairment is a $4.6 decrease in the annual non-cash amortization expense related to these assets on a prospective basis, when compared to the year ended December 31, 2012.

In addition, during the year ended December 31, 2012, the Company recorded $10.3 of impairment related to land in Ontario that was written down to its estimated recoverable amount.

During the year ended December 31, 2011, as a result of the uncertainty in the economic outlook for Hastings Racecourse and Slots Facility, the carrying value of property, plant and equipment was impaired by $4.4.

8. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Building Improvements	Leasehold Improvements	Equipment	Properties Under Development	Total
Cost						
Balance at December 31, 2010	$ 65.8	$ 651.8	$ 71.4	$ 95.8	$ 9.2	$ 894.0
Additions	10.7	-	0.2	2.9	28.9	42.7
Acquired through business combination	5.7	-	-	-	-	5.7
Disposals	-	-	-	(0.8)	-	(0.8)
Reclassifications	-	21.6	4.6	4.1	(30.3)	-
Translation and other	-	(0.2)	0.1	0.3	-	0.2
Balance at December 31, 2011	$ 82.2	$ 673.2	$ 76.3	$ 102.3	$ 7.8	$ 941.8
Additions	**0.1**	**0.1**	**0.2**	**2.6**	**21.4**	**24.4**
Disposals	**-**	**-**	**(0.1)**	**(0.2)**	**-**	**(0.3)**
Reclassifications	**-**	**8.4**	**5.2**	**4.6**	**(18.2)**	**-**
Translation and other	**-**	**(0.3)**	**(0.2)**	**(0.1)**	**-**	**(0.6)**
Balance at December 31, 2012	**$ 82.3**	**$ 681.4**	**$ 81.4**	**$ 109.2**	**$ 11.0**	**$ 965.3**
Accumulated amortization and impairments						
Balance at December 31, 2010	$ (0.9)	$ (108.3)	$ (38.2)	$ (78.1)	$ (5.5)	$ (231.0)
Amortization	-	(28.1)	(7.1)	(8.3)	-	(43.5)
Disposals	-	-	-	0.8	-	0.8
Impairments [(1)]	-	-	(3.9)	(0.5)	-	(4.4)
Reclassifications [(2)]	-	-	(1.9)	-	1.9	-
Translation and other	-	(0.1)	-	-	-	(0.1)
Balance at December 31, 2011	$ (0.9)	$ (136.5)	$ (51.1)	$ (86.1)	$ (3.6)	$ (278.2)
Amortization	**-**	**(27.6)**	**(2.9)**	**(7.1)**	**-**	**(37.6)**
Disposals	**-**	**-**	**0.1**	**0.2**	**-**	**0.3**
Impairments [(3)]	**(10.3)**	**(18.0)**	**-**	**(0.4)**	**-**	**(28.7)**
Reclassifications [(2)]	**-**	**-**	**(0.2)**	**-**	**0.2**	**-**
Translation and other	**-**	**0.1**	**-**	**0.1**	**-**	**0.2**
Balance at December 31, 2012	**$ (11.2)**	**$ (182.0)**	**$ (54.1)**	**$ (93.3)**	**$ (3.4)**	**$ (344.0)**
Carrying amount						
At December 31, 2010	$ 64.9	$ 543.5	$ 33.2	$ 17.7	$ 3.7	$ 663.0
At December 31, 2011	$ 81.3	$ 536.7	$ 25.2	$ 16.2	$ 4.2	$ 663.6
At December 31, 2012	**$ 71.1**	**$ 499.4**	**$ 27.3**	**$ 15.9**	**$ 7.6**	**$ 621.3**

[(1)] The impairments relate to Hastings Racecourse and Slots Facility (see Note 7).

[(2)] The reclassifications relate to properties under development that were previously impaired and subsequently transferred to leasehold improvements.

[(3)] The impairments relate to Georgian Downs, Flamboro Downs, and land previously held for development (see Note 7).

9. INTANGIBLE ASSETS

	BC Gaming Operating Agreements	Nova Scotia Gaming Operating Agreement	Ontario Siteholder Agreements	Other	Total
Cost					
Balance at December 31, 2010	$ 76.1	$ 34.6	$ 106.0	$ 2.5	$ 219.2
Acquired through business combination	5.3	-	-	-	5.3
Balance at December 31, 2011	$ 81.4	$ 34.6	$ 106.0	$ 2.5	$ 224.5
Balance at December 31, 2012	**$ 81.4**	**$ 34.6**	**$ 106.0**	**$ 2.5**	**$ 224.5**
Accumulated amortization and impairments					
Balance at December 31, 2010	$ (38.1)	$ (15.5)	$ (35.2)	$ (1.0)	$ (89.8)
Amortization	(5.9)	(4.2)	(4.7)	(0.2)	(15.0)
Balance at December 31, 2011	$ (44.0)	$ (19.7)	$ (39.9)	$ (1.2)	$ (104.8)
Amortization	**(3.3)**	**(4.2)**	**(6.3)**	**(0.2)**	**(14.0)**
Impairments [1]	**-**	**-**	**(32.4)**	**-**	**(32.4)**
Balance at December 31, 2012	**$ (47.3)**	**$ (23.9)**	**$ (78.6)**	**$ (1.4)**	**$ (151.2)**
Carrying amount					
At December 31, 2010	$ 38.0	$ 19.1	$ 70.8	$ 1.5	$ 129.4
At December 31, 2011	$ 37.4	$ 14.9	$ 66.1	$ 1.3	$ 119.7
At December 31, 2012	**$ 34.1**	**$ 10.7**	**$ 27.4**	**$ 1.1**	**$ 73.3**

[1] The impairments relate to Georgian Downs and Flamboro Downs (see Note 7).

10. GOODWILL

		Total
Cost		
Balance at December 31, 2010	$	47.4
Foreign exchange movements		0.2
Balance at December 31, 2011	$	47.6
Foreign exchange movements		**(0.2)**
Balance at December 31, 2012	**$**	**47.4**

Impairments		
Balance at December 31, 2010	$	(24.1)
Balance at December 31, 2011	$	(24.1)
Impairment [(1)]		**(3.2)**
Balance at December 31, 2012	**$**	**(27.3)**

Carrying amount		GCCI		GCEC		ORL		GDL		GAGC		Total
At December 31, 2010	$	1.6	$	3.8	$	8.1	$	3.2	$	6.6	$	23.3
At December 31, 2011	$	1.6	$	3.8	$	8.1	$	3.2	$	6.8	$	23.5
At December 31, 2012	**$**	**1.6**	**$**	**3.8**	**$**	**8.1**	**$**	**-**	**$**	**6.6**	**$**	**20.1**

(1) The impairment relates to Georgian Downs (see Note 7).

There were no changes to the methodology used to assess goodwill impairment since the last annual impairment test. The recoverable value for each CGU was based on the value in use method, which estimates the net present value of the future cash flows expected to be generated by the CGU, discounted using a pre-tax discount rate that was based on the Company's weighted-average cost of capital.

The expected future cash flows are based on the most recent annual forecasts prepared by management and extrapolated over five years, after which a rate of 2% is applied for inflation. These expected future cash flows require a number of assumptions about future business performance. These assumptions and estimates were based primarily on the relevant business' historical performance and economic trends, and considered past communications with relevant stakeholders. The revenue growth rate assumptions used in the impairment assessments ranged from 0% to 2% and EBITDA as a percentage of revenues was based on each CGU's most recent annual operating levels.

Sensitivity analysis

The assumptions and estimates used in these impairment assessments are subject to a number of factors and it is possible that actual results could vary materially from management's estimates. Changes that could result in future impairment charges include, but are not limited to: legislation or policies passed by the respective governments affecting the location of competing gaming facilities and the amounts payable to the Company for providing casino operational services (see Note 7), and continued declines in horse racing industry revenues. The Company has not identified any specific reasonably possible changes in key assumptions associated with the estimated recoverable amounts of its CGUs that will result in additional goodwill impairment charges. However, adverse changes in circumstances to the Company's business could impact key assumptions and estimates, and could result in additional impairment charges.

11. OTHER LIABILITIES

	December 31, 2012	December 31, 2011
Provisions, current	**$ 2.0**	$ 2.1
Long-term debt, current (Note 12)	**-**	2.0
Deferred credits, current (Note 15)	**0.7**	0.7
Other current liabilities	**0.2**	0.3
	$ 2.9	$ 5.1

12. LONG-TERM DEBT

	December 31, 2012	December 31, 2011
Senior Unsecured Notes, net of unamortized transaction costs of $10.1 (2011 - $nil)	**$ 439.9**	$ -
Term Loan B, net of unamortized transaction costs of $nil (2011 - $1.1)	**-**	163.7
Senior Subordinated Notes and unamortized premium of $nil (2011 - $0.8), net of unamortized transaction costs of $nil (2011 - $2.7)	**-**	170.9
	439.9	334.6
Less: current portion	**-**	2.0
	$ 439.9	$ 332.6

As at December 31, 2012, the Company's long-term debt facilities consist of $450.0 Senior Unsecured Notes ("Senior Unsecured Notes") and a $350.0 Senior Secured Revolving Credit Facility (the "Revolving Credit Facility").

As at December 31, 2011, the Company's long-term debt facilities consisted of US$170.0 (initial principal) Senior Secured Term Loan B (the "Term Loan B") and a $350.0 Revolving Credit Facility, secured by a common credit agreement, and US$170.0 of Senior Subordinated Notes (the "Subordinated Notes").

a) Senior Unsecured Notes

On July 24, 2012, the Company completed a long-term debt refinancing and issued $450.0 of 6.625% Senior Unsecured Notes due on July 25, 2022. The net proceeds were $439.5 after transaction costs of $10.5. The use of proceeds included repayment of the US$161.1 Senior Secured Term Loan B ("Term Loan B"), repurchase or redemption of the US$170.0 Senior Subordinated Notes ("Subordinated Notes"), settlement of the derivative liabilities associated with the related cross-currency interest rate and principal swaps (see Note 14), and the remainder was retained for general corporate purposes.

The Senior Unsecured Notes are guaranteed by the Company's material restricted subsidiaries as defined in the long-term debt agreement covering the Trust Indenture. Interest on the Senior Unsecured Notes is payable semi-annually in arrears on January 25 and July 25 of each year. There are customary provisions for early redemptions of the Senior Unsecured Notes during defined periods prior to maturity with payment of defined premiums.

Transaction costs of approximately $10.5 associated with the issuance of the Senior Unsecured Notes were primarily related to underwriting fees, legal fees, and other expenses, and will be amortized to "interest and financing costs, net" on the consolidated statements of earnings (loss) over the term of the Senior Unsecured Notes using the effective interest method.

12. LONG-TERM DEBT (Continued)

b) *Revolving Credit Facility*

As at December 31, 2012, subject to compliance with the related financial covenants, the Company has $320.1 (2011 – $317.7) of available credit on its Revolving Credit Facility after deducting outstanding letters of credit of $29.9 (2011 - $32.3). The counterparties to this facility are major financial institutions with minimum “A” credit ratings.

On July 21, 2011, the Company completed an amendment of its February 14, 2007 Credit and Guarantee Agreement (“Credit Agreement”) which covers the terms of its Revolving Credit Facility. Consequently, the Company’s previous undrawn $200.0 Revolving Credit Facility was increased to a maximum limit of $350.0 and extended to July 21, 2016. On July 24, 2012, the Company further extended the maturity of its $350.0 Revolving Credit Facility by one year to July 21, 2017. The interest rate on advanced amounts and the commitment fee on the unused facility (see Note 28(c)) are based on the Company’s Total Debt to Adjusted EBITDA ratio, which is calculated quarterly (see Note 13).

Transaction costs associated with refinancing the Revolving Credit Facility of $0.5 during the year ended December 31, 2012 and $2.8 during the year ended December 31, 2011 are included in the “other assets” line of the consolidated statements of financial position and will be amortized through the “interest and financing costs, net” line of the consolidated statements of earnings (loss) over the term of the Revolving Credit Facility using the effective interest method.

The Revolving Credit Facility is guaranteed and secured by substantially all of the assets of the Company and its subsidiaries. The Revolving Credit Facility requires the Company to comply with certain operational and financial covenants (which are defined in the underlying agreements). The financial covenants which are tested quarterly are: Total Debt to Adjusted EBITDA ratio of 5.00 or less, Senior Secured Debt to Adjusted EBITDA ratio of 3.50 or less, and Interest Coverage ratio of 2.25 or more.

c) *Term Loan B*

In connection with the issuance of the Senior Unsecured Notes (see Note 12(a)), the Company repaid the outstanding Term Loan B in July 2012.

As at December 31, 2011, the principal balance outstanding for the Term Loan B was US$161.9. The Term Loan B had a floating interest rate (U.S. LIBOR plus 1.50%) and a maturity date of February 13, 2014. The Company hedged both the currency risk and the floating interest rate risk to effectively result in an initial principal of $200.8 in Canadian dollars and a fixed interest rate (see Note 14).

12. LONG-TERM DEBT (Continued)

d) Subordinated Notes

In connection with the issuance of the Senior Unsecured Notes, on July 5, 2012, the Company commenced a cash tender offer and consent solicitation with respect to the Subordinated Notes ("Tender Offer"). A total of approximately US$146.7 (or 86.3%) of the US$170.0 Subordinated Notes were validly tendered and repurchased under the Tender Offer, which expired on August 2, 2012. On July 24, 2012, the Company issued a 30 day advanced notice of mandatory redemption of the remaining US$23.3 Subordinated Notes, which were outstanding after the Tender Offer. These remaining Subordinated Notes were redeemed on August 23, 2012. The total transaction costs of $3.9 associated with the repurchase and redemption of the Subordinated Notes were expensed as "interest and financing costs, net" on the consolidated statements of earnings (loss), and included a $3.1 tender premium related to the Tender Offer, a $0.4 redemption premium, and legal and other costs of $0.4.

As at December 31, 2011, the principal balance outstanding for the Subordinated Notes was US$170.0. The Subordinated Notes had a fixed interest rate of 7.25% and a maturity date of February 15, 2015. The Company hedged the currency risk to effectively result in an initial principal of $201.1 in Canadian dollars and a fixed interest rate (see Note 14).

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 debt facilities 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.

e) Interest and financing costs, net

	Year ended December 31,	
	2012	2011
Interest and financing costs on long-term debt	**$ 33.7**	$ 29.5
Subordinated Notes redemption premium and fees	**3.9**	-
Bank charges and other	**0.7**	1.4
Interest income	**(1.3)**	(1.4)
	$ 37.0	$ 29.5

During the year ended December 31, 2012, the Company expensed the remaining deferred financing transaction costs and premium associated with the Term Loan B and the Subordinated Notes of $2.4 as "interest and financing costs on long-term debt" within "interest and financing costs, net" on the consolidated statements of earnings (loss).

13. CAPITAL DISCLOSURES

The Company's capital structure comprises:

- Shareholders' equity;
- Long-term debt;
- Cash and cash equivalents; and
- Outstanding letters of credit.

13. CAPITAL DISCLOSURES (Continued)

The Company's objectives are to maintain a flexible capital structure that optimizes the cost of capital at acceptable risk levels and to manage capital in a manner that balances the interests of equity and debt holders. The Company manages its capital structure in light of changes in economic conditions and the risk characteristics of the Company's operations. The Company's major capital allocation decisions include a comparison of the expected financial returns from those investments to its estimated weighted-average cost of capital. The Company currently plans to use its cash and cash equivalents, cash flows from operations, and established debt facilities to finance its business development plans.

The Company monitors its capital structure and must comply with certain financial covenants related to its long-term debt. The Company intends to manage its capital by operating at a level that provides a conservative margin compared to the limits of its covenants.

As at December 31, 2012, the Company was in compliance with its financial covenants as shown below:

Covenant test	Required ratio	Actual ratio
Total Debt to Adjusted EBITDA ratio (1)	< 5.00	3.02
Senior Secured Debt to Adjusted EBITDA ratio (1)	< 3.50	0.00
Interest Coverage ratio (1)	> 2.25	5.04
Fixed Charge Coverage ratio (2)	> 2.00	5.05

(1) Calculated on a trailing twelve month basis and defined in the Credit and Guarantee Agreement, as amended on July 24, 2012.

(2) Calculated on a trailing twelve month basis and tested on specified events as defined in the long-term debt agreement covering the Trust Indenture dated July 24, 2012.

As part of its capital structure monitoring process, the Company's independent credit ratings as at December 31, 2012 were as follows:

	Moody's	Standard & Poor's
Corporate	Ba3 Stable	BB+ Stable
Revolving Credit Facility	Ba1	BBB
Senior Unsecured Notes	B1	BB+

14. DERIVATIVES

In 2007, the Company entered into cross-currency interest rate and principal swaps to hedge the U.S. dollar exchange rate and interest rate risks associated with the Term Loan B and Subordinated Notes issued in that year (see Note 12). The Company designated these cross-currency interest rate and principal swaps as cash flow hedges, wherein the effective portion of the swap was recorded in "other comprehensive income".

14. DERIVATIVES (Continued)

On July 24, 2012, as part of the long-term debt refinancing (see Note 12), the Company settled all of its cross-currency interest rate and principal swaps and paid $69.9 to its counterparties, which represented the fair value of the swaps. Accordingly, the accumulated $8.1 loss on derivatives designated as cash flow hedges within “accumulated other comprehensive loss” was reclassified to “foreign exchange loss and other”, which reflects the fair value changes of the underlying elements of the cross-currency interest rate and principal swaps.

During the year ended December 31, 2011, the Company completed an amendment of its February 14, 2007 Credit and Guarantee Agreement. In connection with this amendment, the Company discontinued hedge accounting for a portion of the cash flows associated with the Term Loan B and Subordinated Notes cross-currency interest rate and principal swaps and recorded a $5.0 expense as “foreign exchange loss and other” on the consolidated statements of earnings (loss) during the year ended December 31, 2011.

15. DEFERRED CREDITS, PROVISIONS AND OTHER LIABILITIES

	December 31, 2012	December 31, 2011
Deferred credits	**$ 19.1**	$ 19.7
Provisions, non-current	**3.4**	2.4
Other non-current liabilities	**2.9**	1.6
	$ 25.4	$ 23.7

In 2008, the Company entered into agreements with the South Coast British Columbia Transportation Authority (“TransLink”) and Canada Line Rapid Transit Inc. (“Canada Line”) to build and operate a 1,200 stall multi-level parking garage at Bridgeport Station, across from the River Rock Casino Resort (“River Rock”) in Richmond, British Columbia.

The consideration received from TransLink is being treated as compensation for the cost of providing future parking services to Canada Line’s passengers. Accordingly, the fair value of the land received of $17.2 was accounted for as a non-monetary transaction and cash of $4.5 was recorded as “cash and cash equivalents”, with a corresponding credit to “deferred credits”. These “deferred credits” are amortized on a straight-line basis over a period of 32 years.

Translink may exercise its option to purchase the portion of the parking garage used by the 1,200 stalls if certain events defined in the agreement occur. Examples of these include the relocation of the River Rock, or the Company failing to provide Canada Line’s passengers access to the parking stalls as set out in the agreement.

16. SHARE CAPITAL AND CONTRIBUTED SURPLUS

The Company is authorized to issue an unlimited number of common shares with no par value.

a) Issuer bids

In January 2012, the Company commenced a normal course issuer bid that authorized the Company to purchase up to 5,811,197 of its common shares. For the year ended December 31, 2012, the Company purchased for cancellation 3,657,210 common shares at a weighted-average price per share of $8.15 under its normal course issuer bid, which expired on January 26, 2013.

On July 6, 2012, the Company commenced a substantial issuer bid, pursuant to which the Company offered to purchase for cancellation up to 10,000,000 of its outstanding common shares from shareholders at a purchase price of $10.00 per share. On August 21, 2012, the Company accepted for purchase 10,000,000 of the validly tendered common shares at a purchase price of $10.00 per share for a total of $100.0 and $0.3 in related transaction costs. At the time of the repurchase, the paid-up capital per common share for the purposes of the *Income Tax Act (Canada)* was $3.79.

For the year ended December 31, 2011, the Company purchased 1,479,600 common shares at a weighted-average price of $7.16 under its normal course issuer bid, which expired on January 26, 2012.

All shares purchased by the Company were cancelled. The Company's share capital was reduced by an amount equal to the carrying value of the shares repurchased and the remainder was recorded as a reduction to retained earnings on the consolidated statements of changes in equity.

Subsequent to December 31, 2012, the Company received approval from the TSX to commence another normal course issuer bid for up to 4,511,644 of its common shares, representing approximately 10% of the Company's common shares in the public float. The bid commenced on January 30, 2013 and will end on January 29, 2014, or earlier if the number of shares approved for purchase in the issuer bid have been obtained. Pursuant to TSX policies, daily purchases made by the Company will not exceed 29,761 common shares or 25% of the prior six-month average trading volume of 119,045 common shares on the TSX. Purchases will be by way of open market purchases through the facilities of the TSX, and other Canadian market places, and payment for the shares will be in accordance with the TSX's by-laws and rules. Any shares purchased by the Company will be subsequently cancelled.

b) Share option plan

Under the Company's share option plan, the maximum number of share options reserved for issuance is limited to 10% of the common shares issued and outstanding at any given time. In addition, no one individual may receive share options in excess of 5% of the issued and outstanding common shares of the Company. The exercise price is set at the volume weighted-average Canadian trading price of the Company's Common Shares on the Toronto Stock Exchange five trading days immediately preceding the grant date. The outstanding share options vest on a graded schedule over three years and expire five years from the date of grant.

As at December 31, 2012, there were 2,550,782 share options remain available for granting. Subsequent to December 31, 2012, the Company granted 1,425,000 share options at an exercise price of $9.11.

16. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)

b) Share option plan (Continued)

The changes in share options under the plan were as follows:

	December 31, 2012		December 31, 2011	
	Options [1]	**Weighted-Average Exercise Price**	Options [1]	Weighted-Average Exercise Price
Outstanding, beginning of period	**5,895**	**$ 7.16**	6,966	$ 7.23
Granted	**1,288**	**7.73**	1,555	7.38
Forfeited	**(89)**	**8.73**	(696)	8.88
Expired	**(985)**	**11.92**	(845)	11.87
Exercised	**(1,616)**	**4.88**	(1,085)	3.12
Outstanding, end of period	**4,493**	**$ 7.08**	5,895	$ 7.16

[1] Option information is presented in thousands.

For the year ended December 31, 2012, the weighted-average share price at the time of exercise was $9.63 (2011 - $8.20).

Options outstanding and exercisable at December 31, 2012 were as follows:

Exercise Price	**Number Outstanding[2]**	**Weighted-Average Remaining Contractual Life**	**Weighted-Average Exercise Price**	**Number Exercisable[2]**	**Weighted-Average Vested Exercise Price**
$2.62-$4.00	605	1.2 years	$ 2.62	605	$ 2.62
$4.01-$7.00	283	1.4 years	4.41	283	4.41
$7.01-$7.25	717	3.0 years	7.14	461	7.14
$7.26-$7.65	1,146	2.1 years	7.62	1,043	7.62
$7.66-$8.00	1,412	4.1 years	7.71	538	7.74
$8.01-$14.13	330	0.1 years	12.78	297	13.17
	4,493	2.6 years	$ 7.08	3,227	$ 6.86

[2] Option information is presented in thousands.

The fair values of share options granted to employees at the time of the grant and the weighted-average assumptions used in applying the Black-Scholes option pricing model were as follows:

	Year ended December 31,	
	2012	2011
Option award fair value	**$ 1.67**	$ 2.38
Risk-free interest rate	**1.1%**	1.6%
Expected lives	**2.5 years**	2.5 years
Expected volatility [3]	**30.3%**	50.0%
Dividend yield	**0.0%**	0.0%

[3] Based on the historical volatility of the Company's share price over the most recent period commensurate with the expected lives of the option.

During the year ended December 31, 2012, the Company recorded equity-settled share-based compensation expense of $2.2 (2011 - $3.9).

16. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)

c) Deferred Share Units and Restricted Share Units

On June 16, 2011, the Board of Directors approved the Non-Employee Directors' Cash-Settled Deferred Share Unit and Restricted Share Unit Plan ("the Share Unit Plan"). DSUs and RSUs provide the unit holder with the right to receive a cash payment equal to the fair market value of the Company's common shares. DSUs are cash-settled following the eligible director's termination date and not later than December 31 of the calendar year following the year that the unit holder ceases to be a director. RSUs are cash-settled three years after the grant date.

Non-employee directors who are eligible to receive DSUs under the Share Unit Plan are no longer eligible to receive share options under the Company's Stock Option Plan. In addition, non-employee directors may elect to receive some or all of their annual retainer and attendance fees as RSUs.

The changes in DSUs and RSUs were as follows:

	December 31, 2012		December 31, 2011	
	DSUs [1]	**RSUs [1]**	DSUs [1]	RSUs [1]
Outstanding, beginning of period	**106**	**7**	-	-
Issued	**128**	**10**	113	7
Settled in cash	**(18)**	**-**	(7)	-
Outstanding, end of period	**216**	**17**	106	7

[1] DSU and RSU information are presented in thousands.

The Company recorded a liability of $2.2 in "deferred credits, provisions and other liabilities" at December 31, 2012 (2011 - $0.8) for the outstanding DSUs and RSUs. During the year ended December 31, 2012, the Company recorded cash-settled share-based compensation expense of $1.4 (2011 - $1.0).

d) Employee share purchase plan

Eligible employees of the Company may elect to participate in the Employee Share Purchase Plan (the "Share Purchase Plan") by contributing a portion of their gross pay to purchase the Company's shares in the open market. As at December 31, 2012, 716,663 (2011 – 757,335) common shares were held by employees under the Share Purchase Plan and 25% of employees participated in the Plan (2011 – 29%).

17. ACCUMULATED OTHER COMPREHENSIVE LOSS

	December 31, 2012	December 31, 2011
Accumulated loss on derivatives designated as cash flow hedges, net of income taxes	**$ -**	$ (5.8)
Unrealized effect of foreign currency translation of foreign operations	**(1.0)**	(0.7)
	$ (1.0)	$ (6.5)

18. REVENUES

	Year ended December 31,	
	2012	2011
Gaming revenues	**294.9**	281.9
Facility Development Commission	**35.2**	32.1
Hospitality and other revenues	**82.6**	70.4
Racetrack revenues	**15.8**	19.5
	428.5	403.9
Less: Promotional allowances	**(19.8)**	(15.7)
	$ 408.7	$ 388.2

19. EQUITY INVESTMENT LOSS AND OTHER

	Year ended December 31,	
	2012	2011
Equity investment loss	**$ 3.5**	$ -
Acquisition-related contingent future trailing payments	**1.5**	-
Business development	**0.1**	1.9
Other	**-**	(0.3)
	$ 5.1	$ 1.6

a) *Equity investment loss*

During the year ended December 31, 2012, the Company acquired a 38% minority equity interest in PDX Entertainment Company (“PDX”) for $3.5. PDX pursued the opportunity to build and operate an entertainment and gaming complex in Wood Village, Oregon. The proposed development required the approval of Wood Village voters through a local municipal ballot measure, and the approval of Oregon voters through two state ballot measures, one of which would have changed the state constitution to permit private-sector casino gaming in Oregon. The ballot measures were voted on November 6, 2012, and the constituents did not support the amendment to the state constitution as proposed. The Company’s investment in PDX was fully expensed as at December 31, 2012.

b) *Acquisition-related contingent future trailing payments*

The purchase price of the Chilliwack Bingo acquisition in 2011 included contingent future trailing payments to be paid over 20 years, dependent on the level of future slot win at Chances Chilliwack (see Note 29). As at December 31, 2012, the discounted trailing payment provision was estimated at $2.5 (2011 - $1.0) based on the current performance of the facility. The change in the estimated provision of $1.5 was recorded as “equity investment loss and other” on the consolidated statements of earnings (loss) during the year ended December 31, 2012 (2011 - $nil).

c) *Business development*

Certain business development costs of $1.1 previously presented as “property, marketing and administration” on the consolidated statements of earnings (loss) for the year ended December 31, 2011 have been retrospectively reclassified to “equity investment loss and other”. As these costs are non-recurring, this revised presentation provides more useful comparative information regarding the Company’s business development activities and operating financial performance.

20. INCOME TAXES

a) *Income tax recognized in net (loss) earnings*

The Company's income tax (recovery) expense is as follows:

	Year ended December 31,	
	2012	2011
Current tax expense	**$ 11.4**	$ 10.2
Deferred tax (recovery) expense	**(15.6)**	0.4
Total income tax (recovery) expense	**$ (4.2)**	$ 10.6

The reconciliation of the Company's income tax (recovery) expense to net (loss) earnings is as follows:

	Year ended December 31,	
	2012	2011
Applicable federal and provincial statutory income tax rate [1]	**25.0%**	26.5%
(Loss) earnings before income taxes	**$ (31.8)**	$ 36.8
Expected income tax (recovery) expense	**(8.0)**	9.8
Effect of:		
Non-deductible impairment of goodwill	**0.8**	-
Non-deductible share-based compensation	**0.6**	1.0
Impact of deferred income tax rates applied versus current income tax rate	**(0.6)**	(0.5)
Revaluation of income tax liabilities from prior year taxes	**(0.4)**	-
Deferred tax benefits not recognized	**2.5**	-
Other items	**0.9**	0.3
Total income tax (recovery) expense recognized in net (loss) earnings	**$ (4.2)**	$ 10.6

[1] The applicable federal and provincial statutory income tax rate used for the 2012 and 2011 reconciliations above is the corporate tax rate payable by corporate entities in the province of British Columbia on taxable profits under tax law in that jurisdiction. The rate decreased on January 1, 2012 from 26.5% to 25% due to a decrease in federal income tax rates of 1.5%.

b) *Income tax recognized in OCI*

The Company's deferred income tax expense (recovery) recognized in OCI comprises:

	Year ended December 31,	
	2012	2011
Changes in fair values of derivatives designated as cash flow hedges	**$ (0.8)**	$ 1.1
Changes in fair values of derivatives designated as cash flow hedges transferred to net (loss) earnings	**2.7**	(1.6)
Total income tax expense (recovery) recognized in OCI	**$ 1.9**	$ (0.5)

20. INCOME TAXES (Continued)

c) Deferred tax balances

The following are the major deferred tax assets (liabilities) recognized and movements thereon during the current and prior year:

2012	Opening balance	Recognized in net (loss) earnings	Recognized in OCI	**Closing balance**
Temporary differences				
Property, plant and equipment	$ (31.3)	$ (1.0)	$ -	**$ (32.3)**
Intangible assets	(30.4)	11.2	-	**(19.2)**
Deferred partnership income	(2.4)	0.2	-	**(2.2)**
Debt refinancing transaction costs	(1.0)	0.5	-	**(0.5)**
Cross-currency interest rate and principal swaps	2.9	(1.0)	(1.9)	**-**
Deferred credits, provisions and other liabilities	0.7	1.0	-	**1.7**
Former debt redemption costs	2.4	-	-	**2.4**
Other	(0.3)	0.2	-	**(0.1)**
	(59.4)	11.1	(1.9)	**(50.2)**
Unused tax losses and credits				
Non-capital loss carry-forwards	0.6	5.1	-	**5.7**
Capital loss carry-forwards	1.7	(0.6)	-	**1.1**
	2.3	4.5	-	**6.8**
	$ (57.1)	$ 15.6	$ (1.9)	**$ (43.4)**

2011	Opening balance	Recognized in net (loss) earnings	Recognized in OCI	Closing balance
Temporary differences				
Property, plant and equipment	$ (28.0)	$ (3.3)	$ -	$ (31.3)
Intangible assets	(34.2)	3.8	-	(30.4)
Deferred partnership income	(2.2)	(0.2)	-	(2.4)
Debt refinancing transaction costs	(0.8)	(0.2)	-	(1.0)
Cross-currency interest rate and principal swaps	1.3	1.1	0.5	2.9
Deferred credits, provisions and other liabilities	0.8	(0.1)	-	0.7
Former debt redemption costs	3.2	(0.8)	-	2.4
Other	(0.1)	(0.2)	-	(0.3)
	(60.0)	0.1	0.5	(59.4)
Unused tax losses and credits				
Non-capital loss carry-forwards	1.2	(0.6)	-	0.6
Capital loss carry-forwards	1.6	0.1	-	1.7
	2.8	(0.5)	-	2.3
	$ (57.2)	$ (0.4)	$ 0.5	$ (57.1)

The deferred tax balances are presented on the consolidated statements of financial position as:

	Year ended December 31, 2012	2011
Deferred tax assets	**$ 9.9**	$ 9.1
Deferred tax liabilities	**(53.3)**	(66.2)
Net deferred tax liabilities	**$ (43.4)**	$ (57.1)

20. INCOME TAXES (Continued)

c) Deferred tax balances (Continued)

The Company has recognized a deferred tax asset for non-capital losses of approximately $22.9 (2011 - $2.3) which are available to reduce future years' income for tax purposes. Management believes the Company will generate future taxable profits in excess of the losses in the jurisdictions to which the losses relate before they expire. These losses will expire as follows:

2029 - 2032	**$ 22.9**

The Company has recognized a deferred tax asset for capital losses of $8.5 (2011 - $13.5) which may be used to offset future years' capital gains. Management believes the Company will generate future capital gains in excess of the losses in the jurisdiction to which the losses relate. These losses may be carried forward indefinitely.

d) Unrecognized deferred tax assets

In addition to the capital losses noted above, the Company has $5.4 (2011 - $1.9) of capital losses, which may only be used to offset future capital gains, and in respect of which the Company has not recognized a deferred tax asset. These losses may be carried forward indefinitely.

21. NET (LOSS) EARNINGS PER COMMON SHARE

The following table sets forth the computation of basic and diluted net (loss) earnings per common share attributable to the shareholders of the Company:

		Year ended December 31,	
		2012	2011
Net (loss) earnings	(A)	**$ (27.6)**	$ 26.2
Weighted-average number of common shares outstanding [1]	(B)	**76,814**	82,670
Dilutive adjustment for stock options [1]		**-**	1,540
Diluted weighted-average number of common shares [1]	(C)	**76,814**	84,210
Net (loss) earnings per common share			
Basic	(A/B)	**$ (0.36)**	$ 0.32
Diluted	(A/C)	**$ (0.36)**	$ 0.31

[1] Share information is presented in thousands.

The following table summarizes the outstanding share options that are anti-dilutive and are not included in the above calculation:

	Year ended December 31,	
	2012	2011
Options [2]	**4,493**	4,107

[2] Option information is presented in thousands.

22. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	Year ended December 31, 2012	2011
Restricted cash - operating	**$ 1.9**	$ (5.6)
Accounts receivable	**-**	(0.1)
Prepaids, deposits and other assets	**0.5**	(0.6)
Accounts payable and accrued liabilities	**(2.7)**	5.4
	$ (0.3)	$ (0.9)

23. SEGMENTED INFORMATION

The Company and its subsidiaries operate in one industry segment, the gaming industry. The Company conducts business in two geographic segments: Canada and the United States ("U.S."). The accounting policies applied by the reportable segments are the same as those applied by the Company (see Note 2).

Revenues, EBITDA, and additions to long-lived assets and goodwill attributable to each reportable segment were as follows:

	Year ended December 31, 2012			Year ended December 31, 2011		
	Revenues	**EBITDA**	**Additions to long-lived assets and goodwill**	Revenues	EBITDA [1]	Additions to long-lived assets and goodwill
Canada	**$ 387.1**	**$ 145.0**	**$ 24.1**	$ 365.5	$ 134.4	$ 53.4
U.S.	**21.6**	**2.6**	**0.3**	22.7	4.5	0.3
	$ 408.7	**$ 147.6**	**$ 24.4**	$ 388.2	$ 138.9	$ 53.7

The following table is a reconciliation of EBITDA, as presented in the above tables, to (loss) earnings before income taxes as presented in the Company's consolidated statements of earnings (loss):

	Year ended December 31, 2012	2011
EBITDA [1]	**$ 147.6**	$ 138.9
Amortization	**51.6**	58.5
Share-based compensation	**3.6**	4.9
Impairment of long-lived assets	**61.1**	4.4
Impairment of goodwill	**3.2**	-
Interest and financing costs, net	**37.0**	29.5
Litigation settlement	**11.0**	-
Equity investment loss and other [1]	**5.1**	1.6
Foreign exchange loss and other	**6.8**	3.2
(Loss) earnings before income taxes	**$ (31.8)**	$ 36.8

[1] The year ended December 31, 2011 included a retrospective reclassification of business development costs that affects EBITDA and equity investment loss and other (see Note 19).

23. SEGMENTED INFORMATION (Continued)

Property, plant and equipment, goodwill, and total assets attributable to each reportable segment are as follows:

	As at December 31, 2012			As at December 31, 2011		
	Property, plant and equipment	**Goodwill**	**Total assets**	Property, plant and equipment	Goodwill	Total assets
Canada	**$ 609.1**	**$ 13.5**	**$ 838.9**	$ 650.5	$ 16.7	$ 950.4
U.S.	**12.2**	**6.6**	**23.8**	13.1	6.8	25.7
	$ 621.3	**$ 20.1**	**$ 862.7**	$ 663.6	$ 23.5	$ 976.1

24. RELATED PARTY TRANSACTIONS

As defined under IAS 24, *Related Party Disclosures*, key management personnel comprise the Company's Board of Directors and executive officers. Key management compensation was as follows:

	Year ended December 31,	
	2012	2011
Human resources [(1)]	**$ 2.3**	$ 2.9
Share-based compensation [(2)]	**2.3**	2.8
Total	**$ 4.6**	$ 5.7

[(1)] Human resources includes salaries and other short-term employee benefits.

[(2)] Share-based compensation includes equity and cash settled share-based compensation as per Note 16.

As at December 31, 2012, the liabilities of the Company included amounts due to key management personnel of $0.9 (2011 - $1.0) in "accounts payable and accrued liabilities" and $2.2 (2011 - $0.8) in "deferred credits, provisions and other liabilities" in the consolidated statements of financial position.

25. EMPLOYEE FUTURE BENEFITS

The Company maintains a defined contribution pension plan for its Canadian employees. Under this plan, eligible employees contribute a minimum of 2% to a maximum of 15% of their gross pay. The Company makes contributions representing 2% of eligible employees' base pay. Contributions made by the Company during the year ended December 31, 2012 totalled $1.8 (2011 - $1.7).

26. FACILITY DEVELOPMENT COMMISSION APPROVED AMOUNTS

The following table summarizes the changes in the Company's Approved Amounts, a term defined in the Company's operating services agreements with BCLC, to be recovered by future FDC receipts from BCLC:

	Year ended December 31, 2012	2011
Opening Approved Amounts	**$ 424.4**	$ 445.0
Additional Approved Amounts	**22.8**	11.5
FDC receipts	**(35.2)**	(32.1)
Closing Approved Amounts	**$ 412.0**	$ 424.4

Approved Amounts have not been recorded in the consolidated statements of financial position. Since FDC is earned as a fixed percentage of gross gaming revenues, subject to the Company having incurred sufficient Approved Amounts, recovery of Approved Amounts requires the generation of sufficient gross gaming revenues and that the operating agreements with BCLC remain in good standing.

27. COMMITMENTS, CONTINGENCIES AND LITIGATION

a) *Letters of credit*

As at December 31, 2012, letters of credit in the amount of $29.9 (2011 - $32.3) were outstanding as security in connection with gaming cash floats, construction contracts, and provincial gaming corporation payables.

b) *Litigation*

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. 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 had significantly different views as to the consultant's monetary entitlement under the agreement. On June 29, 2012, the Company settled this legal dispute and made a total cash payment of $11.0, which was recorded as a "litigation settlement" expense in the consolidated statements of earnings (loss) for the year ended December 31, 2012.

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.

27. COMMITMENTS, CONTINGENCIES AND LITIGATION (Continued)

c) Guarantees and indemnifications

The Company may provide guarantees and indemnifications in conjunction with transactions in the normal course of operations. These are recorded as liabilities when reasonable estimates of the obligations can be made. Guarantees and indemnifications that the Company has provided include obligations to indemnify:

i. directors and officers of the Company and its subsidiaries for potential liability while acting as a director or officer of the Company, together with various expenses associated with defending and settling such suits or actions due to association with the Company, the risk of which is mitigated by the Company's directors' and officers' liability insurance;

ii. certain vendors of acquired companies or property for obligations that may or may not have been known at the date of the transaction;

iii. certain financial institutions for costs that they may incur as a result of representations made in debt and equity offering documents; and

iv. lessors of leased properties for personal injury claims that may arise at the facilities the Company operates.

28. FINANCIAL INSTRUMENTS

The Company's financial instruments and the types of risks to which their carrying values are exposed are as follows:

	Risks			
			Market risks	
Financial instrument	Credit	Liquidity	Interest rate	Currency
Measured at amortized cost:				
Cash equivalents	x		x	
Accounts receivable	x			x
Accounts payable and accrued liabilities		x		x
Long-term debt, and other liabilities		x	x	x
Measured at fair value:				
Cash	x			x
Restricted cash	x			
Derivative liabilities	x	x	x	x

28. FINANCIAL INSTRUMENTS (Continued)

a) *Credit risk*

Credit risk is the risk that a party to one of the Company's financial instruments will cause a financial loss to the Company by failing to discharge an obligation. The carrying values of the Company's financial assets, which represent the maximum exposure to credit risk, are as follows:

	December 31, 2012	December 31, 2011
Cash in banks	**$ 96.0**	$ 109.4
Cash equivalents	**10.0**	15.5
Restricted cash	**4.9**	7.1
Accounts receivable	**7.7**	8.9
	$ 118.6	$ 140.9

Cash in banks, cash equivalents, and restricted cash: Credit risk associated with these assets is minimized substantially by ensuring that these financial assets are placed primarily with major financial institutions that have minimum grade "A" credit ratings.

Accounts receivable: Credit risk associated with most of these assets is minimized due to their nature. The majority of these receivable balances are due from the federal government for sales tax rebates, provincial gaming corporations, racetrack operators, and financial institutions. The provision for doubtful accounts receivable is estimated based on an assessment of individual accounts and the length of time balances have been outstanding. As at December 31, 2012, the provision for doubtful accounts receivable totalled $0.6 (2011 - $3.2).

b) *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company manages liquidity risk by monitoring its capital structure (see Note 13), regularly monitoring forecast and actual cash flows, managing the maturity profiles of financial assets and financial liabilities and maintaining credit capacity within the Revolving Credit Facility (see Note 12). The Company expects the following maturities of its financial liabilities (including interest), operating leases and other contractual commitments:

	Expected payments by period as at December 31, 2012				
	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	$ 60.4	$ -	$ -	$ -	$ 60.4
Income taxes payable	0.5	-	-	-	0.5
Senior Unsecured Notes	29.8	59.6	59.6	599.1	748.1
Provisions	1.0	1.7	0.6	6.5	9.8
Operating leases	5.6	4.6	3.0	8.1	21.3
Other contractual commitments	5.6	1.9	0.2	0.6	8.3
Total	$ 102.9	$ 67.8	$ 63.4	$ 614.3	$ 848.4

Operating leases include a ground lease with the City of Surrey, BC for Fraser Downs Racetrack and Casino, an operating agreement with the City of Vancouver, BC for Hastings Racecourse and Slots Facility, property leases for the Company's head office, and a ground lease with the City of Sydney, NS for Casino Nova Scotia Sydney.

28. FINANCIAL INSTRUMENTS (Continued)

b) Liquidity risk (Continued)

Other contractual commitments include the acquisition of property, plant and equipment of $1.0 (2011 – $3.3), various service contracts of $4.6 (2011 – $7.4), and amounts committed to NSPLCC to fund responsible gaming programs of $2.7 (2011 – $3.9).

The Company believes that it will not encounter difficulty in meeting the obligations associated with its financial liabilities and further believes that if necessary, it would be able to access the capital markets for additional financial resources at prevailing market rates.

c) Market risk

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates and/or foreign currency exchange rates. The following table sets out a sensitivity analysis of the effect on the carrying amount of the Company's financial instruments that are subject to foreign currency risk by applying reasonably possible changes in foreign currency rates relative to the Company's functional currency, the Canadian dollar:

		Foreign Currency Risk [1]			
		-10%		+10%	
	Carrying amount December 31, 2012	Net earnings (loss)	OCI	Net earnings (loss)	OCI
Financial Assets					
Cash and cash equivalents	$ 116.2	$ (0.5)	$ (0.4)	$ 0.5	$ 0.4
Accounts receivable	7.7	-	-	-	-
Financial Liabilities					
Accounts payable and accrued liabilities	60.4	0.1	0.2	(0.1)	(0.2)
Total (decrease) increase		$ (0.4)	$ (0.2)	$ 0.4	$ 0.2

[1] Displayed is the effect on the Company's U.S. dollar denominated financial assets and liabilities if the value of the U.S. dollar were to decrease or increase relative to the Canadian dollar by 10% from the actual period end rate.

28. FINANCIAL INSTRUMENTS (Continued)

c) Market risk (Continued)

Revolving Credit Facility
The Revolving Credit Facility has interest rates on advanced amounts and a standby fee on the unused facility that are based on the Total Debt to Adjusted EBITDA ratio (defined in the underlying debt agreement) which is calculated quarterly (see Note 13). The following table summarizes the interest rate and standby fee on the Revolving Credit Facility that apply, depending on the Company's quarterly Total Debt to Adjusted EBITDA ratio calculated for the most recent trailing twelve months:

Total Debt / Adjusted EBITDA	Margin on Bankers' Acceptances or Eurodollar Rate Advances & Letters of Credit	Margin on Canadian Prime Rate or U.S. Base Rate Advances	Standby Fee
>= 4.50	3.00%	2.00%	0.68%
4.00 to < 4.50	2.75%	1.75%	0.62%
3.50 to < 4.00	2.50%	1.50%	0.56%
3.00 to < 3.50	2.13%	1.13%	0.48%
2.50 to < 3.00	1.88%	0.88%	0.42%
2.00 to <2.50	1.75%	0.75%	0.39%
< 2.00	1.50%	0.50%	0.34%

d) Fair values

The fair values of cash, restricted cash, accounts receivable, accounts payable and accrued liabilities approximate their carrying values.

The Company's cash equivalents and long-term debt instruments are Level 2 financial instruments as they are estimated based on quoted prices that are observable for similar instruments or on the current rates offered to the Company for debt of the same maturity. As at December 31, 2012, the fair value and carrying value of the Company's cash equivalents was $10.0 (2011 - $15.5). As at December 31, 2012, the Company's long-term debt instruments had a fair value of $468.0 (2011 – $337.8) and a carrying value of $439.9 (2011 - $334.6).

The Company's contingent future trailing payments (see Note 19(b)) are Level 3 financial instruments as they require management to make assumptions regarding the measurement of fair value using significant inputs that are not based on observable market data. As at December 31, 2012, the fair value and carrying value of the Company's contingent future trailing payments was $2.5 (2011 - $1.0).

The Company does not hold any Level 1 financial assets or liabilities that are based on unadjusted quoted prices trading in active markets.

29. CHILLIWACK BINGO ACQUISITION

On May 31, 2011, the Company, through its wholly owned subsidiary, Chilliwack Gaming Ltd., purchased the assets and undertaking of the Chilliwack Bingo Association ("CBA") for an upfront cash consideration of $10.2 and contingent future trailing payments to be paid over 20 years, dependent on the level of future slot win. As at the acquisition date the Company recognized a discounted contingent trailing payment liability of $0.8 in the "deferred credits, provision and other liabilities" line of the consolidated statement of financial position. The total purchase price was allocated to current assets of $0.4, land of $5.7, intangible assets of $5.3, and current liabilities of $0.4.

The CBA owned a five-acre site and operated Chilliwack Bingo, a bingo hall located in Chilliwack, British Columbia. On November 1, 2012, the Company relocated its Chilliwack Bingo operations to the newly opened 'Chances Chilliwack', and commenced the operation of slot machines. In addition to the $10.2 already paid to CBA, the operation of slot machines initiated trailing payments dependent on the level of future slot win. As at December 31, 2012, the discounted contingent trailing payment liability was estimated at $2.5 (2011 - $1.0) based on the current performance of the facility.

GREAT CANADIAN GAMING CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2012

As at March 5, 2013

(Expressed in millions of Canadian dollars, except for per share information)

TABLE OF CONTENTS

Page

INTRODUCTION ... 1
- Basis of Discussion and Analysis ... 1
- Non-IFRS Measures ... 1
- Forward-Looking Information ... 2

FINANCIAL HIGHLIGHTS ... 3
BUSINESS DESCRIPTION ... 6
- General ... 6
- Business Strategy ... 7
- Operations ... 8

MAJOR DEVELOPMENTS ... 13
MARKET UPDATE ... 17
CONSOLIDATED RESULTS OF OPERATIONS ... 18
- Discussion of Results ... 19
  - *River Rock Casino Resort* ... 20
  - *Boulevard Casino* ... 22
  - *Vancouver Island Casinos* ... 24
  - *Other BC Casinos* ... 25
  - *Nova Scotia Casinos* ... 27
  - *Great American Casinos* ... 29
  - *BC Racinos* ... 31
  - *Georgian Downs* ... 33
  - *Flamboro Downs* ... 34
  - *Corporate & Other* ... 35
- Discussion of Items Excluded from EBITDA ... 36

CONSOLIDATED QUARTERLY RESULTS TREND ... 38
LIQUIDITY AND CAPITAL RESOURCES ... 39
- Financial Position ... 40
- Cash Flows ... 41
- Capital Resources ... 42
- Capital Spending and Development ... 44
- Contingencies ... 45
- Litigation ... 45
- Guarantees and Indemnifications ... 45
- Commitments ... 46
- Future Cash Requirements ... 46

OTHER FINANCIAL INFORMATION ... 47
SUPPLEMENTAL FINANCIAL INFORMATION ... 54

INTRODUCTION

Basis of Discussion and Analysis

This management's discussion and analysis ("MD&A") of the financial highlights, business description, major developments, market update, consolidated results of operations, consolidated quarterly results trend, liquidity and capital resources, and other financial information of Great Canadian Gaming Corporation (the "Company", "we", "our") is dated as of March 5, 2013.

This MD&A should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2012 and 2011 ("Annual Financial Statements"). The Annual Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless expressly stated otherwise, all financial information is expressed in Canadian dollars.

Capitalized terms are either defined when they first appear or are defined at the end of this MD&A in the section titled "Other Financial Information – Definitions of Other Terms Used in the MD&A".

Non-IFRS Measures

The following non-IFRS definitions are used in this MD&A because management believes that they provide useful information regarding our ongoing operations. Readers are cautioned that the definitions are not recognized measures under IFRS, do not have standardized meanings prescribed by IFRS, and should not be construed to be alternatives to revenues and net earnings (loss) determined in accordance with IFRS 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, share-based compensation, impairments of long-lived assets and goodwill, litigation settlement, equity investment loss and other, and foreign exchange loss and other. EBITDA is derived from the consolidated statements of earnings (loss), 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. A reconciliation of EBITDA to net earnings (loss) under IFRS is shown in the "Consolidated Results of Operations" section in this MD&A.

EBITDA for each of the quarters during the twelve months ended December 31, 2011 include a retrospective reclassification of business development costs, as described in the "Other Financial Information" section of this MD&A.

Adjusted net earnings, as defined by the Company, means net earnings (loss) plus or minus items of note that management may reasonably quantify and that it believes will provide the reader with a better understanding of the Company's underlying business performance. Items of note may vary from time to time and in this MD&A include impairments of long-lived assets and goodwill, litigation settlement, net losses on cross-currency interest rate and principal swaps settled in 2012 and amended in 2011, Subordinated Notes redemption costs, previously deferred transaction costs associated with the Term Loan B and Subordinated Notes, equity investment loss, non-recurring severance costs, non-recurring accelerated FDC revenues at Chances Chilliwack, and income taxes recovery on the above items of note. A reconciliation between net earnings (loss) and adjusted net earnings is presented in the "Financial Highlights" section of this MD&A. Adjusted net earnings per common share is defined as adjusted net earnings divided by the weighted average number of common shares outstanding.

The following non-IFRS 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.

Forward-Looking Information

This MD&A 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 and its objectives, expected future expenditures, costs, operating and financial results and expected impact of future commitments, the future ability of the Company to operate the Georgian Downs and Flamboro Downs facilities and their profitability, and expectations and implications of changes in legislation and government policies. Forward-looking information may be identified by words such as "anticipate", "believe", "expect", or similar expressions. 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 unknown risks, uncertainties, and 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 services agreements with lottery corporations; changes to gaming laws that may impact the operational services agreements; pending, proposed or unanticipated regulatory or policy changes; the Company's ability to obtain and renew required business licenses, leases, and operational services agreements; unanticipated fines, sanctions and suspensions imposed on the Company by its regulators; 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 Company's ability to manage its capital projects and its expanding operations; the risk that systems, procedures and controls may not be adequate to meet regulatory requirements or to support current and expanding operations; potential undisclosed liabilities and capital expenditures associated with acquisitions; negative connotations linked to the gaming industry; First Nations rights with respect to some 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. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended.

These factors and other risks and uncertainties are discussed in the Company's continuous disclosure documents filed with the Canadian securities regulatory authorities from time to time, including in the "Risk Factors" section of the Company's Annual Information Form for fiscal 2012 (dated March 5, 2013), and as identified in the Company's disclosure record on SEDAR at www.sedar.com.

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 forward-looking information contained herein is made as of the date hereof and is subject to change after such date, and is expressly qualified in its entirety by cautionary statements in this MD&A. Forward-looking information is provided for the purpose of providing information about management's current expectations and plans and allowing investors and others to get a better understanding of the Company's operating environment. The Company undertakes no obligation to publicly revise forward-looking information to reflect subsequent events or circumstances except as required by law.

FINANCIAL HIGHLIGHTS

	Fourth Quarter			Twelve Months of				
	2012	2011	% Chg	**2012**	2011	% Chg	2010	% Chg
Revenues	**$ 102.8**	$ 95.7	7%	**$ 408.7**	$ 388.2	5%	$ 383.5	1%
EBITDA [(1)]	**$ 37.5**	$ 31.0	21%	**$ 147.6**	$ 138.9	6%	$ 136.4	2%
EBITDA as a % of Revenues	**36.5%**	32.4%		**36.1%**	35.8%		35.6%	
Net earnings (loss)	**$ 2.5**	$ 2.3	9%	**$ (27.6)**	$ 26.2		$ (8.1)	
Net earnings (loss) per common share								
Basic	**$ 0.04**	$ 0.03		**$ (0.36)**	$ 0.32		$ (0.10)	
Diluted	**$ 0.03**	$ 0.03		**$ (0.36)**	$ 0.31		$ (0.10)	
Adjusted net earnings [(1)]	**$ 8.8**	$ 5.6	57%	**$ 45.0**	$ 33.2	36%	$ 29.1	14%
Total assets				**$ 862.7**	$ 976.1	(12%)	$ 946.2	3%
Long-term debt & Derivative liabilities, excluding current portion				**$ 439.9**	$ 398.9	10%	$ 393.4	1%

[(1)] EBITDA and adjusted net earnings are non-IFRS measures and are defined in the "Introduction - Non-IFRS Measures" section of

Revenues
For the three month period ended December 31, 2012 ("fourth quarter of 2012"), the Company recorded revenues of $102.8, a $7.1 increase from the fourth quarter of 2011. This revenue increase was primarily due to the increases at the River Rock Casino Resort ("River Rock") and the Other BC Casinos. River Rock benefited from increases in table drop as well as incremental revenues contributed by 'The Hotel at River Rock', which continues to trend positively since its October 17, 2011 opening. The increase at the Other BC Casinos was primarily due to the commencement of slot operations at the new Chances Chilliwack on November 1, 2012, which also recorded $1.7 of non-recurring accelerated Facility Development Commission ("FDC") revenues related to the previous bingo operations at its predecessor Chilliwack Bingo. These revenue increases were partially offset by declines at Great American Casinos, BC Racinos, and some of our other properties.

For the twelve month period ended December 31, 2012 ("twelve months of 2012"), the Company recorded revenues of $408.7, a $20.5 increase from the twelve months of 2011. This revenue increase was primarily due to River Rock's growth in table drop, slot coin-in, and hospitality revenues. The Other BC Casinos also experienced an increase in revenue, primarily due to both the non-recurring accelerated FDC revenues of $1.7 and the commencement of slot operations at Chances Chilliwack. These increases were partially offset by decreased gaming revenues at Great American Casinos and by decreased racetrack revenues at the BC Racinos.

Revenues in the twelve months of 2011 were $388.2, a $4.7 increase from the twelve months of 2010. This increase was attributable to the performance of both River Rock and the Company's Other BC Casinos. The increase in River Rock's revenues was primarily due to overall improvements in table drop, table hold percentage, and slot coin-in, as well as the opening of that facility's second hotel in October 2011. The increase in the Other BC Casinos' revenues was primarily due to the October 2010 installation of 100 slot machines at the Maple Ridge Community Gaming Centre, as well as the addition of new revenues from the Company's May 2011 acquisition of Chilliwack Bingo. These revenue increases were partially offset by decreased revenues at both Boulevard and the Company's BC Racinos.

EBITDA
EBITDA in the fourth quarter of 2012 was $37.5, a $6.5 increase from the fourth quarter of 2011. This increase was primarily due to increased revenues at River Rock and the Other BC Casinos, which was partially offset by increased operating costs.

EBITDA in the twelve months of 2012 was $147.6, an $8.7 increase from the twelve months of 2011. This increase was primarily due to increased revenues, and was partially offset by increased operating costs, which included non-recurring severance costs of $1.8.

EBITDA for the twelve months of 2011 was 138.9, a $2.5 increase from the twelve months of 2010. The revenues-related improvements at River Rock and the Other BC Casinos were largely offset by the performance of Boulevard and the BC Racinos. EBITDA for the twelve months of 2011 also included $0.8 in pre-opening costs associated with 'The Hotel at River Rock'.

Net earnings (loss)
Net earnings was $2.5 in the fourth quarter of 2012, a $0.2 increase when compared to the fourth quarter of 2011. This increase was primarily due to both the growth in EBITDA in the fourth quarter of 2012 and the impairment of long-lived assets recorded in the fourth quarter of 2011. This increase was largely offset by the $6.9 non-cash impairment charge related to land in Ontario that was written down to its estimated recoverable amount.

Net loss was $27.6 in the twelve months of 2012, compared to net earnings of $26.2 in the twelve months of 2011. During the twelve months of 2012, the Company recognized non-cash impairment charges of $54.0 associated with Georgian Downs and Flamboro Downs, as described in the "Major Developments" section of this MD&A, non-cash impairment charges of $10.3 related to land in Ontario that was written down to its estimated recoverable amount, a non-recurring expense of $11.0 related to the settlement of a long-standing legal dispute ("Litigation Settlement"), as described in the "Liquidity and Capital Resources – Litigation" section of this MD&A, and non-recurring expenses of $14.4 associated with the debt refinancing and settlement of the related derivative liabilities, as described in the "Capital Resources" section of this MD&A, which included:

a) the foreign exchange loss of $8.1 arising from the settlement of the derivative liabilities;
b) the interest and financing expense of $3.9 associated with the early redemption of the Company's Subordinated Notes; and
c) the $2.4 previously deferred financing transaction costs related to the Subordinated Notes and Term Loan B.

These items were partially offset by lower amortization expense and improved EBITDA.

Net earnings was $26.2 in the twelve months of 2011, when compared to a net loss of $8.1 in the twelve months of 2010. During the twelve months of 2010, the Company recognized non-cash impairment charges of $49.3. The increase in net earnings was primarily due to the decrease in the impairment of long-lived assets and goodwill, lower restructuring and other expenses, and was partially offset by higher amortization expense and interest and financing costs (net of interest income).

The current and prior periods' net earnings (loss) included some items of note, which are summarized in the following table:

	Fourth Quarter			Twelve Months of				
	2012	2011	% Chg	**2012**	2011	% Chg	2010	% Chg
Net earnings (loss)	**$ 2.5**	$ 2.3	9%	**$ (27.6)**	$ 26.2		$ (8.1)	
Items of note								
Impairment of long-lived assets and goodwill	**6.9**	4.4		**64.3**	4.4		49.3	
Litigation settlement	**-**	-		**11.0**	-		-	
Net losses on cross-currency interest rate and principal swaps settled in 2012 and amended in 2011	**-**	-		**8.1**	5.0		-	
Subordinated Notes redemption costs	**-**	-		**3.9**	-		-	
Previously deferred transaction costs associated with the Term Loan B and Subordinated Notes	**-**	-		**2.4**	-		-	
Equity investment loss	**0.9**	-		**3.5**	-		-	
Non-recurring severance costs	**-**	-		**1.8**	-		-	
Restructuring and other costs	**-**	-		**-**	-		2.3	
One-time non-recurring accelerated FDC revenues at Chances Chilliwack	**(1.7)**	-		**(1.7)**			-	
Income tax expense (recovery) on the above items of	**0.2**	(1.1)		**(20.7)**	(2.4)		(8.4)	
Adjusted net earnings	**$ 8.8**	$ 5.6	57%	**$ 45.0**	$ 33.2	36%	$ 29.1	14%
Adjusted net earnings per common share								
Basic	**$ 0.13**	$ 0.07		**$ 0.59**	$ 0.40		$ 0.35	
Diluted	**$ 0.12**	$ 0.07		**$ 0.58**	$ 0.39		$ 0.34	

After adjusting for the above items of note, the Company's adjusted net earnings increased by 57% in the fourth quarter and by 36% in the twelve months of 2012, when compared to the same periods in 2011. These increases were primarily due to the growth in EBITDA and lower amortization expense. The Company's adjusted net earnings increased by 14% in the twelve months of 2011, when compared to the twelve months of 2010. This increase was primarily due to higher EBITDA and lower income taxes, after adjusting for the items of note.

Financial position

Total assets decreased by $113.4 as at December 31, 2012, when compared to the total assets as at December 31, 2011. This decrease was primarily due to the cash outflow of $130.1 to repurchase common shares during 2012, non-cash impairment charges of $64.3 associated with Georgian Downs, Flamboro Downs, and land in Ontario that was written down to its estimated recoverable amount, and the amortization of property, plant and equipment and intangibles. These decreases were partially offset by cash generated by operating activities, additions to property, plant and equipment, and net proceeds of $31.7 associated with the debt refinancing, as described in the "Major Developments" section of this MD&A.

Total assets increased by $29.9 as at December 31, 2011, when compared to the total assets as at December 31, 2010. This increase was primarily due to cash generated by operating activities, additions to property, plant and equipment on the Company's major development projects, and the acquisition of Chilliwack Bingo. These increases were partially offset by cash outflows to service financial obligations and amortization of property, plant and equipment and intangible assets.

Long-term debt and derivative liabilities increased by $41.0 as at December 31, 2012, when compared to the long-term debt and derivative liabilities as at December 31, 2011. This increase was primarily due to the net proceeds associated with the debt refinancing.

Long-term debt and derivative liabilities increased by $5.5 as at December 31, 2011, when compared to the long-term debt and derivative liabilities as at December 31, 2010. This increase was primarily due to the increase in long-term debt associated with the weakening Canadian dollar's effect on the underlying U.S. dollar debt. This increase was partially offset by a decrease in the fair value of the Company's cross-currency interest rate swaps.

BUSINESS DESCRIPTION

General

Great Canadian Gaming Corporation (the "Company") operates gaming, entertainment, and hospitality facilities in British Columbia, Ontario, Nova Scotia, and Washington State. The Company's 17 gaming properties consist of ten casinos, including one with a Four Diamond hotel resort, four horse racetrack casinos, and three community gaming centres. In Canada, the Company operates its casinos both within managed markets that feature high barriers to entry and under long-term agreements as partners with provincial lottery corporations. As at December 31, 2012, the Company had approximately 4,600 employees.

Information on the Canadian and Washington State gaming industries, regulatory environment and the Company's operating agreements in these jurisdictions are included in the Annual Information Form located on the SEDAR website at www.sedar.com or on the Company's website at www.gcgaming.com.

The Company's principal operating entities as at December 31, 2012 and 2011 were:

Entity	Ownership interest at December 31, 2012 and 2011
Chilliwack Gaming Ltd.	100%
Flamboro Downs Limited	100%
Georgian Downs Limited	100%
Great American Gaming Corporation	100%
Great Canadian Casinos Inc.	100%
Great Canadian Entertainment Centres Ltd.	100%
Hastings Entertainment Inc.	100%
Metropolitan Entertainment Group	100%
Orangeville Raceway Limited	100%
TBC Teletheatre B.C.[1]	50%

[1] The Company accounts for its ownership interest in TBC using the equity method.

Business Strategy

The Company's vision is to be the leading gaming, entertainment and hospitality company in its chosen markets by providing superior entertainment value and exceptional experiences. To achieve this goal, the Company has adopted the strategies as outlined below.

1. **Discover New Growth Opportunities.** Great Canadian is actively seeking opportunities to grow shareholder value. These opportunities may be located within both the Company's existing markets and new jurisdictions, and include property expansions, the implementation of new offerings, the development of new properties or projects, and strategic acquisitions. Depending upon the size, scope, and regulatory requirements associated with these opportunities, the Company may elect to align itself with strategic business partners. As a result, the Company may hold minority positions in new investment vehicles.

2. **Drive Incremental Growth at the Company's Existing Facilities.** The majority of Great Canadian's existing properties operate within mature, highly regulated markets. As a result of this regulation, these markets feature considerable barriers to entry that offer significant advantages and protection for incumbent operators. This regulation also requires that the Company work alongside its Crown corporation partners when expanding or introducing gaming offerings. These partners also oversee any loyalty programs within the Company's existing markets. In order to increase market share, penetrate new demographics, and drive incremental growth within this environment, the Company seeks to provide its patrons with a superior entertainment experience. In pursuit of this goal, the Company actively reinvests in its properties, supports its gaming offerings with premium non-gaming entertainment and hospitality options, and strives to maintain the highest standard of guest service.

3. **Continually Improve Guest Experiences.** Great Canadian believes guest satisfaction to be the primary driver of patron loyalty, particularly within mature markets. As a result, the Company constantly strives to distinguish itself from its peers by providing exceptional guest service across its entire property portfolio. The Company pursues this service vision through staff training, performance recognition, and communication, all of which emphasizes the importance of each employee taking personal responsibility to exceed our guests' expectations.

4. **Continuously Improve the Company's Operating Efficiency and Effectiveness.** Much of Great Canadian's recent success can be attributed to the Company's commitment to operating efficiency. This efficiency has been primarily driven by an integrated corporate structure that centralizes major property functions such as accounting, purchasing, and human resources. This structure has been supported by investments in technology and resources that have allowed the Company to realize operational synergies, business process improvements, and enhanced labour analysis.

5. **Pursue and Promote Exceptional Corporate Culture.** Since its founding, Great Canadian has placed great emphasis on the importance of social responsibility and corporate citizenship. These core values are best reflected in the Company's commitment to developing and assisting the communities in which it operates. The Company is also committed to maintaining an inclusive corporate culture that rewards and recognizes exceptional service and teamwork. The Company mandates a respectful workplace that prioritizes regulatory compliance.

Operations

The following table summarizes our Canadian casino operations as at December 31, 2012:

Facility and Location	Year Built/ Renovated	Additional Facilities and Activities	Slot Machines	Table Games	Operational Services Agreements Initial / Renewal Term Expiry Dates[1]
British Columbia					
River Rock Casino Resort, Richmond, BC	2012	2 hotels with 395 rooms, 1,000 seat show theatre, 7 dining options, conference facilities, pool/spa, Racebook[2], marina, 28 touch bet roulette terminals	1,110	112	June 23, 2014 / June 23, 2024
Boulevard Casino, Coquitlam, BC	2005	1,050 seat show theatre, 4 dining options, Racebook[2], 22 touch bet roulette terminals	990	64	November 16, 2015 / November 16, 2025
View Royal Casino, Victoria, BC	2009	2 dining options	601	14	February 28, 2021
Casino Nanaimo, Nanaimo, BC	2011	1 dining option, Racebook[2], 1 electronic table gaming device	406	6	February 28, 2021
Chances Gaming Entertainment, Dawson Creek, BC	2006	Bingo, 1 dining option, 2 electronic table gaming devices	147	-	June 30, 2016/ June 30, 2026
Maple Ridge Community Gaming Centre, Maple Ridge, BC	2010	Bingo, concession, Racebook[2]	100	-	October 31, 2013 / October 31, 2033
Chances Chilliwack[3], Chilliwack, BC	2012	Bingo, 1 dining option, meeting facility, 2 electronic table gaming devices	173	-	October 31, 2022 / October 31, 2032
Hastings Racecourse and Slots Facility (Thoroughbred Racing), Vancouver, BC	2008	3 dining options, concession, Racebook[2]	596	-	October 28, 2017
Fraser Downs Racetrack and Casino (Standardbred Racing), Surrey, BC	2005	4 dining options, 6 touch bet terminals, Racebook[2]	469	22	March 31, 2014 / March 31, 2024
TBC Teletheatre BC[2]	various	21 Racebooks[2]	-	-	-
Ontario					
Georgian Downs (Standardbred Racing)[4], Innisfil, Ontario	2009	4 dining options, concession, meeting facilities, Racebook	1,000	-	March 31, 2013
Flamboro Downs (Standardbred Racing)[4], Flamborough, Ontario	2001	4 dining options, meeting facility, Racebook	800	-	March 31, 2013
Nova Scotia					
Casino Nova Scotia Halifax[5], Halifax, Nova Scotia	2006	2 dining options, entertainment show room, lounge, meeting facilities	569	32	July 1, 2015/ July 1, 2025
Casino Nova Scotia Sydney[5], Sydney, Nova Scotia	2006	1 dining option, lounge	275	11	July 1, 2015/ July 1, 2025
			7,236	261	

(1) Renewal terms, at the option of the Company in BC and Nova Scotia. Renewal terms, at the option of OLG in Ontario.
(2) The Company owns or holds an interest in 23 Racebooks in BC. We own and operate two Racebooks; one at each of Hastings Racecourse and Slots Facility and Fraser Downs Racetrack and Casino. The remaining 21 Racebooks, including those at River Rock Casino & Resort, Casino Nanaimo and Maple Ridge Community Gaming Centre are operated by TBC. TBC also offers Internet and phone racetrack wagering. The Company owns a 50% interest in TBC and the remaining 50% interest is held by two horsemen's associations, the Harness Racing BC Society and the Horsemen's Benevolent and Protective Association.
(3) The Company acquired the assets and undertaking of the Chilliwack Bingo Association in May 2011. Chilliwack Bingo was developed into Chances Chilliwack and commenced slot operations in November 2012, as described in the "Major Developments" section of this MD&A.
(4) Slot machines at Georgian Downs and Flamboro Downs are owned and operated by OLG. The Company is in continuing discussions with OLG to negotiate lease arrangements regarding its existing operations as described in the "Major Developments" section of this MD&A.
(5) Casino Nova Scotia Halifax and Casino Nova Scotia Sydney operate under a single operating agreement.

The following table summarizes the Company's consolidated Revenues for the years ended December 31, 2012, 2011, and 2010:

	Twelve Months of		
	2012	2011	2010
Gross Gaming Revenues	**$ 827.9**	$ 787.6	$ 764.6
Facility Development Commission	**35.2**	32.1	30.2
Hospitality and other revenues	**82.6**	70.4	67.5
Racetrack revenues	**15.8**	19.5	23.3
	961.5	909.6	885.6
Less:			
Provincial / state government portion of Gross Gaming Revenues	**(533.0)**	(505.7)	(489.7)
Promotional allowances	**(19.8)**	(15.7)	(12.4)
Revenues	**$ 408.7**	$ 388.2	$ 383.5

The following table summarizes the Company's racetrack operations and the number of actual live race days in 2012, 2011, and 2010:

		Live Race Days		
Property	**Location**	**2012**	2011	2010
Hastings Racecourse and Slot Facility	Vancouver, BC	**67**	69	71
Fraser Downs Racetrack and Casino	Surrey, BC	**79**	74	87
Georgian Downs	Innisfil, ON	**103**	103	106
Flamboro Downs	Flamborough, ON	**188**	195	225

All of our racetrack operations offer simulcast wagering, which allows patrons to place wagers on international and domestic live horse racing events.

British Columbia

Regulatory

In British Columbia, gaming activities are managed and conducted by the British Columbia Lottery Corporation ("BCLC"). BCLC in turn engages service providers, such as the Company, to operate the gaming activities pursuant to operational services agreements. The Company earns a commission based upon its casinos' gaming win, but a significant portion of that gaming win is retained by BCLC. BCLC provides its share of the gaming win to the Province of British Columbia, which then dedicates the funds to many areas. These areas include the consolidated revenue fund for public service programs such as education, the Health Special Account for health care expenditures, and disbursements to charitable organizations.

Since 1997, when BCLC assumed responsibility for casino gaming and introduced slot machines in the BC marketplace, the casino business has developed into BCLC's largest earnings stream. The Company believes that the current market and regulatory environment favours the province's incumbent gaming operators.

BCLC's strategy is to continue to develop casino properties that provide players with an exceptional entertainment experience, while positioning casino gaming as a potential tourism attraction where market demand allows. BCLC is also working closely with service provider partners to provide players with tournaments and services that provide entertaining gaming experiences. In addition, the FDC component of the operational services agreements encourages service providers such as the Company to earn additional commissions by investing capital in the improvement of their gaming facilities.

According to BCLC's annual report for its fiscal year ended March 31, 2012, the Company's facilities represented 37% of the province's slot machines, which produced 39% of the province's win from slot machines, and 47% of the province's table games, which produced 56% of the province's win from table games.

In BC, the strategic direction and business leadership of the local horse racing industry is provided by the B.C. Horse Racing Industry Management Committee ("BCHRIMC"), which also provides a forum for industry participants to cooperate collectively in the development of the industry. The current BCHRIMC members include representatives from both the thoroughbred and standardbred horse associations, the President and Chief Executive Officer of BCLC, representatives from the Government of British Columbia, including the Gaming Policy and Enforcement Branch, and the Vice-President of Business Development for the Company. The Agreement provides for mandatory representation on the Committee of a representative of the major racetracks in the province that are owned by the Company.

Under the direction of the BCHRIMC, as described in the "Business of the Company" section of the Company's 2012 Annual Information Form, the Company's BC horse racing operations shared approximately 42% of a consolidated horse racing industry revenue fund in 2012 (2011 – 50%). This fund includes all revenues generated from horse racing and government grants in the province and which has been established and maintained for the purpose of facilitating financial allocations among industry organizations. Also under the direction of the BCHRIMC, TBC Teletheatre B.C., currently operates on a break-even basis whereby it is allocated and permitted to retain a sufficient portion of its revenues to cover its operating expenses, with any surplus of funds being provided to the consolidated horse racing industry revenue fund. Financial allocations from the consolidated horse racing industry revenue fund may be adjusted by resolution of the BCHRIMC. Under the current financial allocations for 2013, the Company's B.C. horse racing operations are estimated to share approximately 42% of the net revenue generated from horse racing and wagering on horse racing in B.C.

Seasonality

While the Company's BC casinos operate year-round, its racetracks are subject to seasonal variations due to the timing of their respective live racing seasons. Live racing generally operates from April to October at Hastings Racecourse, and from August to May at Fraser Downs. Gaming offerings and Racebooks at both locations operate year-round.

Metro Vancouver and Vancouver Island, where the majority of the Company's BC facilities are located, do not generally experience harsh weather during the summer or winter months. However, occasional extreme weather conditions can produce a negative impact upon short-term attendance at the Company's BC facilities.

Ontario

Regulatory

In Ontario, gaming activities are managed and conducted by the Ontario Lottery and Gaming Corporation ("OLG"). OLG's operations and revenues are organized under four business lines: lotteries, casinos and slots at racetracks, resort casinos, and bingo. In Ontario, the Company operates two racetracks, with slot operations owned and operated by OLG pursuant to site holder agreements. The Company earns a site holder payment based upon the win generated from the OLG slot machines, but a substantial portion of that win is retained by OLG. According to OLG's website, it directs gaming proceeds to Ontario's health care, education, infrastructure, amateur sports, problem gaming prevention, treatment and research, and to charitable organizations and non-profit corporations through the Ontario Trillium Foundation.

In March 2012, the Government of Ontario and OLG decided to end the "Slots at Racetracks" program for all Ontario racetracks on March 31, 2013, in an effort to modernize that province's gaming model. As part of that plan, and as permitted under the related agreements, on March 29, 2012, OLG provided notice that the site holder agreements with the Company's Georgian Downs and Flamboro Downs racetracks will terminate on March 31, 2013. OLG announced that it continues to engage in lease agreement discussions with site holders across Ontario. As at the date of this MD&A, OLG has announced that it has reached letters of intent for its slots operations with each of its other 12 site holders. The Company is in discussions with OLG to negotiate lease arrangements for OLG's continued operation of slot machines at Georgian Downs and Flamboro Downs beyond March 31, 2013. Based on recent discussions, if leases are agreed, the Company expects these properties' EBITDA will decline as compared to levels realized in 2012. If the Company is unable to enter into lease agreements, further impairments may be recorded against the remaining long-lived assets of these properties, as described in the "Major Developments" section of this MD&A.

Seasonality

The gaming facilities at the Company's Ontario racetracks operate year-round, and are typically subject to seasonal variations associated with extreme weather conditions. Live racing generally operates from March to December at Georgian Downs, and during all months except October at Flamboro Downs. As a result of the termination of the "Slots at Racetracks" program, the full extent of the impact that the change in horse racing business model may have on the Company is not certain.

Nova Scotia

Regulatory

In Nova Scotia, gaming activities are managed and conducted by the Nova Scotia Provincial Lotteries & Casinos Corporation ("NSPLCC", formerly Nova Scotia Gaming Corporation). NSPLCC operates two different gaming models: commercial casinos, of which the Company operates the only two within the province, and ticket and video lotteries. Lottery ticket sales are permitted at various locations, whereas video lottery terminals are permitted in licensed liquor establishments, and on First Nations' land. The Company is a service supplier to NSPLCC and earns a commission based upon its casinos' revenues, a portion of which are retained by the NSPLCC. According to NSPLCC's website, the revenues that it retains are directed to the provincial government's general revenue account to help pay for programs and services that benefit the province's residents. These programs and services include investments in infrastructure, schools, hospitals, and community outreach and prevention programs.

In October 2012, the Company signed the second amended and restated operating contract ("AROC") with NSPLCC, effective October 1, 2012. Under the AROC, the Company is entitled to receive an operator's fee equal to 52.24% of the facilities' total revenues, plus an additional 47.76% of non-gaming revenues after deduction of the capital reserve contribution ("CRC"). The CRC is the greater of 5% of total revenue and $5.0 (adjusted for inflation in each year since 2009). The Company is also entitled to receive an additional operator's fee equal to the lesser of $1.3 or 10% of leased slot machines revenues. Prior to October 1, 2012, the Company received 55.5% of both gross gaming and non-gaming revenues, after deduction of the CRC, as well as $1.0 per year related to the operation of leased slot machines. Prior to October 1, 2012, the $1.0 per year received for the leased slot machines was recorded as a reduction to the related leased slot operating expenses that were part of property, marketing and administration expenses.

Seasonality

Halifax and Sydney, where the Nova Scotia casinos are located, do not generally experience harsh weather during the summer or winter months. However, occasional extreme weather conditions can result in a negative impact on short-term attendance. The gaming industry in Nova Scotia has also historically witnessed a slight increase in business volumes during the summer months, primarily as a result of both tourism and favourable weather conditions.

Washington State

The following table summarizes our Washington gaming operations as at December 31, 2012:

Name	Location	Table Games
Great American Casino Everett	Everett, WA	15
Great American Casino Kent	Kent, WA	14
Great American Casino Lakewood	Lakewood, WA	15
Great American Casino Tukwila	Tukwila, WA	15
		59

Regulatory

In Washington State, gaming operations are regulated by the Washington State Gambling Commission ("WSGC") and fall into three categories: charitable, commercial and tribal. The Company operates four commercial card rooms in the Greater Seattle area.

While the commercial gaming environment in Washington State is highly regulated, it does not feature the significant barriers to entry associated with the Company's Canadian operations. Individual cities or counties within Washington State may choose to restrict card room operations within their jurisdiction, which could result in the closure of certain locations. Washington State card room operations are conducted pursuant to house banked card room licenses that limit the number of table games to fifteen per location. These card room licenses must be renewed annually with WSGC, and the Company's renewals have historically been granted automatically.

MAJOR DEVELOPMENTS

Boulevard Casino

The Company is redeveloping its Boulevard Casino. During the third quarter of 2012, the Company commenced the refresh and repositioning of Boulevard Casino to both attract new patrons and bring back guests who were inconvenienced by proximate local highway construction. This first phase of the redevelopment is anticipated to conclude by the end of the fourth quarter of 2013, to coincide with the completion of the proximate highway construction. The Company anticipates that there will be some disruption to the casino gaming floor, and will endeavor to minimize the effect of the impact on its guests. The second phase of the redevelopment will feature a hotel, conference facilities, additional dining options, and will better integrate the facility's existing entertainment and dining amenities. The timeline for the second phase is being planned to minimize disruption to the casino gaming floor, and the timeline will be announced at a later date. These property redevelopments and modifications remain subject to approvals from BCLC and the local municipality. As at December 31, 2012, the Company has spent approximately $3.1 of an estimated $63.0 on this project.

Chances Chilliwack (formerly "Chilliwack Bingo")

On November 1, 2012, the Company relocated its Chilliwack Bingo operations to the newly opened 'Chances Chilliwack', a community gaming centre in Chilliwack, BC. This new, permanent facility has been developed on the approximately five-acre site that the Company purchased as part of the Chilliwack Bingo acquisition in May 2011. The facility features 173 slot machines, two electronic table gaming devices, bingo, dining options, a meeting facility, and approximately 300 parking stalls. The total cost to develop this facility and to acquire adjacent land was $14.2, which was $0.8 below the original estimate of $15.0.

River Rock Casino Resort

On October 17, 2011, the Company opened 'The Hotel at River Rock,' its second hotel at the River Rock Casino Resort. This hotel, which added 193 rooms to the facility's existing capacity of 202 rooms, both improved River Rock's appeal for visitors and enhanced the property's ability to serve as a conference centre. The total construction and equipment cost associated with this project was $23.0, which was $1.0 below the previously estimated cost of $24.0.

During the second quarter of 2012, the Company completed the upgrades to River Rock's first hotel, the 'River Rock Casino Resort Suites.' Enhancements to the 202 guest rooms in this hotel allowed the property, which first opened in 2005, to maintain its existing AAA Four Diamond status. The total cost of these upgrades was $2.5, which was $0.7 below the previously estimated project cost of $3.2.

Casino Nanaimo

During the second quarter of 2012, the Company completed facility upgrades at Casino Nanaimo. The upgrades, which had a total cost of $1.0, include improvements to the exterior of the property to increase the facility's overall appeal and visibility.

Maple Ridge Community Gaming Centre

In order to facilitate both the operation of slots at the Company's temporary facility in Maple Ridge and the construction of the permanent facility, the Company committed $4.3 for both property enhancements and servicing commitments to the District of Maple Ridge. As at December 31, 2012, the Company incurred $2.6 towards fulfilling servicing commitments related to the construction of the permanent facility. The Company also invested $4.7 towards the purchase of land required for the permanent facility and incurred $3.7 of an estimated $13.8 to prepare the site and develop this facility. The Company anticipates that this permanent facility will reach completion prior to November 2013, and will feature approximately 150 slot machines, dining options, a meeting facility, and improved parking capacity.

Ontario

The termination of the "Slots at Racetracks" program effective March 31, 2013, as described in the "Business Description" section of this MD&A, will have a negative effect on the future revenues of Georgian Downs and Flamboro Downs. All other "Slots at Racetracks" facilities in Ontario received similar termination notices, with the exception of three facilities located proximate to the U.S. border, which closed on April 30, 2012.

As a result of the early termination of Georgian Downs' site holder agreement, which was previously scheduled to expire in November 2021, the Company recorded in the first quarter of 2012 impairments of goodwill, intangible assets, and property, plant and equipment of $3.2, $8.2, and $13.2, respectively. The Company also recorded in the first quarter of 2012 impairments of intangible assets and property, plant and equipment of $24.2 and $5.2, respectively, in connection with Flamboro Downs' site holder agreement, which was previously scheduled to expire in April 2016.

The recoverable amounts for Georgian Downs' and Flamboro Downs' long-lived assets and goodwill were determined based on the value in use method, which estimates the net present value of the future cash flows expected to be generated, using a pre-tax discount rate based on the Company's weighted-average cost of capital. The estimates of future cash flows require a number of key assumptions about future business performance. These assumptions and estimates are primarily based on the relevant business' historical experience and economic trends, and consider past and ongoing communications with relevant stakeholders of the Company. These key assumptions include the future revenue levels, EBITDA, and the expected useful life of the cash generating unit ("CGU"). The assumptions are subject to a number of factors and it is possible that actual results could vary materially from management's estimates.

In May 2012, OLG issued a request for information ("RFI") to obtain input from potential industry participants regarding the modernization of gaming in Ontario. OLG stated that as a result of the feedback from the RFI, and to enable OLG to more effectively manage the gaming market in Ontario, OLG is grouping many of the 29 Gaming Zones into Gaming Bundles where each bundle represents a separate bidding opportunity. In November 2012, OLG initiated the request for pre-qualifications ("RFPQ") process to pre-qualify service providers for eligibility to participate in the request for proposals process for the Gaming Bundles. The Company is continuing discussions with OLG regarding its existing operations and the potential future opportunities that may arise from the continued modernization of gaming in Ontario.

Additional changes in OLG's operating model, such as the expansion of its business lines, could increase competition and negatively impact the Company's two racetracks in Ontario. The Government of Ontario has also asked an expert panel of three former Ontario Cabinet ministers (the "Ontario Horse Racing Industry Transition Panel") to consult with the horse racing industry to determine how the Government can support the transition to a self-sufficient business model, including the allocation of transitional funds. In October 2012, the Ontario Horse Racing Industry Transition Panel (the "Panel") released a report that included recommendations to materially reduce the total province-wide annual horse racing days by approximately half, with these reduced days to be provided by a minimum of six racetracks. The model proposed by the Ontario Horse Racing Industry Transition Panel assumes that the participating racetrack operators will not derive profit from racing operations. With the

elimination of the Slots at Racetracks program, it was recommended that operating costs incurred by the racetracks would be publicly funded, subject to an expert external review. Similarly, the Panel recommended that public funding be provided to the horse racing industry over three years, subject to ongoing accountability audits. The Ontario Horse Racing Industry Transition Panel also supported the development of an alliance between the participating racetracks in Ontario to manage racing operations, subject to certain conditions. While not exhaustive, these conditions include pooling all Ontario pari-mutuel wagering revenues, allocating and directing those revenues towards racing purses and reinvesting any residual earnings in the industry. Consequently, it is not certain at this time the full extent of the impact that the continued modernization of gaming and the change in horse racing business model in Ontario may have on the Company.

As the carrying value of Georgian Downs' and Flamboro Downs' assets are equal to their estimated recoverable amounts, a subsequent change in any key assumption utilized in the estimate of future cash flows may result in a further impairment loss or a reversal of an impairment loss. The Company is in discussions with OLG to negotiate lease arrangements that would facilitate the continued operation of these properties beyond March 31, 2013. Based on recent discussions, if leases are agreed, the Company expects these properties' EBITDA will decline as compared to levels realized in 2012. If the Company is unable to enter into lease agreements, further impairments may be recorded against the remaining long-lived assets of these properties. As at December 31, 2012, the carrying values of the intangible assets and property, plant and equipment associated with Georgian Downs were $15.6 and $29.7, respectively. As at December 31, 2012, the carrying values of the intangible assets and property, plant and equipment associated with Flamboro Downs were $11.8 and $7.4, respectively.

Casino Nova Scotia

In October 2012, the Company and NSPLCC signed the AROC, as described in the "Business Description – Operations – Nova Scotia – Regulatory" section of this MD&A. Under the AROC, approximately $1.0 per year, which was previously received as a contribution toward reducing leased slot expenses throughout the year, is now considered part of the operator's fee revenues each month.

Investment in PDX Entertainment Company

During the twelve months ended December 31, 2012, the Company acquired a 38% minority equity interest in PDX Entertainment Company ("PDX") for $3.5. PDX pursued the opportunity to build and operate an entertainment and gaming complex in Wood Village, Oregon. The proposed development required the approval of Wood Village voters through a local municipal ballot measure, and the approval of Oregon voters through two state ballot measures, one of which would have changed the state constitution to permit private-sector casino gaming in Oregon. The ballot measures were voted on November 6, 2012, and the constituents did not support the amendment to the state constitution as proposed. The Company's investment in PDX was fully expensed as at December 31, 2012.

Debt Refinancing

On July 24, 2012, the Company completed a long-term debt refinancing and issued $450.0 of 6.625% Senior Unsecured Notes due on July 25, 2022 ("Senior Unsecured Notes"). The net proceeds were $439.5 after transaction costs of $10.5. The use of proceeds included repayment of the US$161.1 Senior Secured Term Loan B ("Term Loan B"), repurchase or redemption of the US$170.0 Senior Subordinated Notes ("Subordinated Notes"), settlement of the derivative liabilities associated with the related cross-currency interest rate and principal swaps, and the remainder was retained for general corporate purposes.

On July 21, 2011, the Company completed an amendment of its February 14, 2007 Credit and Guarantee Agreement ("Credit Agreement") which covers the terms of its Revolving Credit Facility. Consequently, the Company's previous undrawn $200.0 Revolving Credit Facility was increased to a maximum limit of $350.0 and extended to July 21, 2016. On July 24, 2012, the Company further extended the maturity of its $350.0 Revolving Credit Facility by one year to July 21, 2017.

Issuer Bids

In January 2012, the Company commenced a normal course issuer bid that authorized the Company to purchase up to 5,811,197 of its common shares. For the year ended December 31, 2012, the Company purchased for cancellation 3,657,210 common shares at a weighted-average price per share of $8.15 under its normal course issuer bid, which expired on January 26, 2013.

On July 6, 2012, the Company commenced a substantial issuer bid, pursuant to which the Company offered to purchase for cancellation up to 10,000,000 of its outstanding common shares from shareholders at a purchase price of $10.00 per share. On August 21, 2012, the Company accepted for purchase 10,000,000 of the validly tendered common shares at a purchase price of $10.00 per share for a total of $100.0 and $0.3 in related transaction costs. At the time of the repurchase, the paid-up capital per common share for the purposes of the *Income Tax Act (Canada)* was $3.79.

For the year ended December 31, 2011, the Company purchased 1,479,600 common shares at a volume weighted-average price of $7.16 under its normal course issuer bid, which expired on January 26, 2012.

All shares purchased by the Company were cancelled. The Company's share capital was reduced by an amount equal to the carrying value of the shares repurchased and the remainder was recorded as a reduction to retained earnings on the consolidated statements of changes in equity.

Subsequent to December 31, 2012, the Company received approval from the Toronto Stock Exchange ("TSX") to commence another normal course issuer bid for up to 4,511,644 of its common shares, representing approximately 10% of the Company's common shares in the public float. The bid commenced on January 30, 2013 and will end on January 29, 2014, or earlier if the number of shares approved for purchase in the issuer bid have been obtained. Pursuant to TSX policies, daily purchases made by the Company will not exceed 29,761 common shares or 25% of the prior six-month average trading volume of 119,045 common shares on the TSX. Purchases will be by way of open market purchases through the facilities of the TSX, and other Canadian market places, and payment for the shares will be in accordance with the TSX's by-laws and rules. Any shares purchased by the Company will be subsequently cancelled.

MARKET UPDATE

British Columbia

Extension of Operating Agreement for Hastings Racecourse and Slots Facility

On October 24, 2012, the Company reached an agreement with the City of Vancouver for a two-year extension to the operating agreement at Hastings Racecourse and Slots Facility until at least November 2014 on substantially the same terms. This two-year period affords the horse racing industry, under the leadership of the BCHRIMC, time to determine the appropriate plan of action to best assure itself of long-term sustainability. Both the Company and the City are committed to working together towards a longer term arrangement at Hastings Racecourse that works for both parties, once this plan of action has been finalized by the racing industry.

Competition

One of the Company's direct competitors, Paragon Gaming LLC ("Paragon"), operates the Edgewater Casino in downtown Vancouver. Paragon has received approval to redevelop the Edgewater Casino. This redevelopment would relocate its current facility to a new location within the same area of downtown Vancouver. Paragon's previous redevelopment plans included increased gaming capacity from 500 slot machines and 55 table games to a maximum of 1,500 slot machines and 150 table games; however, the proposed expanded gaming capacity was not approved by the City of Vancouver in March 2011. As of the date of this MD&A, an application for development of the new location has not been announced.

One of the Company's direct competitors, Gateway Casinos and Entertainment Limited ("Gateway"), sought to relocate the approved community gaming centre in the Newton neighbourhood of Surrey, BC, to an alternate site, closer to the US border in South Surrey and to develop it into a casino resort. In January 2013, after a public hearing process, the City of Surrey council voted against the relocation and development of the casino resort in South Surrey, BC.

In October 2012, the City of Surrey approved the installation of 150 temporary slot machines in the existing Newton bingo hall, which commenced operations in November 2012. The operation of the temporary slot machines will be limited to: 18 calendar months from the date of activation, or the date on which permanent slot machines are activated in a new Newton community gaming centre, whichever occurs first. As of the date of this MD&A, this has not created a material impact on the Company's business.

Online Gaming

In July 2010, BCLC expanded its existing gaming website to provide British Columbia residents with the ability to wager on casino-style games online. Although this form of gaming does represent a competitive entertainment option within the provincial market, BCLC has stated that its online offerings will seek to encourage patrons to visit the province's physical gaming properties. To date, online gaming has created no discernible impact upon the Company's business.

CONSOLIDATED RESULTS OF OPERATIONS

The following table summarizes the consolidated operating results for the three month and twelve month periods ended December 31, 2012, with comparatives for the prior periods.

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**71.4**	68.4	4%	**294.9**	281.9	5%
Facility Development Commission	**10.7**	8.5	26%	**35.2**	32.1	10%
Hospitality and other revenues	**21.9**	18.9	16%	**82.6**	70.4	17%
Racetrack revenues	**3.5**	4.5	(22%)	**15.8**	19.5	(19%)
	107.5	100.3	7%	**428.5**	403.9	6%
Less: Promotional allowances	**(4.7)**	(4.6)	2%	**(19.8)**	(15.7)	26%
Revenues	**102.8**	95.7	7%	**408.7**	388.2	5%
Human resources	**40.8**	39.1	4%	**163.8**	154.9	6%
Property, marketing and administration	**24.5**	25.6	(4%)	**97.3**	94.4	3%
	65.3	64.7	1%	**261.1**	249.3	5%
EBITDA	**37.5**	31.0	21%	**147.6**	138.9	6%
Human resources as a % of Revenues before Promotional allowances	**38.0%**	39.0%		**38.2%**	38.4%	
EBITDA as a % of Revenues	**36.5%**	32.4%		**36.1%**	35.8%	
Amortization	**12.9**	14.8		**51.6**	58.5	
Share-based compensation	**0.2**	0.6		**3.6**	4.9	
Impairment of long-lived assets	**6.9**	4.4		**61.1**	4.4	
Impairment of goodwill	**-**	-		**3.2**	-	
Interest and financing costs, net	**8.4**	7.7		**37.0**	29.5	
Litigation settlement	**-**	-		**11.0**	-	
Equity investment loss and other	**2.4**	0.9		**5.1**	1.6	
Foreign exchange loss and other	**(0.2)**	(0.9)		**6.8**	3.2	
Income taxes	**4.4**	1.2		**(4.2)**	10.6	
Net earnings (loss)	**$ 2.5**	$ 2.3	9%	**$ (27.6)**	$ 26.2	
Net earnings (loss) per common share						
Basic	**$ 0.04**	$ 0.03		**$ (0.36)**	$ 0.32	
Diluted	**$ 0.03**	$ 0.03		**$ (0.36)**	$ 0.31	
Weighted average number of common shares (in thousands)						
Basic	**70,346**	82,161		**76,814**	82,670	
Diluted	**71,605**	83,651		**76,814**	84,210	

Discussion of Results

The Company's operating results are discussed in two sections. Revenues, human resources expenses, property, marketing and administration expenses, and EBITDA are discussed on a property or, where appropriate, group of similar properties basis. Items excluded from EBITDA are discussed on a consolidated basis. The following table reconciles the property results to the consolidated results of operations above.

REVENUES and EBITDA

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
REVENUES						
Casinos						
River Rock Casino Resort	**$ 39.6**	$ 34.1	16%	**$ 159.5**	$ 138.3	15%
Boulevard Casino	**14.4**	14.3	1%	**57.9**	57.9	0%
Vancouver Island Casinos	**10.1**	10.4	(3%)	**39.2**	39.5	(1%)
Other BC Casinos	**6.1**	3.3	85%	**15.3**	11.5	33%
Nova Scotia Casinos	**10.4**	9.7	7%	**41.8**	41.9	0%
Great American Casinos	**5.3**	5.8	(9%)	**21.6**	22.7	(5%)
	85.9	77.6	11%	**335.3**	311.8	8%
Racinos						
BC Racinos	**8.9**	9.6	(7%)	**40.1**	42.0	(5%)
Georgian Downs	**3.9**	4.0	(3%)	**15.8**	16.1	(2%)
Flamboro Downs	**4.1**	4.5	(9%)	**17.5**	18.3	(4%)
	16.9	18.1	(7%)	**73.4**	76.4	(4%)
Total Revenues	**$ 102.8**	$ 95.7	7%	**$ 408.7**	$ 388.2	5%
EBITDA						
Casinos						
River Rock Casino Resort	**$ 18.8**	$ 13.5	39%	**$ 79.4**	$ 64.8	23%
Boulevard Casino	**5.1**	5.3	(4%)	**21.1**	23.0	(8%)
Vancouver Island Casinos	**5.7**	6.1	(7%)	**21.6**	22.5	(4%)
Other BC Casinos	**3.4**	1.5	127%	**7.1**	4.9	45%
Nova Scotia Casinos	**3.1**	2.1	48%	**11.4**	11.2	2%
Great American Casinos	**0.6**	1.0	(40%)	**2.6**	4.5	(42%)
	36.7	29.5	24%	**143.2**	130.9	9%
Racinos						
BC Racinos	**1.6**	2.6	(38%)	**7.3**	10.9	(33%)
Georgian Downs	**2.4**	2.1	14%	**9.5**	9.3	2%
Flamboro Downs	**1.9**	2.1	(10%)	**7.8**	8.1	(4%)
	5.9	6.8	(13%)	**24.6**	28.3	(13%)
Corporate & Other	**(5.1)**	(5.3)	4%	**(20.2)**	(20.3)	0%
Total EBITDA	**$ 37.5**	$ 31.0	21%	**$ 147.6**	$ 138.9	6%

Casinos

River Rock Casino Resort

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**26.2**	22.5	16%	**108.4**	94.4	15%
Facility Development Commission	**3.9**	3.3	18%	**15.8**	14.0	13%
Hospitality and other revenues	**11.4**	10.1	13%	**43.3**	35.7	21%
Revenues before Promotional allowances	**41.5**	35.9	16%	**167.5**	144.0	16%
Less: Promotional allowances	**(1.9)**	(1.8)	6%	**(8.0)**	(5.8)	38%
Revenues	**39.6**	34.1	16%	**159.5**	138.3	15%
Human resources	**13.0**	12.7	2%	**51.2**	47.3	8%
Property, marketing and administration	**7.8**	7.9	(1%)	**28.9**	26.2	10%
EBITDA	**$ 18.8**	$ 13.5	39%	**$ 79.4**	$ 64.8	23%
Human resources as a % of Revenues before Promotional allowances	**31.3%**	35.4%		**30.6%**	32.8%	
EBITDA as a % of Revenues	**47.5%**	39.6%		**49.8%**	46.9%	

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Average
Table Drop	$ 233.4	$ 205.3	$ 189.0	$ 219.6	$ 169.4	$ 175.9	$ 178.4	$ 181.3	$ 176.7	
Table Hold	$ 41.7	$ 42.0	$ 40.9	$ 53.3	$ 32.5	$ 39.2	$ 39.1	$ 34.5	$ 34.4	
Table Hold %	17.9%	20.5%	21.6%	24.3%	19.2%	22.3%	21.9%	19.0%	19.5%	20.7%
Poker Rake	$ 1.2	$ 1.0	$ 1.1	$ 1.1	$ 1.2	$ 1.1	$ 1.1	$ 1.2	$ 1.5	
Slot Coin-In	$ 521.7	$ 518.1	$ 519.6	$ 493.4	$ 522.8	$ 490.9	$ 477.3	$ 448.2	$ 448.5	
Slot Win	$ 34.9	$ 35.2	$ 34.6	$ 33.9	$ 34.5	$ 34.1	$ 34.3	$ 30.3	$ 31.6	
Slot Win/Slot/Day[1,2]	$ 345	$ 349	$ 355	$ 372	$ 375	$ 376	$ 384	$ 339	$ 348	
Slot Win %	6.7%	6.8%	6.7%	6.9%	6.6%	6.9%	7.2%	6.8%	7.0%	6.8%

(1) Slot Win/Slot/Day is an average, presented in dollars.
(2) During the second quarter of 2012, the Company added 104 slot machines at River Rock, resulting in 1,110 slot machines as at June 30, 2012.

Revenues

Gaming revenues at River Rock increased by 16% in the fourth quarter of 2012, when compared to the fourth quarter of 2011. This improvement was primarily due to growth in table drop of 38%, attributable to the continued benefit of the property redevelopments, enhancements, and associated increase in player demand at River Rock. The increase in table drop was partially offset by a lower table hold percentage, when compared to the fourth quarter of 2011.

Gaming revenues increased by 15% in the twelve months of 2012, when compared to the twelve months of 2011. This increase was primarily due to the growth in table drop of 20% and an improvement in slot coin-in of 6%.

Hospitality and other revenues increased by 13% in the fourth quarter and 21% in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These increases were primarily due to both the increase in food and beverage revenues and incremental revenues generated by the new hotel tower, which opened on October 17, 2011.

In October 2011, 'The Hotel at River Rock' added 193 rooms offered at a lower price point compared to the 'River Rock Casino Resort Suites,' which has a capacity of 202 rooms. On a combined basis, River Rock's average daily hotel revenue per available room ("REVPAR") was $96 dollars in the fourth quarter of 2012, compared to $91 dollars in the fourth quarter of 2011. This increase was due to a 6.0 percentage point increase in the average hotel occupancy rate to 63%, partially offset by a 3% decrease in the average daily room rate ("ADR") to $152 dollars. For the twelve months of 2012, River Rock's REVPAR was $102 dollars, compared to $122 dollars in the twelve months of 2011. This decrease was due to a 4.7 percentage point decrease in average hotel occupancy rate to 69%, and a 10% decrease in ADR to $148 dollars.

Promotional allowance in the fourth quarter of 2012 was relatively consistent with the fourth quarter of 2011. Promotional allowance increased by $2.2 in the twelve months of 2012, when compared to the twelve months of 2011. This increase was primarily due to the increased incentives associated with direct marketing efforts and complimentary food, beverage, and other items provided to gaming and hospitality guests.

Expenses
Human resources expenses in the fourth quarter of 2012 were relatively consistent with the fourth quarter of 2011. Human resources expenses increased by 8% in the twelve months of 2012, when compared to the twelve months of 2011. This increase was primarily due to incremental staffing costs associated with the new hotel tower, improvements in food and beverage volumes, and growth in player demand. Human resources expenses also included non-recurring severance costs of $0.4 in the twelve months of 2012.

Property, marketing and administration expenses in the fourth quarter of 2012 were relatively consistent with the fourth quarter of 2011. Property, marketing and administration expenses increased by 10% in the twelve months of 2012, when compared to the twelve months of 2011. This increase was primarily due to incremental operating costs associated with the new hotel tower, growth in food and beverage volumes, and inflationary cost increases.

EBITDA
EBITDA increased by 39% in the fourth quarter of 2012, when compared to the fourth quarter of 2011. This increase was due to River Rock's revenue increase. EBITDA increased by 23% in the twelve months of 2012, when compared to the twelve months of 2011. This improvement was primarily due to the increase in River Rock's revenues, and was partly offset by increased operating expenses.

Boulevard Casino

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**10.6**	10.8	(2%)	**43.3**	44.1	(2%)
Facility Development Commission	**1.7**	1.8	(6%)	**7.1**	7.2	(1%)
Hospitality and other revenues	**2.6**	2.3	13%	**9.7**	8.7	11%
Revenues before Promotional allowances	**14.9**	14.9	0%	**60.1**	60.0	0%
Less: Promotional allowances	**(0.5)**	(0.6)	(17%)	**(2.2)**	(2.1)	5%
Revenues	**14.4**	14.3	1%	**57.9**	57.9	0%
Human resources	**6.2**	5.8	7%	**24.9**	23.4	6%
Property, marketing and administration	**3.1**	3.2	(3%)	**11.9**	11.5	3%
EBITDA	**$ 5.1**	$ 5.3	(4%)	**$ 21.1**	$ 23.0	(8%)
Human resources as a % of Revenues before Promotional allowances	**41.6%**	38.9%		**41.4%**	39.0%	
EBITDA as a % of Revenues	**35.4%**	37.1%		**36.4%**	39.7%	

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Average
Table Drop	$ 41.6	$ 40.9	$ 42.1	$ 42.0	$ 41.6	$ 39.7	$ 40.3	$ 39.3	$ 45.8	
Table Hold	$ 8.2	$ 8.4	$ 8.4	$ 9.0	$ 8.4	$ 8.6	$ 8.5	$ 8.7	$ 8.9	
Table Hold %	19.7%	20.5%	20.0%	21.4%	20.2%	21.7%	21.1%	22.1%	19.4%	20.7%
Poker Rake	$ 1.0	$ 0.7	$ 0.9	$ 1.2	$ 1.1	$ 1.4	$ 1.0	$ 1.1	$ 1.3	
Slot Coin-In	$ 385.5	$ 391.3	$ 414.6	$ 400.4	$ 400.6	$ 392.1	$ 394.4	$ 372.8	$ 380.8	
Slot Win	$ 26.7	$ 27.2	$ 28.5	$ 26.6	$ 26.7	$ 27.2	$ 28.0	$ 26.5	$ 27.8	
Slot Win/Slot/Day[(1)]	$ 292	$ 302	$ 315	$ 298	$ 289	$ 294	$ 305	$ 289	$ 292	
Slot Win %	6.9%	6.9%	6.9%	6.6%	6.7%	6.9%	7.1%	7.1%	7.3%	6.9%

[(1)] Slot Win/Slot/Day is an average, presented in dollars.

<u>Revenues</u>

Revenues at Boulevard were relatively consistent in the fourth quarter and twelve months of 2012, when compared to the same periods in 2011. Boulevard continues to be negatively impacted by both a challenging local economy and construction on provincial highway enhancements adjacent to the facility. This construction is expected to continue until late 2013. Boulevard has also been impacted by nearby competition, including the Company's Maple Ridge Community Gaming Centre and the poker room at the Fraser Downs Racetrack and Casino. The Maple Ridge Community Gaming Centre, which introduced slot machines in October 2010 has accommodated some of those guests displaced by the highway construction adjacent to Boulevard.

<u>Expenses</u>

Human resources expenses increased by 7% and 6% in the fourth quarter and twelve months of 2012, when compared to the same periods in 2011. These increases were primarily due to increased staffing levels and training to improve guest service at the facility, as well as the growth in food and beverage volumes. Human resources expenses also included non-recurring severance costs of $0.4 in the twelve months of 2012.

Property, marketing and administration expenses were relatively consistent in the fourth quarter of 2012, when compared to the fourth quarter of 2011. Property, marketing and administration expenses increased by 3% in the twelve months of 2012, when compared to the twelve months of 2011. This increase was primarily due to both incremental operating costs associated with the growth in food and beverage volumes and increased marketing costs intended to attract new guests.

EBITDA
EBITDA decreased by 4% in the fourth quarter and 8% in the twelve months of 2012, when compared to the same periods in 2011. These decreases were primarily due to the increase in operating costs intended to both attract new guests and improve the overall guest experience at Boulevard.

Vancouver Island Casinos (View Royal Casino and Casino Nanaimo)

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**7.6**	7.7	(1%)	**31.0**	31.3	(1%)
Facility Development Commission	**1.9**	2.4	(21%)	**5.9**	6.3	(6%)
Hospitality and other revenues	**1.0**	0.8	25%	**4.1**	3.6	14%
Revenues before Promotional allowances	**10.5**	10.9	(4%)	**41.0**	41.2	0%
Less: Promotional allowances	**(0.4)**	(0.5)	(20%)	**(1.8)**	(1.7)	6%
Revenues	**10.1**	10.4	(3%)	**39.2**	39.5	(1%)
Human resources	**3.0**	2.9	3%	**12.2**	11.8	3%
Property, marketing and administration	**1.4**	1.4	0%	**5.4**	5.2	4%
EBITDA	**$ 5.7**	$ 6.1	(7%)	**$ 21.6**	$ 22.5	(4%)
Human resources as a % of Revenues before Promotional allowances	**28.6%**	26.6%		**29.8%**	28.6%	
EBITDA as a % of Revenues	**56.4%**	58.7%		**55.1%**	57.0%	

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Average
Table Drop	$ 12.5	$ 13.0	$ 12.4	$ 13.0	$ 11.6	$ 11.7	$ 11.7	$ 12.9	$ 12.8	
Table Hold	$ 2.9	$ 2.8	$ 2.9	$ 2.7	$ 2.5	$ 2.6	$ 2.6	$ 2.8	$ 2.9	
Table Hold %	23.2%	21.5%	23.4%	20.8%	21.6%	22.2%	22.2%	21.7%	22.7%	22.2%
Slot Coin-In	$ 379.8	$ 390.0	$ 397.2	$ 378.1	$ 381.4	$ 386.6	$ 394.1	$ 365.4	$ 375.3	
Slot Win	$ 26.9	$ 28.3	$ 27.8	$ 27.1	$ 27.5	$ 28.9	$ 28.8	$ 27.0	$ 28.5	
Slot Win/Slot/Day[(1)]	$ 289	$ 305	$ 303	$ 295	$ 296	$ 311	$ 318	$ 293	$ 309	
Slot Win %	7.1%	7.3%	7.0%	7.2%	7.2%	7.5%	7.3%	7.4%	7.6%	7.3%

[(1)] Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Revenues at the Vancouver Island Casinos decreased by 3% in the fourth quarter and 1% in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These decreases were primarily due to lower FDC revenues. As at December 31, 2012, the majority of the eligible expenditures approved by BCLC for the accelerated FDC project at Casino Nanaimo were reimbursed. The decreases in FDC revenues were partially offset by the growth in food and beverage revenues.

Expenses

Human resources expenses in the fourth quarter of 2012 were relatively consistent with the fourth quarter of 2011. Human resources expenses in the twelve months of 2012 increased by 3%, when compared to the twelve months of 2011. This increase was primarily due to both the growth in food and beverage volumes and non-recurring severance costs of $0.2.

Property, marketing and administration expenses in the fourth quarter of 2012 were consistent with the fourth quarter of 2011. Property, marketing and administration expenses increased by 4% in the twelve months of 2012, when compared to the twelve months of 2011. This increase was primarily due to incremental operating costs associated with the growth in food and beverage volumes.

EBITDA

EBITDA decreased by 7% in the fourth quarter and 4% in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These decreases were primarily due to the decrease in FDC revenues and increases in operating costs.

Other BC Casinos (Chances Dawson Creek, Maple Ridge Community Gaming Centre and Chances Chilliwack (formerly Chilliwack Bingo))

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**3.0**	2.5	20%	**10.3**	8.7	18%
Facility Development Commission	**2.6**	0.4	550%	**3.5**	1.6	119%
Hospitality and other revenues	**0.7**	0.5	40%	**2.0**	1.6	25%
Revenues before Promotional allowances	**6.3**	3.4	85%	**15.8**	11.9	33%
Less: Promotional allowances	**(0.2)**	(0.1)	100%	**(0.5)**	(0.4)	25%
Revenues	**6.1**	3.3	85%	**15.3**	11.5	33%
Human resources	**1.6**	1.1	45%	**5.0**	4.1	22%
Property, marketing and administration	**1.1**	0.7	57%	**3.2**	2.5	28%
EBITDA	**$ 3.4**	$ 1.5	127%	**$ 7.1**	$ 4.9	45%
Human resources as a % of Revenues before Promotional allowances	**25.4%**	32.4%		**31.6%**	34.5%	
EBITDA as a % of Revenues	**55.7%**	45.5%		**46.4%**	42.6%	

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Average
Slot Coin-In	$ 165.3	$ 107.3	$ 107.9	$ 114.1	$ 118.7	$ 102.4	$ 104.5	$ 98.4	$ 95.3	
Slot Win	$ 10.6	$ 7.0	$ 7.1	$ 7.6	$ 7.4	$ 6.9	$ 7.0	$ 6.6	$ 6.1	
Slot Win/Slot/Day[(1)]	$ 315	$ 296	$ 305	$ 327	$ 316	$ 294	$ 300	$ 283	$ 260	
Slot Win %	6.4%	6.5%	6.6%	6.7%	6.2%	6.7%	6.7%	6.7%	6.4%	6.5%

[(1)] Slot Win/Slot/Day is an average, presented in dollars.

Revenues
Revenues at the Company's Other BC Casinos increased by 85% in the fourth quarter and 33% in the twelve months of 2012, when compared to the same periods in 2011. These increases were primarily due to the non-recurring accelerated FDC revenues of $1.7 related to the previous bingo operations at Chilliwack Bingo. These revenue increases were also attributable to the incremental revenues associated with the commencement of slot operations at Chances Chilliwack on November 1, 2012.

Expenses
Human resources expenses increased by 45% in the fourth quarter and 22% in the twelve months of 2012 when compared to the same periods in 2011. These increases were primarily due to the incremental costs associated with Chances Chilliwack, which commenced slot operations on November 1, 2012.

Property, marketing and administration expenses increased by 57% in the fourth quarter and 28% in the twelve months of 2012 when compared to the fourth quarter and twelve months of 2011. These increases were primarily due to the incremental costs associated with Chances Chilliwack. Property, marketing and administration expenses in the fourth quarter and twelve months of 2012 also include $0.2 of non-recurring pre-operating costs related to Chances Chilliwack.

EBITDA

EBITDA increased by 127% in the fourth quarter and 45% in the twelve months of 2012, when compared to the same periods in 2011. These increases were primarily due to both the non-recurring accelerated FDC revenues and the growth in gaming revenues. These increases were partially offset by the increase in operating expenses.

Labour Relations

As at December 31, 2012, a collective agreement between Chilliwack Gaming Limited and National Automobile, Aerospace, Transportation and General Workers Union of Canada, ("CAW-Canada"), Local 3000, governed the wages and working conditions for employees working in the Bingo division, except management and those excluded by the Labour Relations Code of BC (the "Code"). A collective agreement with a three-year term covering January 1, 2012 through December 31, 2014, was ratified by the parties on July 10, 2012.

However, subsequent to December 31, 2012, the BC Labour Relations Board cancelled the Certification held by CAW-Canada for employees working in the Bingo division after considering the results of a February 2013 union member vote to decertify.

Nova Scotia Casinos (Casino Nova Scotia Halifax and Casino Nova Scotia Sydney)

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**9.0**	9.2	(2%)	**39.2**	39.6	(1%)
Hospitality and other revenues	**2.0**	1.1	82%	**5.7**	4.6	24%
Revenues before Promotional allowances	**11.0**	10.3	7%	**44.9**	44.2	2%
Less: Promotional allowances	**(0.6)**	(0.6)	0%	**(3.1)**	(2.3)	35%
Revenues	**10.4**	9.7	7%	**41.8**	41.9	0%
Human resources	**4.2**	4.2	0%	**17.1**	16.9	1%
Property, marketing and administration	**3.1**	3.4	(9%)	**13.3**	13.8	(4%)
EBITDA	**$ 3.1**	$ 2.1	48%	**$ 11.4**	$ 11.2	2%
Human resources as a % of Revenues before Promotional allowances	**38.2%**	40.8%		**38.1%**	38.2%	
EBITDA as a % of Revenues	**29.8%**	21.6%		**27.3%**	26.7%	

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Average
Table Drop	$ 10.9	$ 10.4	$ 9.8	$ 10.5	$ 11.0	$ 11.4	$ 11.8	$ 10.0	$ 11.5	
Table Hold	$ 2.5	$ 1.9	$ 1.9	$ 2.3	$ 2.2	$ 2.4	$ 2.3	$ 2.1	$ 2.2	
Table Hold %	22.9%	18.3%	19.4%	21.9%	20.0%	21.1%	19.5%	21.0%	19.1%	20.3%
Poker Rake	$ 0.5	$ 0.5	$ 0.4	$ 0.4	$ 0.5	$ 0.6	$ 0.5	$ 0.5	$ 0.4	
Slot Coin-In	$ 193.7	$ 228.3	$ 206.2	$ 192.6	$ 193.5	$ 231.2	$ 205.2	$ 181.6	$ 200.2	
Slot Win	$ 14.8	$ 18.3	$ 16.1	$ 15.2	$ 15.0	$ 18.5	$ 16.2	$ 14.4	$ 15.6	
Slot Win/Slot/Day[(1)]	$ 185	$ 227	$ 205	$ 191	$ 185	$ 225	$ 198	$ 176	$ 190	
Slot Win %	7.6%	8.0%	7.8%	7.9%	7.8%	8.0%	7.9%	7.9%	7.8%	7.9%

[(1)] Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Gaming revenues at the Nova Scotia Casinos in the fourth quarter and twelve months of 2012 were relatively consistent with the same periods in 2011 despite a decrease in the Company's percentage of gaming revenues earned from NSPLCC as a result of the AROC amendment on October 1, 2012, as described in the "Business Description – Operations – Nova Scotia – Regulatory" section of this MD&A. The decrease in the Company's share of gaming revenues was offset by an increase in operator's fee associated with leased slots that was previously received as a contribution towards slot leases under property, marketing and administrative expenses.

Hospitality and other revenues increased by 82% in the fourth quarter and 24% in the twelve months of 2012 when compared to the same periods in 2011. These increases were primarily due to the increase in the Company's operator's fee related to non-gaming revenues as a result of the AROC amendment. In addition, hospitality and other revenues in the fourth quarter of 2011 included a $0.2 non-recurring reduction associated with sales taxes due on fees previously earned for providing automated banking machine services to guests.

Promotional allowances in the fourth quarter of 2012 were relatively consistent with the fourth quarter of 2011. Promotional allowances increased by $0.8 in the twelve months of 2012, when compared to the twelve months of 2011. This increase was primarily due the change in direct marketing efforts and strategies.

Expenses

Human resources expenses in the fourth quarter and twelve months of 2012 were relatively consistent with the same periods in 2011.

Property, marketing and administration expenses decreased by 9% in the fourth quarter and 4% in the twelve months of 2012, when compared to the same periods in 2011. These declines were primarily due to reduced marketing expenses that were partially offset by a $0.3 increase in slot lease expenses since operator's fees received from NSPLCC related to leased slots were included in gaming revenues in the fourth quarter of 2012,

but were previously received as a contribution to the cost of slot leases under property, marketing and administration expenses.

EBITDA

EBITDA increased by 48% in the fourth quarter of 2012, when compared to the fourth quarter of 2011. This increase was primarily due to higher revenues and lower operating costs. EBITDA in the twelve months of 2012 was relatively consistent with the twelve months of 2011.

Labour Relations

A collective agreement between Casino Nova Scotia Halifax and Service Employees International Union ("SEIU"), Local 2, governs wages and working conditions of the Main Unit including all full-time and regular part-time employees of Casino Nova Scotia Halifax excluding office and clerical workers, human resource employees, surveillance employees, security employees, supervisors and those above the rank of supervisor. A new collective agreement with a three-year term covering February 1, 2012 through January 31, 2015 was ratified by both parties on April 3, 2012.

A collective agreement between Casino Nova Scotia Halifax and SEIU, Local 2, governs wages and working conditions of the Security Unit including all full-time and regular part-time employees in the security department of Casino Nova Scotia Halifax, excluding supervisors and those above the rank of supervisor. A new collective bargaining agreement with a three-year term covering February 1, 2012 through January 31, 2015 was ratified by both parties on May 1, 2012.

Great American Casinos

Results in U.S. Dollars (in millions)

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**4.4**	4.8	(8%)	**18.1**	19.7	(8%)
Hospitality and other revenues	**1.6**	1.4	14%	**5.8**	4.9	18%
Revenues before Promotional allowances	**6.0**	6.2	(3%)	**23.9**	24.6	(3%)
Less: Promotional allowances	**(0.7)**	(0.5)	40%	**(2.3)**	(1.8)	28%
Revenues	**5.3**	5.7	(7%)	**21.6**	22.8	(5%)
Human resources	**3.1**	3.2	(3%)	**12.8**	12.5	2%
Property, marketing and administration	**1.6**	1.6	0%	**6.2**	6.0	3%
EBITDA	**$ 0.6**	$ 0.9	(33%)	**$ 2.6**	$ 4.3	(40%)
Human resources as a % of Revenues before Promotional allowances	**51.7%**	51.6%		**53.6%**	50.8%	
EBITDA as a % of Revenues	**11.3%**	15.8%		**12.0%**	18.9%	

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Average
Table Drop	$ 34.5	$ 31.6	$ 33.2	$ 35.5	$ 35.5	$ 31.7	$ 31.6	$ 31.2	$ 31.1	
Table Hold	$ 5.1	$ 4.7	$ 5.1	$ 5.4	$ 5.4	$ 5.2	$ 5.8	$ 5.9	$ 5.4	
Table Hold %	14.7%	14.9%	15.4%	15.2%	15.2%	16.4%	18.4%	18.9%	17.4%	16.2%

Results in Canadian Dollars

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Revenues	**$ 5.3**	$ 5.8	(9%)	**$ 21.6**	$ 22.7	(5%)
EBITDA	**$ 0.6**	$ 1.0	(40%)	**$ 2.6**	$ 4.5	(42%)

Discussion in U.S. Dollars

Revenues

Revenues at Great American Casinos decreased by 7% in the fourth quarter and 5% in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These decreases were primarily due to adverse competitive conditions, as well as lower table hold percentages, when compared to the same periods in 2011. The declines in table hold percentage were partially offset by increased hospitality revenues.

Promotional allowances increased by $0.2 in the fourth quarter and $0.5 in the twelve months of 2012, when compared to the prior periods in 2011. These increases were primarily due to increased incentives associated with direct marketing efforts and complimentary food, beverage, and other items provided to guests in this highly competitive market.

Expenses

Human resources and property, marketing and administration expenses in the fourth quarter and twelve months of 2012 were relatively consistent with the same periods in 2011.

EBITDA

Great American Casinos' EBITDA decreased by 33% in the fourth quarter and 40% in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These decreases were primarily due to lower gaming revenues, which were partially offset by an increase in hospitality revenues.

The value of the Great American Casinos' functional currency, the U.S. dollar, in comparison to the Company's reporting currency, the Canadian dollar, affects the reported results of the Great American Casinos. The average value of the U.S. dollar decreased by 3% in the fourth quarter and increased by 1% in the twelve months of 2012, when compared to the same periods in 2011.

Racinos

BC Racinos (Fraser Downs Racetrack and Casino, Hastings Racecourse and Slots Facility)

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**4.8**	4.7	2%	**20.1**	19.2	5%
Facility Development Commission	**0.6**	0.6	0%	**2.9**	3.0	(3%)
Racetrack revenues	**2.4**	3.3	(27%)	**11.3**	14.6	(23%)
Hospitality and other revenues	**1.5**	1.5	0%	**7.6**	6.9	10%
Revenues before Promotional allowances	**9.3**	10.1	(8%)	**41.9**	43.7	(4%)
Less: Promotional allowances	**(0.4)**	(0.5)	(20%)	**(1.8)**	(1.7)	6%
Revenues	**8.9**	9.6	(7%)	**40.1**	42.0	(5%)
Human resources	**4.3**	3.9	10%	**19.5**	17.5	11%
Property, marketing and administration	**3.0**	3.1	(3%)	**13.3**	13.6	(2%)
EBITDA	**$ 1.6**	$ 2.6	(38%)	**$ 7.3**	$ 10.9	(33%)
Human resources as a % of Revenues before Promotional allowances	**46.2%**	38.6%		**46.5%**	40.0%	
EBITDA as a % of Revenues	**18.0%**	27.1%		**18.2%**	26.0%	

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Average
Table Drop	$ 7.1	$ 7.0	$ 7.2	$ 6.4	$ 6.0	$ 6.5	$ 6.1	$ 7.0	$ 7.3	
Table Hold	$ 1.7	$ 1.4	$ 1.4	$ 1.4	$ 1.3	$ 1.5	$ 1.3	$ 1.3	$ 1.5	
Table Hold %	24.2%	20.0%	19.4%	21.9%	21.7%	23.1%	21.3%	18.6%	20.5%	21.1%
Poker Rake	$ 0.1	$ 0.5	$ 0.3	$ 0.2	$ -	$ -	$ -	$ -	$ -	
Slot Coin-In	$ 227.3	$ 239.4	$ 246.3	$ 234.7	$ 240.4	$ 241.8	$ 228.4	$ 219.0	$ 218.7	
Slot Win	$ 16.5	$ 17.9	$ 18.4	$ 17.6	$ 17.3	$ 18.4	$ 17.8	$ 17.2	$ 17.2	
Slot Win/Slot/Day[1]	$ 169	$ 184	$ 191	$ 183	$ 179	$ 189	$ 185	$ 179	$ 176	
Slot Win %	7.3%	7.5%	7.5%	7.5%	7.2%	7.6%	7.8%	7.9%	7.9%	7.6%

[1] Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Gaming revenues at the BC Racinos increased by 2% in the fourth quarter and 5% in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These increases were primarily due to the incremental revenues from new poker room at Fraser Downs Racetrack and Casino, which opened on March 7, 2012, and growth in table games.

Racetrack revenues decreased by 27% in the fourth quarter and 23% in the twelve months of 2012, when compared to the same periods in 2011. These decreases were primarily due to the reduction in the Company's allocated share of the consolidated horse racing industry revenues from 50% to 42% as of January 1, 2012, as well as an overall decrease in the consolidated BC horse racing industry revenues.

Expenses

Human resources expenses increased by 10% in the fourth quarter and 11% in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These increases were primarily due to increased staffing levels to service the increase in gaming volumes, which included increased play from the new poker room at Fraser Downs Racetrack and Casino. Human resources expenses in the twelve months of 2012 also included non-recurring severance costs of $0.5.

Property, marketing and administration expenses were relatively consistent in the fourth quarter and twelve months of 2012, when compared to the same periods in 2011.

EBITDA

EBITDA decreased by 38% in the fourth quarter and 33% in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These decreases were primarily due to the decreases in racetrack revenues and increases in human resources expenses.

Labour Relations

A collective agreement between Hastings Entertainment Inc. and UNITE HERE!, Local 40, with a term covering April 1, 2008 through December 31, 2010, governs wages and working conditions of "employees engaged in the food and beverage dispensing at the Hastings Park Racecourse". Collective bargaining for a renewal collective agreement commenced on January 20, 2011.

A collective agreement between Hastings Entertainment Inc. and Canadian Office and Professional Employees Union ("COPE"), Local 378, with a term covering August 1, 2008 through July 31, 2011, and subsequently extended by mutual agreement to July 31, 2012, governs wages and working conditions of "Employees of Hastings Entertainment Inc., Hastings Park Racecourse employed at Exhibition Park except those excluded by the Code, employed by Hastings Entertainment Inc." On July 6, 2012, the parties agreed to "hold collective bargaining in abeyance until November 2012 due to the process of renewing the operating agreement for Hastings Racecourse and Slots Facility with the City of Vancouver". Collective bargaining for a renewal collective agreement commenced on February 25, 2013.

Recent Development

As described in the "Market Update" section of this MD&A, the Company has reached an agreement with the City of Vancouver, BC, for a two-year extension to the operating agreement for the Hastings Racecourse and Slots Facility on substantially the same terms.

Georgian Downs

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**3.0**	3.1	(3%)	**12.6**	12.7	(1%)
Racetrack revenues	**0.4**	0.4	0%	**1.6**	1.7	(6%)
Hospitality and other revenues	**0.5**	0.5	0%	**1.6**	1.7	(6%)
Revenues	**3.9**	4.0	(3%)	**15.8**	16.1	(2%)
Human resources	**0.7**	0.7	0%	**2.6**	2.6	0%
Property, marketing and administration	**0.8**	1.2	(33%)	**3.7**	4.2	(12%)
EBITDA	**$ 2.4**	$ 2.1	14%	**$ 9.5**	$ 9.3	2%
Human resources as a % of Revenues before Promotional allowances	**17.9%**	17.5%		**16.5%**	16.1%	
EBITDA as a % of Revenues	**61.5%**	52.5%		**60.1%**	57.8%	

Revenues
Revenues in the fourth quarter and twelve months of 2012 were relatively consistent with the same periods in 2011. Revenues included the effect of a change in the way OLG calculates gross gaming revenues under IFRS, which has reduced the related site holder payments. The Company estimates that this resulted in a negative annual impact of $0.3 for Georgian Downs, and has entered into arbitration with OLG to resolve this matter.

Expenses
Human resources expenses in the fourth quarter and twelve months of 2012 were consistent with the same periods in 2011.

Property, marketing and administration expenses decreased by 33% in the fourth quarter and 12% in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These decreases were primarily due to lower property taxes, utilities, and marketing expenses.

EBITDA
EBITDA increased by 14% in the fourth quarter and 2% in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These increases were primarily due to decreased property, marketing and administration expenses.

Labour Relations
A collective agreement between Georgian Downs and the Public Service Alliance of Canada, Local 00500, with a term covering September 18, 2010 through September 17, 2013, governs the wages and working conditions of employees in Georgian Downs' Mutuels, Maintenance, Food & Beverage, and Gift Shop departments.

Recent Development
As described in the "Major Developments" section of this MD&A, the Company has received notice from OLG regarding the early termination of Georgian Downs' site holder agreement effective March 31, 2013. The Company is in discussions with OLG to negotiate a lease arrangement that would facilitate the continued operation of Georgian Downs beyond March 31, 2013. Based on recent discussions, if a lease is agreed, the Company expects Georgian Downs' EBITDA will decline as compared to levels realized in 2012. If the Company is unable to enter into a lease agreement, further impairments may be recorded against the remaining long-lived assets of Georgian Downs.

Flamboro Downs

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**2.8**	3.0	(7%)	**12.0**	12.4	(3%)
Racetrack revenues	**0.7**	0.8	(13%)	**2.9**	3.2	(9%)
Hospitality and other revenues	**0.6**	0.7	(14%)	**2.6**	2.7	(4%)
Revenues	**4.1**	4.5	(9%)	**17.5**	18.3	(4%)
Human resources	**1.2**	1.2	0%	**5.0**	5.1	(2%)
Property, marketing and administration	**1.0**	1.2	(17%)	**4.7**	5.1	(8%)
EBITDA	**$ 1.9**	$ 2.1	(10%)	**$ 7.8**	$ 8.1	(4%)
Human resources as a % of Revenues before Promotional allowances	**29.3%**	26.7%		**28.6%**	27.9%	
EBITDA as a % of Revenues	**46.3%**	46.7%		**44.6%**	44.3%	

Revenues

Revenues at Flamboro Downs decreased by 9% in the fourth quarter and 4% in the twelve months of 2012, when compared to the same periods in 2011. These decreases included the effect of a change in the way OLG calculates gross gaming revenues under IFRS, which has reduced the related site holder payments. The Company estimates that this resulted in a negative annual impact of $0.3 for Flamboro Downs, and has entered into arbitration with OLG to resolve this matter.

Expenses

Human resources expenses in the fourth quarter and twelve months of 2012 were relatively consistent with the same periods in 2011.

Property, marketing and administration expenses decreased by 17% in the fourth quarter and 8% in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These decreases were primarily due to cost-efficiency initiatives.

Labour Relations

A collective agreement between Flamboro Downs Limited and Service Employees International Union ("SEIU"), Local 2, with a term covering January 1, 2011 through December 31, 2013, governs wages and working conditions of employees in the Mutuels, Maintenance & Janitorial, Security, Food & Beverage departments.

Recent Development

As described in the "Major Developments" section of this MD&A, the Company has received notice from OLG regarding the early termination of Flamboro Downs' site holder agreement effective March 31, 2013. The Company is in discussions with OLG to negotiate a lease arrangement that would facilitate the continued operation of Flamboro Downs beyond March 31, 2013. Based on recent discussions, if a lease is agreed, the Company expects Flamboro Downs' EBITDA will decline as compared to levels realized in 2012. If the Company is unable to enter into a lease agreement, further impairments may be recorded against the remaining long-lived assets of Flamboro Downs.

Corporate & Other

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Human resources	**$ 3.5**	3.4	3%	**$ 13.5**	13.9	(3%)
Property, marketing and administration	**1.6**	1.9	(16%)	**6.7**	6.4	5%
EBITDA	**$ (5.1)**	$ (5.3)	4%	**$ (20.2)**	$ (20.3)	0%

EBITDA
Corporate & Other EBITDA in the fourth quarter and twelve months of 2012 were relatively consistent with the same periods in 2011.

Discussion of Items Excluded from EBITDA

Amortization
Amortization decreased by $1.9 in the fourth quarter and $6.9 in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These decreases were primarily due to the impairment of Hastings Racecourse and Slot Facility's property, plant and equipment at December 31, 2011. These decreases were partially offset by the net increase in amortization expense associated with the impairment of Georgian Downs and Flamboro Downs as described in the "Major Developments" section of this MD&A.

Share-Based Compensation
Share-based compensation of $0.2 in the fourth quarter of 2012 (2011 - $0.6) consists of equity-settled share-based compensation of $0.4 (2011 - $0.5) and a decrease in the fair-value of the cash-settled share-based compensation of $0.2 (2011 - increase of $0.1). Share-based compensation decreased by $0.4 in the fourth quarter of 2012, when compared to the fourth quarter of 2011. This decrease was primarily due to a lower average number of unvested share options outstanding and a decrease in share price during the fourth quarter of 2012, when compared to the fourth quarter of 2011.

Share-based compensation of $3.6 in the twelve months of 2012 (2011 - $4.9) comprises equity-settled share-based compensation of $2.2 (2011 - $3.9) and cash-settled share-based compensation of $1.4 (2011 - $1.0). Share-based compensation decreased by $1.3 in the twelve months of 2012, when compared to the twelve months 2011. This decrease was primarily due to a lower average number of unvested share options outstanding, offset by an increase in share price during the twelve months of 2012, when compared to the twelve months of 2011.

Equity Investment Loss and Other
Equity investment loss and other increased by $1.5 in the fourth quarter and $3.5 in the twelve months of 2012. These increases were primarily due to the equity investment loss arising from the Company's investment in PDX, as described in the "Major Developments" section of this MD&A, and the increase in provision related to the contingent future trailing payments for the Chilliwack Bingo acquisition. These increases were partially offset by decreased business development expenses.

Litigation Settlement
The litigation settlement of $11.0 in the twelve months of 2012 related to the settlement of a long-standing legal dispute with a former Ontario-based consultant, as described in the "Liquidity and Capital Resources – Litigation" section of this MD&A.

Interest and Financing Costs, net
Interest and financing costs, net of interest income, increased by $0.7 in the fourth quarter of 2012, when compared to the fourth quarter of 2011. This increase was primarily due to the increase in long-term debt related to the debt refinancing as described in the "Capital Resources" section of this MD&A.

Interest and financing costs, net of interest income increased by $7.5 in the twelve months of 2012, when compared to the twelve months of 2011. This increase was primarily due to non-recurring expenses of $3.9 associated with the Subordinated Notes redemption and $2.4 in previously deferred financing transaction costs related to the Subordinated Notes and Term Loan B, which were expensed during the twelve months of 2012 as part of the debt refinancing, as described in the "Capital Resources" section of this MD&A. This increase was also due to the increase in long-term debt related to the debt refinancing.

Impairment of Long-Lived Assets
In the fourth quarter of 2012, the Company recorded a $6.9 impairment of long-lived assets related to land in Ontario that was written down to its estimated recoverable amount.

In the twelve months of 2012, the Company recorded a non-cash impairment charge of $50.8 associated with the early termination notice of the site holder agreements for Georgian Downs and Flamboro Downs, as described in the "Major Developments" section of this MD&A, as well as a non-cash impairment charge of $10.3 related to land in Ontario that was written down to its estimated recoverable amount.

Impairment of long-lived assets was $4.4 in the fourth quarter and twelve months of 2011. This non-cash impairment charge was associated with declines and uncertainty in the economic outlook of Hastings Racecourse and Slots Facility.

Impairment of Goodwill
A $3.2 goodwill impairment was recorded in the first quarter of 2012. This non-cash impairment charge reflects the full write-off of goodwill associated with the early termination notice of the site holder agreement for Georgian Downs, as described in the "Major Developments" section of this MD&A.

Foreign Exchange Loss and Other
Foreign exchange loss and other expenses increased by $0.7 in the fourth quarter and $3.6 in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These non-cash variances were primarily due to the settlement of the cross-currency interest rate and principal swaps in the twelve months of 2012, and the discontinuation of hedge accounting for a portion of the cash flows in the twelve months of 2011 as described in the "Capital Resources" section of this MD&A.

Income Taxes
Income taxes increased by $3.2 in the fourth quarter of 2012, when compared to the fourth quarter of 2011. This increase was primarily due to higher earnings before income taxes and was partially offset by a corporate income tax rate that was 1.5 percentage points lower in 2012, when compared to 2011.

Income taxes decreased by $14.8 in the twelve months of 2012, when compared to the twelve months of 2011. This decrease was primarily due to lower (loss) earnings before income taxes and a corporate income tax rate that was 25.0% in 2012 compared to 26.5% in 2011.

CONSOLIDATED QUARTERLY RESULTS TREND

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010
Revenues	$ 102.8	$ 101.8	$ 101.3	$ 102.8	$ 95.7	$ 101.0	$ 99.5	$ 92.0	$ 97.2
EBITDA	$ 37.5	$ 35.8	$ 35.3	$ 39.0	$ 31.0	$ 38.6	$ 37.8	$ 31.5	$ 35.0
EBITDA as a % of Revenues	36.5%	35.2%	34.8%	37.9%	32.4%	38.2%	38.0%	34.2%	36.0%
Net earnings (loss)	$ 2.5	$ (0.9)	$ 2.7	$ (31.9)	$ 2.3	$ 7.9	$ 10.3	$ 5.7	$ (29.5)
Net earnings (loss) per common share									
Basic	$ 0.04	$ (0.01)	$ 0.03	$ (0.39)	$ 0.03	$ 0.10	$ 0.12	$ 0.07	$ (0.36)
Diluted	$ 0.03	$ (0.01)	$ 0.03	$ (0.39)	$ 0.03	$ 0.09	$ 0.12	$ 0.07	$ (0.36)

The Company's revenues trend reflects year-over-year growth in gaming revenues as well as hospitality and other revenues. Gaming revenues have increased primarily due to improvements at River Rock, incremental revenues from the acquisition of Chilliwack Bingo in May 2011, and the commencement of slot machine operations at Chances Chilliwack in November 2012. Hospitality and other revenues have experienced increases primarily attributable to the new hotel tower at River Rock, which opened in October 2011, as well as improvements in food and beverage offerings. However, there has been an overall declining trend in horse racing industry revenues. The Company's allocated share of the consolidated horse racing industry revenues in BC was reduced from 50% to 42%, effective January 1, 2012.

Although the Company continues to focus on operating efficiencies, both EBITDA and EBITDA as a percentage of revenues reflect fluctuations in table hold percentages, in addition to the non-recurring severance costs and the start-up costs for the new hotel at River Rock, which opened in October 2011.

The net earnings (loss) trend reflects the items noted above, as well as certain impairment charges, equity investment losses, business development expenses, litigation settlement costs, expenses associated with the debt refinancing and settlement of the related derivative liabilities, and the related income tax effects.

LIQUIDITY AND CAPITAL RESOURCES

The Company manages liquidity risks by closely monitoring its capital structure and operating costs, regularly monitoring forecast and actual cash flows, taking a conservative approach to capital investment, managing the maturity profiles of financial assets and financial liabilities and maintaining credit capacity within its Revolving Credit Facility.

As at December 31, 2012, the Company had:

- Relatively low levels of receivables of which the majority are due from: sales tax rebates from the federal government, racetrack operators, other provincial gaming corporations, and financial institutions;
- Low exposure to foreign currency exchange rate movements and low exposure to floating interest rate changes since it has relatively low levels of foreign denominated assets and liabilities and has fixed interest rates with its Canadian dollar denominated Senior Unsecured Notes;
- $320.1 of available credit on its Revolving Credit Facility, subject to compliance with the related financial covenants;
- Ability to access additional debt capacity within the limitations established by the covenants on its existing credit and debt facilities; and
- Counterparties to its existing debt and credit facilities that are primarily major financial institutions that have minimum grade "A" credit ratings.

On July 24, 2012, the Company completed a refinancing of its long-term debt and settled the related derivative liabilities, as described in the "Capital Resources" section of this MD&A.

On August 21, 2012, the Company accepted for purchase 10,000,000 validly tendered common shares to a substantial issuer bid at a purchase price of $10.00 per share for a total of $100.0.

Financial Position

	As at December 31,								
		2012		2011	% Chg		2010	% Chg
Cash and cash equivalents	**$**	**116.2**	$	134.7	(14%)	$	50.9	165%
Short-term investments		**-**		-			53.0	(100%)
Other current assets		**18.7**		22.6	(17%)		16.8	35%
Property, plant and equipment		**621.3**		663.6	(6%)		663.0	0%
Other long-term assets		**106.5**		155.2	(31%)		162.5	(4%)
Total Assets	**$**	**862.7**	$	976.1	(12%)	$	946.2	3%
Current liabilities	**$**	**63.8**	$	64.9	(2%)	$	60.8	7%
Long-term debt & Derivative liabilities (excluding current portion)		**439.9**		398.9	10%		393.4	1%
Other long-term liabilities		**78.7**		89.9	(12%)		90.9	(1%)
Total Liabilities		**582.4**		553.7	5%		545.1	2%
Shareholders' equity		**280.3**		422.4	(34%)		401.1	5%
Total Liabilities and Shareholders' equity	**$**	**862.7**	$	976.1	(12%)	$	946.2	3%

Total Assets

Total assets decreased by $113.4 as at December 31, 2012, when compared to the total assets as at December 31, 2011. This decrease was primarily due to the cash outflow of $130.1 to repurchase common shares, non-cash impairment charges, and the amortization of property, plant and equipment and intangible assets. These decreases were partially offset by cash generated by operating activities, additions to property, plant and equipment, and net proceeds of $31.7 associated with the debt refinancing, as described in the "Capital Resources" section of this MD&A.

Total assets increased by $29.9 as at December 31, 2011, when compared to the total assets as at December 31, 2010. This increase was primarily due to cash generated by operating activities, additions to property, plant and equipment on the Company's major development projects, and the acquisition of Chilliwack Bingo. These increases were partially offset by cash outflows to service financial obligations and amortization of property, plant and equipment and intangible assets.

Total Liabilities

Total liabilities increased by $28.7 as at December 31, 2012, when compared to the total liabilities as at December 31, 2011. This increase was primarily due to the increase in long-term debt related to the debt refinancing, as described in the "Capital Resources" section of this MD&A. This increase was partially offset by the decrease in deferred tax liabilities associated with the impairments of Georgian Downs' and Flamboro Downs' long-lived assets.

Total liabilities increased by $8.6 as at December 31, 2011, when compared to the total liabilities as at December 31, 2010. This increase was primarily due to the increase in long-term debt associated with the weakening Canadian dollar's effect on the underlying U.S. dollar debt, and an increase in current liabilities associated with the construction related activities described in the "Major Developments" section of this MD&A. This increase was partially offset by a decrease in the fair value of the Company's cross-currency interest rate and principal swaps relating to the Term Loan B and Subordinated Notes.

Shareholders' equity
Shareholders' equity decreased by $142.1 as at December 31, 2012, when compared to shareholders' equity as at December 31, 2011. This decrease was primarily due to the common shares repurchased under the substantial issuer bid and normal course issuer bid totalling $130.1, and a net loss of $27.6. This decrease was partially offset by share options exercised of $7.9, other comprehensive income of $5.5, and equity-settled share-based compensation of $2.2.

Shareholders' equity increased by $21.3 as at December 31, 2011, when compared to shareholders' equity as at December 31, 2010. This increase was primarily due to net earnings of $26.2, equity-settled share-based compensation of $3.9, and share options exercised of $3.4. These increases were partially offset by the repurchased common shares of $10.6 and the decrease in accumulated other comprehensive income of $1.6.

Cash Flows

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Net cash generated by operating activities	**$ 38.0**	$ 31.1	22%	**$ 123.4**	$ 121.0	2%
Cash (used in) generated by investing activities	**(5.3)**	(5.5)	4%	**(27.4)**	1.5	
Cash used in financing activities	**-**	(1.9)	100%	**(114.9)**	(39.5)	(191%)
Effect of foreign exchange on cash and cash equivalents	**0.3**	(0.1)		**0.4**	0.8	(50%)
Cash inflow (outflow)	**$ 33.0**	$ 23.6	40%	**$ (18.5)**	$ 83.8	

Net cash generated by operating activities was higher in the fourth quarter of 2012, when compared to the fourth quarter of 2011. This increase was primarily due to higher in EBITDA in the fourth quarter of 2012. Net cash generated by operating activities was higher in the twelve months of 2012, when compared to the twelve months of 2011. This increase was primarily due to increased EBITDA and lower income tax instalment payments in the twelve months of 2012, which was largely offset by the cash payment associated with the Litigation Settlement of $11.0 in July 2012, as described in the "Litigation" section of this MD&A.

Cash used in investing activities in the fourth quarter and twelve months of 2012 were primarily due to the development of both the Chances Chilliwack community gaming centre and the permanent Maple Ridge community gaming centre, the redevelopment of Boulevard, and upgrades at River Rock's first two hotel towers. Cash used in investing activities in the fourth quarter of 2011 was primarily due to the development of the third hotel tower at River Rock, the development of both the Chances Chilliwack community gaming centre and the permanent Maple Ridge community gaming centre. Cash generated by investing activities in the twelve months of 2011 was primarily offset by cash used in capital expenditures, which included the third hotel tower at River Rock and the Chances Chilliwack community gaming centre.

Cash used in financing activities in the fourth quarter of 2012 was primarily related to bank charges and other fees of $0.7, which was offset by cash received of $0.7 from the exercise of share options. Cash used in financing activities in the fourth quarter of 2011 was primarily related to interest payments of $3.7 and the quarterly debt repayment on the Term Loan B, which was partially offset by common shares issued for cash of $2.4. Cash used in financing activities was higher in the twelve months of 2012, when compared to the twelve months of 2011. This increase was primarily due to the repurchase of common shares of $130.1 in the twelve months of 2012. This increase was partially offset by the net proceeds associated with the debt refinancing, as described in the "Capital Resources" section of this MD&A.

Capital Resources

Long-Term Debt and Capital Structure

	December 31, 2012	December 31, 2011
Senior Unsecured Notes, net of unamortized transaction costs of $10.1 (2011 - $nil)	**$ 439.9**	$ -
Term Loan B, net of unamortized transaction costs of $nil (2011 - $1.1)	**-**	163.7
Senior Subordinated Notes and unamortized premium of $nil (2011 - $0.8), net of unamortized transaction costs of $nil (2011 - $2.7)	**-**	170.9
	439.9	334.6
Less: current portion	**-**	2.0
	$ 439.9	$ 332.6

On July 24, 2012, the Company completed a long-term debt refinancing and issued $450.0 of 6.625% Senior Unsecured Notes due on July 25, 2022. The net proceeds were $439.5 after transaction costs of $10.5. The use of proceeds included repayment of the US$161.1 Term Loan B, repurchase or redemption of the US$170.0 Subordinated Notes, settlement of the derivative liabilities associated with the related cross-currency interest rate and principal swaps, and the remainder was retained for general corporate purposes.

The Senior Unsecured Notes are guaranteed by the Company's material restricted subsidiaries as defined in the long-term debt agreement covering the Trust Indenture. Interest on the Senior Unsecured Notes is payable semi-annually in arrears on January 25 and July 25 of each year. There are customary provisions for early redemptions of the Senior Unsecured Notes during defined periods prior to maturity with payment of defined premiums.

As part of this debt refinancing, on July 5, 2012, the Company commenced a cash tender offer and consent solicitation with respect to the Subordinated Notes ("Tender Offer"). A total of approximately US$146.7 (or 86.3%) of the US$170.0 Subordinated Notes were validly tendered and repurchased under the Tender Offer, which expired on August 2, 2012. On July 24, 2012, the Company issued a 30 day advanced notice of mandatory redemption of the remaining US$23.3 Subordinated Notes, which were outstanding after the Tender Offer. These remaining Subordinated Notes were redeemed on August 23, 2012. The total transaction costs of $3.9 associated with the repurchase and redemption of the Subordinated Notes were expensed as "interest and financing costs, net" on the consolidated statements of earnings (loss), and included a $3.1 the tender premium, a $0.4 redemption premium, and legal and other costs of $0.4.

Transaction costs of approximately $10.5 associated with the issuance of the Senior Unsecured Notes were primarily related to underwriting fees, legal fees, and other expenses, and will be amortized to "interest and financing costs, net" on the consolidated statements of earnings (loss) over the term of the Senior Unsecured Notes using the effective interest method.

On July 21, 2011, the Company completed an amendment of its February 14, 2007 Credit and Guarantee Agreement ("Credit Agreement") which covers the terms of its Revolving Credit Facility. Consequently, the Company's previous undrawn $200.0 Revolving Credit Facility was increased to a maximum limit of $350.0 and extended to July 21, 2016. On July 24, 2012, the Company further extended the maturity of its $350.0 Revolving Credit Facility by one year to July 21, 2017.

Transaction costs associated with refinancing the Revolving Credit Facility of $2.8 during the year ended December 31, 2011 and $0.5 during the year ended December 31, 2012 are included in the "other assets" line of the consolidated statements of financial position and will be amortized through the "interest and financing costs, net" line of the consolidated statements of earnings (loss) over the term of the Revolving Credit Facility using the effective interest method.

As a result of this debt refinancing, previously deferred financing transaction costs and premium associated with the Term Loan B and Subordinated Notes of $2.4 were expensed as "interest and financing costs, net" on the consolidated statements of earnings (loss).

As at December 31, 2012, the Company was in compliance with its financial covenants as shown below:

Covenant test	Required ratio	Actual ratio
Total Debt to Adjusted EBITDA ratio [1]	< 5.00	3.02
Senior Secured Debt to Adjusted EBITDA ratio [1]	< 3.50	0.00
Interest Coverage ratio [1]	> 2.25	5.04
Fixed Charge Coverage ratio [2]	> 2.00	5.05

[1] Calculated on a trailing twelve month basis and defined in the Credit and Guarantee Agreement, as amended on July 24, 2012.

[2] Calculated on a trailing twelve month basis and tested on specified events as defined in the long-term debt agreement covering the Trust Indenture dated July 24, 2012.

The Company's independent credit ratings as at December 31, 2012 were as follows:

	Moody's	Standard & Poor's
Corporate	Ba3 Stable	BB+ Stable
Revolving Credit Facility	Ba1	BBB
Senior Unsecured Notes	B1	BB+

Cross-Currency Interest Rate and Principal Swap Agreements

In 2007, the Company entered into cross-currency interest rate and principal swaps to hedge the U.S. dollar exchange rate and interest rate risks associated with the Term Loan B and Subordinated Notes issued that year. The Company designated these cross-currency interest rate and principal swaps as cash flow hedges, wherein the effective portion of the swap was recorded in "other comprehensive income".

On July 24, 2012, as part of the long-term debt refinancing, the Company settled all of its cross-currency interest rate and principal swaps and paid $69.9 to its counterparties, which represented the fair value of the swaps. Accordingly, the accumulated $8.1 loss on derivatives designated as cash flow hedges within "accumulated other comprehensive loss" was reclassified to "foreign exchange loss and other", which reflects the fair value changes of the underlying elements of the cross-currency interest rate and principal swaps.

During the year ended December 31, 2011, the Company completed an amendment of its February 14, 2007 Credit and Guarantee Agreement. In connection with this amendment, the Company discontinued hedge accounting for a portion of the cash flows associated with the Term Loan B and Subordinated Notes cross-currency interest rate and principal swaps. As a result, the Company recorded a $0.8 gain in the fourth quarter and $5.0 loss in the twelve months of 2011 as "foreign exchange loss and other" on the consolidated statements of earnings (loss) during the year ended December 31, 2011.

Outstanding Share Data

As at December 31, 2012, there were 70,436,319 common shares issued and outstanding compared to 82,476,558 as at December 31, 2011. This decrease was primarily due to the purchase and cancellation of common shares under the Company's issuer bids during the year ended December 31, 2012.

As at December 31, 2012, there were 4,492,850 share options outstanding at a weighted-average exercise price of $7.08. Subsequent to December 31, 2012, the Company granted 1,425,000 share options at an exercise price of $9.11.

As at March 5, 2013, there were 70,543,819 common shares outstanding and 5,557,016 share options outstanding.

Capital Spending and Development

Under its operating agreements in BC, the Company earns a commission on capital investments as a percentage of Gross Gaming Revenues. Under its operating agreement in Nova Scotia, the Company is reimbursed for the majority of its capital projects. The majority of the Company's capital expenditures on gaming operations in British Columbia and Nova Scotia are eligible for reimbursement by the provincial gaming authorities. In British Columbia, through the FDC program, BCLC provides commissions for approved capital and operating expenditures related to the development or improvement of gaming properties as defined in the operating services agreements. Currently, the FDC percentage is 3% of the Gross Gaming Revenues from gaming activities. BCLC provides for an accelerated FDC equal to 2% of the Gross Gaming Revenues towards site-specific reimbursements of new gaming redevelopments. The accelerated FDC is limited to the initial redevelopment of a property and continues to be received until the approved eligible costs of the redevelopment are recovered.

The following table summarizes the changes in the Company's Approved Amounts (a term defined in the Company's operating services agreements with BCLC) to be recovered by future FDC receipts from BCLC:

	Year ended December 31,	
	2012	2011
Opening Approved Amounts	**$ 424.4**	$ 445.0
Additional Approved Amounts	**22.8**	11.5
FDC receipts	**(35.2)**	(32.1)
Closing Approved Amounts	**$ 412.0**	$ 424.4

The differences between the FDC Approved Amounts and the additions to property, plant and equipment are primarily due to the difference in timing between when the expenditures are incurred, when the invoices are received, and when they are submitted to BCLC for approval.

Approved expenditures incurred to improve or maintain the two Nova Scotia casinos facilities are reimbursed by NSPLCC from a Capital Reserve Account ("CRA"). The Company is required to make contributions to the CRA equal to 5% of the annual gross operational revenues from the two Nova Scotia casinos with a minimum contribution of approximately $5.0 per year adjusted for inflation since April 2010. If the CRA is in a deficit balance, the amount owed to the Company accrues interest at a rate of bank prime plus 2% per annum.

During the fourth quarter and twelve months of 2012, the Company's maintenance capital expenditures net of related accounts payable totalled $0.5 and $3.3. Maintenance capital expenditures were primarily related to various property upgrades and information technology. Development capital expenditures net of related accounts payable of $5.3 and $16.2 during the fourth quarter of 2012 and the twelve months of 2012 were primarily related to the recently opened Chances Chilliwack, the permanent Maple Ridge community gaming centre, the redevelopment of Boulevard, and upgrades at River Rock's first two hotel towers. For the upcoming twelve months of 2013, the Company estimates that development capital expenditures and maintenance capital expenditures net of related accounts payable will total approximately $20 and $10, respectively.

Contingencies

The Company has issued letters of credit to guarantee performance primarily under gaming cash floats, construction contracts, and provincial gaming corporation payables in the aggregate amount of $29.9 as at December 31, 2012 (2011 - $32.3).

Litigation

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. 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 had significantly different views as to the consultant's monetary entitlement under the agreement. On June 29, 2012, the Company settled this legal dispute and made a total cash payment of $11.0, which was recorded as a "litigation settlement" expense in the consolidated statements of earnings (loss) for the year ended December 31, 2012. The settlement of this dispute permits the Company to focus on managing the business and to cease incurring the ongoing legal fees and other costs associated with this dispute.

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.

Guarantees and Indemnifications

The Company may provide guarantees and indemnifications in conjunction with transactions in the normal course of operations. These are recorded as liabilities when reasonable estimates of the obligations can be made. Guarantees and indemnifications that the Company has provided include obligations to indemnify:

- directors and officers of the Company and its subsidiaries for potential liability while acting as a director or officer of the Company, together with various expenses associated with defending and settling such suits or actions due to association with the Company, the risk of which is mitigated by the Company's directors' and officers' liability insurance;
- certain vendors of acquired companies or properties for obligations that may or may not have been known at the date of the transaction;
- certain financial institutions for costs that they may incur as a result of representations made in our debt and equity offering documents; and
- lessors of leased properties for personal injury claims that may arise at the facilities we operate.

Commitments

The Company expects the following maturities of its financial liabilities (including interest), operating leases and other contractual commitments:

	Expected payments by period as at December 31, 2012				
	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	$ 60.4	$ -	$ -	$ -	$ 60.4
Income taxes payable	0.5	-	-	-	0.5
Senior Unsecured Notes	29.8	59.6	59.6	599.1	748.1
Provisions	1.0	1.7	0.6	6.5	9.8
Operating leases	5.6	4.6	3.0	8.1	21.3
Other contractual commitments	5.6	1.9	0.2	0.6	8.3
Total	$ 102.9	$ 67.8	$ 63.4	$ 614.3	$ 848.4

Operating leases include a ground lease with the City of Surrey, BC for Fraser Downs Racetrack and Casino, an operating agreement with the City of Vancouver, BC for Hastings Racecourse and Slots Facility, property leases for the Company's head office, and a ground lease with the City of Sydney, NS for Casino Nova Scotia Sydney.

Other contractual commitments include the acquisition of property, plant and equipment of $1.0 (2011 – $3.3), various service contracts of $4.6 (2011 – $7.4), and amounts committed to NSPLCC to fund responsible gaming programs of $2.7 (2011 – $3.9).

Expected payments related to facility development projects are not reflected in this table unless they are contractually committed.

Future Cash Requirements

Management believes that the Company's current operational requirements and major development plans can be funded from existing cash and cash equivalents, cash generated from operations, and existing capacity on our Revolving Credit Facility. If future circumstances dictate an increased cash requirement and we elect not to delay, limit, or eliminate some of our plans, we may raise additional funds through the refinancing of existing debt, the issuance of additional debt that fits within the limitations established by the covenants on our existing credit and debt facilities, the issuance of hybrid debt-equity securities, or additional equity securities. If the Company needs to access the capital markets for additional financial resources, we believe we will be able to do so at prevailing market rates.

OTHER FINANCIAL INFORMATION

Related Party Transactions

As defined under IAS 24, *Related Party Disclosures*, key management personnel comprise the Company's Board of Directors and executive officers. Key management compensation was as follows:

	Fourth Quarter		Twelve Months of	
	2012	2011	**2012**	2011
Human resources [1]	**$ 0.6**	$ 0.2	**$ 2.3**	$ 2.9
Share-based compensation [2]	**-**	0.2	**2.3**	2.8
Total	**$ 0.6**	$ 0.4	**$ 4.6**	$ 5.7

[1] Human resources includes salaries and other short-term employee benefits.

[2] Share-based compensation includes equity and cash settled share-based compensation.

As at December 31, 2012, the liabilities of the Company included amounts due to key management personnel of $0.9 (2011 - $1.0) in "accounts payable and accrued liabilities" and $2.2 (2011 - $0.8) in "deferred credits, provisions and other liabilities" in the consolidated statements of financial position.

Business Development Costs

Certain business development costs of $1.1 previously presented as "property, marketing and administration" on the consolidated statements of earnings (loss) for the twelve months ended December 31, 2011, have been retrospectively reclassified to "equity investment loss and other." As these costs are non-recurring, this revised presentation provides more useful comparative information regarding the Company's business development activities and operating financial performance.

Changes in Accounting Policies

Effective January 1, 2012, the Company adopted the following revised IFRSs issued by the IASB. These revised IFRSs did not have a material impact on the Company's consolidated financial statements.

- *IAS 12, Income Taxes* – amended to provide a practical solution to determining the recovery of investment properties as it relates to accounting for deferred taxes.

- *IFRS 7, Financial Instruments: Disclosures* – amended to increase the disclosure requirements in connection with the transfer of financial assets to a third party that are not derecognised from the Company's consolidated financial statements.

Recent Accounting Pronouncements

The IASB issued the following new and revised standards addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements with other entities:

- *IFRS 10, Consolidated Financial Statements ("IFRS 10")* – replaces the consolidation guidance in IAS 27 (2008), *Consolidated and Separate Financial Statements* ("IAS 27 (2008)"), and SIC-12, *Consolidated Special Purpose Entities*, by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee.

- *IFRS 11, Joint Arrangements ("IFRS 11")* – replaces IAS 31, *Interests in Joint Ventures*. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed.

- *IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12")* – requires enhanced disclosures about the entity's interests in subsidiaries, joint arrangements and associates, and unconsolidated structured entities.

- *IAS 27 (2011), Separate Financial Statements* – the consolidation requirements previously forming part of IAS 27 (2008) have been revised and are now contained in IFRS 10.

- *IAS 28 (2011), Investments in Associates and Joint Ventures* – amended to conform to changes based on the issuance of IFRS 10, IFRS 11, and IFRS 12.

These five standards must be adopted concurrently and are effective for annual periods beginning on or after January 1, 2013. These standards are not expected to have a material impact on the Company's consolidated financial statements.

The IASB also issued the following new and revised accounting pronouncements, which are not expected to have a material impact on the Company's consolidated financial statements:

Effective for annual periods beginning on or after January 1, 2013:

- *IAS 1, Presentation of Financial Statements* – amended to clarify the requirements for comparative information in the financial statements.

- *IAS 19, Employee Benefits (2011)* – amended to change the accounting for defined benefit plans and terminations benefits, and improve the understandability and usefulness of disclosures.

- *IAS 16, Property, Plant and Equipment ("IAS 16")* – amended to clarify the classification of servicing equipment.

- *IAS 32, Financial Instruments: Presentation* – amended to clarify that the tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12.

- *IAS 34, Interim Financial Reporting* – amended to clarify the requirements for segment information related to total assets and total liabilities.

- *IFRS 13, Fair Value Measurement* – provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.

Effective for annual periods beginning on or after January 1, 2015:

- *IFRS 9, Financial Instruments* ("IFRS 9") – replaces IAS 39, *Financial Instruments: Recognition and measurement* ("IAS 39"). IFRS 9 simplifies the classification and measurement requirements for financial instruments, which replaces the multiple classification and measurement models in IAS 39.

Critical Accounting Estimates and Judgments

The Company's reported financial position and results of operations are dependent on the selection of accounting policies that are based on IFRS and accounting estimates that underlie the preparation of the Company's Annual Financial Statements. The Company's Annual Financial Statements contain a summary of its significant accounting policies and accounting estimates. Estimates by their nature are subject to risks, uncertainties and assumptions, which could cause the Company's financial position and operating results to differ materially from those presented in the Company's Annual Financial Statements. Future changes in accounting estimates will be applied on a prospective basis.

The estimates used in determining the recorded amounts in the Company's Annual Financial Statements include the following:

- *Impairment of long-lived assets and goodwill*

  The determination of a long-lived asset or goodwill impairment requires significant estimates and assumptions to determine the recoverable amount of an asset and/or CGU, wherein the recoverable amount is the higher of fair value less costs to sell and value in use. The value in use method involves estimating the net present value of future cash flows derived from the use of the asset and/or CGU, discounted at an appropriate rate.

  The estimates of future cash flows require a number of key assumptions about future business performance. These assumptions and estimates are primarily based on the relevant business' historical experience, economic trends, and consider past communications with relevant stakeholders of the Company. These key assumptions include the future revenue levels and EBITDA margin as a percentage of revenues. The assumptions are subject to a number of factors and it is possible that actual results could vary materially from management's estimates. Significant changes in the key assumptions utilized in the estimate of future cash flows could result in an impairment loss or reversal of an impairment loss.

- *Estimated useful lives of long-lived assets*

  Judgment is used to estimate each component of an asset's useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost, and renewal history. If the estimated useful lives were incorrect, this could result in an increase or decrease in the annual amortization expense, and future impairment charges or recoveries.

- *Fair value of net assets acquired in business combinations*

  The cost of an acquired business ("purchase price") is assigned to the identifiable tangible and intangible assets purchased and liabilities assumed on the basis of their fair values at the date of acquisition. The identification of assets purchased and liabilities assumed and the valuation thereof is specialized and judgmental. Where appropriate, the Company engages business valuators to assist in the valuation of tangible and intangible assets acquired. Any excess of purchase price over the fair value of the identifiable tangible and intangible assets purchased and liabilities assumed is allocated to goodwill.

  When a business combination involves contingent consideration, an amount equal to the fair value of the contingent consideration is recorded as a liability at the time of acquisition. The key assumptions utilized in determining fair value may include probabilities associated with the occurrence of specified future events, financial projections of the acquired business, the timing of future cash flows, and the appropriate discount rate.

- *Fair value of assets acquired in business transactions with non-monetary consideration*

  The Company measures the fair value of assets acquired in business transactions with non-monetary consideration at the fair value of the asset given up or the fair value of the asset received, whichever is more reliably measurable. Measurement of fair value is based on an analysis of pertinent information that may include third-party asset appraisals, market values evidenced from similar transactions, and discounted cash flows.

- *Equity-settled share-based compensation*

  The Company estimates the cost of equity-settled share-based compensation using the Black-Scholes option pricing model. The model takes into account an estimate of the expected life of the option, the current price of the underlying common share, the expected volatility, an estimate of future dividends on the underlying common share, the risk-free rate of return expected for an instrument with a term equal to the expected life of the option, and the expected forfeiture rate.

- *Income taxes*

  Deferred tax assets and liabilities are due to temporary differences between the carrying amount for accounting purposes and the tax basis of certain assets and liabilities, as well as undeducted tax losses. Estimation is required for the timing of the reversal of these temporary differences and the tax rate applied. The carrying amounts of assets and liabilities are based on amounts recorded in the financial statements and are subject to the accounting estimates inherent in those balances. The tax basis of assets and liabilities and the amount of undeducted tax losses are based on the applicable income tax legislation, regulations and interpretations. The timing of the reversal of the temporary differences and the timing of deduction of tax losses are based on estimations of the Company's future financial results.

  Changes in the expected operating results, enacted tax rates, legislation or regulations, and the Company's interpretations of income tax legislation will result in adjustments to the expectations of future timing difference reversals and may require material deferred tax adjustments.

- *Contingencies*

  Provisions are accrued for liabilities with uncertain timing or amounts, if, in the opinion of management, it is both likely that a future event will confirm that a liability had been incurred at the date of the financial statements and the amount can be reasonably estimated. In cases where it is not possible to determine whether such a liability has occurred, or to reasonably estimate the amount of loss until the performance of some future event, no accrual is made until that time. In the ordinary course of business, the Company may be party to legal proceedings which include claims for monetary damages asserted against the Company and its subsidiaries. The adequacy of provisions is regularly assessed as new information becomes available.

  The Company does not record contingent assets.

The judgments used in applying the Company's significant accounting policies include the following:

- *Hedge accounting*

  The Company designated its cross-currency interest rate and principal swaps as cash flow hedges, and assessed the effectiveness of its hedging instruments at each reporting period up to their settlement on July 24, 2012, as described in the "Capital Resources" section of this MD&A. The fair values of the Company's cross-currency interest rate and principal swaps were based on credit risk adjusted discounted cash flows that require assumptions regarding the U.S. dollar exchange rate and discount rates, which were based on the prevailing U.S. dollar exchange rates and prevailing interest rates in Canada and U.S.

  The Company applied hedge accounting as it believed this was more representative of the economic substance of the underlying transactions. If the Company chooses to revoke this designation at a future period, the changes in fair value of the cross-currency interest rate and principal swaps would have been recorded in the consolidated statements of earnings (loss).

- *Determination of CGUs*

  The Company's assets are grouped into CGUs based on their ability to generate separate identifiable cash flows. The determination of CGUs involves an assessment regarding the interdependency of cash inflows, and the Company's organizational structure.

Financial Instruments and Other Instruments

The Company's risk management strategy is to minimize exposure to currencies other than the Canadian dollar and, with the exception of revolving lines of credit, to fix substantially all of its floating interest rate debt. The financial instruments that give rise or may give rise to the most significant exposure to floating interest rate risk is the Revolving Credit Facility.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

The Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal controls over financial reporting to provide reasonable assurance a) that material information about the Company and its subsidiaries would have been made known to them and b) regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

The Chief Executive Officer and Chief Financial Officer have evaluated and conclude that the Company's disclosure controls and procedures are adequately designed and effective for providing reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would have been made known to them as of the end of the fiscal year ended December 31, 2012.

As well, as of the end of the fiscal year ended December 31, 2012, the Chief Executive Officer and Chief Financial Officer have evaluated and concluded that the Company's internal controls over financial reporting, designed under the Committee of Sponsoring Organizations of the Treadway Commission's internal control integrated framework, are adequately designed and effective for providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

During 2012 there was no change in the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Definitions of Other Terms Used in the MD&A

Gross Gaming Revenues – the amounts wagered on gaming activities, less the payout or prizes to winning customers.

Provincial / State Government Portion of Gross Gaming Revenues – the amounts paid to provincial or state governments related to gaming activities.

Racebook – an off-racetrack betting facility for pari-mutuel wagering on live horse races displayed by television broadcasts operated by the Company or TBC.

Revenues – the sum of the following:

- Casino gaming in BC – gaming revenues are net of amounts paid to BCLC (provincial government portion is 60% of the win on most table games and 75% of the slot machine win) and are net of accruals for anticipated payouts of progressive slot machine jackpots and progressive table game payouts.

- Bingo and slots at a community gaming centre in BC – gaming revenues are net of amounts paid to BCLC (provincial government portion is 75% of the win on slots, and 40% to 75% of the weekly bingo win) and are net of prizes.

- Horse racing in BC and Ontario – Racetrack revenues represent the Company's share of total wagering less amounts returned as winning wagers, provincial and federal taxes, and includes the host track share of wagering on the Company's races simulcast to other associations.

- Casino gaming in Washington – gaming revenues are net of county gaming taxes at various rates ranging from 10% to 11% for card and progressive jackpot games, 5% on pull-tabs and 2% on amusement games.

- Casino gaming in Nova Scotia – effective October 1, 2012, gaming revenues are approximately equal to 52.24% of the gross gaming revenues, after deduction of the capital reserve contribution ("CRC"). The CRC is the greater of 5% of total revenue and $5.0 (adjusted for inflation in each year since 2009). The Company is also entitled to receive additional Operator Fees equal to the lesser of $1.3, or 10% of leased slot machine revenues. Prior to October 1, 2012, gaming revenues were approximately equal to 55.5%, after deduction of the CRC, as described in the "Business Description" section of this MD&A.

- Slot commissions in Ontario – slot machine commissions represent 10% of the gross gaming revenues from slot machines, all of which are operated by OLG.

- Facility Development Commission ("FDC") – revenues earned from BCLC as a fixed percentage of gross gaming revenues, subject to the Company incurring sufficient Approved Amounts (a defined term in the casino operating service agreements and generally consists of approved capital and operating expenditures related to the development or improvement of gaming properties). BCLC also provides for an accelerated FDC amount towards site-specific reimbursements of new gaming redevelopments. Generally, the FDC percentage is 3% or 5% of gross gaming win from casinos, racetracks and community gaming centres.

- Hospitality and other revenues – food and beverage revenues, hotel revenues, and other revenues such as: ATM commissions, theatre revenues, advertising revenues, and other income from ancillary services.

- Promotional allowances – the retail value of promotional allowances furnished to guests without charge, which have been included in gaming revenues or hospitality and other revenues, are deducted.

Additional Information

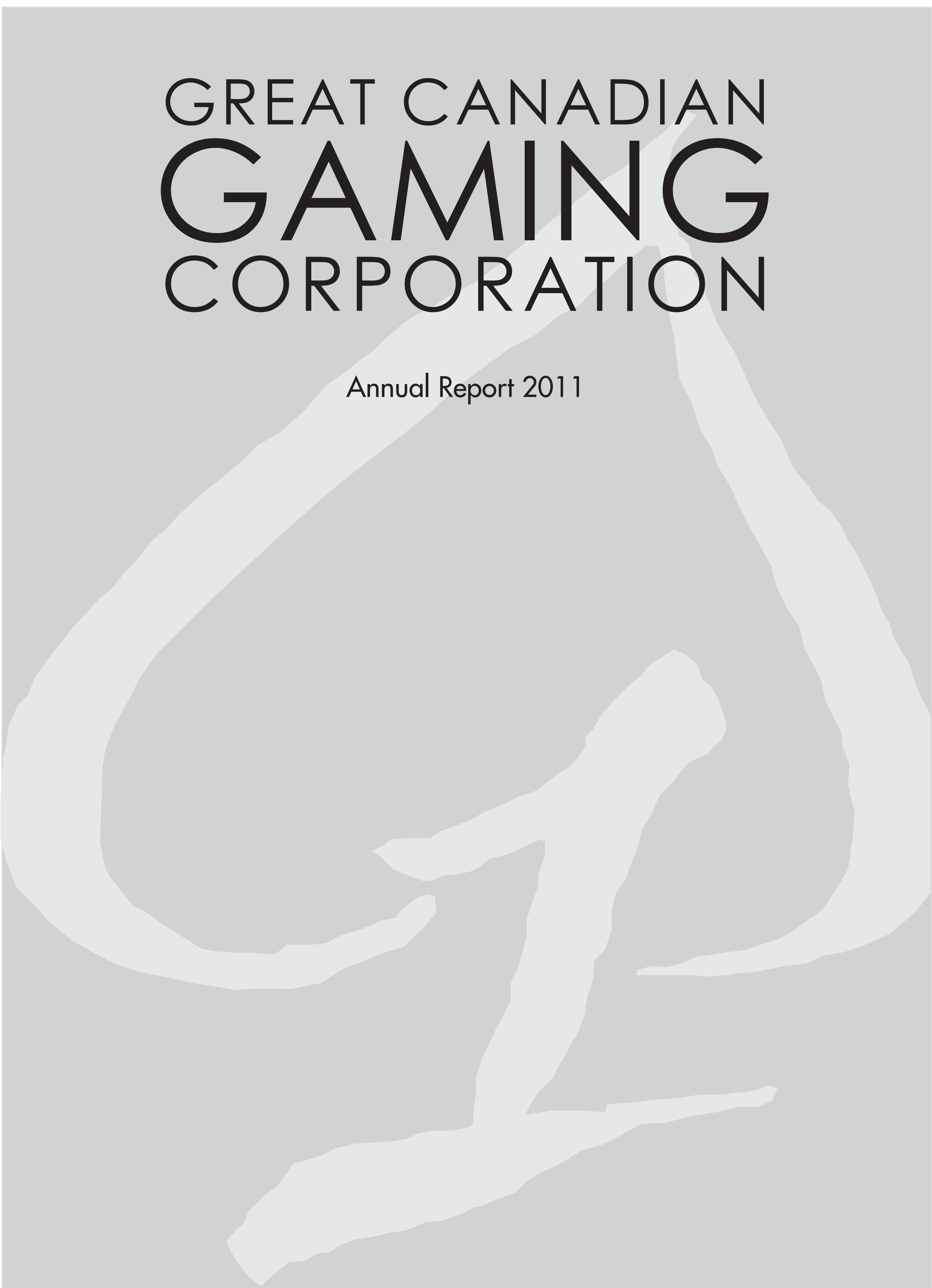
Additional information relating to the Company, including the Company's latest Annual Financial Statements and Annual Information Form, can be located on the SEDAR website at www.sedar.com or on the Company's website at www.gcgaming.com.

Shareholders of the Company may obtain a copy of the Company's TSX Form 12 Notice of Intention to Make a Normal Course Issuer Bid as filed with and as accepted by the TSX, at no charge, by contacting the Company.

SUPPLEMENTAL FINANCIAL INFORMATION

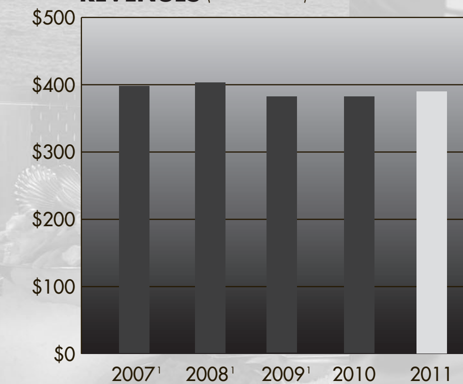
Consolidated Quarterly Results Trend

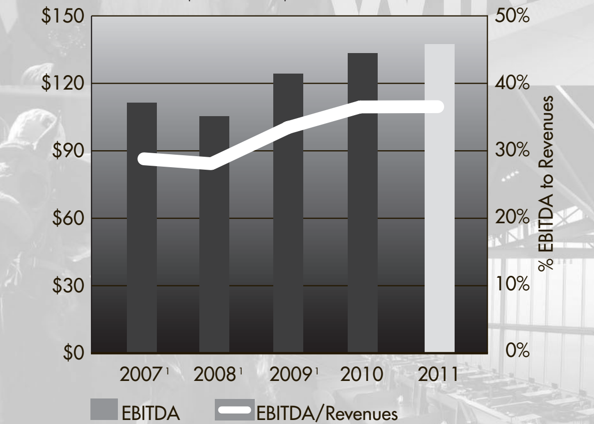
	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
Gaming Revenues					
River Rock Casino Resort	$ 26.2	$ 26.1	$ 25.8	$ 30.4	$ 22.5
Boulevard Casino	10.6	10.6	11.1	11.1	10.8
Vancouver Island Casinos	7.6	7.9	7.8	7.6	7.7
Other BC Casinos	3.0	2.3	2.5	2.4	2.5
Nova Scotia Casinos	9.0	11.0	9.8	9.6	9.2
Great American Casinos	4.4	4.3	4.5	4.8	4.9
BC Racinos	4.8	5.1	5.2	4.9	4.7
Georgian Downs	3.0	3.4	3.2	3.0	3.1
Flamboro Downs	2.8	3.1	3.0	3.0	3.0
	71.4	**73.8**	**72.9**	**76.8**	**68.4**
Facility Development Commission					
River Rock Casino Resort	3.9	3.8	3.8	4.4	3.3
Boulevard Casino	1.7	1.7	1.7	1.8	1.8
Vancouver Island Casinos	1.9	1.3	1.3	1.4	2.4
Other BC Casinos	2.6	0.1	0.4	0.4	0.4
BC Racinos	0.6	0.7	0.7	0.9	0.6
	10.7	**7.6**	**7.9**	**8.9**	**8.5**
Hospitality and Other Revenues					
River Rock Casino Resort	11.4	11.5	11.3	9.2	10.1
Boulevard Casino	2.6	2.2	2.5	2.4	2.3
Vancouver Island Casinos	1.0	1.1	1.1	1.0	0.8
Other BC Casinos	0.7	0.4	0.4	0.5	0.5
Nova Scotia Casinos	2.0	1.3	1.2	1.3	1.1
Great American Casinos	1.6	1.4	1.4	1.4	1.4
BC Racinos	1.5	2.5	2.2	1.4	1.5
Georgian Downs	0.5	0.4	0.5	0.2	0.5
Flamboro Downs	0.6	0.7	0.6	0.6	0.7
Corporate & Other	-	-	-	-	-
	21.9	**21.5**	**21.2**	**18.0**	**18.9**
Racetrack Revenues					
BC Racinos	2.4	3.1	3.2	2.7	3.3
Georgian Downs	0.4	0.4	0.4	0.3	0.4
Flamboro Downs	0.7	0.8	0.7	0.8	0.8
	3.5	**4.3**	**4.3**	**3.8**	**4.5**
Promotional Allowances	(4.7)	(5.4)	(5.0)	(4.7)	(4.6)
Revenues	**$ 102.8**	**$ 101.8**	**$ 101.3**	**$ 102.8**	**$ 95.7**
EBITDA					
River Rock Casino Resort	$ 18.8	$ 19.0	$ 19.2	$ 22.7	$ 13.5
Boulevard Casino	5.1	4.8	5.5	5.8	5.3
Vancouver Island Casinos	5.7	5.3	5.5	5.1	6.1
Other BC Casinos	3.4	0.8	1.3	1.3	1.5
Nova Scotia Casinos	3.1	3.5	2.6	2.5	2.1
Great American Casinos	0.6	0.5	0.5	0.8	1.0
BC Racinos	1.6	1.8	2.0	1.9	2.6
Georgian Downs	2.4	2.5	2.4	2.2	2.1
Flamboro Downs	1.9	2.2	1.9	1.8	2.1
Corporate & Other	(5.1)	(4.6)	(5.6)	(5.1)	(5.3)
	$ 37.5	**$ 35.8**	**$ 35.3**	**$ 39.0**	**$ 31.0**

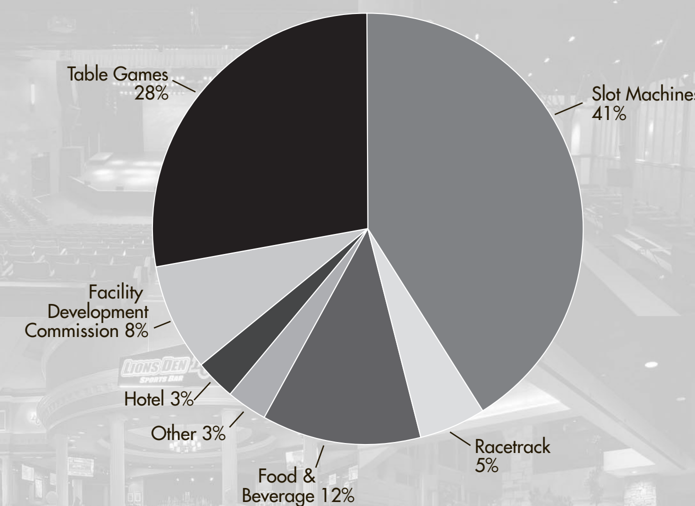

GREAT CANADIAN
GAMING
CORPORATION
Annual Report 2011

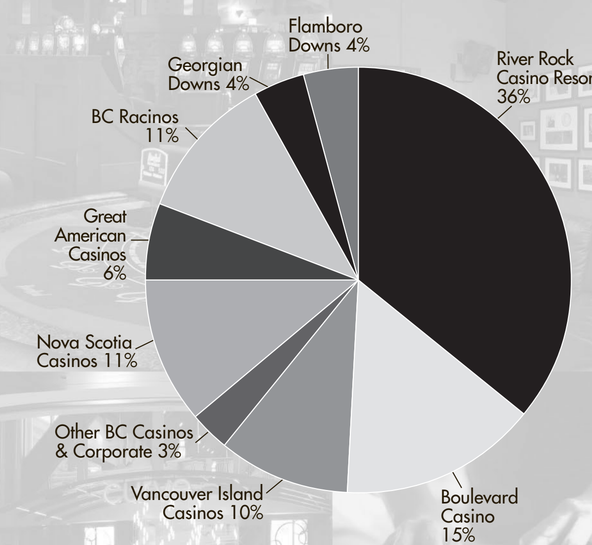
FINANCIAL HIGHLIGHTS

(in millions of Canadian dollars, except for share information)	Years Ended December 31, 2011	2010	2009[1]
Revenues	$ 388.2	$ 383.5	$ 382.2
EBITDA[2]	$ 137.8	$ 136.4	$ 126.6
Shareholders' net earnings (loss)	$ 26.2	$ (8.1)	$ 23.5
Shareholders' net earnings (loss) per common share:			
– Basic	$ 0.32	$ ($0.10)	$ 0.29
– Diluted	$ 0.31	$ ($0.10)	$ 0.28
Issued & outstanding shares	82,476,558	82,872,319	82,374,058
Total shareholders' equity	$ 422.4	$ 401.1	$ 434.4









[1] Results from operations presented under Canadian Generally Accepted Accounting Principles ("Canadian GAAP").The Company transitioned from Canadian GAAP to IFRS on January 1, 2010 as is described in further detail under Note 31 of the Notes to the Consolidated Financial Statements.

[2] "EBITDA" is a non-IFRS measure and is defined in the "Introduction – Non-IFRS Measures" section of the MD&A.

LETTER FROM THE PRESIDENT AND CEO

Dear Shareholders,

I feel it is important to begin this letter by recognizing its former author, Ross J. McLeod, who passed away in September of last year. Ross was not only a friend and colleague, but also a gaming industry pioneer. He will not be forgotten as we seek to move Great Canadian forward into a new era of opportunity and growth.

When Ross founded Great Canadian in 1982, the company operated temporary Monte-Carlo style casinos, directly assisting and benefiting community charities across British Columbia. Today, Great Canadian is the nation's premier gaming service provider. Each year, we generate more than a billion dollars in annual gross revenues, which is then shared with our provincial gaming corporation partners. As the company has evolved, so has management's business philosophy. For many years, it was necessary that Great Canadian embrace a risk-taking, entrepreneurial spirit. Recently, however, we have successfully adopted a more sophisticated approach towards our business. This approach is clearly apparent in what I believe to be our company's three core competencies: First and foremost, we are an innovative and experienced gaming and hospitality operator. Secondly, we are a prudent and disciplined developer. And finally, we serve as a respected and reliable partner to our government stakeholders.

Great Canadian's operational acumen is visible within the progression of our financial results over the last three years. This period has been marked by significant economic uncertainty, both globally and within our local markets. In 2011, we generated consolidated revenues of $388.2 million, an increase from both 2010 and 2009. However, we have yet to return to the heights of 2008, when we generated revenues of $403.7 million. We have responded to this revenue challenge by aggressively improving the efficiency of our business. Great Canadian's operating margin, or EBITDA as a percentage of revenues, was 35.5% in 2011. This effectively represents a one third increase in our efficiency since 2008, when our operating margin was 26.7%. This improvement has been achieved without sacrificing the exemplary level of service we offer our guests. As Great Canadian moves forward, we will seek to cement our reputation of outstanding service while continuing to improve our operational efficiency.

Great Canadian's reputation as a developer has also improved considerably. During the first half of the last decade, as the gaming industry in British Columbia evolved and rapidly expanded into new markets, it was often difficult to gauge the ideal size for our facilities. As a result, some properties were built to a greater scope than their markets then required. Furthermore, a construction boom within the province inflated the cost of these developments. Over the past three years, Great Canadian has become more disciplined in our approach towards developing both new properties and expansions to existing facilities.

This increase in Great Canadian's discipline has not prevented us from continuing to optimize those assets that display the potential for further growth. Last October, we opened The Hotel at River Rock, a new hospitality offering at the River Rock Casino Resort. The Hotel was completed both ahead of schedule and below its original budget. Its new tower effectively doubles River Rock's hotel capacity, augmenting the property's ability to take advantage of its proximity to both Vancouver International Airport and the Canada Line.

This spring, we will commence a redevelopment of the Boulevard Casino in Coquitlam. Although the downward trend in gaming revenues at this property appears to have stabilized, its performance has been severely impaired by local highway construction disruption, proximate competition, and the weakened local economy. Our redevelopment at Boulevard will add several new amenities to the property, including a hotel and conference facilities, and will take place in conjunction with enhancements to the property's gaming, food and beverage, and entertainment offerings. Taking these steps now allows us to not only take advantage of competitive construction pricing, but also to ensure that Boulevard's redevelopment will reach completion just as the province concludes its upgrades to the adjacent highway. We are optimistic that this repositioning will allow Boulevard to reassume its role as a major contributor to Great Canadian's property portfolio.

While we are excited about the developments at both River Rock and Boulevard, our recent investments in community gaming centres provide the clearest example of Great Canadian's revised development philosophy. In 2004, we worked alongside the British Columbia Lottery Corporation to pioneer this new gaming model at Chances Dawson Creek. The subsequent success of that facility was an important influence in our decision to purchase similar properties in Maple Ridge and Chilliwack. Construction of a permanent community gaming centre in Chilliwack is currently underway, and will reach completion in November. Construction at Maple Ridge has also begun, and will reach completion in 2013. While the revenue contributions from these properties will be modest, we are confident that they will produce meaningful returns on our investment.

While the past three years have witnessed changes to Great Canadian's operational and development strategies, our commitment to integrity, social responsibility and our government partners has remained consistent. The Canadian gaming industry features a unique and successful relationship between the private and public sectors. The foundation of this relationship, respect, is created by constant communication and ongoing dialogue with our partners. Its benefits include the enhancement of not only provincial budgets, but also those communities in which we are fortunate enough to operate. The protection of the credibility of this relationship is Great Canadian's greatest priority.

Another critical component of this relationship is trust, a value that is both tested and proven during times of challenge and change. We are currently experiencing an example of this in Ontario, where the government recently announced its intention to modernize that province's gaming model. As part of that plan, on March 29, 2012, Ontario Lottery and Gaming Corporation notified us that the site holder agreements for the slot machines at our Georgia Downs and Flamboro Downs racetracks will terminate prematurely on March 31, 2013. The ramifications and remedies of this decision are not yet fully apparent. Regardless of its outcome, we continue to believe that there is an opportunity for Great Canadian to participate within the future of gaming in Ontario, which possesses strong potential for growth. The provincial government has elected to pursue a model that involves a greater degree of private sector participation. As a result, Great Canadian will explore every new opportunity for involvement within Ontario.

As new opportunities arise, whether in Ontario or elsewhere, Great Canadian will be financially prepared. The company currently enjoys a financial position as secure as it is flexible. Our cash balance improved during 2011, and we successfully increased our undrawn revolving credit facility to $350 million. The deployment of these financial resources is a topic of regular review and discussion amongst our Board of Directors. Potential growth opportunities must be weighed against alternative options such as share repurchases, to which the company has devoted more than $40 million since August of 2011, or the implementation of a dividend. Our primary objective in these discussions is the creation and protection of value for Great Canadian's shareholders.

As we celebrate our thirtieth anniversary, Great Canadian has much to be proud of. We have a diverse and impressive portfolio of properties, and exciting opportunities are visible upon the horizon. Most importantly, we are home to more than 4,500 employees. The dedication of these employees, particularly at the site level, forms the foundation of Great Canadian's success.

Sincerely,

Rod N. Baker
President and Chief Executive Officer
Great Canadian Gaming Corporation

MANAGEMENT'S DISCUSSION & ANALYSIS

6 Introduction
7 Financial Highlights
8 Business Description
13 Major Developments
15 Market Update
16 Consolidated Results of Operations
27 Consolidated Quarterly Results Trend
28 Liquidity and Capital Resources
34 Other Financial Information
38 Supplemental Financial Information

MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended December 31, 2011
(Expressed in millions of Canadian dollars, except for per share information)

INTRODUCTION

Basis of Discussion and Analysis

This management's discussion and analysis ("MD&A") of the financial highlights, business description, major developments, market update, consolidated results of operations, consolidated quarterly results trend, liquidity and capital resources, and other financial information of Great Canadian Gaming Corporation (the "Company", "we", "our") is dated as of March 7, 2012.

This MD&A should be read in conjunction with our audited consolidated financial statements for the years ended December 31, 2011 and 2010 ("Annual Financial Statements"). The Annual Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless expressly stated otherwise, all financial information is expressed in Canadian dollars.

Capitalized terms are either defined when they first appear or are defined at the end of this MD&A in the section titled "Other Financial Information – Definitions of Other Terms Used in the MD&A".

Non-IFRS Measures

The following non-IFRS definitions are used in this MD&A because management believes that they provide useful information regarding our ongoing operations. Readers are cautioned that the definitions are not recognized measures under IFRS, do not have standardized meanings prescribed by IFRS, and should not be construed to be alternatives to revenues and net earnings (loss) determined in accordance with IFRS 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, impairment of long-lived assets, impairment of goodwill, foreign exchange loss and other, and non-controlling interests. EBITDA is derived from the consolidated statements of earnings (loss), 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. A reconciliation of EBITDA to shareholders' net earnings (loss) under IFRS is shown in the "Consolidated Results of Operations" section in this MD&A.

The following non-IFRS 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.

Forward-Looking Information

This MD&A 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 services agreements with lottery corporations; changes to gaming laws that may impact our operational services agreements; pending, proposed or unanticipated regulatory or policy changes; unanticipated fines, sanctions and suspensions imposed on the Company by its regulators; 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 meet regulatory requirements or 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.

These factors and other risks and uncertainties are discussed in the Company's continuous disclosure documents filed with the Canadian securities regulatory authorities from time to time, including in the "Risk Factors" section of the Company's Annual Information Form for fiscal 2011 (dated March 7, 2012), and as identified in the Company's disclosure record 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 MD&A.

FINANCIAL HIGHLIGHTS

	Fourth Quarter			Twelve Months of				
	2011	2010	% Chg	**2011**	2010	% Chg	2009[1]	% Chg
Revenues	$ **95.7**	$ 97.2	(2%)	$ **388.2**	$ 383.5	1%	$ 382.2	0%
EBITDA [2]	$ **30.9**	$ 35.0	(12%)	$ **137.8**	$ 136.4	1%	$ 126.6	8%
EBITDA as a % of Revenues	**32.3%**	36.0%		**35.5%**	35.6%		33.1%	
Shareholders' net earnings (loss)	$ **2.3**	$ (29.5)		$ **26.2**	$ (8.1)		$ 23.5	
Shareholders' net earnings (loss) per common share:								
Basic	$ **0.03**	$ (0.36)		$ **0.32**	$ (0.10)		$ 0.29	
Diluted	$ **0.03**	$ (0.36)		$ **0.31**	$ (0.10)		$ 0.28	
Total assets				$ **976.1**	$ 946.2	3%	$ 969.4	(2%)
Long-term debt & Derivative liabilities, excluding current portion				$ **398.9**	$ 393.4	1%	$ 407.7	(4%)

(1) Results from operations presented under Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The transition from Canadian GAAP to IFRS is described in further detail in the "Other Financial Information" section of this MDA.

(2) EBITDA is a non-GAAP measure and is defined in the Introduction – Non-GAAP measures section of this MD&A.

For the three-month period ended December 31, 2011 ("fourth quarter of 2011"), the Company recorded revenues of $95.7, a $1.5 decrease from the fourth quarter of 2010. This revenue decrease was primarily due to the flat gaming revenues at River Rock Casino Resort ("River Rock") compared to the prior year period along with the decreased revenues at both the Boulevard Casino ("Boulevard") and the Company's BC Racinos. The decline at Boulevard was primarily due to a challenging local economy, continued disruption caused by the construction on provincial highway enhancements adjacent to that facility, as well as local competition, which included the Company's Maple Ridge Community Gaming Centre. Revenues at the Company's BC Racinos continue to be negatively impacted by an industry-wide decline in horse racing revenues. These revenue decreases were partially offset by the addition of lower margin hospitality revenues associated with River Rock's new hotel tower, which opened in October 2011, as well as increased revenues at the Other BC Casinos that were attributable to the May 2011 acquisition of Chilliwack Bingo.

Also contributing towards the revenue decrease was a $0.9 non-recurring reduction to other revenues associated with an accrual for sales taxes due on fees previously earned for providing automated banking machines services to our guests. This decrease was offset by $1.0 in non-recurring Facility Development Commission ("FDC") revenues earned by the Company's Vancouver Island Casinos in the fourth quarter of 2011 that were related to gaming revenues earned and accelerated FDC eligible expenditures incurred in prior quarters, but approved by British Columbia Lottery Corporation ("BCLC") during the fourth quarter of 2011.

EBITDA for the fourth quarter of 2011 was $30.9, a $4.1 decrease from the fourth quarter of 2010. This decrease was primarily due to the decrease in revenues, increased human resources expense associated with staffing related adjustments to accommodate the increased visitation and gaming volumes at River Rock, general inflationary increases and adjustments to human resources costs to ensure competitive compensation, $0.8 pre-opening costs associated with River Rock's new hotel tower, $0.2 increased business development costs, and non-recurring adjustments to staff benefit accruals.

For the twelve-month period ended December 31, 2011 ("twelve months of 2011"), the Company recorded revenues of $388.2, a $4.7 increase from the twelve months of 2010. This revenue increase was attributable to the performance of both River Rock and the Company's Other BC Casinos. The increase in River Rock's revenues was primarily due to overall improvements in table drop, table hold percentage, and slot coin-in, as well as the opening of that facility's new hotel tower in October 2011. The increase in the Other BC Casinos' revenues was primarily due to the October 2010 installation of 100 slot machines at the Maple Ridge Community Gaming Centre, as well as the addition of new revenues from the Company's May 2011 acquisition of Chilliwack Bingo. These revenue increases were partially offset by decreased revenues at both Boulevard and the Company's BC Racinos.

EBITDA for the twelve months of 2011 was relatively consistent with the twelve months of 2010. The improvements at River Rock and Other BC Casinos were largely offset by the performance of Boulevard and the BC Racinos. EBITDA for the twelve months of 2011 was also affected by the aforementioned non-recurring items in the fourth quarter of 2011. In addition, during the twelve months of 2011, the Company incurred $1.1 of increased business development costs that were recorded as property, marketing and administration expenses. EBITDA as a percentage of revenues for the twelve months of 2011 was consistent with the twelve months of 2010.

Shareholders' net earnings (loss) increased by $31.8 in the fourth quarter and by $34.3 in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. These increases were primarily due to decreases in the impairment of long-lived assets and goodwill, and lower restructuring and other expenses. These decreases were partially offset by increases in amortization and interest and financing costs (net of interest income).

Revenues for the twelve months of 2010 were $383.5, a $1.3 increase from the twelve months of 2009. This revenue increase was primarily due to River Rock, and can be attributed to both the opening of the Canada Line transit system during the third quarter of 2009 and the completion of redevelopments and enhancements at River Rock during the fourth quarter of 2009 and the first quarter of 2010. River Rock's improvement was offset by decreased revenues at Boulevard, Great American Casinos, and the BC Racinos, the latter of which related primarily to the deconsolidation of TBC as described in the "Other Financial Information" section of this MD&A.

EBITDA for the twelve months of 2010 was $136.4, a $9.8 increase from the twelve months of 2009. These improvements were primarily due to River Rock's and Other BC Casinos' performance, and were primarily offset by the performance of Boulevard and Vancouver Island Casinos.

For the twelve months of 2010, shareholders' net earnings (loss) decreased by $31.6, when compared to the twelve months of 2009. This decrease was primarily due to non-cash impairment charges associated with Hastings Racecourse, Flamboro Downs, and other business development projects that would not be reinitiated in the foreseeable future, as well as the effects of the transition to International Financial Reporting Standards ("IFRS") as described in the "Other Financial Information" section of this MD&A.

BUSINESS DESCRIPTION

General

Great Canadian Gaming Corporation is a multi-jurisdictional gaming and entertainment operator with operations in British Columbia ("BC"), Ontario and Nova Scotia, Canada, and Washington State, United States of America ("Washington"). The Company operates 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), two community gaming centres, a bingo hall, a resort with two hotels, a conference centre and a marina, two show theatres, and various associated food and beverage and entertainment facilities. In Canada, the Company operates its casinos both within managed markets that feature high barriers to entry and under long-term agreements as partners with provincial lottery corporations. Under its operating agreements in BC and Nova Scotia, the Company is reimbursed for the majority of its capital projects. As at December 31, 2011, the Company had approximately 4,600 employees.

Information on the Canadian and Washington State gaming industries, regulatory environment and the Company's operating agreements in these jurisdictions are included in the Annual Information Form located on the SEDAR website at www.sedar.com or on the Company's website at www.gcgaming.com.

The Company's principal operating entities as at December 31, 2011 and December 31, 2010 were:

Entity	December 31, 2011	December 31, 2010
Chilliwack Gaming Ltd. [1]	100%	—
Flamboro Downs Limited	100%	100%
Georgian Downs Limited	100%	100%
Great American Gaming Corporation	100%	100%
Great Canadian Casinos Inc.	100%	100%
Great Canadian Entertainment Centres Ltd.	100%	100%
Hastings Entertainment Inc.	100%	100%
Metropolitan Entertainment Group	100%	100%
Orangeville Raceway Limited	100%	100%
TBC Teletheatre B.C. ("TBC") [2]	50%	50%

[1] The Company purchased the assets and undertaking of the Chilliwack Bingo Association as described in the "Major Developments" section of this MD&A.

[2] On March 18, 2005, the Company increased its ownership interest in TBC to 50% and effectively controlled and consolidated its operating results from that date. On April 1, 2010, the Company's control over this entity was reduced to significant influence so it ceased consolidating TBC from that date as described in the "Other Financial Information" section of this MD&A.

Business Strategy

The Company's vision is to be the leading gaming and entertainment company in its chosen markets by providing superior destinations, experiences, products and services. To meet this objective, the Company has adopted the strategies set out below. As a gaming service supplier, the Company works closely with its Crown corporation partners to develop its business strategy. The agreement of the Company's Crown corporation partners may be necessary to implement certain strategies, and would be required with respect to those strategies that require the deployment of new or expanded gaming assets.

Evaluate potential opportunities. Although the Company's primary focus is the optimization of our existing assets, the Company may consider further development, acquisition, or divestment opportunities within its chosen markets, should it believe these opportunities offer the potential for creating or maintaining shareholder value.

Drive incremental growth at the Company's existing assets. The provincial Crown corporations responsible for gaming have taken steps to limit the number of gaming facilities in the Company's markets, providing incumbent operators with opportunities to improve their facilities' market penetration. As a result of either capital investment or ongoing maintenance since 2003, the majority of the Company's properties are relatively new or newly renovated and are well positioned to capture benefits in the form of both increased revenues and improved profitability. Subject to Crown corporation approval, the Company may also seek opportunities to enhance the gaming products or services offered at its facilities.

Continuously improve the Company's operating efficiency. The Company continuously seeks to identify and implement initiatives intended to improve its profitability of its business and business processes. These initiatives may be implemented at both corporate head office and site levels, and form the foundation of the Company's efforts to establish a performance-based culture that recognizes outstanding service delivery, teamwork, and individual achievement. Examples of these initiatives have included the adoption of new products and technologies, the development of more focused marketing strategies, and adjustments to staffing and operating levels.

Operations

The following table summarizes our Canadian casino operations as at December 31, 2011:

Facility and Location	Year Built/ Renovated	Additional Facilities and Activities	Slot Machines	Table Games	Operational Services Agreements Initial / Renewal Term Expiry Dates[1]
BRITISH COLUMBIA					
River Rock Casino Resort, Richmond, BC	2011	3 hotel towers with 395 rooms, approx 1,000 seat show theatre, 7 dining options, conference facilities, pool/spa, Racebook[2], marina, 28 touch bet terminals	1,006	112	June 23, 2014/ June 23, 2024
Boulevard Casino, Coquitlam, BC	2005	Approx 1,100 seat show theatre, 4 dining options, Racebook[2], 30 touch bet terminals	1,000	64	November 16, 2015/ November 16, 2025
View Royal Casino, Victoria, BC	2009	2 dining options	602	14	February 28, 2021
Casino Nanaimo, Nanaimo, BC	2011	1 dining option, Racebook[2]	406	6	February 28, 2021
Chances Gaming Entertainment, Dawson Creek, BC	2006	Bingo, 1 dining option, 3 electronic gaming devices	147	—	June 30, 2016/ June 30, 2026
Maple Ridge Community Gaming Centre (formerly Haney Bingo Plex), Maple Ridge, BC	2010	Bingo, concession, Racebook[2]	100	—	October 31, 2013/ October 31, 2033
Chilliwack Bingo, Chilliwack, BC	1996[3]	Bingo, concession	—	—	May 31, 2016
Hastings Racecourse (Thoroughbred Racing), Vancouver, BC	2008	3 dining options, concession, Racebook[2]	596	—	October 28, 2012/ October 28, 2027
Fraser Downs Racetrack and Casino (Standardbred Racing), Surrey, BC	2005	4 dining options, 6 touch bet terminals, Racebook[2]	469	10	March 31, 2014/ March 31, 2024
TBC Teletheatre BC[2]	various	20 Racebooks[2]	—	—	—
ONTARIO					
Georgian Downs (Standardbred Racing), Innisfil, Ontario	2009	4 dining options, concession, meeting facilities, Racebook	1,000[4]	—	November 30, 2021/ November 30, 2026
Flamboro Downs (Standardbred Racing), Flamborough, Ontario	2001	4 dining options, meeting facility, Racebook	800[4]	—	April 9, 2016
NOVA SCOTIA					
Casino Nova Scotia Halifax[5] Halifax, Nova Scotia	2006	2 dining options, entertainment show room, meeting facilities	575	32	July 1, 2015/ July 1, 2025
Casino Nova Scotia Sydney[5] Sydney, Nova Scotia	2006	1 dining option, lounge	299	11	July 1, 2015/ July 1, 2025
			7,000	249	

[1] Renewal terms, at the option of the Company in BC and Nova Scotia. Renewal terms, at the option of OLG in Ontario.
[2] We own or hold an interest in 22 Racebooks in BC. We own and operate two Racebooks; one at each of Hastings Racecourse and Fraser Downs Racetrack and Casino. The remaining 20 Racebooks, including those at River Rock Casino Resort, Boulevard Casino, Casino Nanaimo and Maple Ridge Community Gaming Centre are operated by TBC. TBC also offers internet and phone racetrack wagering. We own a 50% interest in TBC and the remaining 50% interest is held by two horsemen's associations, the Harness Racing BC Society and the Horsemen's Benevolent and Protective Association.
[3] The Company acquired the assets and undertaking of the Chilliwack Bingo Association in May 2011 as described in the ""Major Developments"" section of this MD&A.
[4] Slot machines at Georgian Downs and Flamboro Downs are owned and operated by OLG.
[5] Casino Nova Scotia Halifax and Casino Nova Scotia Sydney operate under a single operating agreement.

The following table summarizes our racetrack operations and the number of actual live race days in 2011 and 2010:

Property	Location	Live Race Days 2011	2010
Hastings Racecourse	Vancouver, BC	69	71
Fraser Downs Racetrack and Casino	Surrey, BC	74	87
Georgian Downs	Innisfil, ON	103	106
Flamboro Downs	Flamborough, ON	195	225

All of our racetrack operations offer simulcast wagering, which allows patrons to place wagers on international and domestic live horse racing events.

British Columbia

Regulatory

In British Columbia, gaming activities are managed and conducted by the BCLC. BCLC in turn engages service providers, such as the Company, to operate the gaming activities pursuant to operational services agreements. The Company earns a commission based upon its casinos' gaming win, but a significant portion of that gaming win is retained by BCLC. BCLC provides its share of the gaming win to the Province of British Columbia, which then dedicates the funds to many areas. These areas include the consolidated revenue fund for public service programs such as education, the Health Special Account for health care expenditures, and disbursements to charitable organizations.

Since 1997, when BCLC assumed responsibility for casino gaming and introduced slot machines in the BC marketplace, the casino business has developed into BCLC's largest revenue stream. The Company believes that the current market and regulatory environment favours the province's incumbent gaming operators.

BCLC's strategy is to continue to develop casino properties that provide players with an exceptional entertainment experience, while positioning casino gaming as a potential tourism attraction where market demand allows. BCLC is also working closely with service provider partners to provide players with tournaments and services that provide entertaining gaming experiences. In addition, the FDC component of the operational services agreements encourages service providers such as the Company to earn additional commissions by investing capital in the improvement of their gaming facilities.

According to BCLC's annual report for its fiscal year ended March 31, 2011, the Company's facilities contained 38% of the province's slot machines, which produced 38% of the province's win from slot machines, and 46% of the province's table games, which produced 52% of the province's win from table games.

In April 2010, the Company entered into a Memorandum of Agreement and related Addendum (the "Agreement") among the B.C. Horse Racing Industry, including the Company's wholly owned racetrack operators, Orangeville Raceway Ltd. and Hastings Entertainment Inc. That agreement established the authority of a B.C. Horse Racing Industry Management Committee (the "Committee") whose mandate is to provide strategic direction and business leadership to the local horse racing industry and provide a forum for industry participants to cooperate collectively in the development of the industry. The current Committee members include representatives from both the thoroughbred and standardbred horse associations, the President and Chief Executive Officer of the BCLC, representatives from the Government of British Columbia, including the Gaming Policy and Enforcement Branch, and the Vice-President of Business Development for the Company. The Agreement provides for mandatory representation on the Committee of a representative of the major racetracks in the province that are owned by the Company. Under the direction of the Committee, as described in the "Business of the Company" section of the Company's 2011 Annual Information Form, the Company's BC horse racing operations shared approximately 50% of a consolidated horse racing industry revenue fund in 2011 and 2010. This fund includes all revenues generated from horse racing and government grants in the province and which has been established and maintained for the purpose of facilitating financial allocations among industry organizations. Also under the direction of the Committee, TBC Teletheatre B.C., in which the Company owns a 50% shareholding, is currently operated on a break-even basis whereby it is allocated and permitted to retain a sufficient portion of its revenues to cover its operating expenses, with any surplus of funds being provided to the consolidated horse racing industry revenue fund. Financial allocations from the consolidated horse racing industry revenue fund may be adjusted by resolution of the Committee. Under current financial allocations, the Company's B.C. horse racing operations are estimated to share approximately 42% of the net revenue generated from horse racing and wagering on horse racing in B.C. through the above-mentioned consolidated horse racing industry revenue fund.

Seasonality

While the Company's BC casinos operate year-round, its racetracks are subject to seasonal variations due to the timing of their respective live racing seasons. Live racing generally operates from April to October at Hastings Racecourse, and from October to April at Fraser Downs. Gaming offerings and Racebooks at both locations operate year-round.

Metro Vancouver and Vancouver Island, where the majority of the Company's BC facilities are located, do not generally experience harsh weather during the summer or winter months. However, occasional extreme weather conditions can produce a negative impact upon short-term attendance at the Company's BC facilities.

Ontario

Regulatory

In Ontario, gaming activities are managed and conducted by the Ontario Lottery and Gaming Corporation ("OLG"). The OLG operates three different gaming models: resort casinos (four sites), casinos and slots at racetracks (17 slots at racetrack operations, five OLG casinos, and one slots facility at a charity casino), and lotteries and bingo. In Ontario, the Company operates two racetracks, with slot operations owned and operated by OLG pursuant to siteholder agreements. The Company earns a siteholder payment based upon the win generated from the OLG slot machines, but a substantial portion of that win is retained by OLG. According to OLG's website, it directs gaming proceeds to Ontario's health care, education, infrastructure, amateur sports, problem gambling prevention, treatment and research, and to charitable organizations and non-profit corporations through the Ontario Trillium Foundation.

Seasonality

The gaming facilities at the Company's Ontario racetracks operate year-round, and are typically subject to seasonal variations associated with extreme weather conditions. Live racing generally operates from March to December at Georgian Downs, and during all months except October at Flamboro Downs.

Nova Scotia

Regulatory

In Nova Scotia, gaming activities are managed and conducted by the Nova Scotia Gaming Corporation ("NSGC"). The NSGC operates two different gaming models: commercial casinos, of which the Company operates the only two within the province, and ticket and video lotteries. Lottery ticket sales are permitted at various locations, whereas video lottery terminals are permitted in licensed liquor establishments, and on First Nations' land. The Company is a service supplier to NSGC and earns a commission based upon its casinos' revenues, a portion of which are retained by the NSGC. According to NSGC's website, the revenues that it retains are directed to the provincial government's general revenue account to help pay for programs and services that benefit the province's residents. These programs and services include investments in infrastructure, schools, hospitals, and community outreach and prevention programs.

Seasonality

Sydney and Halifax, where the Nova Scotia casinos are located, do not generally experience harsh weather during the summer or winter months. However, occasional extreme weather conditions can result in a negative impact on short-term attendance. The gaming industry in Nova Scotia has also historically witnessed a slight increase in business volumes during the summer months, primarily as a result of both tourism and favourable weather conditions.

Washington State

The following table summarizes our Washington gaming operations as at December 31, 2011:

Name	Location	Table Games
Great American Casino Everett	Everett, WA	15
Great American Casino Kent	Kent, WA	14
Great American Casino Lakewood	Lakewood, WA	15
Great American Casino Tukwila	Tukwila, WA	15
		59

Regulatory

In Washington State, gaming operations are regulated by the Washington State Gambling Commission ("WSGC") and fall into three categories: charitable, commercial and tribal. The Company operates four commercial card rooms in the Greater Seattle area.

While the commercial gaming environment in Washington State is highly regulated, it does not feature the significant barriers to entry associated with the Company's Canadian operations. Individual cities or counties within Washington State may choose to restrict card room operations within their jurisdiction, which could result in the closure of certain locations. Washington State card room operations are conducted pursuant to house banked card room licenses that limit the number of table games to fifteen per location. These card room licenses must be renewed annually with WSGC, and the Company's renewals have historically been granted automatically.

MAJOR DEVELOPMENTS

Changes to Board of Directors and Executive Management

On September 5, 2011, Mr. Ross J. McLeod, the Company's Founder, Chairman and Chief Executive Officer, suddenly passed away. On September 6, 2011, the Board of Directors appointed Mr. Rod N. Baker, the Company's President, as Interim Chief Executive Officer. Subsequently, on October 11, 2011, the Board of Directors appointed Mr. Rod N. Baker as the Company's President and Chief Executive Officer.

On September 29, 2011, Mr. Brian Egli resigned from the Board of Directors due to personal and family reasons. On November 10, 2011, Mr. Adrian Thomas retired from the Board of Directors due to health considerations.

Appointment of New Directors

On November 10, 2011, three new Directors were appointed to the Board of Directors.

The first new Director is Mr. Patrick Keenan, a Chartered Accountant and the Chairman and Chief Executive Officer of Keewhit Investments Limited. The second new Director is Mr. Neil Baker, a former member of the New York Stock Exchange and the owner of Ridgeline Corporation. Mr. Neil Baker both owns and possesses voting control over approximately 12% of the Company's outstanding shares. The third new Director is Mr. William Andrew Dimma, a professional engineer, who has served on nearly 100 different charitable and corporate Boards over the past 40 years.

British Columbia

Chilliwack Bingo

On May 31, 2011, the Company, through its wholly owned subsidiary Chilliwack Gaming Ltd., purchased the assets and undertaking of the Chilliwack Bingo Association ("CBA") for upfront cash consideration of $10.2. The CBA operated Chilliwack Bingo, a bingo hall located in Chilliwack, British Columbia, whose Bingo Operational Services Agreement ("BOSA") is scheduled for renewal in May 2016. The CBA also owned an approximately five-acre site in Chilliwack, which the Company purchased and intends to utilize for the development of a community gaming centre. The acquisition agreement includes contingent trailing payments, to be paid to the CBA over 20 years, which are dependent on the level of future slot win generated by a future community gaming centre. While there is no maximum contingent future trailing payment, the Company estimates that the undiscounted contingent trailing payments will likely range from $2.4 to $4.0. As at December 31, 2011, the Company recognized a discounted contingent trailing payment liability of $1.0 in the "deferred credits, provision and other liabilities" line of the consolidated statement of financial position. As at December 31, 2011, the Company has spent approximately $3.4 of an estimated $15.0 to develop the community gaming centre and acquire adjacent land. The Company anticipates that it will reach completion by the first quarter of 2013.

River Rock Casino Resort

On October 17, 2011, the Company opened "The Hotel at River Rock", its third hotel tower. This tower, which added 193 rooms to the facility's existing capacity of 202 rooms, both improves River Rock's appeal for future visitors and enhances its ability to serve as a conference centre. As at December 31, 2011, the Company incurred $21.6 of an estimated $24.0 in construction and equipment costs for this project. The remaining costs for this project relate to furnishings and aesthetic enhancements.

During the second quarter of 2011, the Company commenced upgrades to River Rock's first two hotel towers. The "River Rock Casino Resort Suites", which first opened in 2005, will be refreshing all of its 202 guest rooms to maintain its current AAA Four Diamond Rating. As at December 31, 2011, the Company has spent approximately $0.9 of an estimated $3.2 on this project, which will reach completion during the first quarter of 2012.

During the first quarter of 2010, the Company completed several enhancements at River Rock. These enhancements, which had a total cost of $2.8, optimized the property's ability to accommodate the increased traffic generated by the Canada Line mass transit system that was completed in August 2009.

Boulevard Casino

The Company is redeveloping Boulevard. This redevelopment will feature a hotel with approximately 181 rooms, conference facilities, additional dining options, and will better integrate the facility's existing entertainment and dining amenities. The Company estimates that the construction of the hotel will commence in the second quarter of 2012, and is targeting completion during the fourth quarter of 2013, after the provincial highway construction concludes. In addition, the Company is considering both concurrent casino floor renovations and a property rebranding to revitalize Boulevard's gaming offerings. These property redevelopments and modifications remain subject to approvals from BCLC and the local municipality. The estimated total cost of both the redevelopment and the gaming offering enhancements is $60.0.

Casino Nanaimo

During the third quarter of 2011, the Company commenced facility upgrades at Casino Nanaimo. The upgrades include improvements to the exterior of the property, which are intended to increase the facility's overall appeal and visibility. As at December 31, 2011, the Company has spent approximately $0.8 of an estimated $1.3 on this project, which it anticipates will reach completion during the first quarter of 2012.

Maple Ridge Community Gaming Centre (formerly "Haney Bingo Plex")
On October 15, 2010, 100 slot machines commenced operation at the Company's Maple Ridge Community Gaming Centre. In order to facilitate the operation of slots at this temporary facility and the construction of the permanent facility, the Company committed $4.2 for both property enhancements and servicing commitments to the district of Maple Ridge. As at December 31, 2011, the Company has spent $1.7 of costs on the temporary facility and incurred $1.4 of costs towards fulfilling servicing commitments related to the construction of the permanent facility. The Company also incurred $0.9 of costs related to site preparation of the permanent facility.

In addition to the $1.0 already paid to the Ridge Meadows Bingo Association in connection with the original purchase of this facility, the operation of slots has initiated a total of $1.3 in trailing purchase payments, to be paid in annual instalments starting in 2010 until 2019. The Company has also invested $4.7 towards the purchase of land required for a permanent facility in Maple Ridge. The Company anticipates that this permanent facility will reach completion prior to October 2013.

Ontario
During 2009 and 2010, the Company expanded Georgian Downs in order to accommodate an increase in that property's gaming capacity to 1,000 slot machines, which are owned and operated by OLG. To date, the Company has spent approximately $33.1 of an estimated $33.6 on this expansion. The remaining costs for the project are associated with service agreements with the municipality that include onsite parking and traffic lights.

As described in the following "Market Update" section of this MD&A, in February 2012, the Commission on the Reform of Ontario's Public Services released a report that recommended a reduction to the Government of Ontario's practice of providing subsidies to horse racetracks in Ontario, and an expansion of the availability of competing slot machines in the Province. If these recommendations are implemented by the Government of Ontario, they would have a negative impact on revenues generated by Georgian Downs and Flamboro Downs. For 2011, Georgian Downs generated EBITDA of $9.3 (2010 – $8.4) and Flamboro Downs generated EBITDA of $8.1 (2010 – $7.9).

Amendment and Extension of Revolving Credit Facility
On July 21, 2011, the Company completed an amendment of its February 14, 2007 Credit and Guarantee Agreement ("Credit Agreement") which covers the terms of its Revolving Credit Facility and Senior Secured Term Loan B. Consequently, the Company's previous undrawn $200.0 Revolving Credit Facility that was to expire on February 14, 2012 has been increased to a maximum limit of $350.0 and extended to July 21, 2016. Transaction costs associated with refinancing the Revolving Credit Facility of $2.8 are included in the "other assets" line of the consolidated statements of financial position and amortized through the "interest and financing costs, net" line of the consolidated statements of earnings (loss) over the five-year term.

On August 4, 2011, as a result of this refinancing, the Company entered into novation agreements that transferred the responsibilities for forty percent of the cash flows associated with cross-currency interest rate and principal swaps of our Term Loan B and Senior Subordinated Notes from a former Revolving Credit Facility lender to a continuing Revolving Credit Facility lender. At the time of these transfers, the swaps were in liability positions. Consequently, as described in the "Capital Resources" section of the MD&A, the Company will pay the new swap-counterparty slightly higher Canadian Dollar interest rates in exchange for the U.S. Dollar cash flows required by the swaps. There have been no other changes in the remaining components of the Company's long-term debt and associated cross-currency interest rate and principal swaps.

Normal Course Issuer Bid
On September 8, 2011, the Company received approval from the Toronto Stock Exchange ("TSX") to purchase up to an additional 3,844,359 of its common shares. The amended TSX notice authorizes the Company to purchase up to 5,844,359 common shares of the Company from January 27, 2011 to January 26, 2012, or earlier if the number of shares approved for purchase in the issuer bid have been obtained.

During the three months ended December 31, 2011, the Company did not purchase any shares. For the twelve months ended December 31, 2011, the Company purchased 1,479,600 common shares under the current normal course issuer bid at a volume weighted average price of $7.16. During 2010, no common shares were purchased under the normal course issuer bid.

Subsequent to December 31, 2011, the Company received approval from the TSX to commence another normal course issuer bid for up to 5,811,197 of its common shares, representing approximately 10% of the Company's common shares in the public float. This bid commenced on January 27, 2012 and will end on January 26, 2013, or earlier if the number of shares approved for purchase in the issuer bid have been obtained. Pursuant to TSX policies, daily purchases made by the Company will not exceed 37,069 common shares or 25% of the average daily trading volume of 148,277 common shares on the TSX. Purchases will be by way of open market purchases through the facilities of the TSX, and other Canadian market places, and payment for the shares will be in accordance with the TSX's by-laws and rules. Any shares purchased by the Company will be subsequently cancelled.

MARKET UPDATE

British Columbia

Renewal of Operating Lease Agreement for Hastings Racecourse
The first five-year term of the Operating Lease Agreement for Hastings Racecourse will expire in November 2012. The Company had an option to renew this operating agreement with the City of Vancouver for an additional 15-year term, which was dependent upon the Company committing to perform several upgrades related to the property's parking and backstretch areas. The Company has decided not to renew on these existing terms and is in discussions with the City of Vancouver around the renewal of this agreement. During this period, Hastings Racecourse continues to operate as usual.

Mandatory Temporary Closure of Hastings Racecourse
As required under the terms of its Operating Agreement, Hastings Racecourse closed for the Olympic Games between February 1, 2010 and March 3, 2010. The Company suspended all gaming, racing, and hospitality operations at the property during this period. This closure both reduced all revenues at Hastings Racecourse during the first quarter of 2010 and diminished awareness of the property among patrons for the balance of the year, resulting in subsequent decreases in both visitation and gaming volumes.

Online Gaming
In July 2010, BCLC expanded its existing gaming website to provide British Columbia residents with the ability to wager on casino-style games online. Although this form of gaming does represent a competitive entertainment option within the provincial market, BCLC has stated that its online offerings will seek to encourage patrons to visit the province's physical gaming properties. To date, online gaming has created no discernible impact upon the Company's business.

Competition
One of the Company's direct competitors in the Metro Vancouver area is currently seeking the necessary approvals to commence redevelopment. This redevelopment would relocate the facility to a new location within the same area by 2014. The redevelopment plan previously included increased gaming capacity from 500 slot machines and 55 table games to a maximum of 1,500 slot machines and 150 table games; however, the expanded gaming capacity was not approved by the City of Vancouver. As of the date of this MD&A, no application for development of the new location has been submitted.

Ontario
During the fourth quarter of 2010, OLG commenced a Request for Proposal process to evaluate a potential change in operator for its Casino Rama in Ramara, Ontario. The operator that OLG selects will receive maximum annual compensation of $5.0. The Company has decided to withdraw its application from this process.

During the first quarter of 2011, OLG announced that it had initiated a strategic business review of its two core offerings, land-based gaming and its lottery business. This review will examine all of OLG's business lines in order to determine a strategic direction for the future of gaming in the province. The goals of this process are to survey stakeholder perceptions regarding the future of lottery and gaming in Ontario, examine best practices within domestic and international markets, and identify opportunities to work in new ways with the private sector or other stakeholders. It is expected that OLG and the Government of Ontario will conclude this process during 2012.

In late 2011, the Government of Ontario commissioned an independent financial review. In February 2012, the Commission on the Reform of Ontario's Public Services, chaired by Mr. Don Drummond, released a report (the "Drummond Report") with recommendations aimed at improving the Government of Ontario's economic and fiscal challenges. The recommendations in the Drummond Report are directed across a wide-range of government activities and include some recommendations that may affect horse racing and gaming in Ontario. The Drummond Report recommends re-evaluating, on a value-for-money basis, the government's practice of providing a portion of net slot revenues to the horse racing and breeding industry and municipalities in order to substantially reduce and better target that support. Any material changes to this program could have significant impact on both the operations and financial performance of the Company's two racetracks in Ontario. The Drummond Report also recommends that the government allow slot machines at sites that are not co-located with horse racing venues, as well as consider directing OLG to expand its existing business lines, develop new gaming opportunities and make effective use of private-sector involvement. Changes in locations of slot machines and expansion of business lines could increase the competition faced by the Company's two racetracks in Ontario. It is not certain at this time which, if any, of the recommendations will be implemented and the impact they may have on the Company. These changes to the structuring of gaming activity in Ontario may have a negative impact on the Company. Also the pace of such changes, if implemented, may be affected by the willingness and ability of OLG to make changes to the existing agreements it has with the Company before the current expiry dates of the agreements. Therefore, while the Company's Georgian Downs and Flamboro Downs Site Holder Agreements with OLG are scheduled to expire in November 2026 and April 2016, respectively, there is a risk that the OLG may terminate these Site Holder Agreements early by providing the Company with 270 days advance written notice in order to effect these recommendations. If these recommendations are implemented, they would have a negative impact on revenues generated by Georgian Downs and Flamboro Downs, and may result in the need for goodwill and long-lived asset impairments at these properties.

Nova Scotia

In May 2010, a new gaming facility opened in Moncton, New Brunswick. Although the Company does not own or operate any facilities within that province, Moncton is approximately 260km north of Halifax, Nova Scotia. The Company believes that a portion of the patrons at its Nova Scotia casinos reside in New Brunswick, and that the new facility has increased competition for these patrons. However, to date the new facility has not created a material impact upon the Nova Scotia casinos' business.

Washington State

In February 2011, a city council vote in Tukwila, Washington resulted in a prohibition of the operation of card rooms in that city effective January 1, 2016. In December 2011, the city repealed this prohibition.

CONSOLIDATED RESULTS OF OPERATIONS

The following table summarizes the consolidated operating results for the three month and twelve month periods ended December 31, 2011 with comparatives for the prior period.

	Fourth Quarter			Twelve Months of		
	2011	2010	% Chg	2011	2010	% Chg
Gaming revenues	$ 68.4	$ 69.1	(1%)	$ 281.9	$ 274.9	3%
Facility Development Commission	8.5	8.1	5%	32.1	30.2	6%
Hospitality and other revenues	18.9	18.0	5%	70.4	67.5	4%
Racetrack revenues	4.5	5.4	(17%)	19.5	23.3	(16%)
	100.3	100.6	0%	403.9	395.9	2%
Less: Promotional allowances	(4.6)	(3.4)	35%	(15.7)	(12.4)	27%
Revenues	95.7	97.2	(2%)	388.2	383.5	1%
Human resources	39.1	37.7	4%	154.9	153.2	1%
Property, marketing and administration	25.7	24.5	5%	95.5	93.9	2%
	64.8	62.2	4%	250.4	247.1	1%
EBITDA	30.9	35.0	(12%)	137.8	136.4	1%
Human resources as a % of Revenues before Promotional allowances	39.0%	37.5%		38.4%	38.7%	
EBITDA as a % of Revenues	32.3%	36.0%		35.5%	35.6%	
Amortization	14.8	13.5		58.5	53.7	
Stock-based compensation	0.6	0.8		4.9	4.8	
Restructuring and other	0.8	2.1		0.5	3.4	
Interest and financing costs, net	7.7	6.1		29.5	28.0	
Impairment of long-lived assets	4.4	31.9		4.4	35.1	
Impairment of goodwill	—	14.2		—	14.2	
Other expenses	(0.9)	(0.1)		3.2	0.3	
Income taxes	1.2	(4.0)		10.6	5.0	
Shareholders' net earnings (loss)	$ 2.3	$ (29.5)		$ 26.2	$ (8.1)	
Shareholders' net earnings (loss) per common share:						
Basic	$ 0.03	$ (0.36)		$ 0.32	$ (0.10)	
Diluted	$ 0.03	$ (0.36)		$ 0.31	$ (0.10)	
Weighted average number of common shares (in thousands):						
Basic	82,161	82,801		82,670	82,641	
Diluted	83,651	82,801		84,210	82,641	

Discussion of Results

The Company's operating results are discussed in two sections. Revenues, human resources expenses, property, marketing and administration expenses, and EBITDA are discussed on a property or, where appropriate, group of similar properties basis. Items excluded from EBITDA are discussed on a consolidated basis. The following table reconciles the property results to the consolidated results of operations above.

REVENUES and EBITDA

	Fourth Quarter			Twelve Months of		
	2011	2010	% Chg	2011	2010	% Chg
REVENUES						
Casinos						
River Rock Casino Resort	$ 34.1	$ 33.5	2%	$ 138.3	$ 127.3	9%
Boulevard Casino	14.3	15.3	(7%)	57.9	63.6	(9%)
Vancouver Island Casinos	10.4	10.0	4%	39.5	40.0	(1%)
Other BC Casinos	3.3	2.8	18%	11.5	7.5	53%
Nova Scotia Casinos	9.7	10.4	(7%)	41.9	42.4	(1%)
Great American Casinos	5.8	5.6	4%	22.7	22.1	3%
	77.6	77.6	0%	311.8	302.9	3%
Racinos						
BC Racinos	9.6	11.0	(13%)	42.0	45.7	(8%)
Georgian Downs	4.0	4.1	(2%)	16.1	15.9	1%
Flamboro Downs	4.5	4.5	0%	18.3	18.5	(1%)
	18.1	19.6	(8%)	76.4	80.1	(5%)
Corporate & Other	—	—		—	0.5	(100%)
Total Revenues	$ 95.7	$ 97.2	(2%)	$ 388.2	$ 383.5	1%
EBITDA						
Casinos						
River Rock Casino Resort	$ 13.5	$ 15.3	(12%)	$ 64.8	$ 58.6	11%
Boulevard Casino	5.3	6.1	(13%)	23.0	28.2	(18%)
Vancouver Island Casinos	6.1	5.6	9%	22.5	23.3	(3%)
Other BC Casinos	1.5	1.5	0%	4.9	3.1	58%
Nova Scotia Casinos	2.1	2.6	(19%)	11.2	11.1	1%
Great American Casinos	1.0	1.4	(29%)	4.5	3.6	25%
	29.5	32.5	(9%)	130.9	127.9	2%
Racinos						
BC Racinos	2.6	4.0	(35%)	10.9	13.1	(17%)
Georgian Downs	2.1	2.1	0%	9.3	8.4	11%
Flamboro Downs	2.1	1.8	17%	8.1	7.9	3%
	6.8	7.9	(14%)	28.3	29.4	(4%)
Corporate & Other	(5.4)	(5.4)	0%	(21.4)	(20.9)	(2%)
Total EBITDA	$ 30.9	$ 35.0	(12%)	$ 137.8	$ 136.4	1%

CASINOS

River Rock Casino Resort [1]

	Fourth Quarter 2011	Fourth Quarter 2010	% Chg	Twelve Months of 2011	Twelve Months of 2010	% Chg
Gaming revenues	$ 22.5	$ 22.7	(1%)	$ 94.4	$ 86.2	10%
Facility Development Commission	3.3	3.3	0%	14.0	12.6	11%
Hospitality and other revenues	10.1	8.8	15%	35.6	33.0	8%
Revenues before Promotional allowances	35.9	34.8	3%	144.0	131.8	9%
Less: Promotional allowances	(1.8)	(1.3)	38%	(5.7)	(4.5)	27%
Revenues	34.1	33.5	2%	138.3	127.3	9%
Human resources	12.7	11.4	11%	47.3	44.6	6%
Property, marketing and administration	7.9	6.8	16%	26.2	24.1	9%
EBITDA	$ 13.5	$ 15.3	(12%)	$ 64.8	$ 58.6	11%
Human resources as a % of Revenues before Promotional allowances	35.4%	32.8%		32.8%	33.8%	
EBITDA as a % of Revenues	39.6%	45.7%		46.9%	46.0%	

[1] The results of the Racebook at River Rock are included in the results of TBC Teletheatre B.C.

	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Average
Table Drop	$ 169.4	$ 175.9	$ 178.4	$ 181.3	$ 176.7	$ 151.2	$ 149.4	$ 160.3	$ 151.7	
Table Hold	$ 32.5	$ 39.2	$ 39.1	$ 34.5	$ 34.4	$ 29.5	$ 32.5	$ 29.8	$ 30.8	
Table Hold %	19.2%	22.3%	21.9%	19.0%	19.5%	19.6%	21.7%	18.6%	20.3%	20.2%
Poker Rake	$ 1.2	$ 1.1	$ 1.1	$ 1.2	$ 1.5	$ 1.4	$ 1.3	$ 1.6	$ 1.4	
Slot Coin-In	$ 522.8	$ 490.9	$ 477.3	$ 448.2	$ 448.5	$ 451.8	$ 447.9	$ 434.5	$ 420.6	
Slot Win	$ 34.5	$ 34.1	$ 34.3	$ 30.3	$ 31.6	$ 32.8	$ 31.4	$ 30.7	$ 28.8	
Slot Win/Slot/Day [2]	$ 375	$ 376	$ 384	$ 339	$ 348	$ 361	$ 346	$ 348	$ 362	
Slot Win %	6.6%	6.9%	7.2%	6.8%	7.0%	7.3%	7.0%	7.1%	6.8%	7.0%

[2] Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Gaming revenues at River Rock in the fourth quarter of 2011 were relatively consistent with the same period in 2010. The decline in River Rock's table hold in the fourth quarter of 2011 was largely offset by improvements in slot win.

River Rock's table hold percentage during the fourth quarter of 2011 was 19.2%. This percentage was 0.3 percentage points below the property's table hold percentage during the fourth quarter of 2010, which in combination with the decrease in table drop, resulted in a 5.5% decline in River Rock's table hold in the fourth quarter of 2011.

Gaming revenues at River Rock increased by 10% in the twelve months of 2011, when compared to the twelve months of 2010. This increase was primarily due to improvements in table drop, table hold percentage, and slot coin-in. This growth in gaming revenues can be primarily attributed to the continued benefit of the redevelopments, enhancements, and associated increase in player demand at River Rock.

Hospitality and other revenues increased by 15% in the fourth quarter and 8% in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. These increases were primarily due to the third hotel tower, which opened on October 17, 2011, and were partially offset by a non-recurring reduction to other revenues associated with sales taxes due on fees previously earned for providing automated banking machine services to our guests of $0.2.

River Rock's average daily hotel revenue per available room ("REVPAR") was $91 dollars in the fourth quarter of 2011, compared to $126 dollars in the fourth quarter of 2010. This decrease was due to a 19.1 percentage point decrease in the average hotel occupancy rate to 60% and an 8% decrease in the average daily room rate ("ADR") to $151 dollars. The decreases in occupancy rate and ADR were as a result of the new hotel tower at River Rock, which introduced additional capacity at a lower price compared to River Rock's first two hotel towers. The new hotel tower is operating as expected during its start-up period. The Company expects "The Hotel at River Rock" to complete its brand establishment and start-up phases by the end of 2012.

Promotional allowance increased by $0.5 in the fourth quarter and $1.2 in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. These increases were primarily due to the increased incentives associated with direct marketing efforts.

Expenses

Human resources expenses increased by 11% in the fourth quarter and 6% in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. These increases were primarily due to incremental staffing costs associated with the new hotel tower, overall increases in customer visitation, inflationary increases and adjustments to ensure competitive compensation, and non-recurring adjustments to staff benefit cost accruals of $0.1.

Property, marketing and administration expenses increased by 16% in the fourth quarter and 9% in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. These increases were primarily due to non-recurring pre-opening expenses of $0.8 associated with the third hotel tower.

EBITDA

EBITDA decreased by 12% in the fourth quarter of 2011, when compared to the fourth quarter of 2010. This decrease was primarily due to the increased operating expenses that were only partially offset by increased revenues.

EBITDA increased by 11% in the twelve months of 2011, when compared to the twelve months of 2010. These improvements were primarily due to River Rock's revenue increases, and were partially offset by the increased expenses, primarily related to the new hotel tower.

Boulevard Casino [1]

	Fourth Quarter 2011	Fourth Quarter 2010	% Chg	Twelve Months of 2011	Twelve Months of 2010	% Chg
Gaming revenues	$ 10.8	$ 11.3	(4%)	$ 44.1	$ 47.9	(8%)
Facility Development Commission	1.8	1.9	(5%)	7.2	7.8	(8%)
Hospitality and other revenues	2.3	2.6	(12%)	8.7	9.4	(7%)
Revenues before Promotional allowances	14.9	15.8	(6%)	60.0	65.1	(8%)
Less: Promotional allowances	(0.6)	(0.5)	20%	(2.1)	(1.5)	40%
Revenues	14.3	15.3	(7%)	57.9	63.6	(9%)
Human resources	5.9	6.0	(2%)	23.5	23.8	(1%)
Property, marketing and administration	3.2	3.2	0%	11.5	11.6	(1%)
EBITDA	$ 5.2	$ 6.1	(15%)	$ 22.9	$ 28.2	(19%)
Human resources as a % of Revenues before Promotional allowances	39.6%	38.0%		39.2%	36.6%	
EBITDA as a % of Revenues	36.4%	39.9%		39.6%	44.3%	

[1] The results of the Racebook at Boulevard are included in the results of TBC Teletheatre B.C.

	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Average
Table Drop	$ 41.6	$ 39.7	$ 40.3	$ 39.3	$ 45.8	$ 44.8	$ 47.2	$ 48.4	$ 48.5	
Table Hold	$ 8.4	$ 8.6	$ 8.5	$ 8.7	$ 8.9	$ 9.0	$ 9.7	$ 9.8	$ 9.7	
Table Hold %	20.2%	21.7%	21.1%	22.1%	19.4%	20.1%	20.6%	20.2%	20.0%	20.6%
Poker Rake	$ 1.1	$ 1.4	$ 1.0	$ 1.1	$ 1.3	$ 1.3	$ 1.3	$ 1.2	$ 1.3	
Slot Coin-In	$ 400.6	$ 392.1	$ 394.4	$ 372.8	$ 380.8	$ 406.8	$ 424.6	$ 422.6	$ 427.2	
Slot Win	$ 26.7	$ 27.2	$ 28.0	$ 26.5	$ 27.8	$ 28.9	$ 30.8	$ 29.8	$ 30.1	
Slot Win/Slot/Day [2]	$ 289	$ 294	$ 305	$ 289	$ 292	$ 314	$ 325	$ 314	$ 343	
Slot Win %	6.7%	6.9%	7.1%	7.1%	7.3%	7.1%	7.3%	7.1%	7.0%	7.1%

[2] Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Revenues at Boulevard decreased by 7% in the fourth quarter and 9% in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. These decreases can be attributed to declines in visitation. These declines were primarily due to a challenging local economy, continued disruption caused by the construction on provincial highway enhancements adjacent to the facility, as well as local competition. This construction is expected to continue through 2013, Boulevard's local competition includes the Company's Maple Ridge Community Gaming Centre. The Community Gaming Centre, which introduced slot machines in October 2010, has accommodated some of those patrons displaced by the disruption surrounding Boulevard.

Promotional allowances increased by $0.1 in the fourth quarter and $0.6 in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. These increases relate to the increased incentives associated with direct marketing intended to improve visitation and gaming volumes.

Expenses

Human resources expenses decreased by 2% in the fourth quarter and 1% in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. These decreases were primarily due to staffing level adjustments implemented in response to the reduced gaming

volumes, as well as a non-recurring reduction to staff benefit accruals of $0.2 during the fourth quarter of 2011, the impact of which was partially offset by both inflationary increases and adjustments to ensure competitive compensation.

EBITDA

EBITDA decreased by 15% in the fourth quarter and 19% in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. These decreases were primarily due to the declines in Boulevard's revenues.

Vancouver Island Casinos (View Royal Casino and Casino Nanaimo) [(1)]

	Fourth Quarter			Twelve Months of		
	2011	2010	% Chg	2011	2010	% Chg
Gaming revenues	$ 7.7	$ 8.1	(5%)	$ 31.3	$ 32.5	(4%)
Facility Development Commission	2.4	1.3	85%	6.3	5.3	19%
Hospitality and other revenues	0.8	0.9	(11%)	3.6	3.4	6%
Revenues before Promotional allowances	10.9	10.3	6%	41.2	41.2	0%
Less: Promotional allowances	(0.5)	(0.3)	67%	(1.7)	(1.2)	42%
Revenues	10.4	10.0	4%	39.5	40.0	(1%)
Human resources	2.9	2.9	0%	11.8	11.5	3%
Property, marketing and administration	1.4	1.5	(7%)	5.2	5.2	0%
EBITDA	$ 6.1	$ 5.6	9%	$ 22.5	$ 23.3	(3%)
Human resources as a % of Revenues before Promotional allowances	26.6%	28.2%		28.6%	27.9%	
EBITDA as a % of Revenues	58.7%	56.0%		57.0%	58.3%	

(1) The results of the Racebook at Casino Nanaimo are included in the results of TBC Teletheatre B.C.

	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Average
Table Drop	$ 11.6	$ 11.7	$ 11.7	$ 12.9	$ 12.8	$ 13.7	$ 13.7	$ 13.1	$ 12.6	
Table Hold	$ 2.5	$ 2.6	$ 2.6	$ 2.8	$ 2.9	$ 2.8	$ 3.1	$ 2.8	$ 3.0	
Table Hold %	21.6%	22.2%	22.2%	21.7%	22.7%	20.4%	22.6%	21.4%	23.8%	22.1%
Slot Coin-In	$ 381.4	$ 386.6	$ 394.1	$ 365.4	$ 375.3	$ 379.8	$ 394.4	$ 376.8	$ 384.3	
Slot Win	$ 27.5	$ 28.9	$ 28.8	$ 27.0	$ 28.5	$ 29.1	$ 29.5	$ 28.0	$ 28.5	
Slot Win/Slot/Day[(2)]	$ 296	$ 311	$ 318	$ 293	$ 309	$ 324	$ 321	$ 326	$ 322	
Slot Win %	7.2%	7.5%	7.3%	7.4%	7.6%	7.7%	7.5%	7.4%	7.4%	7.4%

(2) Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Revenues at the Vancouver Island Casinos increased by 4% in the fourth quarter of 2011, when compared to the fourth quarter of 2010. This increase was primarily due to the additional accelerated FDC eligible expenditures at Casino Nanaimo. During the fourth quarter of 2011, approximately $1.0 of the FDC revenues were related to gaming revenues earned and accelerated FDC eligible expenditures incurred in prior quarters, but approved by BCLC during the fourth quarter of 2011. Revenues decreased by 1% in the twelve months of 2011, when compared to the twelve months of 2010. During the twelve months of 2011, the Vancouver Island Casinos experienced a decline in gaming volumes, which decreased gaming revenues. This decrease was largely offset by the incremental FDC revenues in the fourth quarter of 2011.

Expenses

Human resources expenses in the fourth quarter of 2011 were relatively consistent with the fourth quarter of 2010. Human resources increased by 3% in the twelve months of 2011, when compared to the twelve months of 2010. This increase was primarily due to increased staffing levels and training intended to improve customer service at the facilities, as well as both inflationary increases and adjustments to ensure competitive compensation.

EBITDA

EBITDA increased by 9% in the fourth quarter of 2011, when compared to the fourth quarter 2010. This increase was primarily due to incremental FDC revenues. EBITDA decreased by 3% in the twelve months of 2011, when compared to the twelve months of 2010. This decrease was primarily due to the decline in revenues and the increase in human resources expenses.

Other BC Casinos

(Chances in Dawson Creek, Maple Ridge Community Gaming Centre (formerly "Haney Bingo Plex") and Chilliwack Bingo) [(1)]

	Fourth Quarter			Twelve Months of		
	2011	2010	% Chg	2011	2010	% Chg
Gaming revenues	$ 2.5	$ 1.8	39%	$ 8.7	$ 5.3	64%
Facility Development Commission	0.4	0.7	(43%)	1.6	1.0	60%
Hospitality and other revenues	0.5	0.4	25%	1.6	1.3	23%
Revenues before Promotional allowances	3.4	2.9	17%	11.9	7.6	57%
Less: Promotional allowances	(0.1)	(0.1)	0%	(0.4)	(0.1)	300%
Revenues	3.3	2.8	18%	11.5	7.5	53%
Human resources	1.1	0.8	38%	4.1	2.8	46%
Property, marketing and administration	0.7	0.5	40%	2.5	1.6	56%
EBITDA	$ 1.5	$ 1.5	0%	$ 4.9	$ 3.1	58%
Human resources as a % of Revenues before Promotional allowances	32.4%	27.6%		34.5%	36.8%	
EBITDA as a % of Revenues	45.5%	53.6%		42.6%	41.3%	

(1) The results of the Racebook at Maple Ridge Community Gaming Centre are included in the results of TBC Teletheatre B.C.

	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Average
Slot Coin-In	$ 118.7	$ 102.4	$ 104.5	$ 98.4	$ 95.3	$ 56.8	$ 54.9	$ 51.7	$ 54.9	
Slot Win	$ 7.4	$ 6.9	$ 7.0	$ 6.6	$ 6.1	$ 3.4	$ 3.2	$ 3.0	$ 3.0	
Slot Win/Slot/Day[(2)]	$ 316	$ 294	$ 300	$ 283	$ 260	$ 249	$ 234	$ 227	$ 217	
Slot Win %	6.2%	6.7%	6.7%	6.7%	6.4%	6.0%	5.8%	5.8%	5.5%	6.2%

(2) Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Revenues at the Company's Other BC Casinos increased by 18% in the fourth quarter, when compared to the fourth quarter of 2010. This increase was primarily due to the acquisition of Chilliwack Bingo on May 31, 2011, which generated new revenues of $0.5 in the fourth quarter of 2011.

Revenues increased by 53% in the twelve months of 2011, when compared to the twelve months of 2010. This increase was primarily due to both the introduction of 100 slot machines at the Maple Ridge Community Gaming Centre on October 15, 2010 and the acquisition of Chilliwack Bingo on May 31, 2011. The slot machines at Maple Ridge generated new visitation and accommodated some of those patrons displaced by highway construction adjacent to Boulevard, resulting in an increase in revenues at Maple Ridge of $2.7 in the twelve months of 2011, when compared to the twelve months of 2010. The acquisition of Chilliwack Bingo generated new revenues of $1.3 in the twelve months of 2011.

Expenses

Human resources expenses increased by 38% in the fourth quarter and 46% in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. Property, marketing and administration expenses increased by 40% in the fourth quarter and 56% in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. These increases were primarily due to both increased staffing levels and increased marketing and hospitality costs related to the introduction of slot machines at the Maple Ridge Community Gaming Centre, as well as the incremental costs associated with the operation of Chilliwack Bingo.

EBITDA

EBITDA in the fourth quarter of 2011 was consistent with the fourth quarter of 2010. EBITDA in the twelve months of 2011 increased by 58%, when compared to the twelve months of 2010. This increase was primarily due to the introduction of slot machines at the Maple Ridge Community Gaming Centre.

Labour Relations

A collective agreement between Chilliwack Gaming Ltd. and National Automobile, Aerospace, Transportation and General Workers Union of Canada, (CAW-Canada), Local 3000, with a term covering January 1, 2010 through December 31, 2011, governs wages and working conditions of employees, except management and those excluded by the Labour Relations Code of BC (the "Code"). Collective bargaining commenced on December 14, 2011 and is ongoing.

Nova Scotia Casinos (Casino Nova Scotia Halifax and Casino Nova Scotia Sydney)

	Fourth Quarter			Twelve Months of		
	2011	2010	% Chg	2011	2010	% Chg
Gaming revenues	$ 9.2	$ 9.5	(3%)	$ 39.6	$ 40.2	(1%)
Hospitality and other revenues	1.1	1.5	(27%)	4.6	4.6	0%
Revenues before Promotional allowances	10.3	11.0	(6%)	44.2	44.8	(1%)
Less: Promotional allowances	(0.6)	(0.6)	0%	(2.3)	(2.4)	(4%)
Revenues	9.7	10.4	(7%)	41.9	42.4	(1%)
Human resources	4.2	4.1	2%	16.9	17.0	(1%)
Property, marketing and administration	3.4	3.7	(8%)	13.8	14.3	(3%)
EBITDA	$ 2.1	$ 2.6	(19%)	$ 11.2	$ 11.1	1%
Human resources as a % of Revenues before Promotional allowances	40.8%	37.3%		38.2%	37.9%	
EBITDA as a % of Revenues	21.6%	25.0%		26.7%	26.2%	

	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Average
Table Drop	$ 11.0	$ 11.4	$ 11.8	$ 10.0	$ 11.5	$ 12.1	$ 12.0	$ 11.4	$ 11.9	
Table Hold	$ 2.2	$ 2.4	$ 2.3	$ 2.1	$ 2.2	$ 2.5	$ 1.9	$ 2.2	$ 2.4	
Table Hold %	20.0%	21.1%	19.5%	21.0%	19.1%	20.7%	15.8%	19.3%	20.2%	19.6%
Poker Rake	$ 0.5	$ 0.6	$ 0.5	$ 0.5	$ 0.4	$ 0.4	$ 0.4	$ 0.4	$ 0.4	
Slot Coin-In	$ 193.5	$ 231.2	$ 205.2	$ 181.6	$ 200.2	$ 240.5	$ 214.6	$ 209.6	$ 209.6	
Slot Win	$ 15.0	$ 18.5	$ 16.2	$ 14.4	$ 15.6	$ 18.6	$ 16.8	$ 15.6	$ 15.8	
Slot Win/Slot/Day[1]	$ 185	$ 225	$ 198	$ 176	$ 190	$ 226	$ 204	$ 188	$ 202	
Slot Win %	7.8%	8.0%	7.9%	7.9%	7.8%	7.7%	7.8%	7.4%	7.5%	7.8%

[1] Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Revenues at the Nova Scotia Casinos decreased by 7% in the fourth quarter of 2011, when compared to the fourth quarter of 2010. This decrease was primarily due to a decrease in slot coin-in, and a $0.2 non-recurring reduction to other revenues associated with sales taxes due on fees previously earned for providing automated banking machine services to our guests. Revenues in the twelve months of 2011 were relatively consistent with the twelve months of 2010.

Expenses

Human resources expenses in both the fourth quarter and twelve months of 2011 were relatively consistent with the same periods in 2010.

EBITDA

EBITDA decreased by 19% in the fourth quarter of 2011, when compared to the fourth quarter of 2010. This decrease was primarily due to lower revenues and non-recurring expenses. EBITDA increased by 1% in the twelve months of 2011, when compared to the twelve months of 2010. This increase was primarily due to the continued benefit of expense reduction initiatives.

Labour Relations

A collective agreement between Casino Nova Scotia Halifax and Service Employees International Union ("SEIU"), Local 902, with a term covering February 1, 2008 through January 31, 2012, governs wages and working conditions of the "Main Unit" including all full-time and regular part-time employees of Casino Nova Scotia Halifax excluding office and clerical workers, human resource employees, surveillance employees, security employees, supervisors and those above the rank of supervisor. Collective bargaining commenced on January 30, 2012, and is ongoing.

A collective agreement between Casino Nova Scotia Halifax and SEIU, Local 902, with a term covering January 9, 2009 through January 31, 2012, governs wages and working conditions of the "Security Unit" including all full-time and regular part-time employees in the security department of Casino Nova Scotia Halifax, excluding supervisors and those above the rank of supervisor. Notice to commence collective bargaining was served on November 30, 2011, and collective bargaining is expected to commence in March 2012.

Great American Casinos

Results in U.S. Dollars (in millions)

	Fourth Quarter			Twelve Months of		
	2011	2010	% Chg	2011	2010	% Chg
Gaming revenues	$ 4.8	$ 4.7	2%	$ 19.7	$ 18.7	5%
Hospitality and other revenues	1.4	1.1	27%	4.9	4.2	17%
Revenues before Promotional allowances	6.2	5.8	7%	24.6	22.9	7%
Less: Promotional allowances	(0.5)	(0.3)	67%	(1.8)	(1.4)	29%
Revenues	5.7	5.5	4%	22.8	21.5	6%
Human resources	3.2	2.9	10%	12.5	12.4	1%
Property, marketing and administration	1.6	1.3	23%	6.0	5.6	7%
EBITDA	$ 0.9	$ 1.3	(31%)	$ 4.3	$ 3.5	23%
Human resources as a % of Revenues before Promotional allowances	51.6%	50.0%		50.8%	54.1%	
EBITDA as a % of Revenues	15.8%	23.6%		18.9%	16.3%	

	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Average
Table Drop	$ 35.5	$ 31.7	$ 31.6	$ 31.2	$ 31.1	$ 33.7	$ 28.0	$ 25.6	$ 27.2	
Table Hold	$ 5.4	$ 5.2	$ 5.8	$ 5.9	$ 5.4	$ 5.3	$ 4.6	$ 5.8	$ 5.5	
Table Hold %	15.2%	16.4%	18.4%	18.9%	17.4%	15.7%	16.4%	22.7%	20.2%	17.7%
Poker Rake	$ —	$ —	$ —	$ —	$ —	$ —	$ 0.1	$ —	$ —	

Results in Canadian Dollars

	Fourth Quarter			Twelve Months of		
	2011	2010	% Chg	2011	2010	% Chg
Revenues	$ 5.8	$ 5.6	4%	$ 22.6	$ 22.1	2%
EBITDA	$ 1.0	$ 1.4	(29%)	$ 4.3	$ 3.6	19%

Discussion in U.S. Dollars

Revenues

Revenues at the Great American Casinos increased by 4% in the fourth quarter of 2011, when compared to the fourth quarter of 2010. This increase was primarily due to improvements in hospitality revenues, and was partially offset by an increase in promotional allowances. Revenues increased by 6% in the twelve months of 2011, when compared to the twelve months of 2010. This increase was primarily due to a 10% improvement in table drop and improvements in hospitality revenues, and was partially offset by an increase in promotional allowances.

Expenses

Human resources expenses in the fourth quarter of 2011 increased by 10%, when compared to the fourth quarter of 2010. This increase was primarily due to additional staffing to accommodate increased visitation and gaming volume at the property. Human resources expenses in the twelve months of 2011 were relatively consistent when compared to the twelve months of 2010.

Property, marketing and administration expenses increased by 23% in the fourth quarter and 7% in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. These increases were primarily due to additional costs associated with the increase in hospitality revenues and inflationary increases in food and beverage costs.

EBITDA

Great American Casinos' EBITDA in the fourth quarter of 2011 decreased by 31%, when compared to the fourth quarter of 2010. This decrease was primarily due to higher expenses, and was partially offset by an increase in hospitality revenues. EBITDA increased by 23% in the twelve months of 2011, when compared to the twelve months of 2010. This increase was primarily due to revenue increases.

The value of the Great American Casinos' functional currency, the U.S. dollar, in comparison to the Company's reporting currency, the Canadian dollar, affects the reported results of the Great American Casinos. The average value of the U.S. dollar was consistent during the fourth quarter of 2011 and decreased 5% in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010.

RACINOS

BC Racinos (Fraser Downs Racetrack and Casino, Hastings Racecourse and TBC Teletheatre B.C.[1])

	Fourth Quarter			Twelve Months of		
	2011	2010	% Chg	2011	2010	% Chg
Gaming revenues	$ 4.7	$ 4.8	(2%)	$ 19.2	$ 18.7	3%
Facility Development Commission	0.6	0.9	(33%)	3.0	3.5	(14%)
Racetrack revenues	3.3	4.2	(21%)	14.6	18.1	(19%)
Hospitality and other revenues	1.5	1.4	7%	6.9	6.7	3%
Revenues before Promotional allowances	10.1	11.3	(11%)	43.7	47.0	(7%)
Less: Promotional allowances	(0.5)	(0.3)	67%	(1.7)	(1.3)	31%
Revenues	9.6	11.0	(13%)	42.0	45.7	(8%)
Human resources	3.9	4.0	(3%)	17.5	17.9	(2%)
Property, marketing and administration	3.1	3.0	3%	13.6	14.7	(7%)
EBITDA	$ 2.6	$ 4.0	(35%)	$ 10.9	$ 13.1	(17%)
Human resources as a % of Revenues before Promotional allowances	38.6%	35.4%		40.0%	38.1%	
EBITDA as a % of Revenues	27.1%	36.4%		26.0%	28.7%	

[1] On April 1, 2010, the Company's control over TBC was reduced to significant influence so it ceased consolidating TBC from that date.

	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Average
Table Drop	$ 6.0	$ 6.5	$ 6.1	$ 7.0	$ 7.3	$ 6.4	$ 7.0	$ 6.8	$ 7.4	
Table Hold	$ 1.3	$ 1.5	$ 1.3	$ 1.3	$ 1.5	$ 1.4	$ 1.3	$ 1.4	$ 1.5	
Table Hold %	21.7%	23.1%	21.3%	18.6%	20.5%	21.9%	18.6%	20.6%	20.3%	20.7%
Slot Coin-In	$ 240.4	$ 241.8	$ 228.4	$ 219.0	$ 218.7	$ 222.2	$ 225.4	$ 196.3	$ 217.4	
Slot Win	$ 17.3	$ 18.4	$ 17.8	$ 17.2	$ 17.2	$ 17.8	$ 17.4	$ 15.4	$ 17.6	
Slot Win/Slot/Day[2]	$ 179	$ 189	$ 185	$ 179	$ 176	$ 184	$ 180	$ 164	$ 184	
Slot Win %	7.2%	7.6%	7.8%	7.9%	7.9%	8.0%	7.7%	7.8%	8.1%	7.8%

[2] Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Gaming revenues at the BC Racinos in the fourth quarter of 2011 were relatively consistent with the same period in 2010. Gaming revenues increased by 3% in the twelve months of 2011, when compared to the twelve months of 2010. This increase was primarily due to a full three months of operation at Hastings Racecourse during the first quarter of 2011. This facility was negatively impacted by a mandatory one-month closure in February 2010 due to the Winter Olympics. This closure reduced all revenues at Hastings Racecourse during the first quarter of 2010 and diminished awareness of the property among patrons for the balance of the year, which resulted in decreases in both visitation and gaming volumes.

Facility Development Commission revenues decreased by $0.3 in the fourth quarter and $0.5 in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. These decreases were primarily due to the reduced remaining approved accelerated FDC eligible expenditures at Fraser Downs Racetrack and Casino.

Racetrack revenues decreased by 21% in the fourth quarter and 19% in the twelve months of 2011, when compared to the same prior periods in 2010. This decline was primarily due to an ongoing, industry-wide decline in horse race revenues and the deconsolidation of TBC in April of 2010, as described in the 'Other Financial Information' section of this MD&A.

Expenses

Human resources expenses and property, marketing and administration expenses in the fourth quarter of 2011 were relatively consistent with the fourth quarter of 2010. Human resources expenses and property, marketing and administration expenses decreased by 2% and 7%, respectively, in the twelve months of 2011, when compared to the twelve months of 2010. These decreases were primarily due to the deconsolidation of TBC.

EBITDA

EBITDA decreased by 35% in the fourth quarter and 17% in the twelve months of 2011, when compared to the same prior periods in 2010. This decline was due to the industry-wide decline in horse race wagering, the deconsolidation of TBC, and decreases in FDC revenues.

Labour Relations

A collective agreement between Hastings Entertainment Inc. and UNITE HERE!, Local 40, with a term covering April 1, 2008 through December 31, 2010, governs wages and working conditions of "employees engaged in the food and beverage dispensing at the Hastings Park Racecourse". Collective bargaining for a renewal collective agreement commenced on January 20, 2011, and is ongoing.

A collective agreement between Hastings Entertainment Inc. and Canadian Office and Professional Employees Union ("COPE"), Local 378, with a term covering August 1, 2008 through July 31, 2011, and subsequently extended by mutual agreement to July 31, 2012, governs wages and working conditions of "Employees of Hastings Entertainment Inc., Hastings Park Racecourse employed at Exhibition Park, except those excluded by the Code employed by Hastings Entertainment Inc."

Georgian Downs

	Fourth Quarter			Twelve Months of		
	2011	2010	% Chg	2011	2010	% Chg
Gaming revenues	$ 3.1	$ 3.1	0%	$ 12.7	$ 12.5	2%
Racetrack revenues	0.4	0.4	0%	1.7	1.7	0%
Hospitality and other revenues	0.5	0.6	(17%)	1.7	1.7	0%
Revenues before Promotional allowances	4.0	4.1	(2%)	16.1	15.9	1%
Less: Promotional allowances	—	—		—	—	—
Revenues	4.0	4.1	(2%)	16.1	15.9	1%
Human resources	0.7	0.7	0%	2.6	2.7	(4%)
Property, marketing and administration	1.2	1.3	(8%)	4.2	4.8	(13%)
EBITDA	$ 2.1	$ 2.1	0%	$ 9.3	$ 8.4	11%
Human resources as a % of Revenues before Promotional allowances	17.5%	17.1%		16.1%	17.0%	
EBITDA as a % of Revenues	52.5%	51.2%		57.8%	52.8%	

Revenues

Revenues at Georgian Downs in the fourth quarter and twelve months of 2011 were relatively consistent with the same periods of 2010.

Expenses

Human resources expenses in the fourth quarter and twelve months of 2011 were relatively consistent with the same periods of 2010. Property, marketing and administration expenses decreased by 8% and 13% in the fourth quarter and twelve months of 2011, respectively, when compared to the fourth quarter and twelve months of 2010. These decreases were primarily due to reduced occupancy costs.

EBITDA

EBITDA in the fourth quarter of 2011 was consistent with the fourth quarter of 2010. EBITDA in the twelve months of 2011 increased by 11% when compared to the twelve months of 2010. This improvement was primarily due to the decrease in Georgian Downs' occupancy costs.

Recent Development

In February 2012, the Commission on the Reform of Ontario's Public services released a report with recommendations aimed at improving the Government of Ontario's economic challenges. This report included recommendations, as described in the "Market Update" section of this MD&A, which may negatively affect the future profitability of this property.

Flamboro Downs

	Fourth Quarter			Twelve Months of		
	2011	2010	% Chg	2011	2010	% Chg
Gaming revenues	$ 3.0	$ 3.0	0%	$ 12.4	$ 12.1	2%
Racetrack revenues	0.8	0.8	0%	3.2	3.5	(9%)
Hospitality and other revenues	0.7	0.7	0%	2.7	2.9	(7%)
Revenues before Promotional allowances	4.5	4.5	0%	18.3	18.5	(1%)
Less: Promotional allowances	—	—	—	—	—	—
Revenues	4.5	4.5	0%	18.3	18.5	(1%)
Human resources	1.2	1.3	(8%)	5.1	5.1	0%
Property, marketing and administration	1.2	1.4	(14%)	5.1	5.5	(7%)
EBITDA	$ 2.1	$ 1.8	17%	$ 8.1	$ 7.9	3%
Human resources as a % of Revenues before Promotional allowances	26.7%	28.9%		27.9%	27.6%	
EBITDA as a % of Revenues	46.7%	40.0%		44.3%	42.7%	

Revenues

Revenues at Flamboro Downs in the fourth quarter and twelve months of 2011 were relatively consistent with the same periods of 2010.

Expenses

Human resources expenses in the fourth quarter and twelve months of 2011 were relatively consistent with the same periods of 2010. Property, marketing and administration expenses decreased by 14% and 7% in the fourth quarter and twelve months of 2011, respectively, when compared to the fourth quarter and twelve months of 2010. These decreases were primarily due to reduced occupancy costs.

EBITDA

EBITDA increased by 17% in the fourth quarter and 3% in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. These increases were primarily due to the decreases in Flamboro Downs' occupancy costs.

Labour Relations

A collective agreement between Flamboro Downs Limited and Service Employees International Union ("SEIU"), Local 2, governs wages and working conditions of employees in the Mutuels, Maintenance & Janitorial, Security, Food & Beverage departments. A new collective agreement with a three-year term covering January 1, 2011 through December 31, 2013 was ratified by both parties on November 3, 2011.

Recent Development

In February 2012, the Commission on the Reform of Ontario's Public services released a report with recommendations aimed at improving the Government of Ontario's economic challenges. This report included recommendations, as described in the "Market Update" section of this MD&A, which may negatively affect the future profitability of this property.

Corporate & Other

	Fourth Quarter			Twelve Months of		
	2011	2010	% Chg	2011	2010	% Chg
Revenues	$ —	$ —		$ —	$ 0.5	(100%)
Human resources	3.2	3.6	(11%)	13.7	15.1	(9%)
Property, marketing and administration	2.0	1.8	11%	7.5	6.3	19%
EBITDA	$ (5.2)	$ (5.4)	4%	$ (21.2)	$ (20.9)	(1%)

EBITDA

EBITDA in the fourth quarter and twelve months of 2011 was relatively consistent with the same periods of 2010.

Discussion of Items Excluded from EBITDA

Amortization

Amortization increased by $1.3 in the fourth quarter and $4.8 in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. These increases were primarily due to additional amortization associated with development projects completed in 2011 and 2010, as well as increased amortization associated with the long-lived assets at Hastings Racecourse.

Stock-Based Compensation

Stock-based compensation of $0.6 in the fourth quarter of 2011 is comprised of equity-settled stock-based compensation of $0.5, and cash-settled stock-based compensation of $0.1. Stock-based compensation decreased by $0.2 in the fourth quarter of 2011, when compared to the fourth quarter of 2010. This decrease was primarily due to a lower average number of unvested stock options outstanding during the fourth quarter of 2011, when compared to the fourth quarter of 2010.

Stock-based compensation of $4.9 in the twelve months of 2011 is comprised of equity-settled stock-based compensation of $3.9, and cash-settled stock-based compensation of $1.0. Stock-based compensation in the twelve months of 2011 was relatively consistent with the twelve months of 2010.

Stock-based compensation includes the impact of the deferred share units and restricted share units issued during 2011. Deferred share units and restricted share units are a form of cash-settled stock-based compensation to the Company's non-employee directors, as described in the 'Other Financial Information' section of this MD&A.

Restructuring and Other

Restructuring and other costs were $0.8 in the fourth quarter and $0.5 in the twelve months of 2011. These costs were primarily due to other expenses associated with the Company's BC horse racing operations. During the twelve months of 2011, the Company sublet some of the vacant head office space, which resulted in a reversal of $0.4 to the uneconomic lease provision previously recognized.

Restructuring and other costs were $2.1 in the fourth quarter and $3.4 in the twelve months of 2010 primarily related to other expenses associated with the Company's BC horse racing operations and the trailing payments associated with the 2008 acquisition of Maple Ridge Community Gaming Centre (formerly "Haney Bingo Plex") as described in the "Major Developments" section of this MD&A.

Interest and Financing Costs, net

Interest and financing costs, net of interest income, increased by $1.6 in the fourth quarter and $1.5 in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. These increases were primarily due to higher financing fees associated with the amended Credit Agreement, and were partially offset by additional interest income received from the Company's cash, cash equivalents, and short-term investments.

Impairment of Long-Lived Assets

Impairment of long-lived assets was $4.4 in the fourth quarter and twelve months of 2011. These non-cash impairment charges are associated with declines and uncertainty in the economic outlook of Hastings Racecourse.

Impairment of long-lived assets was $31.9 in the fourth quarter and $35.1 in the twelve months of 2010. These non-cash impairment charges were a result of revised capital investment expectations in connection with the future renewal of the operating lease agreement associated with Hastings Racecourse, changes in expected future cash flows associated with Flamboro Downs, and other business development projects that would not be reinitiated in the foreseeable future.

Impairment of Goodwill

A $14.2 goodwill impairment was recorded in the fourth quarter and twelve months of 2010. This non-cash impairment charge reflects the full write-off of goodwill associated with Flamboro Downs.

Other Expenses (includes "foreign exchange loss and other" and "non-controlling interests")

Other expenses decreased by $0.8 in the fourth quarter of 2011, when compared to the fourth quarter of 2010. Other expenses increased by $2.9 in the twelve months of 2011, when compared to the twelve months of 2010. These non-cash variances were primarily due to the discontinuation of hedge accounting for forty percent of the cash flows associated with the Term Loan B and Subordinated Notes cross-currency interest rate and principal swaps, as described in the "Capital Resources" section of this MD&A.

Income Taxes

Income taxes increased by $5.2 in the fourth quarter and $5.6 in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. These increases were primarily due to higher earnings before income taxes, and were partially offset by decreases in: non-deductible impairment of goodwill, non-deductible stock-based compensation, non-cash deferred tax impact of temporary differences reversing at lower tax rates and a corporate income tax rate that was 2.0 percentage points lower in 2011, when compared to 2010.

CONSOLIDATED QUARTERLY RESULTS TREND

	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Revenues	$ 95.7	$ 101.0	$ 99.5	$ 92.0	$ 97.2	$ 96.3	$ 97.0	$ 93.0
EBITDA	$ 30.9	$ 38.2	$ 37.4	$ 31.3	$ 35.0	$ 35.0	$ 35.0	$ 31.4
EBITDA as a % of Revenues	32.3%	37.8%	37.6%	34.1%	36.0%	36.3%	36.1%	33.8%
Shareholders' net earnings (loss):	$ 2.3	$ 7.9	$ 10.3	$ 5.7	$ (29.5)	$ 6.2	$ 10.1	$ 5.1
Shareholders' net earnings (loss) per common share:								
Basic	$ 0.03	$ 0.10	$ 0.12	$ 0.07	$ (0.36)	$ 0.07	$ 0.12	$ 0.06
Diluted	$ 0.03	$ 0.09	$ 0.12	$ 0.07	$ (0.36)	$ 0.07	$ 0.12	$ 0.06

For the fourth quarter of 2011, the Company recorded revenues of $95.7, a $1.5 decrease from the fourth quarter of 2010. This revenue decrease was primarily due to the flat gaming revenues at River Rock Casino Resort ("River Rock") compared to the prior year period along with the decreased revenues at both Boulevard and the Company's BC Racinos. The decline at Boulevard was primarily due to a challenging local economy, continued disruption caused by the construction on provincial highway enhancements adjacent to that facility, as well as local competition, which included the Company's Maple Ridge Community Gaming Centre. Revenues at the Company's BC Racinos continue to be negatively impacted by an industry-wide decline in horse racing revenues. These revenue decreases were partially offset by the addition of lower margin hospitality revenues associated with River Rock's new hotel tower, which opened in October 2011, as well as increased revenues at the Other BC Casinos that were attributable to the May 2011 acquisition of Chilliwack Bingo.

Also contributing towards the revenue decrease was a $0.9 non-recurring reduction to other revenues associated with an accrual for sales taxes due on fees previously earned for providing automated banking machines services to our guests. This decrease was offset by $1.0 in non-recurring FDC revenues earned by the Company's Vancouver Island Casinos in the fourth quarter of 2011 that related to gaming revenues earned and accelerated FDC eligible expenditures incurred in prior quarters.

EBITDA for the fourth quarter of 2011 was $30.9, a $4.1 decrease from the fourth quarter of 2010. This decrease was primarily due to the decrease in revenues, increased human resources expense associated with staffing related adjustments to accommodate the increased visitation and gaming volumes at River Rock, general inflationary increases and adjustments to human resources costs to ensure competitive compensation, $0.8 pre-opening costs associated with River Rock's new hotel tower, $0.2 of increased business development costs, and non-recurring adjustments to staff benefit accruals.

LIQUIDITY AND CAPITAL RESOURCES

The Company manages liquidity risks by closely monitoring its capital structure and operating costs, regularly monitoring forecast and actual cash flows, taking a conservative approach to capital investment, managing the maturity profiles of financial assets and financial liabilities and maintaining credit capacity within its Revolving Credit Facility.

At December 31, 2011, the Company had:

- Relatively low levels of receivables of which the majority of these are due from: the Nova Scotia Gaming Corporation (a branch of that province's government) and other provincial gaming corporations, sales tax rebates from the federal government, racetrack operators, and financial institutions;
- Low exposure to foreign currency exchange rate movements and low exposure to floating interest rate changes since it has cross-currency interest rate and principal swaps that hedge the cash flows associated with its U.S. dollar denominated Term Loan B and Senior Subordinated Notes ("Subordinated Notes") and has relatively low levels of foreign denominated assets and liabilities;
- $317.7 of available credit on its Revolving Credit Facility;
- Additional debt capacity within the limitations established by the covenants on its existing credit and debt facilities; and
- Counterparties to its existing debt and credit facilities and cross-currency interest rate and principal swaps that are primarily major financial institutions that have minimum grade "A" credit ratings.

Financial Position

	December 31, 2011	December 31, 2010	% Chg	January 1, 2010	% Chg
Cash and cash equivalents	$ 134.7	$ 50.9	165%	$ 34.6	47%
Short-term investments	—	53.0	(100%)	—	
Other current assets	22.6	16.8	35%	21.8	(23%)
Property, plant and equipment	663.6	663.0	0%	708.2	(6%)
Other long-term assets	155.2	162.5	(4%)	204.8	(21%)
Total Assets	$ 976.1	$ 946.2	3%	$ 969.4	(2%)
Current liabilities	64.9	60.8	7%	66.4	(8%)
Long-term debt & Derivative Liabilities (excluding current portion)	398.9	393.4	1%	407.7	(4%)
Other long-term liabilities	89.9	90.9	(1%)	91.9	(1%)
Total Liabilities	553.7	545.1	2%	566.0	(4%)
Shareholders' equity	422.4	401.1	5%	403.4	(1%)
Total Liabilities and Shareholders' equity	$ 976.1	$ 946.2	3%	$ 969.4	(2%)

Total Assets

Total assets increased by $29.9 in the twelve months of 2011, when compared to the prior year. This increase was primarily due to cash generated by operating activities, additions to property, plant and equipment on the Company's major development projects, and the acquisition of Chilliwack Bingo. These increases were partially offset by cash outflows to service financial obligations and amortization of property, plant and equipment and intangible assets.

Total assets decreased by $23.2 in the twelve months of 2010, when compared to the prior year. This decrease was primarily due to the amortization of property, plant and equipment and intangible assets, and impairment charges associated with Hastings Racecourse, Flamboro Downs, and other properties under development. These decreases were partially offset by cash generated by operating activities, purchases of short-term investments, and additions to property, plant and equipment on the Company's major development projects.

Total Liabilities

Total liabilities increased by $8.6 in the twelve months of 2011, when compared to the prior year. This increase was primarily due to the increase in long-term debt associated with the weakening Canadian dollar's effect on the underlying U.S. dollar debt, and an increase in current liabilities associated with the construction related activities described in the "Major Developments" section of this MD&A. This increase was partially offset by a decrease in the fair value of the Company's cross-currency interest rate swaps relating to the Term Loan B and Subordinated Notes.

Total liabilities decreased by $20.9 in the twelve months of 2010, when compared to the prior year. This decrease was primarily due to the repayment of the remaining borrowings on the Revolving Credit Facility in the first quarter of 2010 and a reduction in current liabilities primarily due to a reduction in construction related activities, when compared to January 1, 2010.

Shareholders' equity

Shareholders' equity increased by $21.3 in the twelve months of 2011, when compared to the prior year. This increase was primarily due to shareholders' net earnings of $26.2, equity-settled stock-based compensation of $3.9, and stock options exercised of $3.4. These increases were partially offset by the repurchased common shares of $10.6 and the decrease in accumulated other comprehensive income of $1.6.

Shareholders' equity decreased by $2.3 in the twelve months of 2010, when compared to the prior year. This decrease was primarily due to shareholders' net loss of $8.1 and other comprehensive loss of $0.3. These decreases were partially offset by equity-settled stock-based compensation of $4.8 and stock options exercised of $1.3.

Cash Flows

	Fourth Quarter			Twelve Months of		
	2011	2010	% Chg	2011	2010	% Chg
Net cash generated by operating activities	$ 31.1	$ 39.4	(21%)	$ 121.0	$ 128.3	(6%)
Cash (used in) generated by investing activities	(5.5)	(54.9)	90%	1.5	(72.1)	
Cash used in financing activities	(1.9)	(3.7)	49%	(39.5)	(40.0)	1%
Effect of foreign exchange on cash and cash equivalents	(0.1)	(0.1)	0%	0.8	0.1	700%
Cash inflow (outflow)	$ 23.6	$ (19.3)		$ 83.8	$ 16.3	414%

Net cash generated by operating activities was lower in the fourth quarter of 2011, when compared to the fourth quarter of 2010. This decrease was primarily due to lower EBITDA in the fourth quarter of 2011 and higher income tax instalment payments. Net cash generated by operating activities was lower in the twelve months of 2011, when compared to the twelve months of 2010. This was primarily due to higher income tax instalment payments, and was partially offset by higher EBITDA in the twelve months of 2011. For the twelve months of 2011, the Company made $14.8 in income tax payments, an increase of $10.7 from the twelve months 2010.

Cash used in investing activities in the fourth quarter of 2011 was primarily due to the development of the third hotel tower at River Rock, the planned Maple Ridge permanent facility, and the planned Chilliwack Community Gaming Centre. Cash used in investing activities in the fourth quarter of 2010 was primarily due to the purchase of short-term investments, the expansion at Georgian Downs, and property enhancements at River Rock.

Cash generated by investing activities in the twelve months of 2011 was primarily due to the maturity of short-term investments, largely offset by cash used in capital expenditures as described in the "Major Developments" section of this MD&A. Cash used in investing activities in the twelve months of 2010 was primarily due to the purchase of short-term investments, the redevelopment at Georgian Downs, and property enhancements at River Rock.

Cash used in financing activities was lower in the fourth quarter and twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. Cash used in financing activities in the fourth quarter of 2011 was primarily related to interest payments of $3.7 and the quarterly debt repayment on the Term Loan B, and was partially offset by common shares issued for cash of $2.4. Cash used in financing activities in the fourth quarter of 2010 was primarily related to interest payments on the Company's Long-term debt of $3.4 and the quarterly debt repayment on the Term Loan B.

Cash used in financing activities in the twelve months of 2011 was primarily related to the interest payments of $27.5, the repurchase of common shares of $10.6, and transaction costs of $2.8 associated with refinancing the Revolving Credit Facility, and was partially offset by cash received from the issuance of common shares of $3.4.

Cash used in financing activities in the twelve months of 2010 was primarily related to interest payments of $27.2 and the repayment of borrowings on the Company's Revolving Credit Facility of $14.1, and was partially offset by cash received from the issuance of common shares of $1.3.

Capital Resources

Long-Term Debt and Equity

	As at December 31, 2011	2010
Term Loan B, net of unamortized transaction costs of $1.1 (2010 – $1.5)	$ 163.7	$ 161.2
Senior Subordinated Notes and unamortized premium of $0.8 (2010 – $1.1), net of unamortized transaction costs of $2.7 (2010 – $3.6)	170.9	166.6
	334.6	327.8
Less: current portion	2.0	2.0
	$ 332.6	$ 325.8

At December 31, 2011 the Company was in compliance with its financial covenants as shown below:

Covenant test	Required ratio	Actual ratio
Total Debt to Adjusted EBITDA ratio [1]	< 5.00	2.85
Senior Debt to Adjusted EBITDA ratio [1]	< 3.50	1.39
Interest Coverage ratio [1]	> 2.25	4.85
Fixed Charge Coverage ratio [2]	> 2.00	4.92

[1] Defined in the long-term debt agreement covering the Term Loan B and Revolving Credit Facility, as amended on July 21, 2011.

[2] Defined in the long-term debt agreement covering the Senior Subordinated Notes. Tested on specified events.

The Company and its debt facilities have current independent credit ratings as follows:

	Moody's [3]	Standard & Poor's [4]
Corporate	Ba3 Stable	BB+ Stable
Term Loan B and Revolving Credit Facility	Ba2	BBB
Subordinated Notes	B2	BB–

[3] On July 22, 2011, Moody's assigned a Ba2 rating to the Company's amended Credit and Guarantee agreement covering its Term Loan B and Revolving Credit Facility, and reaffirmed its ratings on the Company's Corporate rating and Senior Subordinated Notes.

[4] On September 19, 2011, Standard & Poor's assigned a BBB rating to the Company's amended Credit and Guarantee agreement covering its Term Loan B and Revolving Credit Facility, and reaffirmed its rating on the Company's Corporate rating. Standard & Poor's downgraded their rating on the Company's Senior Subordinated Notes from BB to BB–.

Cross-Currency Interest Rate and Currency Swap Agreements & Hedge Accounting

The Company entered into cross-currency interest rate and principal swaps that effectively converted both the U.S. dollar floating interest rate Term Loan B and the U.S. dollar fixed interest rate Subordinated Notes into Canadian dollar fixed interest rate debt.

On July 21, 2011, in connection with the amendment of the Company's Credit Agreement, the Company discontinued hedge accounting for forty percent of the cash flows associated with the Term Loan B and Subordinated Notes cross-currency interest rate and principal swaps. On August 4, 2011, the Company entered into novation agreements that transferred the responsibilities for forty percent of the cash flows associated with the cross-currency interest rate and principal swaps from a former Revolving Credit Facility lender to a continuing Revolving Credit Facility lender.

During the period from July 21, 2011 to August 4, 2011, hedge accounting no longer applied for these cash flows, a $0.5 loss associated with changes in fair value was recorded in the "foreign exchange loss and other" line of the consolidated statements of earnings (loss) during the year ended December 31, 2011. In addition, foreign exchange losses of $4.5 associated with the translation of the Term Loan B and Subordinated Notes long-term debt were not offset by the gains on derivatives designated as cash flow hedges during this period.

Cumulative losses of $1.9 and the related deferred income tax recovery of $0.5 included in "accumulated other comprehensive income" associated with the portions of the cross-currency interest rate and principal swaps that were discontinued from hedge accounting will be amortized in the "foreign exchange loss and other" and "income taxes" lines of the consolidated statements of earnings (loss) on a straight-line basis over the remaining lives of the underlying Term Loan B and the Subordinated Notes, respectively.

As at December 31, 2011, the cross-currency interest rate and principal swap agrrements were:

	Notional Principal		Interest Rate		
Debt	Receive (USD)	Pay (CAD)	Receive (USD)	Pay (CAD)	Maturity Date
Term Loan B	$ 97.1 [1]	$ 114.8 [1]	US LIBOR+1.50%	6.1%	February 13, 2014
Term Loan B	$ 64.8 [1]	$ 76.5 [1]	US LIBOR+1.50%	6.7%	February 13, 2014
Subordinated Notes	$ 102.0	$ 120.7	7.25%	6.6%	February 15, 2015
Subordinated Notes	$ 68.0	$ 80.4	7.25%	7.1%	February 15, 2015

[1] The Term Loan B cross-currency interest rate swap's notional principal reduces by 0.25% of the original principal of $170.0 USD quarterly to match the scheduled principal reductions on the Term Loan B.

As at December 31, 2011, the Company's swaps associated with the Term Loan B were in a $41.4 liability position (December 31, 2010 – $44.7 liability) and the swaps associated with the Subordinated Notes were in a $24.9 liability position (December 31, 2010 – $22.9 liability). The swaps are recorded in the "derivative liabilities" line of the consolidated statements of financial position.

The Company has evaluated these cross-currency interest rate and principal swaps and assessed them as effective hedges of the cash flows associated with the Term Loan B and the Subordinated Notes as at December 31, 2011. The Company has applied hedge accounting to these swaps as it believes hedge accounting best represents the economic substance of the underlying transactions. Accordingly, the effective portion of the change in fair values of the swaps, net of income taxes, has been recorded in Other Comprehensive Income ("OCI"), and the ineffective portion has been recorded in the "foreign exchange loss and other" expense in the consolidated statements of earnings (loss).

During the three months ended December 31, 2011, the Company transferred losses on derivatives designated as cash flow hedges from OCI to "foreign exchange loss and other" expense of $10.6, and related income taxes of $1.9. The Company also recognized a gain of $0.8 in the "foreign exchange loss and other" expense related to its cross-currency interest rate and principal swaps.

During the twelve months ended December 31, 2011, the Company transferred gains on derivatives designated as cash flow hedges from OCI to "foreign exchange loss and other" expenses of $2.8, and related income taxes of $1.6. The Company also recorded a gain of $1.7 in the "foreign exchange loss and other" expense related to its cross-currency interest rate and principal swaps.

The fair values of the Company's cross-currency interest rate and principal swaps at December 31, 2011 and December 31, 2010 were determined based on a credit risk adjusted discounted cash flow model. This model makes assumptions regarding the U.S. dollar exchange rate and discount rates, which are based on the prevailing U.S. dollar exchange rates and prevailing interest rates in Canada and the U.S. at the respective period ends. The credit risk associated with these cross-currency interest rate and principal swap agreements is mitigated since the counterparties to these swaps are Canadian chartered banks with minimum "A" credit ratings.

Outstanding Share Data

As at December 31, 2011 there were 82,476,558 common shares issued and outstanding compared to 82,872,319 as at December 31, 2010. As at December 31, 2011, there were 5,894,889 stock options outstanding at a weighted average exercise price of $7.16.

As at March 7, 2012, there were 82,558,226 common shares outstanding and 5,807,220 stock options outstanding.

Capital Spending and Development

The majority of the Company's capital expenditures on gaming operations in British Columbia and Nova Scotia are eligible for reimbursement by the provincial gaming authorities. In British Columbia, through the FDC program, BCLC provides commissions for approved capital and operating expenditures related to the development or improvement of gaming properties as defined in the operating services agreements. Currently, the FDC percentage is 3% of gross gaming win from casinos, racetracks and community gaming centres. In addition, BCLC introduced an accelerated FDC program in 2006 that provides an additional 2% of gross gaming win towards site-specific reimbursements of new gaming redevelopments. BCLC currently permits only one accelerated FDC eligible project to be submitted per facility.

Approved expenditures incurred to improve or maintain the two Nova Scotia casinos facilities are reimbursed by NSGC from a Capital Reserve Account ("CRA"). The Company is required to make contributions to the CRA equal to 5% of the annual gross operational revenues from the two Nova Scotia casinos with a minimum contribution of approximately $5.0 per year adjusted for inflation since April 2010. If the CRA is in a deficit balance, the amount owed to the Company accrues interest at a rate of bank prime plus 2% per annum.

During the fourth quarter and twelve months of 2011, the Company's capital expenditures net of related accounts payable totalled $8.3 and $42.6. Maintenance capital expenditures were primarily related to various property upgrades and information technology. Development capital expenditures during the fourth quarter and twelve months of 2011 were primarily related to the third hotel tower at River Rock and the planned Chilliwack Community Gaming Centre. For the upcoming twelve months of 2012, the Company estimates that development capital expenditures and maintenance capital expenditures net of related accounts payable will total approximately $32 and $15, respectively.

The following table summarizes the changes in the Company's Approved Amounts (a term defined in the Company's operating services agreements with BCLC) to be recovered by future FDC receipts from BCLC:

	2011	2010
Opening Approved Amounts at January 1,	$ 445.1	$ 385.7
Additional Approved Amounts	11.4	89.6
FDC receipts	(31.6)	(30.2)
Closing Approved Amounts at December 31,	$ 424.9	$ 445.1

The differences between the FDC Approved Amounts and the additions to property, plant and equipment is primarily due to the difference in timing between when the expenditures are incurred, when the invoices are received, and when they are submitted to BCLC for approval.

Contingencies

We have issued letters of credit to guarantee performance, primarily under construction contracts, gaming cash floats and service commitments in the aggregate amount of $32.3 at December 31, 2011 (2010 – $37.3).

Litigation

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.

Guarantees and Indemnifications

The Company may provide guarantees and indemnifications in conjunction with transactions in the normal course of operations. These are recorded as liabilities when reasonable estimates of the obligations can be made. Guarantees and indemnifications that the Company has provided include obligations to indemnify:

- directors and officers of the Company and its subsidiaries for potential liability while acting as a director or officer of the Company, together with various expenses associated with defending and settling such suits or actions due to association with the Company, the risk of which is mitigated by the Company's directors' and officers' liability insurance;
- certain vendors of acquired companies or properties for obligations that may or may not have been known at the date of the transaction;
- certain financial institutions for costs that they may incur as a result of representations made in our debt and equity offering documents; and
- lessors of leased properties for personal injury claims that may arise at the facilities we operate.

Commitments

The Company expects the following maturities of its financial liabilities (including interest), operating leases and other contractual commitments:

	Expected payments by period as at December 31, 2011				
	Within 1 year	2 – 3 years	4 – 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	$ 59.0	$ —	$ —	$ —	$ 59.0
Payments related to cross-currency interest rate and principal swaps	27.8	231.6	208.0	—	467.4
Receipts related to cross-currency interest rate and principal swaps	(17.5)	(192.1)	(179.2)	—	(388.8)
Term Loan B and Subordinated Notes	17.5	192.1	179.2	—	388.8
Operating leases	5.0	5.1	2.8	8.2	21.1
Provisions	2.1	0.5	1.3	3.4	7.3
Income taxes payable	0.8	—	—	—	0.8
Other contractual commitments	10.0	3.5	0.7	0.4	14.6
Total	$ 104.7	$ 240.7	$ 212.8	$ 12.0	$ 570.2

The expected payments related to the cross-currency interest rate and principal swaps represent the Canadian dollar fixed interest and principal payments the Company is required to make under these contracts.

The expected receipts related to the cross-currency interest rate and principal swaps represent the U.S. dollar interest and principal payments due on the Term Loan B and Subordinated Notes, converted to Canadian dollars at the December 31, 2011 foreign currency exchange rate.

The Term Loan B and the Subordinated Notes amounts represent interest and principal payments, converted to Canadian dollars at the December 31, 2011 foreign currency exchange rate. Similarly, as the Term Loan B bears interest at a floating rate (U.S. LIBOR plus 1.50%), the interest rate applicable at December 31, 2011 of 1.95% has been applied to all future periods in the above table. The Subordinated Notes bear interest at a fixed rate of 7.25%.

Operating leases include the property leases for the Company's head office, a ground lease with the City of Surrey, BC for Fraser Downs, a ground lease with the City of Sydney, NS for our Casino Nova Scotia Sydney, and an operating agreement with the City of Vancouver, BC for Hastings Racecourse.

Other contractual commitments include amounts committed to the NSGC to fund responsible gaming programs of $3.9 (2010 – $5.1), the acquisition of property, plant and equipment of $3.3 (2010 – $14.2), and various servicing contracts of $7.4 (2010 – $6.3).

Expected payments related to facility development projects are not reflected in this table unless they are contractually committed.

In July 2010, the Company agreed to $2.4 in service commitments to the District of Maple Ridge over the next five years that are associated with the Maple Ridge Community Gaming Centre permanent facility.

Future Cash Requirements

We believe that our current operational requirements and major development plans can be funded from existing cash and cash equivalents, cash generated from operations, and existing capacity on our Revolving Credit Facility. If future circumstances dictate an increased cash requirement and we elect not to delay, limit, or eliminate some of our plans, we may raise additional funds through the refinancing of existing debt, the issuance of additional debt that fits within the limitations established by the covenants on our existing credit and debt facilities, the issuance of hybrid debt-equity securities, or additional equity securities. If the Company needs to access the capital markets for additional financial resources, we believe we will be able to do so at prevailing market rates.

OTHER FINANCIAL INFORMATION

Deconsolidation of TBC Teletheatre B.C.

In April 2010, there was a change in accounting for the Company's 50% ownership investment in TBC Teletheatre B.C. ("TBC"). Prior to April 2010, the Company effectively controlled TBC and fully consolidated it. In April 2010, the Company signed a Memorandum of Agreement and related Addendum with the B.C. Horse Racing Industry (the "BC Horse Racing Industry Agreement") in order to support efforts to revitalize and restore financial strength to British Columbia's horse racing industry. On signing the BC Horse Racing Industry Agreement, the Company deconsolidated TBC, and accounts for its 50% ownership investment using the equity method since the Company has significant influence over TBC. The equity method results in this investment being presented within the "other assets" line of the consolidated statements of financial position, and that investment balance is increased by TBC's periodic net earnings and decreased by any partnership distributions that are received. The Company's share of TBC's net earnings is recorded within the "other expenses" line of this MD&A.

Deferred Share Unit ("DSU") and Restricted Share Unit ("RSU") Plan

On June 16, 2011, the Board of Directors approved the Non-Employee Directors' Cash-Settled Deferred Share Unit and Restricted Share Unit Plan ("the Share Unit Plan"). Non-employee directors who are eligible to receive DSUs under the Share Unit Plan are no longer eligible to receive stock options under the Company's Stock Option Plan. In addition, non-employee directors have the option to transfer some or all of their annual retainers and attendance fees into RSUs.

Cash-settled stock-based compensation such as DSUs and RSUs, which vest immediately, are recognized as a liability at the grant date based on the market value of the Company's common shares. This liability is initially recognized in the "deferred credits, provisions and other liabilities" line of the consolidated statements of financial position, and is re-measured at each reporting period and at the redemption date, or the date when the unit holder ceases to be a director. Cash-settled stock-based compensation is recognized in the "stock-based compensation" line of the consolidated statements of earnings (loss). The DSUs are settled within the calendar year following the year that the unit holder ceases to be a director. The RSUs are settled three years after the grant date.

Reclassification of Business Development Costs

Business development costs previously presented on the "restructuring and other" line of the consolidated statements of earnings of $0.1 for the three months ended March 31, 2011 and $0.4 for the three months ended June 30, 2011, have been retrospectively reclassified to "property, marketing and administration". This reclassification resulted in a corresponding decrease in EBITDA, and had no impact on net earnings or shareholders' equity for the three months ended March 31, 2011 and June 30, 2011.

In light of the Company's expectations to continue its business development activities, this revised presentation will provide more meaningful information on the operating and financial performance of the Company.

Transition to International Financial Reporting Standards

The Company adopted IFRS effective January 1, 2011 and has prepared consolidated financial statements for the year ended December 31, 2011. The Company's new IFRS policies are disclosed in Note 2 of the Company's Audited Financial Statements for the year ended December 31, 2011. Prior to the adoption of IFRS, the Company's consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

IFRS employs a conceptual framework that is similar to Canadian GAAP, however, significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS did not change the actual cash flows of the Company, the adoption resulted in changes to the consolidated statements of financial position and consolidated statements of earnings (loss) of the Company.

In order to allow the users of the financial statements to better understand these changes, the Company has prepared reconciliations between Canadian GAAP and IFRS in Note 31 to the Audited Financial Statements. In preparing the reconciliations, the Company applied the principles, elections, and exemption of IFRS 1, *First Time Adoption of International Accounting Standards*, ("IFRS 1") with a transition date of January 1, 2010.

The transition to IFRS did not materially affect the manner in which the Company's revenues and EBITDA are currently recognized and measured.

Recent Accounting Pronouncements

In June 2011, the IASB issued IAS 1, Presentation of Financial Statements ("IAS 1"), which required the grouping of other comprehensive income ("OCI") into two components: items that may be reclassified to net earnings in subsequent periods, and items that will not be reclassified into net earnings in subsequent periods. This revised accounting pronouncement is effective for annual periods beginning on or after July 1, 2012. The effect of this change is included in the consolidated financial statements.

The IASB issued the following new and revised accounting pronouncements, which are not expected to have a material impact on the Company's Annual Financial Statements:

- *IFRS 7, Financial Instruments: Disclosures* – amended to increase the disclosure requirements in connection with the transfer of financial assets to a third party that are not derecognised from the Company's consolidated financial statements. Effective for annual periods beginning on or after July 1, 2011.
- *IAS 12, Income Taxes* – amended to provide a practical solution to determining the recovery of investment properties as it relates to accounting for deferred taxes. Effective for annual periods beginning on or after January 1, 2012.
- *IAS 19, Employee Benefits (2011)* – amended to change the accounting for defined benefit plans and terminations benefits, and improve the understandability and usefulness of disclosures. Effective for annual periods beginning on or after January 1, 2013.
- *IFRS 13, Fair Value Measurement* – provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. Effective for annual periods beginning on or after January 1, 2013.
- *IFRS 9, Financial Instruments* ("IFRS 9") – replaces IAS 39, Financial Instruments: Recognition and measurement ("IAS 39"). IFRS 9 simplifies the classification and measurement requirements for financial instruments, which replaces the multiple classification and measurement models in IAS 39. Effective for annual periods beginning on or after January 1, 2015.

The IASB also issued the following new and revised standards addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements with other entities:

- *IFRS 10, Consolidated Financial Statements ("IFRS 10")* – replaces the consolidation guidance in IAS 27 (2008), *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidated Special Purpose Entities*, by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee.
- *IFRS 11, Joint Arrangements ("IFRS 11")* – replaces IAS 31, *Interests in Joint Ventures*. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed.
- *IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12")* – requires enhanced disclosures about the entity's interests in subsidiaries, joint arrangements and associates, and unconsolidated structured entities.
- *IAS 27 (2011), Separate Financial Statements ("IAS 27 (2011)")* – the consolidation requirements previously forming part of IAS 27 (2008) have been revised and are now contained in IFRS 10.
- *IAS 28, Investments in Associates and Joint Ventures (2011)* – amended to conform to changes based on the issuance of IFRS 10, IFRS 11, and IFRS 12.

These five standards must be adopted concurrently and are effective for annual periods beginning on or after January 1, 2013.

Critical Accounting Estimates and Judgments

The Company's reported financial position and results of operations are dependent on the selection of accounting policies that are based on IFRS and accounting estimates that underlie the preparation of the Company's Annual Financial Statements. The Company's Annual Financial Statements contain a summary of its significant accounting policies and accounting estimates. Estimates by their nature are subject to risks, uncertainties and assumptions, which could cause the Company's financial position and operating results to differ materially from those presented in the Company's Annual Financial Statements. Future changes in accounting estimates will be applied on a prospective basis.

The critical accounting estimates and judgments that are the most judgmental or material to the Company's Audited Financial Statements are those relating to the impairment of long-lived assets and goodwill, estimated useful lives of long-lived assets, the fair value of net assets acquired in business combinations, the fair value of assets acquired in business transactions with non-monetary consideration, equity-settled stock-based compensation, income taxes, contingencies, hedge accounting, control over a subsidiary, and determination of cash generating units. The Company's critical accounting estimates and judgments are further detailed in Note 3 of the Company's Audited Financial Statements.

Financial Instruments and Other Instruments

The Company's risk management strategy is to minimize exposure to currencies other than the Canadian dollar and, with the exception of revolving lines of credit, to fix substantially all of its floating interest rate debt. The financial instruments that give rise or may give rise to the most significant exposure to foreign currency and floating interest rate risk are the Term Loan B, the Subordinated Notes, and the Revolving Credit Facility.

The Company entered into a series of cross-currency interest rate and principal swaps to hedge the currency and interest rate risks associated with the Term Loan B and the Subordinated Notes. Refer to the "Capital Resources" section of this MD&A for information on the Company's long-term debt and the hedging activities used to manage the foreign currency and interest rate risks associated therewith.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

The Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal controls over financial reporting to provide reasonable assurance a) that material information about the Company and its subsidiaries would have been made known to them and b) regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

The Chief Executive Officer and Chief Financial Officer have evaluated and conclude that the Company's disclosure controls and procedures are adequately designed and effective for providing reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would have been made known to them as of the end of the fiscal year ended December 31, 2011.

As well, as of the end of the fiscal year ended December 31, 2011, the Chief Executive Officer and Chief Financial Officer have evaluated and concluded that the Company's internal controls over financial reporting, designed under the Committee of Sponsoring Organizations of the Treadway Commission's internal control integrated framework, are adequately designed and effective for providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

During 2011, there was neither a material weakness nor a change in the Company's disclosure controls and procedures or its internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, these controls.

Definitions of Other Terms Used in the MD&A

Gross gaming win – the amount wagered on gaming activities, less the payout or prizes to winning customers.

Racebook – an off-racetrack betting facility for pari-mutuel wagering on live horse races displayed by television broadcasts operated by the Company or TBC.

Revenues – the sum of the following:

- Casino gaming in BC – gaming revenues are net of commissions paid to BCLC (commissions are 60% of the win on most table games and 75% of the slot machine win) and are net of accruals for anticipated payouts of progressive slot machine jackpots and progressive table game payouts.
- Bingo and slots at a community gaming centre in BC – gaming revenues are net of commissions paid to BCLC (commissions are 75% of the win on slots, and 40% to 75% of the weekly bingo win) and are net of prizes.
- Horse racing in BC and Ontario – Racetrack revenues represent the Company's share of total wagering less amounts returned as winning wagers, provincial and federal taxes, and includes the host track share of wagering on the Company's races simulcast to other associations.
- Casino gaming in Washington – gaming revenues are net of county gaming taxes at various rates ranging from 10% to 11% for card and progressive jackpot games, 5% on pull-tabs and 2% on amusement games.
- Casino gaming in Nova Scotia – gaming revenues are approximately equal to 52.725% of the gross gaming win.
- Slot commissions in Ontario – slot machine commissions represent 10% of the gross gaming win from slot machines, all of which are operated by OLG.
- Facility Development Commission ("FDC") – revenues earned from BCLC as a fixed percentage of gross gaming win, subject to the Company incurring sufficient Approved Amounts (a defined term in the casino operating service agreements and generally consists of approved capital and operating expenditures related to the development or improvement of gaming properties). Specifically, BCLC's program permits a 3% FDC commission on gross gaming win from casinos, racetracks and community gaming centres and provides an additional, accelerated 2% of gross gaming win towards site-specific reimbursements of new gaming redevelopments.
- Hospitality and other revenues:
  - Food and beverage revenues – revenues are recorded at the retail price at the time of service. Food and beverage revenues in Nova Scotia are generally recorded at retail price less the 47.275% revenue retained by the NSGC.
  - Hotel revenues – revenues are recognized as services are performed.
  - Other revenues – ATM commissions, theatre revenues, advertising revenues, and other income from ancillary services.
- Promotional allowances – the retail value of promotional allowances furnished to guests without charge, which have been included in gaming revenues or hospitality and other revenues, are deducted.

Additional Information

Additional information relating to the Company, including the Company's latest Interim Financial Statements, Annual Financial Statements, and Annual Information Form, can be located on the SEDAR website at www.sedar.com or on the Company's website at www.gcgaming.com.

Shareholders of the Company may obtain a copy of the Company's TSX Form 12 Notice of Intention to Make a Normal Course Issuer Bid as filed with and as accepted by the TSX, at no charge, by contacting the Company.

SUPPLEMENTAL FINANCIAL INFORMATION

Consolidated Quarterly Results Trend [1]

	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010
Gaming Revenues					
River Rock Casino Resort	$ 22.5	$ 24.6	$ 24.9	$ 22.3	$ 22.7
Boulevard Casino	10.8	11.3	11.2	10.9	11.3
Vancouver Island Casinos	7.7	8.0	8.0	7.7	8.1
Other BC Casinos	2.5	2.4	2.0	1.8	1.8
Nova Scotia Casinos	9.2	11.3	10.0	9.1	9.5
Great American Casinos	4.9	4.5	5.0	5.1	4.8
BC Racinos	4.7	5.0	4.8	4.8	4.8
Georgian Downs	3.1	3.4	3.2	2.9	3.1
Flamboro Downs	3.0	3.2	3.2	2.9	3.0
	68.4	73.7	72.3	67.5	69.1
Facility Development Commission					
River Rock Casino Resort	3.3	3.7	3.7	3.2	3.3
Boulevard Casino	1.8	1.8	1.8	1.8	1.9
Vancouver Island Casinos	2.4	1.3	1.3	1.2	1.3
Other BC Casinos	0.4	0.4	0.4	0.5	0.7
BC Racinos	0.6	0.9	0.7	0.8	0.9
	8.5	8.1	7.9	7.5	8.1
Hospitality and Other Revenues					
River Rock Casino Resort	10.1	8.5	8.9	8.1	8.8
Boulevard Casino	2.3	2.1	2.2	2.1	2.6
Vancouver Island Casinos	0.8	1.0	1.0	0.9	0.9
Other BC Casinos	0.5	0.4	0.4	0.4	0.4
Nova Scotia Casinos	1.1	1.3	1.1	1.0	1.5
Great American Casinos	1.4	1.2	1.1	1.2	1.1
BC Racinos	1.5	2.2	1.9	1.2	1.4
Georgian Downs	0.5	0.5	0.5	0.2	0.6
Flamboro Downs	0.7	0.7	0.7	0.6	0.7
Corporate & Other	—	—	0.1	—	—
	18.9	17.9	17.9	15.7	18.0
Racetrack Revenues					
BC Racinos	3.3	3.9	4.0	3.4	4.2
Georgian Downs	0.4	0.5	0.5	0.4	0.4
Flamboro Downs	0.8	0.8	0.8	0.8	0.8
	4.5	5.2	5.3	4.6	5.4
Promotional Allowances	(4.6)	(3.9)	(3.9)	(3.3)	(3.4)
Revenues	$ 95.7	$ 101.0	$ 99.5	$ 92.0	$ 97.2
EBITDA					
River Rock Casino Resort	$ 13.5	$ 17.8	$ 18.3	$ 15.0	$ 15.3
Boulevard Casino	5.3	5.9	5.9	6.0	6.1
Vancouver Island Casinos	6.1	5.6	5.7	5.3	5.6
Other BC Casinos	1.5	1.2	1.3	1.1	1.5
Nova Scotia Casinos	2.1	4.3	2.8	1.9	2.6
Great American Casinos	1.0	0.8	1.2	1.5	1.4
BC Racinos	2.6	3.2	2.7	2.6	4.0
Georgian Downs	2.1	2.6	2.4	2.1	2.1
Flamboro Downs	2.1	2.2	2.1	1.6	1.8
Corporate & Other	(5.4)	(5.4)	(5.0)	(5.8)	(5.4)
	$ 30.9	$ 38.2	$ 37.4	$ 31.3	$ 35.0

[1] The three months ended March 31, 2011 and June 30, 2011 include a retrospective reclassification that affects EBITDA as described in the "Other Financial Information" section of this MD&A.

Great Canadian Gaming Corporation

2011 FINANCIAL REVIEW

40 Management's Responsibility for the Consolidated Financial Statements
41 Independent Auditor's Report
42 Consolidated Statements of Financial Position
43 Consolidated Statements of Earnings (Loss)
44 Consolidated Statements of Comprehensive Income (Loss)
45 Consolidated Statements of Changes in Equity
46 Consolidated Statements of Cash Flows
47 Notes to the Consolidated Financial Statements
IBC Corporate Information

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Company's management is responsible for the preparation and presentation of the accompanying consolidated financial statements of Great Canadian Gaming Corporation. All related financial information presented elsewhere in this Annual Report, including the Management's Discussion and Analysis, is also the responsibility of management and is consistent with the information contained in the consolidated financial statements.

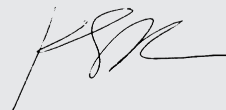
The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, and include certain amounts that are based on management's estimates and judgments relating to matters not concluded by year end. Actual results may differ from management's estimates because future events and circumstances may not occur as expected.

In discharging its responsibility for the integrity, consistency, objectivity and reliability of the consolidated financial statements, management maintains and relies upon systems of internal controls designed to provide reasonable assurance that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition, and liabilities are recognized. These controls include quality standards in hiring and training of employees, formal policies and procedures, a corporate code of conduct and accountability for performance within appropriate and well-defined areas of responsibility. The systems of internal controls are further supported by our staff of internal auditors who conduct periodic audits of various aspects of the Company's operations.

The Board of Directors oversees management's responsibilities for financial reporting and the systems of internal controls through its Audit, Risk & Finance Committee, which is composed entirely of independent directors. The Audit, Risk & Finance Committee meets with management on a regular basis to review the Company's consolidated financial statements and its systems of internal controls.

The Company's consolidated financial statements have been audited on behalf of shareholders by Deloitte & Touche LLP, who had full and free access to the Company, its records and the Audit, Finance & Risk Committee to discuss audit, financial reporting, internal controls and related matters. Their report, which expresses an unqualified opinion on the Company's consolidated financial statements, can be found below.

Rod N. Baker
President & Chief Exexcutive Officer



Kiran S. Rao
Interim Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Great Canadian Gaming Corporation

We have audited the accompanying consolidated financial statements of Great Canadian Gaming Corporation, which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010, and January 1, 2010 and the consolidated statements of earnings (loss), comprehensive income (loss), changes in equity, and cash flows for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Great Canadian Gaming Corporation as at December 31, 2011 and December 31, 2010 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010, in accordance with International Financial Reporting Standards.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants
March 7, 2012
Vancouver, British Columbia

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in millions of Canadian dollars)

		December 31, 2011	December 21, 2010 (Note 31)	January 1, 2010 (Note 31)
ASSETS				
Current				
Cash and cash equivalents	Note 5	$ 134.7	$ 50.9	$ 34.6
Short-term investments	Note 6	—	53.0	—
Restricted cash	Note 5	7.1	1.6	5.6
Accounts receivable	Note 7	8.9	9.3	9.0
Prepaids, deposits and other assets		6.6	5.9	7.2
		157.3	120.7	56.4
Property, plant and equipment	Note 9	663.6	663.0	708.2
Intangible assets	Note 10	119.7	129.4	156.4
Goodwill	Note 11	23.5	23.3	37.9
Deferred tax assets	Note 21	9.1	7.8	5.9
Other assets		2.9	2.0	4.6
		$ 976.1	$ 946.2	969.4
LIABILITIES				
Current				
Accounts payable and accrued liabilities		$ 59.0	$ 51.3	62.7
Income taxes payable		0.8	5.4	0.1
Other liabilities	Note 12	5.1	4.1	3.6
		64.9	60.8	66.4
Long-term debt	Note 13	332.6	325.8	356.9
Derivative liabilities	Note 15	66.3	67.6	50.8
Deferred credits, provisions and other liabilities	Note 16	23.7	25.9	24.8
Deferred tax liabilities	Note 21	66.2	65.0	67.1
		553.7	545.1	566.0
SHAREHOLDERS' EQUITY				
Share capital and contributed surplus	Note 17	356.5	354.9	348.8
Accumulated other comprehensive loss	Note 18	(6.5)	(4.9)	(4.6)
Retained earnings		72.4	51.1	59.2
		422.4	401.1	403.4
		$ 976.1	$ 946.2	969.4

These financial statements were approved and authorized for issue by the Company's Board of Directors on March 7, 2012.

Contingencies (Note 28)
Commitments (Note 28 and Note 29(b))

APPROVED BY THE BOARD:

ROD N. BAKER
Director

RICHARD S. BUSKI
Director

See Accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

(Expressed in millions of Canadian dollars, except for per share information)

For the years ended December 31,		2011	2010 (Note 31)
REVENUES	Note 19	$ 388.2	$ 383.5
EXPENSES			
Human resources		154.9	153.2
Property, marketing and administration		95.5	93.9
Amortization		58.5	53.7
Stock-based compensation	Note 17	4.9	4.8
Restructuring and other	Note 20	0.5	3.4
		314.3	309.0
		73.9	74.5
Interest and financing costs, net	Note 13	29.5	28.0
Impairment of long-lived assets	Note 8	4.4	35.1
Impairment of goodwill	Note 8	—	14.2
Foreign exchange loss and other	Note 15	3.2	0.1
EARNINGS (LOSS) BEFORE INCOME TAXES		36.8	(2.9)
Income taxes	Note 21	10.6	5.0
NET EARNINGS (LOSS)		$ 26.2	$ (7.9)
NET EARNINGS (LOSS) ATTRIBUTABLE TO:			
Shareholders of the Company		$ 26.2	$ (8.1)
Non-controlling interests		—	0.2
		$ 26.2	$ (7.9)
SHAREHOLDERS' NET EARNINGS (LOSS) PER COMMON SHARE	Note 22		
Basic		$ 0.32	$ (0.10)
Diluted		$ 0.31	$ (0.10)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES			
Basic		82,670,151	82,641,029
Diluted		84,209,875	82,641,029

See Accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Expressed in millions of Canadian dollars)

For the years ended December 31,	2011	2010 (Note 31)
Net earnings (loss)	$ 26.2	$ (7.9)
Other comprehensive (loss) income, net of tax		
Items that may be reclassified subsequently to net earnings		
Current period changes in fair values of derivatives designated as cash flow hedges, net of income taxes of $1.1 (2010 – $3.4)	(0.9)	(13.4)
(Gain) loss on derivatives designated as cash flow hedges transferred to net earnings (loss) in the period, net of income taxes of $1.6 (2010 – $3.9)	(1.2)	14.3
Unrealized effect of foreign currency translation of foreign operations	0.5	(1.2)
Other comprehensive loss	(1.6)	(0.3)
Comprehensive income (loss)	$ 24.6	$ (8.2)
Comprehensive income (loss) attributable to:		
Shareholders of the Company	$ 24.6	$ (8.4)
Non-controlling interests	—	0.2
	$ 24.6	$ (8.2)

See Accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in millions of Canadian dollars)

		Common Shares Number [1]	Common Shares Amount	Contributed Surplus	Share Capital and Contributed Surplus	Accumulated Other Comprehensive Loss	Retained Earnings	Non-Controlling Interests	Total
At January 1, 2010	Note 31	82,374	$ 312.9	$ 35.9	$ 348.8	$ (4.6)	$ 59.2	$ —	$ 403.4
Stock-based compensation		—	—	4.8	4.8	—	—	—	4.8
Exercise of incentive stock options		498	1.8	(0.5)	1.3	—	—	—	1.3
Comprehensive (loss) income		—	—	—	—	(0.3)	(8.1)	0.2	(8.2)
Distribution of non-controlling interest		—	—	—	—	—	—	(0.2)	(0.2)
At December 31, 2010	Note 31	82,872	$ 314.7	$ 40.2	$ 354.9	$ (4.9)	$ 51.1	$ —	$ 401.1
Stock-based compensation		—	—	3.9	3.9	—	—	—	3.9
Exercise of incentive stock options		1,085	4.9	(1.5)	3.4	—	—	—	3.4
Common shares purchased	Note 17	(1,480)	(5.7)	—	(5.7)	—	(4.9)	—	(10.6)
Comprehensive (loss) income		—	—	—	—	(1.6)	26.2	—	24.6
At December 31, 2011		82,477	$ 313.9	$ 42.6	$ 356.5	$ (6.5)	$ 72.4	$ —	$ 422.4

[1] Share information is presented in thousands of common shares.

See Accompanying Notes to the Consolidated Financial Statements

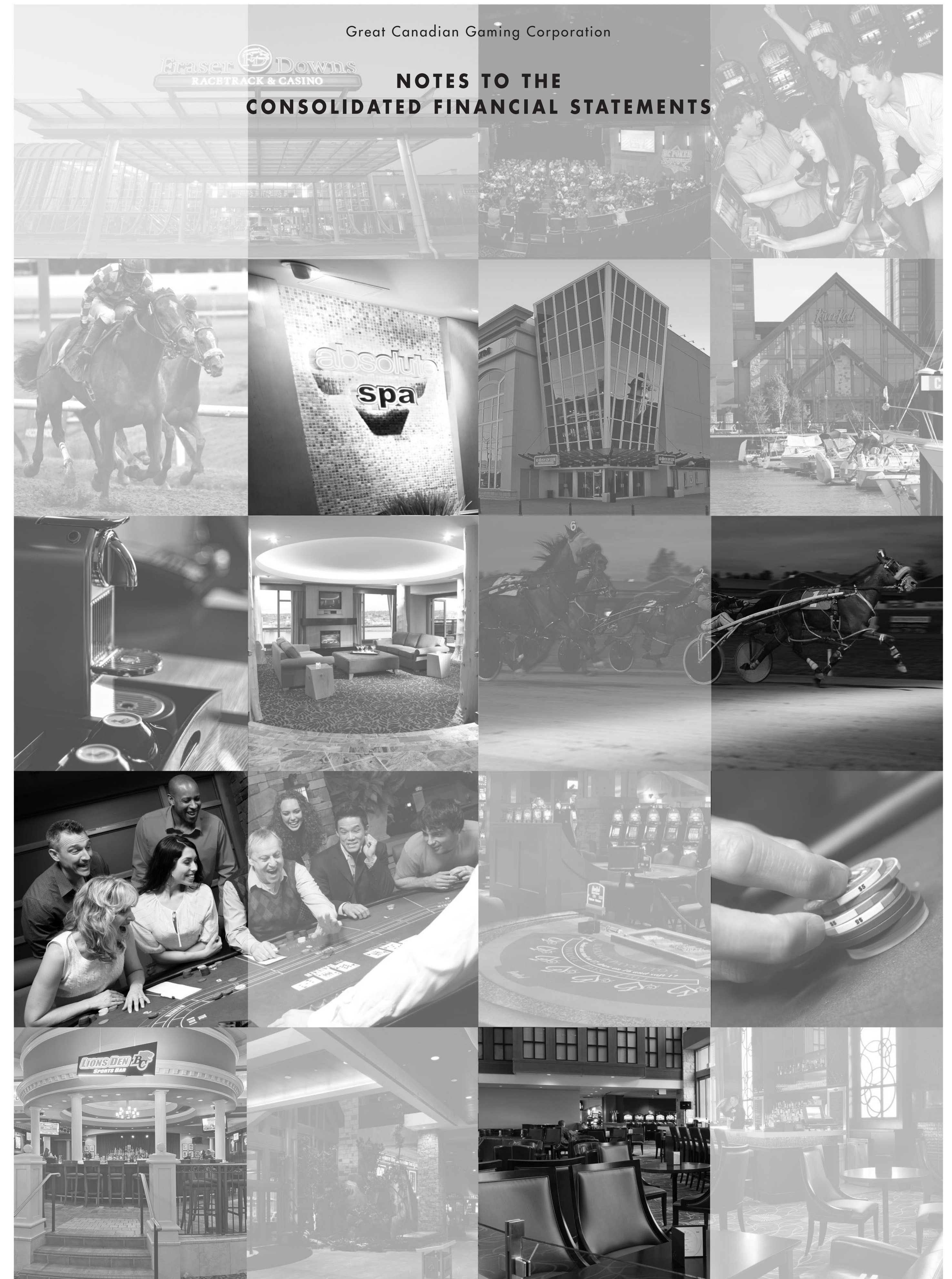
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in millions of Canadian dollars)

For the years ended December 31,		2011	2010 (Note 31)
Cash Flows from Operating Activities			
Earnings (loss) before income taxes		$ 36.8	$ (2.9)
Adjustments to reconcile earnings (loss) to cash			
Amortization		58.5	53.7
Stock-based compensation		4.9	4.8
Interest and financing cost, net		29.5	28.0
Foreign exchange loss and other		3.2	0.5
Impairment of long-lived assets	Note 8	4.4	35.1
Impairment of goodwill	Note 8	—	14.2
Non-cash restructuring and other costs		0.6	2.8
Other		(1.2)	(1.7)
Changes in non-cash operating working capital	Note 23	(0.9)	(2.1)
Cash generated from operations		135.8	132.4
Income taxes paid		(14.8)	(4.1)
Net cash generated by operating activities		121.0	128.3
Cash Flows from Investing Activities			
Proceeds from the maturity of short-term investments		88.3	—
Purchase of short-term investments		(35.3)	(53.0)
Purchase of property, plant and equipment, net of related accounts payable		(41.9)	(26.1)
Proceeds from the sale of property, plant and equipment		—	4.3
Acquisition of Chilliwack Bingo	Note 30	(10.2)	—
Restricted cash – construction holdbacks		0.1	3.8
Deconsolidation of TBC Teletheatre B.C.	Note 3	—	(1.4)
Interest income received		1.2	0.6
Other		(0.7)	(0.3)
Cash generated by (used in) investing activities		1.5	(72.1)
Cash Flows from Financing Activities			
Repayment of debt		(2.0)	(14.1)
Debt financing transaction costs		(2.8)	—
Common shares issued for cash, net of issuance costs		3.4	1.3
Purchase of common shares	Note 17	(10.6)	—
Interest paid		(27.5)	(27.2)
Cash used in financing activities		(39.5)	(40.0)
Effect of foreign exchange on cash and cash equivalents		0.8	0.1
Cash Inflow		83.8	16.3
Cash and cash equivalents, beginning of year		50.9	34.6
Cash and cash equivalents, end of year	Note 5	$ 134.7	$ 50.9

See Accompanying Notes to the Consolidated Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2011 and 2010
(Expressed in millions of Canadian dollars, except for per share information)

1. NATURE OF BUSINESS

Great Canadian Gaming Corporation (the "Company") 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. The Company operates 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), two community gaming centres, a bingo hall, a resort with two hotels, a conference centre and a marina, two show theatres, and various associated food and beverage and entertainment facilities.

Great Canadian Gaming Corporation is a publicly listed company incorporated in Canada under the Company Act (British Columbia). The Company's common shares are listed on the Toronto Stock Exchange ("TSX") under TSX symbol: "GC". The principal office is located at 350-13775 Commerce Parkway, Richmond, British Columbia, V6V 2V4. The registered and records office is located at 1500-1055 West Georgia Street, Vancouver, BC, V6E 4N7.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These financial statements represent the first annual consolidated financial statements of the Company and its subsidiaries prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Standards Interpretations Committee ("IFRIC").

Basis of Presentation

The Company's consolidated financial statements were previously prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). Canadian GAAP differs in some areas from IFRS. In preparing these financial statements, management has amended certain accounting and measurements previously applied in the Canadian GAAP financial statements to comply with IFRS. Note 31 contains reconciliations and descriptions of the effects of the transition from Canadian GAAP to IFRS on equity, net earnings (loss) and comprehensive income (loss) along with line-by-line reconciliations of the consolidated statements of financial position as at December 31, 2010 and January 1, 2010, and the consolidated statement of earnings (loss) and consolidated statement of comprehensive income (loss) for the year ended December 31, 2010.

These consolidated financial statements were prepared on a going concern basis, under the historical cost convention, except for the revaluation of certain financial instruments. The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities over which the Company has control, where control is defined as the power to govern financial and operating policies. Generally, the Company has a shareholding of more than 50% of the voting rights in its subsidiaries. The effects of potential voting rights that are currently exercisable and Board of Directors presence are also considered when assessing whether control exists. Subsidiaries are fully consolidated from the date the Company acquires control of them and are deconsolidated from the date control ceases. Significant inter-company balances and transactions with subsidiaries are eliminated upon consolidation.

The acquisition method of accounting is used to account for the acquisition of subsidiaries as follows:

- cost is measured as the aggregate of the fair values of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange;
- identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date;
- the excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill; and
- if the acquisition cost is less than the fair value of the net assets acquired, the fair value of the net assets is re-assessed and any remaining difference is recognized directly in the consolidated statements of earnings (loss).

Equity method investees are entities over which the Company has significant influence, but not control. Generally, in order to have significant influence, the Company has a shareholding of between 20% and 50% of the voting rights. The equity method is used to account for investees over which the Company has significant influence, which results in the presentation of these investments within the "other assets" line of the consolidated statements of financial position. The investment is initially recorded at cost, and is increased by the investment's periodic net earnings and decreased by any distributions that are received. The Company's share of the investment's net earnings is recognized in the consolidated statements of earnings (loss).

b) Principal operating entities

Entity	December 31, 2011	December 31, 2010
Chilliwack Gaming Ltd. [1]	100%	—
Flamboro Downs Limited	100%	100%
Georgian Downs Limited	100%	100%
Great American Gaming Corporation	100%	100%
Great Canadian Casinos Inc. ("GCCI")	100%	100%
Great Canadian Entertainment Centres Ltd. ("GCEC")	100%	100%
Hastings Entertainment Inc.	100%	100%
Metropolitan Entertainment Group	100%	100%
Orangeville Raceway Limited	100%	100%
TBC Teletheatre B.C. ("TBC") [2]	50%	50%

(1) On May 31, 2011, the Company purchased the assets and undertaking of the Chilliwack Bingo Association (see Note 30).
(2) On March 18, 2005, the Company increased its ownership interest in TBC to 50% and effectively controlled and consolidated its operating results from that date. On April 1, 2010, the Company's control over this entity was reduced to significant influence, so it ceased consolidating TBC from that date (see Note 3).

c) Translation of foreign operations and foreign currency transactions

The Company's consolidated financial statements are presented in Canadian dollars, which is also the functional currency for all Canadian operations. The Company's non-Canadian operations are measured in the currency in which they operate and are translated into Canadian dollars at each reporting date. Assets and liabilities are translated into Canadian dollars using the exchange rates in effect on the reporting dates. Revenues and expenses are translated at average exchange rates prevailing during the period. The resulting translation gains and losses are included as a separate component of other comprehensive income ("OCI").

For Canadian operations, transactions completed in foreign currencies are translated into Canadian dollars at the rates prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are reflected in the consolidated financial statements at the exchange rates prevailing at the reporting dates, with the resulting gain or loss included in the consolidated statements of earnings (loss).

d) Operating segments

The Company's operating segments are organized around the markets it serves and are reported in a manner consistent with the internal reporting provided to the President and Chief Executive Officer, the Company's chief operating decision-maker.

e) Cash and cash equivalents

Cash and cash equivalents include cash and liquid investments with an original maturity of three months or less.

f) Short-term investments

Short-term investments are investments current in nature, with an original maturity greater than three months and less than one year.

g) Facility Development Commission

The Facility Development Commission ("FDC") is a compensation component of the Company's Casino Operational Services Agreements ("COSAs"), Community Gaming Centre Operational Services Agreements ("CGCOSAs"), and Bingo Operational Services Agreements ("BOSAs") with the British Columbia Lottery Corporation ("BCLC"). FDC is earned (paid by BCLC to the Company) as a fixed percentage of gross gaming win, subject to the Company incurring sufficient Approved Amounts (a defined term in the COSAs and CGCOSAs, which generally consists of approved capital and 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 part of revenues on the consolidated statements of earnings (loss) when earned. Currently, the FDC percentage is 3% of the gross win from gaming activities.

BCLC provides for an additional accelerated FDC amount equal to 2% of the gross gaming win from a redeveloped casino property on projects approved by the BCLC. 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.

h) Marketing fees to BCLC

The Company contributes between 0.5% and 0.6% of the gross gaming win in three of its BC casinos and its two BC racing properties to BCLC as contributions toward marketing programs. BCLC uses the contributions to fund various BCLC marketing programs. The Company records its contributions when incurred as property, marketing and administration expenses on the consolidated statements of earnings (loss).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) *Capital Reserve Account*
The Amended and Restated Operating Contract ("AROC") with the Nova Scotia Gaming Corporation ("NSGC") includes a provision for the reimbursement of the Company's qualifying expenditures under the NSGC's Capital Reserve Account.

The Company is required under the AROC to make contributions to the NSGC's Capital Reserve Account equal to 5% of the annual gross operational revenues from the two Nova Scotia casinos, with a minimum contribution of approximately $5.0 per year adjusted for inflation since April 2010. Reimbursement of qualifying expenditures is received from the Capital Reserve Account, or if there is an insufficient balance in the Capital Reserve Account, is recorded as a receivable from NSGC and recorded as a reduction in the historical cost of the related expenditures at the time approval is given by NSGC. As provided for in the AROC, to the extent a receivable balance exists, the Company earns interest on the balance at a rate of bank prime plus 2% per annum.

The replacement assets acquired using funds from the Capital Reserve Account are the property of the Company until the end of the term of the AROC, at which time, the assets revert to NSGC.

j) *Property, plant and equipment*
Property, plant and equipment are recorded at cost less accumulated amortization, impairments, and amounts approved under the Capital Reserve Account. Amortization is expensed on a straight-line basis from the month assets are available for use over the estimated useful lives of the assets generally at the following rates, which are intended to reduce the carrying value to the estimated residual value:

Land	not amortized
Buildings	lesser of useful life or 40 years
Building improvements	lesser of useful life or 5 years
Equipment	1 to 5 years
Leasehold improvements	lesser of useful life or lease term, including renewal term, if applicable

During the construction period of significant facilities, the Company capitalizes construction and overhead costs, including borrowing costs, directly attributable to the construction project. The costs of construction of the Company's gaming and ancillary facilities are classified as properties under development. When the property or portion thereof is substantially complete and available for use, costs cease to be capitalized, are transferred from properties under development to their respective asset component categories, and are amortized separately over the assets' estimated useful lives down to the estimated residual value, if applicable.

The amortization method, useful life and residual values are assessed annually and are tested for impairment as described in Note 2(m).

k) *Intangible assets*
The Company has finite-lived intangible assets which consist of COSAs, CGCOSAs, and BOSAs in British Columbia, site holder agreements in Ontario, an operational services agreement in Nova Scotia, and other gaming-related rights. Intangible assets are primarily generated through acquisitions and are amortized over their estimated useful lives, ranging from three to twenty years. Judgment is used to estimate an intangible asset's useful life and is based on an analysis of all pertinent factors, including expected use of the intangible asset, contractual provisions that enable renewal or extension of the intangible asset's legal or contractual life without substantial cost, and renewal history. The remaining useful lives of the intangible assets are reviewed at the end of each annual reporting period, with any changes in the estimate of an intangible asset's useful life or the amortization method being treated as a change in accounting estimate and applied prospectively.

Intangible assets are assessed annually for impairment as described in Note 2(m).

l) *Goodwill*
Goodwill represents the excess of the purchase price of acquired businesses over the estimated fair value of the tangible and intangible net assets at the date acquired, and is allocated to the cash generating unit ("CGU") expected to benefit from the acquisition. A CGU is the smallest group of assets for which there are separately identifiable cash flows.

Goodwill is not amortized but is assessed for impairment at least annually and whenever events or circumstances indicate that its carrying value may not be fully recoverable. The impairment test requires comparing the carrying values of the Company's CGUs, including goodwill, to their recoverable amounts. The Company determines the recoverable amounts using estimated future cash flows discounted at a pre-tax rate that reflects the risk adjusted weighted-average cost of capital. Any excess of the carrying value amount of a CGU over the recoverable amount is expensed in the period the impairment is identified. An impairment loss recorded for goodwill is not reversed in a subsequent period.

Upon disposal of a business, any related goodwill is included in the determination of gain or loss on disposal. Goodwill associated with the Company's foreign operations is translated to the Canadian dollar reporting currency at each period end.

m) *Impairment of long-lived assets*
Property, plant and equipment and intangible assets are assessed for impairment at the end of each reporting period for events or circumstances that indicate that the carrying value may not be recoverable. Where an indicator of impairment exists, the recoverable amount of the asset is estimated to determine whether there is an impairment loss. The recoverable amount of an asset is first tested on an individual basis, if determinable, or otherwise at the CGU level. Corporate level assets are allocated to the respective CGUs where an allocation can be done on a reasonable and consistent basis.

The recoverable amount is the higher of fair value less costs to sell and value in use. The best evidence of fair value is the value obtained from an active market or binding sale agreement. Where neither exists, fair value is based on the best information available to reflect the amount the Company could receive for the asset (or CGU) in an arm's length transaction. The value in use method estimates the net present value of future cash flows expected to be generated by the asset (or CGU), discounted using a pre-tax discount rate that reflects the current market rates and risks specific to the asset (or CGU).

An impairment loss is recorded when the carrying value of an asset (or CGU) exceeds its estimated recoverable amount.

In cases where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to its current recoverable amount, to the extent that the new carrying amount does not exceed the carrying amount that would have existed had the original impairment loss not been recorded. The reversal of an impairment loss is immediately recorded in the consolidated statements of earnings (loss).

n) *Accounts payable and accrued liabilities*
Accounts payable and accrued liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business. They are classified as current liabilities if payment is due within one year or less and are recorded initially at fair value and subsequently measured at amortized cost.

o) *Provisions*
Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recorded when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of the expected expenditures required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provisions due to the passage of time is recorded in "interest and financing costs, net" on the consolidated statements of earnings (loss). Provisions are not recorded for future operating losses.

p) *Debt transaction costs*
Debt transaction costs relate to the costs associated with securing long-term financing and credit facilities, and are recorded net of the long-term debt instrument. These costs are expensed to "interest and financing costs, net" on the consolidated statements of earnings (loss) over the term of the related debt using the effective interest method. When a debt facility is retired by the Company, any remaining balance of related debt transaction costs is expensed to "interest and financing costs, net" on the consolidated statements of earnings (loss).

q) *Comprehensive income (loss)*
Comprehensive income (loss) consists of net earnings (loss) and OCI as presented on the consolidated statements of comprehensive income (loss). OCI represents changes in shareholders' equity in a period arising from the portion of the change in the fair values of the Company's derivatives designated as cash flow hedges that are determined to be effective, gains and losses on derivatives designated as cash flow hedges transferred to net earnings (loss) in the current period, and the unrealized effect of foreign currency translation of foreign operations.

r) *Financial instruments*

Financial Assets
Financial assets are initially recorded at fair value and are classified as: "fair value through profit or loss"; "available-for-sale"; "held-to-maturity"; or "loans and receivables". The classification is determined at initial recognition and depends on the nature and purpose of the financial asset and management's intentions.

Fair Value Through Profit or Loss
Financial assets at fair value through profit or loss are classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management.

Financial assets classified at fair value through profit or loss are measured at fair value, with the realized and unrealized changes in fair value recorded each reporting period through "interest and financing costs, net" on the consolidated statements of earnings (loss).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Financial Instruments (continued)

Available-for-Sale

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in other non-current financial assets unless management intends to dispose of the investment within 12 months of the consolidated statement of financial position date.

Financial assets classified as available-for-sale are measured at fair value, with the unrealized changes in fair value recorded each reporting period in OCI. Investments in equity instruments classified as available-for-sale, whose fair value cannot be reliably measured, are recorded at cost. Available-for-sale assets are written down to fair value through "interest and financing costs, net" on the consolidated statements of earnings (loss) if there is objective evidence that impairment exists.

Held-to-Maturity and Loans and Receivables

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the intention and ability to hold to maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the consolidated statement of financial position date, which are classified as non-current assets.

Financial instruments classified as held-to-maturity or loans and receivables are initially recorded at fair value and subsequently measured at amortized cost using the effective interest method.

Impairment

At the end of each reporting period, the Company assesses whether a financial asset or a group of financial assets, other than those classified as fair value through profit or loss, is impaired. If there is objective evidence that an impairment exists, the loss is recorded in the consolidated statements of earnings (loss). The impairment loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recorded in the consolidated statements of earnings (loss).

Financial Liabilities

Financial liabilities are classified as either "financial liabilities at fair value through profit or loss", or "other financial liabilities". Financial liabilities are initially measured at fair value and subsequently measured at amortized cost for liabilities that are not hedged, and fair value for liabilities that are hedged. Non-performance risk, including the Company's own credit risk for financial liabilities, is considered when determining the discount rates used to fair value financial assets or liabilities, including derivative liabilities.

Classification of Financial Instruments

The following table summarizes the Company's selected financial instrument classifications based on its intentions:

Financial instrument	Classification
Cash	Fair value through profit or loss
Cash equivalents	Held-to-maturity
Short-term investments	Held-to-maturity
Restricted cash	Fair value through profit or loss
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Long-term debt	Other financial liabilities
Derivative liabilities	Cash flow hedge

s) *Hedges*

The Company entered into cross-currency interest rate and principal swaps (see Note 15) to hedge the U.S. dollar exchange rate and interest rate risks associated with its long-term debt. The Company designated these cross-currency interest rate and principal swaps as cash flow hedges. The fair value of these hedging instruments is included in the consolidated statements of financial position. The portion of the changes in fair values of the cross-currency interest rate and principal swaps that is determined to be effective is recorded in OCI, and any ineffective portion is recorded in the consolidated statements of earnings (loss). The hedged debt is translated to Canadian dollars at the exchange rate in effect on the last day of the reporting period, and through the application of hedge accounting, the resulting foreign exchange gains or losses recorded in the consolidated statements of earnings (loss) are effectively offset by the gains or losses on derivatives designated as cash flow hedges.

The Company assesses the effectiveness of its hedging instruments at each reporting period. Hedge accounting is discontinued prospectively when the hedging relationship no longer qualifies as an effective hedge, or it is terminated upon the early termination of the hedged item. When hedge accounting is discontinued, changes in fair value of these financial instruments are recorded as "foreign exchange loss and other" on the consolidated statements of earnings (loss).

t) *Stock-based compensation*

The Company has equity-settled and cash-settled stock-based compensation plans.

Equity-settled stock-based compensation

The Company applies the fair value method of accounting for stock option awards using the Black-Scholes option pricing model. Under this method, the Company recognizes compensation expense for employee stock option awards, based on the grant date fair value, over the vesting period of the options.

Non-employee equity-settled share-based payments are measured at the fair value of the goods and services received, except where that fair value cannot be estimated reliably. If the fair value cannot be measured reliably, non-employee equity-settled share-based payments are measured at the fair value of the equity instrument granted, measured at the date the entity obtains the goods or the counterparty renders the service. Equity-settled stock-based compensation expense is recognized in the "stock-based compensation" line of the consolidated statements of earnings (loss) over the service period.

The Company adjusts the stock-based compensation expense based on the number of stock options expected to vest at the end of the reporting period.

Cash-settled stock-based compensation

During 2011, the Company's Board of Directors approved a deferred and restricted share unit plan (see Note 17(c)), and established a policy for such transactions. The Company had no prior plans of this nature, and accordingly no prior transactions for which this policy would have been relevant.

Cash-settled stock-based compensation such as Deferred Share Units ("DSUs") and Restricted Share Units ("RSUs"), which vest immediately, are recorded as a liability at the grant date based on the market value of the Company's common shares. This liability is initially recorded in the "deferred credits, provisions and other liabilities" line of the consolidated statements of financial position, and is re-measured at each reporting period and at the redemption date, or the date when the unit holder ceases to be a director. The initial liability and changes in that liability are recorded as "stock-based compensation" on the consolidated statements of earnings (loss).

u) *Revenue recognition*

Gaming revenues, which include revenues from table games, slot machines, bingo games, FDC from BCLC, and siteholder payments from Ontario Lottery and Gaming Corporation ("OLG") are recorded when earned by the Company after deduction for the portion of gaming and other revenues payable to BCLC, OLG, and NSGC, accruals for payouts on progressive games, and gaming taxes payable to Washington State.

Racetrack revenues are recorded when earned and by the Company, net of amounts returned as winning wagers, provincial and federal taxes, and purses for wagering. Racetrack revenues also include the net amount of the on-site wagering on races simulcast from third parties as well as fees received based on off-site wagering on races simulcast to other racetracks.

Hotel, food and beverage, entertainment and other operating revenues are recorded as goods are delivered, and services are performed.

The retail value of accommodations, food and beverage, and other incentives furnished to guests without charge is included in gross revenues and then deducted as promotional allowances (see Note 19).

v) *Taxation*

Income tax expense represents the sum of current and deferred taxes. Current and deferred taxes are recognized in the consolidated statement of earnings (loss), except to the extent it relates to items recognized in OCI or directly in equity.

Current tax

The tax currently payable is based on taxable income for the year. Taxable income differs from earnings as reported in the consolidated statements of comprehensive income (loss) because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income, as well as the benefit of tax losses available to be carried forward to future years that are more likely than not to be realized. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Taxation (continued)

against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable income nor accounting earnings (loss).

The Company recognizes the income tax benefit of uncertain tax positions only when it is more likely than not that the tax position taken will be sustained upon examination by the applicable tax authority.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

w) *Shareholders' net earnings (loss) per common share*

Basic shareholders' net earnings (loss) per common share is calculated using the weighted-average number of common shares outstanding during the period. Diluted shareholders' net earnings (loss) per common share is presented using the treasury stock method and is calculated by dividing shareholders' net earnings (loss) applicable to common shares by the sum of the weighted-average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

The estimates used in determining the recorded amounts in these financial statements include the following:

- *Impairment of long-lived assets and goodwill*

  The determination of a long-lived asset or goodwill impairment requires significant estimates and assumptions to determine the recoverable amount of an asset and/or CGU, wherein the recoverable amount is the higher of fair value less costs to sell and value in use. The value in use method involves estimating the net present value of future cash flows derived from the use of the asset and/or CGU, discounted at an appropriate rate.

  The estimates of future cash flows require a number of key assumptions about future business performance. These assumptions and estimates are primarily based on the relevant business' historical experience, economic trends, and consider past communications with relevant stakeholders of the Company. These key assumptions include the future revenue levels and EBITDA[1] margin as a percentage of revenues. The assumptions are subject to a number of factors and it is possible that actual results could vary materially from management's estimates. Significant changes in the key assumptions utilized in the estimate of future cash flows could result in an impairment loss or reversal of an impairment loss.

- *Estimated useful lives of long-lived assets*

  Judgment is used to estimate each component of an asset's useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost, and renewal history. If the estimated useful lives were incorrect, this could result in an increase or decrease in the annual amortization expense, and future impairment charges.

(1) 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, impairment of long-lived assets, impairment of goodwill, foreign exchange loss and other, and non-controlling interests. EBITDA can be computed as revenues less human resources, and property, marketing and administration expenses.

- *Fair value of net assets acquired in business combinations*

  The cost of an acquired business ("purchase price") is assigned to the identifiable tangible and intangible assets purchased and liabilities assumed on the basis of their fair values at the date of acquisition. The identification of assets purchased and liabilities assumed and the valuation thereof is specialized and judgmental. Where appropriate, the Company engages business valuators to assist in the valuation of tangible and intangible assets acquired. Any excess of purchase price over the fair value of the identifiable tangible and intangible assets purchased and liabilities assumed is allocated to goodwill.

  When a business combination involves contingent consideration, an amount equal to the fair value of the contingent consideration is recorded as a liability at the time of acquisition. The key assumptions utilized in determining fair value may include probabilities associated with the occurrence of specified future events, financial projections of the acquired business, the timing of future cash flows, and the appropriate discount rate.

- *Fair value of assets acquired in business transactions with non-monetary consideration*

  The Company measures the fair value of assets acquired in business transactions with non-monetary consideration at the fair value of the asset given up or the fair value of the asset received, whichever is more reliably measurable. Measurement of fair value is based on an analysis of pertinent information that may include third-party asset appraisals, market values evidenced from similar transactions, and discounted cash flows.

- *Equity-settled stock-based compensation*

  The Company estimates the cost of equity-settled stock-based compensation using the Black-Scholes option pricing model. The model takes into account an estimate of the expected life of the option, the current price of the underlying stock, an estimate of the stock's volatility, an estimate of future dividends on the underlying stock, the risk-free rate of return expected for an instrument with a term equal to the expected life of the option, and the expected forfeiture rate.

- *Income taxes*

  Deferred tax assets and liabilities are due to temporary differences between the carrying amount for accounting purposes and the tax basis of certain assets and liabilities, as well as undeducted tax losses. Estimation is required for the timing of the reversal of these temporary differences and the tax rate applied. The carrying amounts of assets and liabilities are based on amounts recorded in the financial statements and are subject to the accounting estimates inherent in those balances. The tax basis of assets and liabilities and the amount of undeducted tax losses are based on the applicable income tax legislation, regulations and interpretations. The timing of the reversal of the temporary differences and the timing of deduction of tax losses are based on estimations of the Company's future financial results.

  Changes in the expected operating results, enacted tax rates, legislation or regulations, and the Company's interpretations of income tax legislation will result in adjustments to the expectations of future timing difference reversals and may require material deferred tax adjustments.

- *Contingencies*

  Provisions are accrued for the financial resolution of liabilities with uncertain timing or amounts, if, in the opinion of management, it is both likely that a future event will confirm that a liability had been incurred at the date of the financial statements and the amount can be reasonably estimated. In cases where it is not possible to determine whether such a liability has occurred, or to reasonably estimate the amount of loss until the performance of some future event, no accrual is made until that time. In the ordinary course of business, the Company may be party to legal proceedings which include claims for monetary damages asserted against the Company and its subsidiaries. The adequacy of provisions is regularly assessed as new information becomes available.

  The Company does not record contingent assets.

The judgments used in applying the Company's significant accounting policies include the following:

- *Hedge accounting*

  The Company designated its cross-currency interest rate and principal swaps as cash flow hedges, and assesses the effectiveness of its hedging instruments at each reporting period. The fair values of the Company's cross-currency interest rate and principal swaps are based on credit risk adjusted discounted cash flows that require assumptions regarding the U.S. dollar exchange rate and discount rates, which are based on the prevailing U.S. dollar exchange rates and prevailing interest rates in Canada and U.S.

  The Company applies hedge accounting as it believes this is more representative of the economic substance of the underlying transactions. If the Company chooses to revoke this designation at a future period, the changes in fair value of the cross-currency interest rate and principal swaps are required to be recorded in the consolidated statements of earnings (loss).

- *Control over a subsidiary*

  In April 2010, there was a change in accounting for the Company's 50% ownership investment in TBC. Prior to April 2010, the Company effectively controlled TBC and fully consolidated it. In April 2010, the Company signed a Memorandum of Agreement and related Addendum with the B.C. Horse Racing Industry (the "B.C. Horse Racing Industry Agreement") in order to support efforts to revitalize and restore financial strength to British Columbia's horse racing industry. On signing the B.C. Horse Racing Industry Agreement, the Company deconsolidated TBC and accounts for its 50% ownership investment using the equity method since it has significant influence over it (see Note 2(a)). The carrying value of the equity investment in TBC as at December 31, 2011 was $nil (2010 – $nil).

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

- Determination of CGUs
  The Company's assets are grouped into CGUs based on their ability to generate separate identifiable cash flows. The determination of CGUs involves an assessment regarding the interdependency of cash inflows, and the Company's organizational structure.

4. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2011, the IASB issued IAS 1, Presentation of Financial Statements ("IAS 1"), which required the grouping of other comprehensive income ("OCI") into two components: items that may be reclassified to net earnings (loss) in subsequent periods, and items that will not be reclassified into net earnings (loss) in subsequent periods. This revised accounting pronouncement is effective for annual periods beginning on or after July 1, 2012. The effect of this change is included in these consolidated financial statements.

The IASB issued the following new and revised accounting pronouncements, which are not expected to have a material impact on the Company's consolidated financial statements:

- *IFRS 7, Financial Instruments: Disclosures* – amended to increase the disclosure requirements in connection with the transfer of financial assets to a third party that are not derecognised from the Company's consolidated financial statements. Effective for annual periods beginning on or after July 1, 2011.
- *IAS 12, Income Taxes* – amended to provide a practical solution to determining the recovery of investment properties as it relates to accounting for deferred taxes. Effective for annual periods beginning on or after January 1, 2012.
- *IAS 19, Employee Benefits (2011)* – amended to change the accounting for defined benefit plans and terminations benefits, and improve the understandability and usefulness of disclosures. Effective for annual periods beginning on or after January 1, 2013.
- *IFRS 13, Fair Value Measurement* – provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. Effective for annual periods beginning on or after January 1, 2013.
- *IFRS 9, Financial Instruments ("IFRS 9")* – replaces IAS 39, Financial Instruments: Recognition and measurement ("IAS 39"). IFRS 9 simplifies the classification and measurement requirements for financial instruments, which replaces the multiple classification and measurement models in IAS 39. Effective for annual periods beginning on or after January 1, 2015.

The IASB also issued the following new and revised standards addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements with other entities:

- *IFRS 10, Consolidated Financial Statements ("IFRS 10")* – replaces the consolidation guidance in IAS 27 (2008), *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidated Special Purpose Entities*, by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee.
- *IFRS 11, Joint Arrangements ("IFRS 11")* – replaces IAS 31, Interests in Joint Ventures. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed.
- *IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12")* – requires enhanced disclosures about the entity's interests in subsidiaries, joint arrangements and associates, and unconsolidated structured entities.
- *IAS 27 (2011), Separate Financial Statements ("IAS 27 (2011)")* – the consolidation requirements previously forming part of IAS 27 (2008) have been revised and are now contained in IFRS 10.
- *IAS 28, Investments in Associates and Joint Ventures (2011)* – amended to conform to changes based on the issuance of IFRS 10, IFRS 11, and IFRS 12.

These five standards must be adopted concurrently and are effective for annual periods beginning on or after January 1, 2013.

5. CASH AND CASH EQUIVALENTS

	December 31, 2011	December 31, 2010	January 1, 2010
Cash in banks	$ 109.4	$ 45.7	$ 26.1
Cash floats	9.8	5.2	8.5
Cash equivalents	15.5	—	—
	$ 134.7	$ 50.9	34.6

Cash equivalents include investments in term deposits and bankers' acceptances with original maturities within three months of the investment date.

Cash floats exclude amounts provided by BCLC of $15.9 (2010 - $15.9) for use in BC casino operations. Since these cash floats are owned by BCLC, they are not included in the Company's cash floats balances. The Company has issued letters of credit in favour of BCLC as security for these amounts (Note 28(a)).

Restricted cash comprises primarily $6.0 (2010 - $0.4) for horsemen's purse pools, $0.6 (2010 - $0.6) held for capital expenditures that require approval from OLG, and $0.5 (2010 - $0.6) related to future payments for construction projects.

6. SHORT-TERM INVESTMENTS

Short-term investments may include investments in term deposits, commercial paper, bankers acceptances, money market investments and guaranteed investment certificates with original maturities greater than three months from the date of purchase, but less than one year.

7. ACCOUNTS RECEIVABLE

	December 31, 2011	December 31, 2010	January 1, 2010
Trade receivables	$ 4.5	$ 3.8	$ 3.7
Other receivables	3.2	3.6	3.6
Due from NSGC	1.2	1.9	1.7
	$ 8.9	$ 9.3	$ 9.0

The balance due from NSGC is the Capital Reserve Account receivable. It represents amounts spent by the Company on approved expenditures, plus accrued interest on the outstanding balance at prime plus 2% per annum, less repayments from the NSGC's Capital Reserve Account based on 5% of the gross operating revenues from the two Nova Scotia casinos.

8. IMPAIRMENT OF LONG-LIVED ASSETS AND GOODWILL

The Company performs year-end reviews of its operations and normal course impairment tests to assess the recoverability of its goodwill, intangible assets, and property, plant and equipment.

During the year ended December 31, 2010, as a result of revised capital investment expectations in connection with the future renewal of the operating lease agreement associated with Hastings Racecourse and other business development projects that would not be reinitiated in the foreseeable future, the carrying values of intangible assets and property, plant and equipment were impaired by $8.5 and $16.7, respectively. In addition, changes in expected future cash flows associated with Flamboro Downs resulted in the impairment of goodwill, intangible assets, and property, plant and equipment of $14.2, $7.4, and $2.5, respectively.

During the year ended December 31, 2011, as a result of further declines and uncertainty in the economic outlook for Hastings Racecourse, the carrying value of property, plant and equipment was impaired by $4.4. Discussions with the City of Vancouver around the renewal of the Hastings Racecourse operating lease agreement, expiring in November 2012, are ongoing. During this period, Hastings Racecourse continues to operate as usual.

The recoverable amounts for Hastings Racecourse and Flamboro Downs were determined based on the value in use method, as described in Note 2(m).

In late 2011, the Government of Ontario commissioned an independent financial review. In February 2012, the Commission on the Reform of Ontario's Public Services, chaired by Mr. Don Drummond, released a report (the "Drummond Report") with recommendations aimed at improving the Government of Ontario's economic and fiscal challenges. The recommendations in the Drummond Report are directed across a wide-range of government activities and include some recommendations that may affect horse racing and gaming in Ontario. The Drummond Report recommends re-evaluating, on a value-for-money basis, the government's practice of providing a portion of net slot revenues to the horse racing and breeding industry and municipalities in order to substantially reduce and better target that support. Any material changes to this program could have significant impact on both the operations and financial performance of the Company's two racetracks in Ontario. The Drummond Report also recommends that the government allow slot machines at sites that are not co-located with horse racing venues, as well as consider directing OLG to expand its existing business lines, develop new gaming opportunities and make effective use of private-sector involvement. Changes in locations of slot machines and expansion of business lines could increase the competition faced by the Company's two racetracks in Ontario. It is not certain at this time which, if any, of the recommendations will be implemented and the impact they may have on the Company. These changes to the structuring of gaming activity in Ontario may have a negative impact on the Company. Also the pace of such changes, if implemented, may be affected by the willingness and ability of OLG to make changes to the existing agreements it has with the Company before the current expiry dates of the agreements. Therefore, while the Company's Georgian Downs and Flamboro Downs Site Holder Agreements with OLG are scheduled to expire in November 2026 and April 2016, respectively, there is a risk that the OLG may terminate these Site Holder Agreements early by providing the Company with 270 days advance written notice in order to effect these recommendations. If these recommendations are implemented, they would have a negative impact on revenues generated by Georgian Downs and Flamboro Downs, and may result in the need for goodwill and long-lived asset impairments at these properties.

9. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and building improvements	Leasehold improvements	Equipment	Properties under development	Total
Cost						
Balance at January 1, 2010	$ 68.0	$ 640.9	$ 69.7	$ 91.1	$ 11.4	$ 881.1
Additions	1.8	—	0.1	4.0	14.7	20.6
Disposals	(3.9)	—	(0.2)	(1.0)	—	(5.1)
Reclassifications	—	12.0	2.3	2.6	(16.9)	—
Deconsolidation of TBC	—	—	(0.2)	(0.6)	—	(0.8)
Translation and other	(0.1)	(1.1)	(0.3)	(0.3)	—	(1.8)
Balance at December 31, 2010	$ 65.8	$ 651.8	$ 71.4	$ 95.8	$ 9.2	$ 894.0
Additions	10.7	—	0.2	2.9	28.9	42.7
Acquired through business combination [1]	5.7	—	—	—	—	5.7
Disposals	—	—	—	(0.8)	—	(0.8)
Reclassifications	—	21.6	4.6	4.2	(30.3)	0.1
Translation and other	—	(0.2)	0.1	0.2	—	0.1
Balance at December 31, 2011	$ 82.2	$ 673.2	$ 76.3	$ 102.3	$ 7.8	$ 941.8
Accumulated amortization and impairments						
Balance at January 1, 2010	$ —	$ (78.8)	$ (24.1)	$ (69.8)	$ (0.2)	$ (172.9)
Amortization	—	(27.9)	(4.0)	(8.7)	—	(40.6)
Disposals	—	—	0.1	0.9	—	1.0
Impairments [2]	(0.9)	(1.7)	(10.4)	(0.9)	(5.3)	(19.2)
Deconsolidation of TBC	—	—	0.1	0.2	—	0.3
Translation and other	—	0.1	0.1	0.2	—	0.4
Balance at December 31, 2010	$ (0.9)	$ (108.3)	$ (38.2)	$ (78.1)	$ (5.5)	$ (231.0)
Amortization	—	(28.1)	(7.1)	(8.3)	—	(43.5)
Disposals	—	—	—	0.8	—	0.8
Impairments [2]	—	—	(3.9)	(0.5)	—	(4.4)
Reclassifications	—	—	(1.9)	—	1.9	—
Translation and other	—	(0.1)	—	—	—	(0.1)
Balance at December 31, 2011	$ (0.9)	$ (136.5)	$ (51.1)	$ (86.1)	$ (3.6)	$ (278.2)
Carrying amount						
At Janaury 1, 2010	$ 68.0	$ 562.1	$ 45.6	$ 21.3	$ 11.2	$ 708.2
At December 31, 2010	$ 64.9	$ 543.5	$ 33.2	$ 17.7	$ 3.7	$ 663.0
At December 31, 2011	$ 81.3	$ 536.7	$ 25.2	$ 16.2	$ 4.2	$ 663.6

[1] The land acquired through business combination relates to the Chilliwack Bingo acquisition (see Note 30).
[2] The impairments relate to Hastings Racecourse and Flamboro Downs (see Note 8).

10. INTANGIBLE ASSETS

	BC Gaming Operating Agreements	Nova Scotia Gaming Operating Agreement	Ontario Siteholder Agreements	Other	Total
Cost					
Balance at January 1,2010	$ 74.1	$ 34.6	$ 106.0	$ 2.5	$ 217.2
Acquired through business combinations	2.0	—	—	—	2.0
Balance at December 31, 2010	$ 76.1	$ 34.6	$ 106.0	$ 2.5	$ 219.2
Acquired through business transactions [1]	5.3	—	—	—	5.3
Balance at December 31, 2011	$ 81.4	$ 34.6	$ 106.0	$ 2.5	$ 224.5
Accumulated amortization and impairments					
Balance at January 1,2010	$ (26.1)	$ (11.3)	$ (22.6)	$ (0.8)	$ (60.8)
Amortization	(3.5)	(4.2)	(5.2)	(0.2)	(13.1)
Impairments [2]	(8.5)	—	(7.4)	—	(15.9)
Balance at December 31, 2010	$ (38.1)	$ (15.5)	$ (35.2)	$ (1.0)	$ (89.8)
Amortization	(5.9)	(4.2)	(4.7)	(0.2)	(15.0)
Balance at December 31, 2011	$ (44.0)	$ (19.7)	$ (39.9)	$ (1.2)	$ (104.8)
Carrying amount					
At January 1, 2010	$ 48.0	$ 23.3	$ 83.4	$ 1.7	$ 156.4
At December 31, 2010	$ 38.0	$ 19.1	$ 70.8	$ 1.5	$ 129.4
At December 31, 2011	$ 37.4	$ 14.9	$ 66.1	$ 1.3	$ 119.7
Remaining amortization period (years)	1 – 20	4	14 – 15	7 – 10	

[1] The intangible asset acquired through business combination relates to the Chilliwack Bingo acquisition (see Note 30).
[2] The impairments relate to Hastings Racecourse and Flamboro Downs (see Note 8).

11. GOODWILL

	Total
Cost	
At January 1, 2010	$ 47.8
Foreign exchange movements	(0.4)
At December 31, 2010	$ 47.4
Foreign exchange movements	0.2
At December 31, 2011	$ 47.6
Impairments	
At January 1, 2010	$ (9.9)
Impairment [3]	(14.2)
At December 31, 2010	$ (24.1)
At December 31, 2011	$ (24.1)

Carrying amount	GCCI	GCEC	Fraser Downs	Georgian Downs	Flamboro Downs	Great American Casinos	Total
At January 1, 2010	$ 1.6	$ 3.8	$ 8.1	$ 3.2	$ 14.2	$ 7.0	$ 37.9
At December 31, 2010	$ 1.6	$ 3.8	$ 8.1	$ 3.2	$ —	$ 6.6	$ 23.3
At December 31, 2011	$ 1.6	$ 3.8	$ 8.1	$ 3.2	$ —	$ 6.8	$ 23.5

[3] The impairment relates to Flamboro Downs (see Note 8).

There were no changes to the methodology used to assess goodwill impairment since the last annual impairment test. The recoverable value for each CGU was based on the value in use method, which estimates the net present value of the future cash flows expected to be generated by the CGU, discounted using a pre-tax discount rate that was based on the Company's weighted-average cost of capital.

The expected future cash flows are based on the most recent annual forecasts prepared by management and extrapolated over five years, after which a rate of 2% is applied for inflation. These expected future cash flows require a number of assumptions about future business performance. These assumptions and estimates were based primarily on the relevant business' historical performance and economic trends, and considered past communications with relevant stakeholders. The revenue growth rate assumptions used in the impairment assessments ranged from 0% to 2% and EBITDA as a percentage of revenues was based on each CGU's most recent annual operating levels.

11. GOODWILL (continued)

Sensitivity analysis
The assumptions and estimates used in these impairment assessments are subject to a number of factors and it is possible that actual results could vary materially from management's estimates. Changes that could result in future impairment charges include, but are not limited to: legislation or policies passed by the respective governments affecting the location of competing gaming facilities and the amounts payable to the Company for providing casino operational services (see Note 8); and continued declines in horse racing industry revenues. The Company has not identified any specific reasonably possible changes in key assumption associated with the estimated recoverable amounts of its CGUs that will result in goodwill impairment charges. However, adverse changes in circumstances to the Company's business could impact key assumptions and estimates, and could result in impairment charges.

12. OTHER LIABILITIES

	December 31, 2011	December 31, 2010	January 1, 2010
Long-term debt, current (Note 13)	$ 2.0	$ 2.0	$ 2.1
Provisions, current	2.1	1.0	0.7
Deferred credits, current (Note 16)	0.7	0.7	0.7
Other current liabilities	0.3	0.4	0.1
	$ 5.1	$ 4.1	$ 3.6

13. LONG-TERM DEBT

	December 31, 2011	December 31, 2010	January 1, 2010
Term Loan B, net of unamortized transaction costs of $1.1 (2010 – $1.5)	$ 163.7	$ 161.2	$ 171.3
Senior Subordinated Notes and unamortized premium of $0.8 (2010 – $1.1), net of unamortized transaction costs of $2.7 (2010 – $3.6)	170.9	166.6	175.6
Senior Secured Revolving Credit Facility	—	—	12.0
Other	—	—	0.1
	334.6	327.8	359.0
Less: current portion (Note 12)	2.0	2.0	2.1
	$ 332.6	$ 325.8	$ 356.9

The expected repayments of long-term debt for the four following years ending December 31 are as follows:

2012	$ 2.0
2013	2.0
2014	160.7
2015	172.9
Total repayments	337.6
Less: unamortized transaction costs and premium	3.0
Total long-term debt (including current portion)	$ 334.6

At December 31, 2011, the Company's long-term debt facilities consist of (a) US$170.0 (initial principal) Senior Secured Term Loan B (the "Term Loan B") and a $350.0 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").

a) *Term Loan B and Revolving Credit Facility*
On July 21, 2011, the Company completed an amendment of its February 14, 2007 Credit and Guarantee Agreement ("Credit Agreement") which covers the terms of its Revolving Credit Facility and Term Loan B. Consequently, the Company's previous undrawn $200.0 Revolving Credit Facility has been increased to a maximum limit of $350.0 and extended to July 21, 2016. Transaction costs associated with refinancing the Revolving Credit Facility of $2.8 are included in the "other assets" line of the consolidated statements of financial position and amortized through the "interest and financing costs, net" line of the consolidated statements of earnings (loss) over the five-year term. The interest rate on advanced amounts and the commitment fee on the unused facility (see Note 29(c)) are based on the Company's Total Debt to Adjusted EBITDA ratio, which is calculated quarterly (see Note 14).

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. At December 31, 2011, the principal balance outstanding for the Term Loan B is US$161.9 (2010 – US$163.6). The Company hedged both the currency risk and the floating interest rate risk to effectively result in an initial principal of $200.8 in Canadian dollars and a fixed interest rate (see Note 15). The Term Loan B had an initial term of seven 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 Term Loan B and the Revolving Credit Facility are guaranteed and secured by substantially all of the assets of the Company and its subsidiaries. Both the Term Loan B and the Revolving Credit Facility require the Company to comply with certain operational and financial covenants (which are defined in the underlying agreements). The financial covenants which are tested quarterly are: Total Debt to Adjusted EBITDA ratio of 5.0 or less; Senior Debt to Adjusted EBITDA ratio of 3.5 or less, and Interest Coverage ratio of 2.0 or greater for the first three years following February 14, 2007 and 2.25 thereafter.

After deducting outstanding letters of credit of $32.3 (2010 – $37.3) (see Note 28(a)) and borrowings on the Revolving Credit Facility of $nil (2010 – $nil), at December 31, 2011 the Company had $317.7 (2010 – $162.7) remaining credit available on the Revolving Credit Facility. The counterparties to this facility are major financial institutions with minimum "A" credit ratings.

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 (see Note 15). The Subordinated Notes have a term of eight 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 (see Note 15(b)).

The Subordinated Notes require the Company to comply with operational and financial covenants. The financial covenants require the Company to maintain a Fixed Charge Coverage Ratio, as defined in the underlying note agreement, of greater than 2.0, which is tested on the occurrence of specified events.

The Subordinated Notes have been structured so that interest payments are not subject to Canadian withholding taxes. To the extent that Canadian tax regulations change to impose a withholding tax on the interest payments, the Company has agreed to gross-up the interest payments to ensure the holder of the Subordinated Notes receives the same amount in the absence of the withholding tax, subject to certain requirements and limitations.

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.

The transaction costs of establishing the Term Loan B and the Subordinated Notes in 2007 were $10.5 and were recorded as a reduction of the balance of the related debt, and are expensed to "interest and financing costs, net" on the consolidated statements of earnings (loss) over the term of the related debt using the effective interest method. The transaction costs of establishing the Revolving Credit Facility in 2007 were $2.7 and were recorded as a component of "other assets" on the consolidated statements of financial position, and were expensed to "interest and financing costs, net" on the consolidated statements of earnings (loss) over the term of the Revolving Credit Facility.

c) *Interest and financing costs, net*
Interest and financing costs, net consists of:

	Year ended December 31, 2011	2010
Interest and financing costs on long-term debt	$ 29.5	$ 27.8
Interest on short-term obligations and other	1.4	0.9
Interest income	(1.4)	(0.7)
Interest and financing costs, net	$ 29.5	$ 28.0

14. CAPITAL DISCLOSURES

The Company's capital structure comprises:

- Shareholders' equity;
- Long-term debt and related derivative liabilities;
- Cash and cash equivalents;
- Short-term investments; and
- Outstanding letters of credit.

The Company's objectives are to maintain a flexible capital structure that optimizes the cost of capital at acceptable risk levels and to manage capital in a manner that balances the interests of equity and debt holders. The Company manages its capital structure in light of changes in economic conditions and the risk characteristics of the Company's operations. The Company's major capital allocation decisions include a comparison of the expected financial returns from those investments to its estimated weighted-average cost of capital. The Company currently plans to use its cash and cash equivalents, cash flows from operations, and established debt facilities to finance its business development plans.

The Company monitors its capital structure and must comply with certain financial covenants related to its long-term debt. The Company intends to manage its capital by operating at a level that provides a conservative margin compared to the limits of its covenants.

At December 31, 2011 the Company was in compliance with its financial covenants as shown below:

Covenant test	Required ratio	Actual ratio
Total Debt to Adjusted EBITDA ratio [1]	< 5.00	2.85
Senior Debt to Adjusted EBITDA ratio [1]	< 3.50	1.39
Interest Coverage ratio [1]	> 2.25	4.85
Fixed Charge Coverage ratio [2]	> 2.00	4.92

[1] Defined in the long-term debt agreement covering the Term Loan B and Revolving Credit Facility as amended on July 21, 2011.
[2] Defined in the long-term debt agreement covering the Subordinated Notes. Tested on specified events.

As part of the capital structure monitoring process, the Company's current independent credit ratings are as follows:

	Moody's [3]	Standard & Poor's [4]
Corporate	Ba3 Stable	BB+ Stable
Term Loan B and Revolving Credit Facility	Ba2	BBB
Senior Subordinated Notes	B2	BB–

[3] On July 22, 2011, Moody's assigned a Ba2 rating to the Company's amended Credit and Guarantee Agreement covering its Term Loan B and Revolving Credit Facility, and reaffirmed its ratings on the Company's Corporate rating and Subordinated Notes.

[4] On September 19, 2011, Standard & Poor's assigned a BBB rating to the Company's amended Credit and Guarantee Agreement covering its Term Loan B and Revolving Credit Facility, and reaffirmed its rating on the Company's Corporate rating. Standard & Poor's downgraded their rating on the Company's Subordinated Notes from BB to BB-.

15. DERIVATIVES

a) *Cross-currency interest rate and principal swaps*

The Company has cross-currency interest rate and principal swaps that effectively convert both the U.S. dollar floating interest rate Term Loan B and the U.S. dollar fixed interest rate Subordinated Notes into Canadian dollar fixed interest rate debt.

On July 21, 2011, in connection with the amendment of the Company's Credit Agreement, the Company discontinued hedge accounting for forty percent of the cash flows associated with the Term Loan B and Subordinated Notes cross-currency interest rate and principal swaps. On August 4, 2011, the Company entered into novation agreements that transferred the responsibilities for forty percent of the cash flows associated with the cross-currency interest rate and principal swaps from a former Revolving Credit Facility lender to a continuing Revolving Credit Facility lender. Under IAS 39, this transaction is deemed as a termination of the old agreement with the former swap-counterparty.

During the period from July 21, 2011 to August 4, 2011, hedge accounting no longer applied for these cash flows. As a result, a $0.5 loss associated with changes in fair value was recorded in the "foreign exchange loss and other" expense line of the consolidated statements of earnings (loss) during the year ended December 31, 2011. In addition, foreign exchange losses of $4.5 associated with the translation of the Term Loan B and Subordinated Notes long-term debt were not offset by the gains on derivatives designated as cash flow hedges during this period.

Cumulative losses of $1.9 and the related deferred income tax recovery of $0.5 included in "accumulated other comprehensive income" associated with the portions of the cross-currency interest rate and principal swaps that were discontinued from hedge accounting will be amortized in the "foreign exchange loss and other" and "income taxes" lines of the consolidated statements of earnings (loss) on a straight-line basis over the remaining lives of the underlying Term Loan B and the Subordinated Notes, respectively.

As at December 31, 2011 the cross-currency interest rate and principal swap agreements were:

	Notional Principal		Interest Rate		
Debt	Receive (USD)	Pay (CAD)	Receive (USD)	Pay (CAD)	Maturity Date
Term Loan B	$ 97.1 [1]	$ 114.8 [1]	US LIBOR+1.50%	6.1%	February 13, 2014
Term Loan B	$ 64.8 [1]	$ 76.5 [1]	US LIBOR+1.50%	6.7%	February 13, 2014
Subordinated Notes	$ 102.0	$ 120.7	7.25%	6.6%	February 15, 2015
Subordinated Notes	$ 68.0	$ 80.4	7.25%	7.1%	February 15, 2015

[1] The Term Loan B cross-currency interest rate swap's notional principal reduces by 0.25% of the original principal of $170.0 USD quarterly to match the scheduled principal reductions on the Term Loan B.

As at December 31, 2011, the Company's swap associated with the Term Loan B was in a $41.4 liability position (December 31, 2010 – $44.7 liability) and the swap associated with the Subordinated Notes was in a $24.9 liability position (December 31, 2010 – $22.9 liability). The swaps are recorded in derivative liabilities on the consolidated statements of financial position.

The Company has evaluated these cross-currency interest rate and principal swaps and assessed them as effective hedges of the cash flows associated with the Term Loan B and the Subordinated Notes. The Company has applied hedge accounting to these swaps as it believes hedge accounting best represents the economic substance of the underlying transactions. Accordingly, the effective portion of the change in fair values of the swaps, has been recorded in "other comprehensive income", net of income taxes, and the ineffective portion has been recorded in "foreign exchange loss and other" expense.

Gains and losses on cash flow hedges are recorded when the hedged item affects net earnings. During the year ended December 31, 2011, the Company transferred gains on derivatives designated as cash flow hedges from OCI to "foreign exchange loss and other" of $2.8 (2010 – $18.2), and related income taxes of $1.6 (2010 – $3.9). The Company also recorded a gain of $1.7 in "foreign exchange loss and other" related to its cross-currency interest rate and principal swaps during the year ended December 31, 2011 (2010 – $nil).

The fair values of the Company's cross-currency interest rate and principal swaps at December 31, 2011 and December 31, 2010 were determined based on a credit risk adjusted discounted cash flow model. This model makes assumptions regarding the U.S. dollar exchange rate and discount rates, which are based on the prevailing U.S. dollar exchange rates and prevailing interest rates in Canada and the U.S. at the respective period ends. The credit risk associated with these cross-currency interest rate and principal swap agreements is mitigated since the counterparties to these swaps are Canadian chartered banks with minimum "A" credit ratings.

b) *Embedded derivative*

The Company's Subordinated Notes agreement has provisions for early redemption during defined periods prior to maturity with the payment of defined premiums. On issuance of the Subordinated Notes on February 14, 2007, the $2.1 fair value of this embedded derivative was recorded as a derivative asset in other assets and as a premium on the long-term debt on the consolidated statements of financial position. The fair value of this embedded derivative included in other assets as at December 31, 2011 was $nil (2010 – $nil). The premium is amortized over the term of the Subordinated Notes using the effective interest method.

16. DEFERRED CREDITS, PROVISIONS AND OTHER LIABILITIES

	December 31, 2011	December 31, 2010	January 1, 2010
Deferred credits	**$ 19.7**	$ 20.3	$ 20.9
Provisions, non-current	**2.4**	4.7	3.9
Other non-current liabilities	**1.6**	0.9	—
	$ 23.7	$ 25.9	$ 24.8

In 2008, the Company entered into definitive agreements with the South Coast British Columbia Transportation Authority ("TransLink") and Canada Line Rapid Transit Inc. ("Canada Line") to build and operate a 1,200 stall multi-level parking garage at Bridgeport Station, across from the River Rock Casino Resort ("River Rock") in Richmond, British Columbia.

The consideration received from TransLink is being treated as compensation for the cost of providing future parking services to Canada Line's passengers. Accordingly, the fair value of the land received of $17.2 was accounted for as a non-monetary transaction and cash of $4.5 was recorded as "cash and cash equivalents", with a corresponding credit to "deferred credits". These "deferred credits" are amortized on a straight-line basis over a period of 32 years.

Translink may exercise its option to purchase the portion of the parking garage used by the 1,200 stalls if certain events defined in the agreement occur. Examples of these include the relocation of the River Rock, or the Company failing to provide Canada Line's passengers access to the parking stalls as set out in the agreement.

17. SHARE CAPITAL AND CONTRIBUTED SURPLUS

The Company is authorized to issue an unlimited number of common shares with no par value.

a) *Normal course issuer bid*

On September 8, 2011, the Company received approval from the Toronto Stock Exchange ("TSX") to purchase up to an additional 3,844,359 of its common shares. The amended TSX notice authorized the Company to purchase up to 5,844,359 common shares of the Company from January 27, 2011 to January 26, 2012.

For the year ended December 31, 2011, the Company purchased 1,479,600 common shares at a volume weighted-average price of $7.16 under its normal course issuer bid, which expired on January 26, 2012. During 2010, no common shares were purchased under the normal course issuer bid.

Subsequent to December 31, 2011, the Company received approval from the TSX to commence another normal course issuer bid for up to 5,811,197 of its common shares, representing approximately 10% of the Company's common shares in the public float. This bid commenced on January 27, 2012 and will end on January 26, 2013, or earlier if the number of shares approved for purchase in the issuer bid have been obtained. Pursuant to TSX policies, daily purchases made by the Company will not exceed 37,069 common shares or 25% of the average daily trading volume of 148,277 common shares on the TSX. Purchases will be by way of open market purchases through the facilities of the TSX, and other Canadian market places, and payment for the shares will be in accordance with the TSX's by-laws and rules. Any shares purchased by the Company will be subsequently cancelled.

b) *Stock option plan*

Under the Company's stock option plan, the maximum number of stock options reserved for issuance is limited to 10% of the common shares issued and outstanding at any given time. In addition, no one individual may receive stock options in excess of 5% of the issued and outstanding common shares of the Company. The exercise price is set at the volume weighted-average Canadian trading price of the Company's Common Shares on the Toronto Stock Exchange five trading days immediately preceding the grant date. The outstanding stock options vest on a graded schedule over three years and expire five years from the date of grant.

As at December 31, 2011, 2,352,767 stock options remain available for granting.

The changes in stock options under the plan are as follows:

	December 31, 2011		December 31, 2010	
	Options [1]	Weighted-Average Exercise Price	Options [1]	Weighted-Average Exercise Price
Outstanding, beginning of period	6,966	$ 7.23	6,025	$ 7.12
Granted	1,555	7.38	1,940	7.62
Forfeited	(696)	8.88	(420)	11.03
Expired	(845)	11.87	(81)	16.92
Exercised	(1,085)	3.12	(498)	2.67
Outstanding, end of period	5,895	$ 7.16	6,966	7.23

[1] Option information is presented as options for thousands of common shares.

For the year ended December 31, 2011, the weighted-average share price at the time of exercise was $7.86 (2010 – $7.35).

Options outstanding and exercisable at December 31, 2011 are as follows:

Exercise Price	Number Outstanding [1]	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable [1]	Weighted-Average Vested Exercise Price
$2.62 – $4.00	1,480	1.5 years	$ 2.62	1,424	$ 2.62
$4.01 – $7.00	283	2.4 years	4.41	283	4.41
$7.01 – $8.00	2,850	3.1 years	7.50	1,591	7.54
$8.01 – $13.00	980	0.3 years	11.75	980	11.75
$13.01 – $15.00	302	0.9 years	13.96	302	13.96
	5,895	2.1 years	$ 7.16	4,580	$ 7.14

[1] Option information is presented as options for thousands of common shares.

The fair values of stock options granted to employees at the time of the grant and the assumptions used in applying the Black-Scholes option pricing model were as follows:

	Year ended December 31, 2011	2010
Option award fair value	$ 2.38	$ 2.67
Risk-free interest rate	1.6%	1.2%
Expected lives	2.5 years	2.5 years
Expected volatility [2]	50.0%	56.0%
Dividend yield	0.0%	0.0%

[2] Based on the historical volatility of the Company's share price over the most recent period commensurate with the expected lives of the option.

During the year ended December 31, 2011, the Company recorded equity-settled stock-based compensation expense of $3.9 (2010 – $4.8).

c) *Deferred Share Units and Restricted Share Unit Plan*

On June 16, 2011, the Board of Directors approved the Non-Employee Directors' Cash-Settled Deferred Share Unit and Restricted Share Unit Plan ("the Share Unit Plan"). DSUs and RSUs provide the unit holder with the right to receive a cash payment equal to the fair market value of the Company's common shares. DSUs are cash-settled at the earlier of: the date designated by the unit holder, or by December 31 of the year following the year that the unit holder ceases to be a director. RSUs are cash settled three years after the grant date.

Non-employee directors who are eligible to receive DSUs under the Share Unit Plan are no longer eligible to receive stock options under the Company's Stock Option Plan. In addition, non-employee directors may elect to receive some or all of their annual retainer and attendance fees as RSUs.

During the year ended December 31, 2011, the Company granted 113,400 DSUs at a weighted-average grant-date fair value of $7.60, and settled 7,500 DSUs at a weighted-average price of $8.34. The Company also granted 6,790 RSUs with a weighted-average grant-date fair value of $8.10. The Company recorded a liability of $0.8 at December 31, 2011 (2010 – $nil), and cash-settled stock-based compensation expense of $1.0 for the year ended December 31, 2011 (2010 – $nil).

d) *Employee share purchase plan*

Eligible employees of the Company may elect to participate in the Employee Share Purchase Plan (the "Share Purchase Plan") by contributing a portion of their gross pay to purchase the Company's shares in the open market. As at December 31, 2011, 757,335 (2010 – 802,727) common shares were held by employees under the Share Purchase Plan and 29% of employees participated in the Plan (2010 – 32%).

18. ACCUMULATED OTHER COMPREHENSIVE LOSS

	December 31, 2011	December 31, 2010	January 1, 2010
Accumulated loss on derivatives designated as cash flow hedges, net of income taxes	$ (5.8)	$ (3.7)	$ (4.6)
Unrealized effect of foreign currency translation of foreign operations	(0.7)	(1.2)	—
Accumulated other comprehensive loss	$ (6.5)	$ (4.9)	$ (4.6)

19. REVENUES

	Year ended December 31, 2011	2010
Gaming revenues	$ 281.9	$ 274.9
Facility Development Commission	32.1	30.2
Hospitality and other revenues	70.4	67.5
Racetrack revenues	19.5	23.3
	403.9	395.9
Less: Promotional allowances	(15.7)	(12.4)
Revenues	$ 388.2	$ 383.5

20. RESTRUCTURING AND OTHER

The following table summarizes the restructuring and other expenses (recoveries) incurred during the last two years:

	Year ended December 31, 2011	2010
Severance	$ 0.1	$ 0.3
Vacated head office lease	(0.4)	0.1
Other	0.8	3.0
Restructuring and other expenses	$ 0.5	$ 3.4

21. INCOME TAXES

a) Income tax recognized in net earnings (loss)

The Company's income tax expense is as follows:

	Year ended December 31, 2011	2010
Current tax expense	$ 10.2	$ 9.5
Deferred tax expense (recovery)	0.4	(4.5)
Total tax expense relating to continuing operations	$ 10.6	$ 5.0

The Company's income tax expense for the year can be reconciled to net earnings (loss) as follows:

	Year ended December 31, 2011	2010
Applicable federal and provincial statutory income tax rate [1]	26.50%	28.50%
Earnings (loss) before income taxes	$ 36.8	$ (2.9)
Expected income tax expense (recovery)	9.8	(0.8)
Effect of:		
Non-deductible stock-based compensation	1.0	1.5
Impact of deferred income tax rates applied versus current statutory income tax rate	(0.5)	(1.9)
Non-deductible impairment of goodwill	—	4.4
Tax rate differential on impairment of long-lived assets	—	1.5
Change in recognition of deferred tax assets	—	0.5
Other items	0.3	(0.2)
Total income tax expense recognized in net earnings (loss)	$ 10.6	$ 5.0

[1] The applicable federal and provincial statutory income tax rate used for the 2011 and 2010 reconciliations above is the corporate tax rate payable by corporate entities in the province of British Columbia on taxable profits under tax law in that jurisdiction. The rate decreased on January 1, 2011 from 28.5% to 26.5% due to a decrease in federal income tax rates of 1.5% and a decrease in provincial income tax rates of 0.5%.

b) Income tax recognized in OCI

The Company's deferred income tax (recovery) expense recognized in OCI comprises:

	Year ended December 31, 2011	2010
Changes in fair values of derivatives designated as cash flow hedges	$ 1.1	$ (3.4)
Changes in fair values of derivatives designated as cash flow hedges transferred to net earnings	(1.6)	3.9
Total income tax (recovery) expense recognized in OCI	$ (0.5)	$ 0.5

c) Deferred tax balances

The following are the major deferred tax assets (liabilities) recognized and movements thereon during the current and prior year:

2011	Opening balance	Recognized in net earnings (loss)	Recognized in OCI	Closing balance
Temporary differences				
Intangible assets	$ (34.2)	$ 3.8	$ —	$ (30.4)
Property, plant and equipment	(28.0)	(3.3)	—	(31.3)
Deferred partnership income	(2.2)	(0.2)	—	(2.4)
Debt refinancing transaction costs	(0.8)	(0.2)	—	(1.0)
Deferred compensation costs	0.2	—	—	0.2
Vacated head office lease	0.4	(0.2)	—	0.2
Deferred credits	0.6	(0.1)	—	0.5
Former debt redemption costs	3.2	(0.8)	—	2.4
Cross-currency interest rate and principal swaps	1.3	1.1	0.5	2.9
Other	(0.5)	—	—	(0.5)
	(60.0)	0.1	0.5	(59.4)
Unused tax losses and credits				
Non-capital loss carry-forwards	1.2	(0.6)	—	0.6
Capital loss carry-forwards	1.6	0.1	—	1.7
	2.8	(0.5)	—	2.3
	$ (57.2)	$ (0.4)	$ 0.5	$ (57.1)

2010	Opening balance	Recognized in net earnings (loss)	Recognized in OCI	Closing balance
Temporary differences				
Intangible assets	$ (42.1)	$ 7.9	$ —	$ (34.2)
Property, plant and equipment	(27.4)	(0.6)	—	(28.0)
Deferred partnership income	(3.6)	1.4	—	(2.2)
Debt refinancing transaction costs	(0.3)	(0.5)	—	(0.8)
Deferred compensation costs	0.6	(0.4)	—	0.2
Vacated head office lease	0.6	(0.2)	—	0.4
Deferred credits	0.6	—	—	0.6
Cross-currency interest rate and principal swaps	1.8	—	(0.5)	1.3
Former debt redemption costs	4.0	(0.8)	—	3.2
Other	(0.4)	(0.1)	—	(0.5)
	(66.2)	6.7	(0.5)	(60.0)
Unused tax losses and credits				
Non-capital loss carry-forwards	3.5	(2.3)	—	1.2
Capital loss carry-forwards	1.5	0.1	—	1.6
	5.0	(2.2)	—	2.8
	$ (61.2)	$ 4.5	$ (0.5)	$ (57.2)

21. INCOME TAXES (continued)

(c) Deferred tax balances (continued)

The deferred tax balances are presented on the statements of financial positions as:

	December 31, 2011	December 31, 2010	January 1, 2010
Deferred tax assets	$ 9.1	$ 7.8	$ 5.9
Deferred tax liabilities	(66.2)	(65.0)	(67.1)
Net deferred tax liabilities	$ (57.1)	$ (57.2)	$ (61.2)

The Company has recognized a deferred tax asset for non-capital loss carry-forwards of approximately $2.3 (2010 – $4.6) which are available to reduce future years' income for tax purposes. Management believes the Company will generate future taxable profits in excess of the losses in the jurisdictions to which the losses relate before they expire. These losses will expire as follows:

2026 – 2031	$ 2.3

The Company has recognized a deferred tax asset for capital loss carry-forwards of $13.5 (2010 – $12.8) which may be used to offset future years' capital gains. Management believes the Company will generate future capital gains in excess of the losses in the jurisdiction to which the losses relate. These losses may be carried forward indefinitely.

d) *Unrecognized deferred tax assets*

In addition to the capital losses noted above, the Company has $1.9 (2010 – $2.1) of capital losses carried forward, which may only be used to offset future capital gains, and in respect of which the Company has not recognized a deferred tax asset. These losses may be carried forward indefinitely.

22. SHAREHOLDERS' NET (LOSS) EARNINGS PER COMMON SHARE

The following table sets forth the computation of basic and diluted earnings (loss) per common share:

		Year ended December 31, 2011	2010
Shareholders' net earnings (loss)	(A)	$ 26.2	$ (8.1)
Weighted average number of common shares outstanding [1]	(B)	82,670	82,641
Dilutive adjustment for stock options [1]		1,540	—
Diluted weighted-average number of common shares [1]	(C)	84,210	82,641
Shareholders' net earnings (loss) per common share			
Basic	(A/B)	$ 0.32	$ (0.10)
Diluted	(A/C)	$ 0.31	$ (0.10)

[1] Share information is presented in thousands of common shares.

The following table summarizes the outstanding stock options that are anti-dilutive and are not included in the above calculation:

	Year ended December 31, 2011	2010
Options [2]	4,107	6,966

[2] Information is presented in thousands.

23. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	Year ended December 31, 2011	2010
Restricted cash – operating	$ (5.6)	$ 0.2
Accounts receivable	(0.1)	(0.1)
Prepaids, deposits and other assets	(0.6)	1.2
Accounts payable and accrued liabilities	5.4	(3.4)
	$ (0.9)	$ (2.1)

24. SEGMENTED INFORMATION

The Company and its subsidiaries operate in one industry segment, the gaming industry. The Company conducts business in two geographic segments: Canada and the United States ("US"). The accounting policies applied by the reportable segments are the same as those applied by the Company (see Note 2).

Revenues, EBITDA, and additions to long-lived assets and goodwill attributable to each reportable segment are as follows:

	Year ended December 31, 2011			Year ended December 31, 2010		
	Revenues	EBIDTA	Additions to long-lived assets and goodwill	Revenues	EBITDA	Additions to long-lived assets and goodwill
Canada	$ 365.5	$ 133.3	$ 53.4	$ 361.4	$ 132.8	$ 21.7
U.S.	22.7	4.5	0.3	22.1	3.6	0.9
	$ 388.2	$ 137.8	$ 53.7	$ 383.5	$ 136.4	$ 22.6

The following table is a reconciliation of EBITDA, as presented in the above tables, to earnings (loss) before income taxes as presented in the Company's consolidated statements of earnings (loss):

	Year ended December 31, 2011	2010
EBITDA	$ 137.8	$ 136.4
Amortization	58.5	53.7
Stock-based compensation	4.9	4.8
Restructuring and other	0.5	3.4
	73.9	74.5
Interest and financing costs, net	29.5	28.0
Impairment of long-lived assets	4.4	35.1
Impairment of goodwill	—	14.2
Foreign exchange loss and other	3.2	0.1
Earnings (loss) before income taxes	$ 36.8	$ (2.9)

Property, plant and equipment, goodwill and total assets attributable to each reportable segment are as follows:

	December 31, 2011			December 31, 2010		
	Property plant and equipment	Goodwill	Total assets	Property plant and equipment	Goodwill	Total assets
Canada	$ 650.5	$ 16.7	$ 950.4	$ 649.3	$ 16.7	$ 924.4
U.S.	13.1	6.8	25.7	13.7	6.6	21.8
	$ 663.6	$ 23.5	$ 976.1	$ 663.0	$ 23.3	$ 946.2

25. RELATED PARTY TRANSACTIONS

As defined under IAS 24, *Related Party Disclosures*, key management personnel comprise the Company's Board of Directors and executive officers. Key management compensation was as follows:

	Year ended December 31, 2011	2010
Human resources [1]	$ 2.9	$ 3.9
Stock-based compensation [2]	2.8	3.0
Total	$ 5.7	$ 6.9

[1] Human resources includes salaries and other short-term employee benefits.
[2] Stock-based compensation includes equity and cash settled stock-based compensation as per Note 17.

As at December 31, 2011, the liabilities of the Company include amounts due to key management personnel of $1.0 (2010 – $1.3) in the "accounts payable and accrued liabilities" and $0.8 (2010 – $nil) in the "deferred credits, provisions and other liabilities" line of the consolidated statements of financial position.

26. EMPLOYEE FUTURE BENEFITS

The Company maintains a defined contribution pension plan for its Canadian employees. Under this plan, eligible employees contribute a minimum of 2% to a maximum of 15% of their gross pay. The Company makes contributions representing 2% of eligible employees' base pay. Contributions made by the Company during the year ended December 31, 2011 totalled $1.7 (2010 – $1.6).

27. FACILITY DEVELOPMENT COMMISSION APPROVED AMOUNTS

The following table summarizes the changes in the Company's Approved Amounts to be recovered by future FDC receipts from BCLC:

	2011	2010
Opening Approved Amounts at January 1,	$ 445.1	$ 385.7
Additional Approved Amounts	11.4	89.6
FDC receipts	(31.6)	(30.2)
Closing Approved Amounts at December 31,	$ 424.9	$ 445.1

Approved Amounts have not been recorded in the consolidated statements of financial position. Since FDC is earned as a fixed percentage of gross gaming win, subject to the Company incurring sufficient Approved Amounts, recovery of Approved Amounts requires that the operating agreements with BCLC remain in good standing and the generation of sufficient gross gaming win.

28. COMMITMENTS, CONTINGENCIES AND LITIGATION

a) *Letters of credit*

As at December 31, 2011, letters of credit in the amount of $32.3 (2010 – $37.3) were outstanding as security in connection with gaming cash floats and construction projects.

b) *Litigation*

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.

c) *Guarantees and indemnifications*

The Company may provide guarantees and indemnifications in conjunction with transactions in the normal course of operations. These are recorded as liabilities when reasonable estimates of the obligations can be made. Guarantees and indemnifications that the Company has provided include obligations to indemnify:

i. directors and officers of the Company and its subsidiaries for potential liability while acting as a director or officer of the Company, together with various expenses associated with defending and settling such suits or actions due to association with the Company, the risk of which is mitigated by the Company's directors' and officers' liability insurance;
ii. certain vendors of acquired companies or property for obligations that may or may not have been known at the date of the transaction;
iii. certain financial institutions for costs that they may incur as a result of representations made in debt and equity offering documents; and
iv. lessors of leased properties for personal injury claims that may arise at the facilities the Company operates.

29. FINANCIAL INSTRUMENTS

The Company's financial instruments and the types of risks to which their carrying values are exposed are as follows:

	Risks			
			Market risks	
Financial instrument	Credit	Liquidity	Interest rate	Currency
Measured at amortized cost:				
Cash equivalents	x		x	
Short-term investments	x		x	
Accounts receivable	x			x
Accounts payable and accrued liabilities		x		x
Long-term debt, and other liabilities		x		x
Measured at fair value:				
Cash	x			x
Restricted cash	x			
Derivative liabilities	x	x	x	x

a) *Credit risk*

Credit risk is the risk that a party to one of the Company's financial instruments will cause a financial loss to the Company by failing to discharge an obligation. The carrying values of the Company's financial assets, which represent the maximum exposure to credit risk, are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Cash in banks	$ 109.4	$ 45.7	$ 34.6
Cash equivalents	15.5	—	—
Short-term investments	—	53.0	—
Restricted cash	7.1	1.6	5.6
Accounts receivable	8.9	9.3	9.0
	$ 140.9	$ 109.6	$ 49.2

Cash in banks, cash equivalents, short-term investments, and restricted cash: Credit risk associated with these assets is minimized substantially by ensuring that these financial assets are placed in the debt instruments of Canadian and U.S. federal governments and well-capitalized financial institutions.

Accounts receivable and long-term accounts receivable: Credit risk associated with most of these assets is minimized due to their nature. The majority of these receivable balances are due from the federal government for sales tax rebates, provincial gaming corporations, racetrack operators, and financial institutions. The provision for doubtful accounts receivable is estimated based on an assessment of individual accounts and the length of time balances have been outstanding. As at December 31, 2011, the provision for doubtful accounts receivable totalled $3.2 (2010 – $2.2).

Cross-currency interest rate and principal swaps: At December 31, 2011, the Company's swap associated with the Term Loan B was in a $41.4 liability position (2010 - $44.7) and the swap associated with the Subordinated Notes was in a $24.9 liability position (2010 – $22.9). The credit risk associated with these cross-currency interest rate and principal swap agreements is mitigated since the counterparties to these swaps are Canadian chartered banks with minimum "A" credit ratings.

b) *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company manages liquidity risk by monitoring its capital structure (see Note 14), regularly monitoring forecast and actual cash flows, managing the maturity profiles of financial assets and financial liabilities and maintaining credit capacity within the Revolving Credit Facility (see Note 13). The Company expects the following maturities of its financial liabilities (including interest), operating leases and other contractual commitments:

	Expected payments by period as at December 31, 2011				
	Within 1 year	2 – 3 years	4 – 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	$ 59.0	$ —	$ —	$ —	$ 59.0
Payments related to cross-currency interest rate and principal swaps	27.8	231.6	208.0	—	467.4
Receipts related to cross-currency interest rate and principal swaps	(17.5)	(192.1)	(179.2)	—	(388.8)
Term Loan B and Subordinated Notes	17.5	192.1	179.2	—	388.8
Operating leases	5.0	5.1	2.8	8.2	21.1
Provisions	2.1	0.5	1.3	3.4	7.3
Income taxes payable	0.8	—	—	—	0.8
Other contractual commitments	10.0	3.5	0.7	0.4	14.6
Total	$ 104.7	$ 240.7	$ 212.8	$ 12.0	$ 570.2

29. FINANCIAL INSTRUMENTS (continued)
(b) Liquidity risk (continued)

The expected payments related to the cross-currency interest rate and principal swaps (see Note 15) represent the Canadian dollar fixed interest and principal payments required under these contracts.

The expected receipts related to the cross-currency interest rate and principal swaps represent the U.S. dollar interest and principal payments due on the Term Loan B and Subordinated Notes, converted to Canadian dollars at the December 31, 2011 foreign currency exchange rate.

The Term Loan B and the Subordinated Notes (see Note 13) amounts represent interest and principal payments, converted to Canadian dollars at the December 31, 2011 foreign currency exchange rate. Similarly, as the Term Loan B bears interest at a floating rate (U.S. LIBOR plus 1.50%), the interest rate applicable at December 31, 2011 of 1.95% has been applied to all future periods in the above table. The Subordinated Notes bear interest at a fixed rate of 7.25%.

Operating leases include the property leases for the Company's head office, a ground lease with the City of Surrey, BC for Fraser Downs, a ground lease with the City of Sydney, NS for Casino Nova Scotia Sydney, and an operating agreement with the City of Vancouver, BC for Hastings Racecourse.

Other contractual commitments include amounts committed to NSGC to fund responsible gaming programs of $3.9 (2010 – $5.1), the acquisition of property, plant and equipment of $3.3 (2010 – $14.2), and various service contracts of $7.4 (2010 – $6.3).

The Company believes that it will not encounter difficulty in meeting the obligations associated with its financial liabilities and further believes that if necessary, it would be able to access the capital markets for additional financial resources at prevailing market rates.

c) Market risk

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates and/or foreign currency exchange rates. With the exception of its cross-currency interest rate and principal swaps, the carrying amounts of the Company's financial instruments are not subject to interest rate risk. The following table sets out a sensitivity analysis of the effect on the carrying amount of the Company's financial instruments (with the exceptions of its long-term debt and cross-currency interest rate and principal swaps described below) that are subject to foreign currency risk by applying reasonably possible changes in foreign currency rates relative to the Company's functional currency, the Canadian dollar:

		Foreign Currency Risk [1]			
		–25%		+25%	
	Carrying amount December 31, 2011	Net earnings (loss)	OCI	Net earnings (loss)	OCI
Financial Assets					
Cash and cash equivalents	$ 134.7	$ (1.3)	$ (1.2)	$ 1.3	$ 1.2
Accounts receivable	8.9	(0.1)	—	0.1	—
Financial Liabilities					
Accounts payable and accrued liabilities	59.0	0.2	0.6	(0.2)	(0.6)
Total (decrease) increase		$ (1.2)	$ (0.6)	$ 1.2	$ 0.6

(1) Displayed is the effect on the Company's U.S. dollar denominated financial assets and liabilities if the value of the U.S. dollar were to decrease or increase relative to the Canadian dollar by 25% from the actual period end rate.

Long-term debt and cross-currency interest rate swaps

The Company is required to make payments on the Term Loan B and Subordinated Notes in U.S. dollars. The Company has mitigated its exposure to fluctuations in interest rates and foreign currency rates related to its U.S. dollar denominated debt. The Company entered into a series of cross-currency interest rate and principal swaps that effectively converted both the U.S. dollar floating interest rate Term Loan B and the U.S. dollar fixed interest rate Subordinated Notes into Canadian dollar fixed interest rate debt (see Notes 13 and 15). The fair values of the U.S. dollar denominated debt and related cross-currency interest rate and principal swap derivatives fluctuate with changes in market interest rates and foreign exchange rates, but their respective future cash flows do not fluctuate. Consequently, absent early redemption at the Company's option, the market risks of the U.S. dollar denominated debt and cross-currency interest rate and principal swaps are effectively eliminated.

Revolving Credit Facility

The Revolving Credit Facility has interest rates on advanced amounts and a commitment fee on the unused facility that are based on the Total Debt to Adjusted EBITDA ratio (defined in the underlying debt agreement) which is calculated quarterly (see Note 14). The following table summarizes the interest rate and commitment fee on the Revolving Credit Facility that apply, depending on the Company's quarterly Total Debt to Adjusted EBITDA ratio calculated for the most recent trailing twelve months:

Total Debt / Adjusted EBITDA	Margin on Bankers' Acceptances or Eurodollar Rate Advances & Letters of Credit	Margin on Canadian Prime Rate or U.S. Base Rate Advances	Commitment Fee
>= 4.50	3.500%	2.500%	0.875%
4.00 to < 4.50	3.000%	2.000%	0.750%
3.50 to < 4.00	2.750%	1.750%	0.688%
3.00 to < 3.50	2.375%	1.375%	0.594%
2.50 to < 3.00	2.125%	1.125%	0.531%
2.00 to <2.50	1.875%	0.875%	0.469%
< 2.00	1.625%	0.625%	0.406%

d) Fair values

The fair values of cash, restricted cash, accounts receivable, accounts payable and accrued liabilities approximate their carrying values.

The Company's cash equivalents, short-term investments and long-term debt instruments are Level 2 financial instruments as they are estimated based on quoted prices that are observable for similar instruments or on the current rates offered to the Company for debt of the same maturity. At December 31, 2011, the fair values of the Company's cash equivalents totaled $15.5 (2010 – $nil), the fair values of the Company's short-term investments totalled $nil (2010 – $53.0), and the fair values of the Company's long-term debt instruments totalled $337.8 (2010 – 334.0).

The fair values of the Company's cross-currency interest rate and principal swaps at December 31, 2011 were in a combined liability position of $66.3 (2010 – $67.6 liability) and were determined based on a credit risk adjusted discounted cash flows. The cross-currency interest rate and principal swaps are considered Level 2 liabilities as the model makes assumptions regarding the U.S. dollar exchange rate and discount rates, which are based on the prevailing U.S. dollar exchange rates and prevailing interest rates in Canada and the U.S. at December 31, 2011.

The Company does not hold any Level 1 financial assets or liabilities that are based on unadjusted quoted prices trading in active markets, or Level 3 financial assets or liabilities that require management to make assumptions regarding the measurement of fair value using significant inputs that are not based on observable market data.

30. CHILLIWACK BINGO ACQUISITION

On May 31, 2011, the Company, through its wholly owned subsidiary, Chilliwack Gaming Ltd., purchased the assets and undertaking of the Chilliwack Bingo Association ("CBA"). The CBA operated Chilliwack Bingo, a bingo hall located in Chilliwack, British Columbia, whose Bingo Operational Services Agreement ("BOSA") is scheduled for renewal in May 2016. The CBA also owned an approximately five-acre site in Chilliwack, which the Company purchased and intends to utilize for the development of a community gaming centre.

The purchase price included upfront cash consideration of $10.2 and contingent future trailing payments to be paid over 20 years, dependent on the level of future slot win generated by a future community gaming centre. There is no maximum contingent future trailing payment, however, the Company estimates that the undiscounted contingent trailing payments will likely range from $2.4 to $4.0. As at the acquisition date, the Company recognized a discounted contingent trailing payment liability of $0.8 in the "deferred credits, provision and other liabilities" line of the consolidated statement of financial position. As at December 31, 2011, the discounted contingent trailing payment liability was $1.0.

The total purchase price of $11.0 was allocated to current assets of $0.4, land of $5.7, intangible assets of $5.3, and current liabilities of $0.4. The acquisition had an insignificant impact on the Company's consolidated financial results.

31. TRANSITION TO IFRS

These consolidated financial statements were prepared in accordance with the accounting policies described in Note 2 and in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1"). The first date at which IFRS was applied was January 1, 2010 (the "Transition Date") and the Company has prepared its IFRS opening consolidated statement of financial position at that date. In accordance with IFRS 1, the Company has:

- applied the same accounting policies throughout all periods presented;
- applied the policies on a retrospective basis, subject to any mandatory exceptions or any optional exemptions elected which require or allow a different basis of application; and
- selected and applied accounting policies based on the IFRSs effective as at the end of the first IFRS annual reporting period, which is December 31, 2011 for the Company and its subsidiaries.

31. TRANSITION TO IFRS (continued)

a) Initial elections upon first-time adoption

IFRS 1 includes a number of elective exemptions and mandatory exceptions that allow or require a first-time adopter to implement certain standards in a manner other than full retrospective application. Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

IFRS elective exemption options

Business combinations – IFRS 1 provides an option to apply IFRS 3, *Business Combinations*, ("IFRS 3") on a full retrospective basis or prospectively from the Transition Date onwards. The full retrospective basis would require restatement of all business combinations that occurred prior to the Transition Date. The Company has elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to the Transition Date and such business combinations have not been restated. As required under the IFRS 1 exemption, the Company has performed a goodwill impairment test at the Transition Date. Any goodwill arising on such business combinations before the Transition Date has not been adjusted from the carrying value previously determined under Canadian GAAP as a result of applying these exemptions.

Currency translation differences – Retrospective application of IFRS would require the Company to determine cumulative currency translation differences in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*, from the date a subsidiary or equity method investee was formed or acquired. IFRS 1 permits cumulative translation gains and losses to be reset to zero at the Transition Date. The Company elected to reset all cumulative translation gains and losses to zero in opening retained earnings at the Transition Date.

Share-based payments – IFRS 2, Share-based Payments, ("IFRS 2"), encourages application of its provisions to all equity instruments within the scope of IFRS 2, but allows a first-time adopter to apply the requirements only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. Similarly, a first-time adopter may elect to apply IFRS 2 only to liabilities within the scope of IFRS 2, that were not settled at the date of transition. The Company elected to avail itself of the exemption provided under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by the Transition Date. Further, the Company applied IFRS 2 only to those liabilities arising from share-based payment transactions that existed at the Transition Date.

Fair value as deemed cost – IFRS 1 permits the Company to take an election to record assets of its choice at their fair value as their deemed cost on transition. The Company elected to apply the exemption to land held for development for more than 24 months and engaged a third party appraiser to prepare valuations for these properties. As a result of this election, the Company has recorded a reduction in the carrying value of property, plant and equipment and a corresponding reduction to retained earnings at the Transition Date.

Borrowing costs – IFRS 1 permits a first-time adopter to elect to apply the transitional provisions of IAS 23, *Borrowing Costs*, ("IAS 23") as an alternative to full retrospective application. The Company has elected to apply this exemption and therefore is not required to restate borrowing costs previously incurred under historical Canadian GAAP.

Leases – Retrospective application of IFRS would require the Company to reevaluate whether its contracts contain a lease as required by IFRIC 4, *Determining whether an Arrangement contains a Lease*, The Company has elected to apply the exemption under IFRS, which does not require this reassessment if these contracts were already evaluated under previous GAAP.

IFRS mandatory exceptions

Set forth below are the applicable mandatory exceptions in IFRS 1 applied in the conversion from Canadian GAAP to IFRS.

Hedge accounting – Hedge accounting can only be applied prospectively from the Transition Date to financial instruments that satisfy the hedge accounting criteria in IAS 39 at that date. Hedging relationships cannot be designated retrospectively and the supporting documentation cannot be created retrospectively. As a result, only hedging relationships that satisfied the hedge accounting criteria as of the Transition Date are reflected as hedges in the Company's results under IFRS. All derivatives were recorded at fair value in the consolidated statements of financial position.

Estimates – Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS.

Non-controlling interests – Certain requirements of IAS 27 (2008) are required to be applied on a prospective basis unless IFRS 3 is applied retrospectively. As the Company has elected not to apply IFRS 3 retrospectively, prospective application of IAS 27 (2008) is required for the provisions related to accounting for changes in ownership interests and the allocation of comprehensive income between non-controlling interest and the parent.

b) Reconciliation of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity and comprehensive income from historical Canadian GAAP to IFRS at the Transition Date and as at, and for the period ending on, the last Canadian GAAP reporting date. The following represents the reconciliations from historical Canadian GAAP to IFRS for the respective periods noted for equity, net loss and comprehensive loss:

RECONCILIATION OF EQUITY

As at	Note	December 31, 2010	January 1, 2010
Shareholders' equity under Canadian GAAP		$ 419.1	$ 434.4
Differences increasing (decreasing) reported shareholders' equity:			
Impairments of long-lived assets	i	(10.6)	(26.8)
Fair value as deemed cost	ii	(10.9)	(10.9)
Contingent consideration	iii	(1.1)	-
Amortization	iv	2.2	-
Income taxes	vii	2.4	6.7
Shareholders' equity under IFRS		$ 401.1	$ 403.4

RECONCILIATION OF NET LOSS

For the year ended	Note	December 31, 2010
Net loss under Canadian GAAP		$ (21.9)
Differences in GAAP decreasing (increasing) reported net loss:		
Impairments	i	16.2
Contingent consideration	iii	(1.1)
Amortization	iv	2.2
Foreign currency translation adjustment	v	0.4
Stock-based compensation	vi	0.6
Income taxes	vii	(4.3)
Net loss under IFRS		$ (7.9)

RECONCILIATION OF COMPREHENSIVE LOSS

For the year ended	December 31, 2010
Comprehensive loss under Canadian GAAP	$ (21.8)
Differences in GAAP decreasing (increasing) reported comprehensive loss:	
Differences in net loss, net of tax	14.0
Foreign currency translation adjustments	(0.4)
Comprehensive loss under IFRS	$ (8.2)

(i) Impairments of long-lived assets

Recoverable Amount

Historical Canadian GAAP policy – A recoverability test for long-lived assets was performed by first comparing the undiscounted expected future cash flows to be derived from the asset to its carrying amount. If the undiscounted cash flows of the asset were less than its carrying value, an impairment loss was calculated as the excess of the asset's carrying amount over its fair value. The best evidence of fair value was the value obtained from an active market or binding sale agreement. Where neither exists, fair value was based on the best information available to reflect the amount the Company could receive for the asset in an arm's length transaction. This amount was often estimated using discounted cash flow techniques.

Current IFRS policy – The impairment loss is calculated as the excess of the asset's (or CGU's) carrying amount over its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. Under the value in use calculation, the expected future cash flows from the asset (or CGU) are discounted to their net present value. IFRS does not include the evaluation of the undiscounted expected future cash flows.

Impact – At the Transition Date, the Company recognized an impairment related to Hastings Racecourse, which resulted in a lower impairment recognized during the fourth quarter of 2010 under IFRS than that under Canadian GAAP. In accordance with IFRS, the Company recognized additional impairments related to Flamboro Downs during the fourth quarter of 2010.

31. TRANSITION TO IFRS (continued)

(b) Reconciliation of Canadian GAAP to IFRS (continued)

(ii) Fair value as deemed cost

As previously noted in the section entitled "IFRS elective exemption options", the Company has applied the one-time exemption to restate the carrying values of $27.1 of land held for development for more than 24 months to their fair value of $16.2 as deemed cost.

(iii) Contingent consideration

Historical Canadian GAAP policy – For business combinations prior to January 1, 2010, contingent consideration was recognized as part of the cost of the purchase when it could be reasonably estimated, and the outcome of the contingency could be determined beyond reasonable doubt. Subsequent adjustments in relation to contingent consideration were reflected in goodwill.

Current IFRS policy – Contingent consideration is measured at fair value at the acquisition date, and subsequent goodwill adjustments associated with changes in the fair value of contingent consideration are prohibited. Subsequent adjustments to the fair value of contingent consideration are recorded in the consolidated statements of earnings (loss) in the period they occur.

Impact – The Company recognized an expense for the contingent trailing payments associated with its 2008 acquisition of Maple Ridge Community Gaming Centre (formerly Haney Bingo Plex), which was previously treated as an increase in goodwill.

(iv) Amortization

As previously noted in the "impairments of long-lived assets" section, the Company recorded an IFRS impairment adjustment at the Transition Date, resulting in a decrease in the carrying amount of certain assets. Consequently, under IFRS, the amortization expense decreased during the year ended December 31, 2010.

(v) Foreign currency translation adjustment

As previously noted in the section entitled "IFRS elective exemption options," the Company has applied the one-time exemption to set the foreign currency cumulative translation adjustment ("CTA") to zero as of January 1, 2010. The application of the exemption resulted in an adjustment in accumulated other comprehensive loss and retained earnings, with a $nil impact on total equity. Additionally, deferred foreign currency gains and losses on loans repaid that are reclassified into earnings from CTA will differ under IFRS since they exclude the translation differences that arose before the Transition Date.

(vi) Stock-based compensation

Recognition of Expense

Historical Canadian GAAP policy – Certain share-based awards made by the Company were subject to graded vesting conditions wherein the awards vest in discrete tranches over the vesting period of the award. The total fair value of these awards was expensed on a straight-line basis over the expected life of the stock option.

Current IFRS policy – Where an award contains graded vesting conditions, each tranche in the award is considered a separate grant at each vesting date, with its own fair value.

Impact – The Company increased the cumulative expense recognized for share-based awards at the Transition Date. Due to this accelerated recognition of the expense, the Company decreased stock-based compensation expense during the year ended December 31, 2010.

Forfeitures

Historical Canadian GAAP policy – Forfeitures of awards were recognized as they occurred.

Current IFRS policy – At the grant date, an estimate is made of the number of awards expected to vest and is revised if subsequent information indicates that actual forfeitures are likely to differ from previous estimates.

Impact – The Company decreased its expense for unvested share-based awards during the year ended December 31, 2010.

Transactions with parties other than employees

Historical Canadian GAAP policy – An individual meets the definition of an employee if the Company represents that individual to be an employee under law. Goods and services received from non-employees are generally measured at the grant date, and re-measured until the goods have been received, or services have been rendered.

Current IFRS policy – An individual meets the definition of an employee if the Company represents that individual to be an employee under law, or if the individual provides services similar to those rendered by employees. Goods or services received from non-employees are measured at the date the Company receives the relevant goods or services.

Impact – More individuals were considered employees under IFRS. The Company decreased its expense for unvested share-based awards associated with non-employees during the year ended December 31, 2010.

(vii) Income taxes

Initial acquisition of assets and liabilities

Historical Canadian GAAP policy – When an asset was acquired other than in a business combination and the tax basis of that asset was less than its cost, the cost of deferred taxes recognized at the time of acquisition was added to the cost of the asset. Conversely, when an asset was acquired other than in a business combination and the tax basis of that asset was greater than its cost, the benefit related to deferred taxes recognized at the time of acquisition was deducted from the cost of the asset.

Current IFRS policy – Deferred taxes are not recognized on the initial acquisition of an asset or liability, unless the asset or liability was acquired in a business combination or the transaction affected accounting earnings or taxable income.

Impact – The Company derecognized deferred taxes associated with assets and liabilities with temporary differences that were initially acquired outside of a business combination and did not affect accounting earnings or taxable income.

Items recognized outside earnings

Historical Canadian GAAP policy – Costs related to the issue of share capital and the related deferred taxes were charged to share capital and contributed surplus when incurred. Changes in deferred tax balances recognized as a result of changes in tax laws or rates were included in income because such changes are considered to be a result of normal business activities, regardless of whether the deferred tax balances relate to transactions that were originally recorded to equity accounts or earnings.

Current IFRS policy – Income taxes relating to transactions originally recorded to equity accounts are credited or charged to the respective equity account.

Impact – The Company decreased share capital and contributed surplus and increased retained earnings for income tax expense relating to prior periods' changes in deferred tax balances recognized as a result of changes in tax rates for share issue costs originally recorded in share capital and contributed surplus.

Income tax effect of other reconciling differences between Canadian GAAP and IFRS

Differences for income taxes include the effect of recording, where applicable, the deferred tax effect of other differences between Canadian GAAP and IFRS.

c) Presentation Reclassifications

(i) Provisions

Historical Canadian GAAP presentation – Provisions that were current in nature were presented as part of "accounts payable and accrued liabilities".

Current IFRS presentation – Provisions that are current in nature are presented as part of "other liabilities".

(ii) Statement of cash flows

Historical Canadian GAAP presentation – Cash flows relating to income taxes, interest received and paid were previously disclosed as a supplemental disclosure to the consolidated statements of cash flows.

Current IFRS presentation – Cash flows relating to income taxes, interest received and paid are separately disclosed within the statement classifications. "Income taxes" is classified as "cash flows from operating activities." "Interest received" is classified as "cash flows from investing activities" as it primarily relates to interest income from the Company's cash equivalents and short-term investments. "Interest paid" is classified as "cash flows from financing activities" as it primarily relates to interest expense on the Company's borrowings.

31. TRANSITION TO IFRS (continued)

The following tables present the measurement and presentation differences between the Company's historical Canadian GAAP consolidated statements of financial position, consolidated statement of earnings (loss) and consolidated statement of comprehensive income (loss) compared to those required under its current IFRS policies for the periods presented.

Reconciliation of the consolidated statement of financial position as at January 1, 2010

Canadian GAAP Accounts	Under Canadian GAAP	Measurement adjustments	Presentation and other adjustments	Under IFRS	IFRS Accounts
ASSETS					ASSETS
CURRENT					CURRENT
Cash and cash equivalents	$ 34.6	$ —	$ —	$ 34.6	Cash and cash equivalents
Restricted cash	5.6	—	—	5.6	Restricted cash
Accounts receivable	9.0	—	—	9.0	Accounts receivable
Prepaids, deposits and other assets	7.2	—	—	7.2	Prepaids, deposits and other assets
	56.4	—	—	56.4	
Property, plant and equipment	735.6	(27.4)	—	708.2	Property, plant and equipment
Intangible assets	167.6	(11.2)	—	156.4	Intangible assets
Goodwill	37.9	—	—	37.9	Goodwill
Future income taxes	2.0	3.9	—	5.9	Deferred tax assets
Other assets	4.6	—	—	4.6	Other assets
	$1,004.1	$ (34.7)	$ —	$ 969.4	
LIABILITIES					LIABILITIES
CURRENT					CURRENT
Accounts payable and accrued liabilities	$ 63.4	$ —	$ (0.7)	$ 62.7	Accounts payable and accrued liabilities
Income taxes payable	0.1	—	—	0.1	Income taxes payable
Long-term debt, deferred credits and other liabilities, current	2.9	—	0.7	3.6	Other liabilities
	66.4	—	—	66.4	
Long-term debt	356.9	—	—	356.9	Long-term debt
Derivative liabilities	50.8	—	—	50.8	Derivative liabilities
Deferred credits and other liabilities	27.0	(2.2)	—	24.8	Deferred credits, provisions and other liabilities
Future income taxes	68.6	(1.5)	—	67.1	Deferred tax liabilities
	569.7	(3.7)	—	566.0	
SHAREHOLDERS' EQUITY					SHAREHOLDERS' EQUITY
Share capital and contributed surplus	347.6	1.2	—	348.8	Share capital and contributed surplus
Accumulated other comprehensive loss	(10.4)	5.8	—	(4.6)	Accumulated other comprehensive loss
Retained earnings	97.2	(38.0)	—	59.2	Retained earnings
	434.4	(31.0)	—	403.4	
	$1,004.1	$ (34.7)	$ —	$ 969.4	

Reconciliation of the consolidated statement of financial position as at December 31, 2010

Canadian GAAP Accounts	Under Canadian GAAP	Measurement adjustments	Presentation and other adjustments	Under IFRS	IFRS Accounts
ASSETS					ASSETS
CURRENT					CURRENT
Cash and cash equivalents	$ 50.9	$ —	$ —	$ 50.9	Cash and cash equivalents
Short-term investments	53.0	—	—	53.0	Short-term investments
Restricted cash	1.6	—	—	1.6	Restricted cash
Accounts receivable	9.3	—	—	9.3	Accounts receivable
Prepaids, deposits and other assets	5.9	—	—	5.9	Prepaids, deposits and other assets
	120.7	—	—	120.7	
Property, plant and equipment	675.9	(12.9)	—	663.0	Property, plant and equipment
Intangible assets	136.7	(7.3)	—	129.4	Intangible assets
Goodwill	24.4	(1.1)	—	23.3	Goodwill
Future income taxes	7.7	0.1	—	7.8	Deferred tax assets
Other assets	2.0	—	—	2.0	Other assets
	$ 967.4	$ (21.2)	$ —	$ 946.2	
LIABILITIES					LIABILITIES
CURRENT					CURRENT
Accounts payable and accrued liabilities	$ 52.3	$ —	$ (1.0)	$ 51.3	Accounts payable and accrued liabilities
Income taxes payable	5.4	—	—	5.4	Income taxes payable
Long-term debt, deferred credits and other liabilities, current	3.1	—	1.0	4.1	Other liabilities
	60.8	—	—	60.8	
Long-term debt	325.8	—	—	325.8	Long-term debt
Derivative liabilities	67.6	—	—	67.6	Derivative liabilities
Deferred credits and other liabilities	28.1	(2.2)	—	25.9	Deferred credits, provisions and other liabilities
Future income taxes	66.0	(1.0)	—	65.0	Deferred tax liabilities
	548.3	(3.2)	—	545.1	
SHAREHOLDERS' EQUITY					SHAREHOLDERS' EQUITY
Share capital and contributed surplus	354.3	0.6	—	354.9	Share capital and contributed surplus
Accumulated other comprehensive loss	(10.3)	5.4	—	(4.9)	Accumulated other comprehensive loss
Retained earnings	75.1	(24.0)	—	51.1	Retained earnings
	419.1	(18.0)	—	401.1	
	$ 967.4	$ (21.2)	$ —	$ 946.2	

31. TRANSITION TO IFRS (continued)

Reconciliation of the consolidated statement of earnings (loss) for the year ended December 31, 2010

Canadian GAAP Accounts	Under Canadian GAAP	Measurement adjustments	Under IFRS	IFRS Accounts
REVENUES	$ 383.5	$ —	$ 383.5	REVENUES
EXPENSES				EXPENSES
Human resources	153.2	$ —	$ 153.2	Human resources
Property, marketing and administration	93.9	—	93.9	Property, marketing and administration
Amortization	55.9	(2.2)	53.7	Amortization
Stock-based compensation	5.4	(0.6)	4.8	Stock-based compensation
Restructuring and other	2.3	1.1	3.4	Restructuring and other
	310.7	(1.7)	309.0	
	72.8	1.7	74.5	
Interesting and financing costs, net	28.0	—	28.0	Interesting and financing costs, net
Impairment of long-lived assets	51.3	(16.2)	35.1	Impairment of long-lived assets
Impariment of goodwill	14.2	—	14.2	Impariment of goodwill
Foreign exchange loss (gain) and other	0.5	(0.4)	0.1	Foreign exchange loss (gain) and other
(LOSS) EARNINGS BEFORE INCOME TAXES	(21.2)	18.3	(2.9)	(LOSS) EARNINGS BEFORE INCOME TAXES
Income taxes	0.7	4.3	5.0	Income taxes
NET (LOSS) EARNINGS	$ (21.9)	$ 14.0	(7.9)	NET (LOSS) EARNINGS
NET (LOSS) EARNINGS ATTRIBUTABLE TO:				NET (LOSS) EARNINGS ATTRIBUTABLE TO:
Shareholders of the Company	$ (22.1)	$ 14.0	(8.1)	Shareholders of the Company
Non-controlling interests	0.2	—	0.2	Non-controlling interests
	$ (21.9)	$ 14.0	(7.9)	
SHAREHOLDERS' NET LOSS PER COMMON SHARE				SHAREHOLDERS' NET LOSS PER COMMON SHARE
Basic	$ (0.27)		(0.10)	Basic
Diluted	$ (0.27)		(0.10)	Diluted

Reconciliation of the consolidated statement of comprehensive income (loss) for the year ended December 31, 2010

Canadian GAAP Accounts	Under Canadian GAAP	Measurement adjustments	Under IFRS	IFRS Accounts
Net (loss) earnings	(21.9)	$ 14.0	$ (7.9)	Net (loss) earnings
Other comprehensive (loss) income, net of tax				Other comprehensive (loss) income, net of tax
Changes in fair values of derivatives	(13.4)	—	(13.4)	Changes in fair values of derivatives
Loss on derivatives	14.3	—	14.3	Loss on derivatives
Changes in foreign currency translation adjustments	(0.8)	(0.4)	(1.2)	Changes in foreign currency translation adjustments
Other comprehensive income (loss)	0.1	(0.4)	(0.3)	Other comprehensive income (loss)
Comprehensive income (loss)	$ (21.8)	13.6	(8.2)	Comprehensive income (loss)
Comprehensive (loss) income attributable to:				Comprehensive (loss) income attributable to:
Shareholders of the Company	(22.0)	13.6	(8.4)	Shareholders of the Company
Non-controlling interests	0.2	—	0.2	Non-controlling interests
	$ (21.8)	$ 13.6	$ (8.2)	

CORPORATE INFORMATION

CORPORATE HEADQUARTERS
Great Canadian Gaming Corporation
Suite 350 – 13775 Commerce Parkway
Richmond, British Columbia, Canada V6V 2V4
Telephone: 604.303.1000 Facsimile: 604.279.8605
www.gcgaming.com

STOCK EXCHANGE LISTING
Toronto Stock Exchange (TSX)
Trading Symbol: GC

REGISTRAR AND TRANSFER AGENT
Computershare Investor Services Inc.
510 Burrard Street
Vancouver, British Columbia, Canada V6C 3B9

AUDITOR
Deloitte & Touche LLP
P.O. Box 49279 Four Bentall Centre
Suite 2800 – 1055 Dunsmuir Street
Vancouver, British Columbia, Canada V7X 1P4

BANKER
HSBC Bank Canada
Suite 200 – 885 West Georgia Street
Vancouver, British Columbia, Canada V6C 3E9

LEGAL
McMillan LLP
P.O. Box 11117 Suite 1500 – 1055 West Georgia Street
Vancouver, British Columbia, Canada V6E 4N7

DIRECTORS
Earnest C. Beaudin, Lead Director
Rod N. Baker, President and Chief Executive Officer
Neil W. Baker
Richard S. Buski
Larry W. Campbell
William A. Dimma
Thomas W. Gaffney
Patrick J. Keenan
Peter G. Meredith
David L. Prupas

COMMITTEES OF THE BOARD OF DIRECTORS

AUDIT, RISK & FINANCE COMMITTEE
Richard S. Buski, Chair
Thomas W. Gaffney
Patrick J. Keenan
Peter G. Meredith

CORPORATE GOVERNANCE COMMITTEE
Earnest C. Beaudin, Chair
Larry W. Campbell
William A. Dimma
David L. Prupas

COMPENSATION COMMITTEE
Peter G. Meredith, Chair
Thomas W. Gaffney
David L. Prupas

CORPORATE COMPLIANCE & SECURITY COMMITTEE
Larry W. Campbell, Chair
Earnest C. Beaudin
Richard S. Buski
Thomas W. Gaffney
Patrick J. Keenan

PLANNING & DEVELOPMENT COMMITTEE
David L. Prupas, Chair
Neil W. Baker
Thomas W. Gaffney

OFFICERS & SENIOR EXECUTIVES

Rod N. Baker
President and Chief Executive Officer; Corporate Secretary

Kiran S. Rao
Interim Chief Financial Officer; Vice-President, Corporate Finance & Controller

Yvonne Phinith
Assistant Corporate Secretary

Howard A. Blank
Vice-President, Communications, Entertainment & Responsible Gaming

Carl V. Bolton
Vice-President, Corporate Security & Compliance

Alasdair J. Douglas
Vice-President, Marketing

Terrance M. Doyle
Vice-President, Property Development & Operations Services

W. David Fretz
Vice-President, American Operations;
President, Great American Gaming Corporation

Peter M. Goudron
Senior Vice-President, Operations- West;
Vice-President, River Rock Casino Resort

Helen M. MacMillan
Regional Vice-President & General Manager, Casino Nova Scotia

James McGrogan
Vice-President, Business Development

Victor Poleschuk
Senior Vice-President, Operations- East

Walter Soo
Vice-President, Player Development

GREAT CANADIAN
GAMING
CORPORATION

Suite 350 – 13775 Commerce Parkway
Richmond, British Columbia, Canada V6V 2V4
Tel: 604.303.1000 Fax: 604.279.8605

www.gcgaming.com

TRANSFER AGENT AND REGISTRAR

Investors are encouraged to contact
CIBC Mellon Trust Company
for information regarding their security holdings.

Information can be obtained at:
CIBC Mellon Trust Company
Adelaide Street Postal Station
P.O. Box 7010
Toronto, Ontario M5C 2W9
Answerline: 416.643.5500
or toll-free throughout North America at
1.800.387.0825
web: www.cibcmellon.ca
email: inquiries@cibcmellon.ca

CORPORATE INFORMATION

CORPORATE OFFICE
22 St. Clair Avenue East, Suite 1700
Toronto, Ontario M4T 2S3
tel: 416.925.9270 fax: 416.925.5753
web: www.clairvest.com

AUDITORS
Ernst & Young LLP

THE ANNUAL MEETING OF
SHAREHOLDERS
August 11, 2011
St. Andrews Club & Conference Centre,
150 King Street West, 27th Floor
Toronto, Ontario Canada

All shareholders are encouraged to attend.

EXHIBIT

8–Exhibit VIII. A.8.c.

8

GCGC BUSINESS FACILITIES TABLE

The following table provides a summary GCGC business facilities and operations at December 31, 2013:

Facility and Location	Year Built/ Renovated	Approximate Square Footage	Additional Facilities and Activities	Slot Machines	Table Games	Gross Gaming Revenue Dec 31, 2013
British Columbia						
River Rock Casino Resort, Richmond, BC	2012	644,300 (Total) 99,000 (Gaming)	2 hotels with 395 rooms, approx. 1,000 seat show theatre, 7 dining options, conference facilities, pool/spa, Racebook	1,110	103	$344.4
Hard Rock Casino Vancouver, Coquitlam, BC	2013	174,000 (Total) 86,000 (Gaming)	1,051 seat show theatre convertible to 729 seat cabaret with dance floor, 7 dining options, and 34 touchbet terminals	949	58	$127.1
View Royal Casino, Victoria, BC	2009	34,000 (Total) 30,000 (Gaming)	2 dining options	601	14	$73.8
Casino Nanaimo, Nanaimo, BC	2011	34,000 (Total) 30,000 (Gaming)	1 dining option, Racebook(2)	384	6	$45.4
Chances Dawson Creek, Dawson Creek, BC	2006	17,000 (Total) 16,000 (Gaming)	Bingo, 1 dining option, 2 electronic gaming devices	147	-	$14.6
Chances Maple Ridge, Maple Ridge, BC	2013	27,500 (Total) 21,500 (Gaming)	Bingo, 1 dining option, 2 meeting rooms, entertainment space, outdoor patio, Racebook(3), 2 electronic table gaming devices	173	-	$15.3
Chances Chilliwack(3), Chilliwack, BC	2012	30,000 (Total) 23,000 (Gaming)	Bingo, 1 dining option with live entertainment space, flexible meeting space, 2 electronic table gaming devices	173	-	$21.5
Hastings Racecourse and Slots Facility (Thoroughbred Racing), Vancouver, BC	2008	204,000 (Total) 60,000 (Gaming)	3 dining options, concession, Racebook(2)	596	-	$20.7
Fraser Downs Racetrack and Casino (Standardbred Racing), Surrey, BC	2005	119,000 (Total) 24,000 (Gaming)	4 dining options, 6 touch bet terminals, Racebook(2)	469	22	$51.7
TBC Teletheatre BC(2)	various	-	21 Racebooks(2)	-	-	N/A
Ontario						
Georgian Downs (Standardbred Racing), Innisfil, Ontario	2009	148,000 (Total) 74,000 (Gaming)	4 dining options, concession, meeting facilities, Racebook	1,000(4)	0	N/A
Flamboro Downs (Standardbred Racing), Flamborough, Ontario	2001	101,000 (Total) 44,000 (Gaming)	4 dining options, meeting facility, Racebook	800(4)	0	N/A
Nova Scotia						
Casino Nova Scotia Halifax(5), Halifax, Nova Scotia	2006	140,000 (Total) 60,000 (Gaming)	2 dining options, entertainment show room, lounge, meeting facilities	541	32	$53.2
Casino Nova Scotia Sydney(5), Sydney, Nova Scotia	2006	34,000 (Total) 18,000 (Gaming)	1 dining option, lounge	275	11	$18.9
Washington State						
Washington State Operations(6) (Tukwila, Lakewood, Kent, Everett)	1997-2012	48,000 (Total - all sites) 46,000 (Gaming)	4 restaurants, show lounge, banquet facilities	-	59	$22.6
Total				**5,418**	**305**	**$809.2**

(1) Amounts shown in $millions.

(2) The Company owns or holds an interest in 23 Racebooks in BC. We own and operate two Racebooks; one at each of Hastings Racecourse and Fraser Downs Racetrack and Casino. The remaining 21 Racebooks, including those at River Rock Casino & Resort, Casino Nanaimo and Chances Maple Ridge are operated by TBC. TBC also offers Internet and phone racetrack wagering. The Company owns a 50% interest in TBC and the remaining 50% interest is held by two horsemen's associations, the Harness Racing BC Society and the Horsemen's Benevolent and Protective Association.

(3) The Company acquired the assets and undertaking of the Chilliwack Bingo Association in May 2011. Chilliwack Bingo was developed into Chances Chilliwack and commenced slot operations in November 2012.

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

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

(6) The Company operates card rooms (maximum 15 tables per room) at each of our four Washington State locations in Tukwila, Lakewood (Tacoma), Kent and Everett.

EXHIBIT

9–Exhibit VIII. B.7.b

9 DRAFT ORGANIZATION CHARTS

DRAFT

Great Canadian Gaming Corporation
Resort Casino Development Staff Count Estimates
June, 2014

Casino	Position Count	Department Count	Part-time & Seasonal	
General Manager	1			
Executive Assistant	1			
Director, Casino Operations	1	3		
Surveillance				
Surveillance Manager	1			
Surveillance Shift Managers	4			
Surveillance Supervisors	5			
Surveillance Operators	20			
Surveillance Technicians	3			
Investigators	5			
Operational Auditors	3	41		
Poker				
Poker Manager	1			
Poker Supervisors	10			
Poker Dealers	35	46		
Table Games				
Tables Manager	1			
Tables Shift Managers	4			
Tables Floor Managers	7			
Dealer Supervisors	28			
Boxmen	8			
Roulette Dealers	9			
Craps Dealers	9			
General Dealers	90	156		
Slots				
Slots Manager	1			
Slots Shift Managers	4			
Slots Supervisors	7			
Slot Attendants	24			
Slot Technician Supervisors	3			
Slot Technicians	20	59		
Cage				
Cage Manager	1			
Cage Shift Managers	4			
Cage Relief Shift Managers	3			
Cage Supervisors	12			
Count Team Supervisors	1			
Count Team	12			
Cashiers	32	65		
Secrurity				
Security Manager	1			
Security Shift Managers	4			
Monitoring Shift Managers	1			
Security Supervisors	5			
Monitoring Supervisors	1			
Relief Security Supervisors	3			
Monitoring Operators	10			
Floor Staff	65	90	10	Floor staff are part-time
Marketing and Sales				
Director, Marketing and Sales	1			
Marketing Manager	1			
Marketing Coordinator	1			
Sales & Catering Manager	1			
Sales & Catering Coordinator	1			
Player Development Manager	1			
Executive Hosts	2			

DRAFT

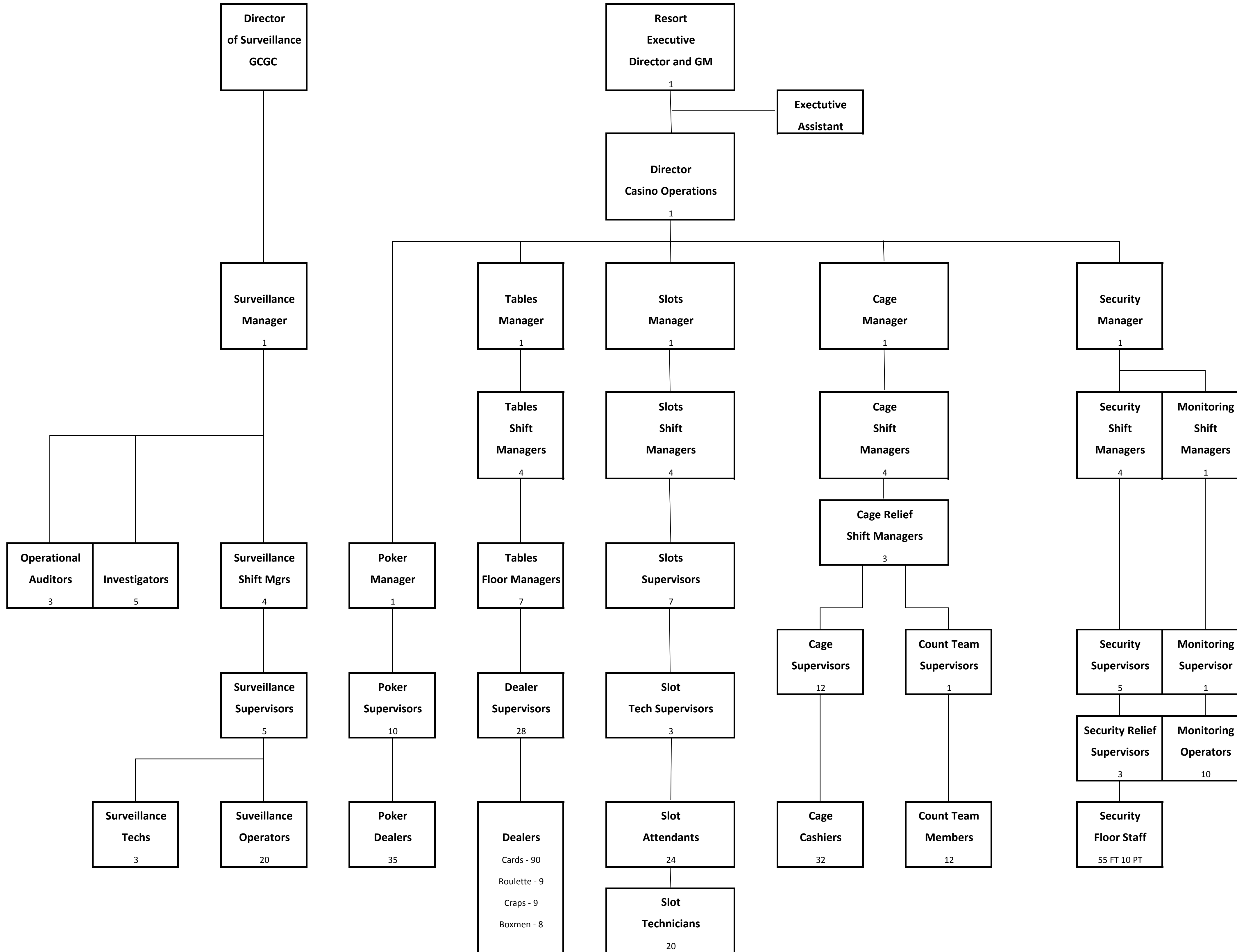
Casino	Position Count	Department Count	Part-time & Seasonal	
Guest Services Manager	1			
GS Supervisors	3			
Relief GS Supervisors	5			
Tables/Slots Hosts	7			
GS Representatives	11	35		
Human Resources				
Director, Human Resources	1			
HR Advisors	2			
Administrative Assistant	1			
Recruiting Manager	1			
Recruiting Coordinator	1			
Payroll Manager	1			
Payroll Clerks	2			
Training Manager	1			
Trainers	2	12	2	Trainers are part-time
Finance and IT				
Resort Controller	1			
Accounting Manager	1			
Accounting Clerks	2			
Credit Manager	1			
Collections Clerk	1			
IT Technicians	2			
Receivers	4			
Purchasing Manager	1			
Purchasing Assistant	1	14		
Property Operations and Maintenance				
Manager, Property Operations and Maintenan	1			
Engineer/Electrician	1			
Maintenance Technicians	8	10		
Golf Course				
Director, Golf Operations	1			
Administrative Assistant	1		1	Seasonal
Head Professional	1			
Associate Professional	1		1	Seasonal
Assistant Professionals	2		2	Seasonal
Back Shop Lead	1		1	Seasonal
Back Shop Staff	8		8	Seasonal
Front Shop Staff	2		2	Seasonal
Starter	1		1	Seasonal
Superintendent	1			
Mechanic	1		1	Seasonal
Assistant Superintendent	1		1	Seasonal
Shift Leads	2		2	Seasonal
Operators	6		6	Seasonal
General Laborers	4	33	4	Seasonal
Hotel				
Director, Hotel Operations	1			
Front Office Manager	1			
Assistant Front Office Manager	1			
Duty Managers	4			
Front Desk Agents	7			
Switchboard/Reservations Agents	3			
Bell Persons	4			
Pool Attendant	1			
Executive Housekeeper	1			
Assistant Housekeeper	1			
Housekeeping Supervisors	2			
Room Attendants	8			
House Persons	4	38		
Food and Beverage				

DRAFT

Casino	Position Count	Department Count	Part-time & Seasonal	
Director, Food and Beverage Operations	1			
F&B Administrator	1	2		
Buffet Manager	1			
Assistant Buffet Manager	1			
Buffet Supervisors	2			
Buffet Servers	18			
Buffet Bus Persons	8			
Buffet Bartenders	3	33		
Banquet Manager	1			
Assistant Banquest Manager	1			
Banquest Supervisors	2			
Banquet Servers	10		5	On Call
Banquet House Persons	5			
Banquet Bartenders	3	22		
Restaurant Manager	1			
Assistant Restaurant Manager	1			
Restaurant Hosts	3			
Restaurant Servers	13			
Restaurant Buspersons	5	23		
Lounge Manager	1			
Assistant Lounge Manager	1			
Lounge Bartenders	5			
Lounge Bar Backs	3			
Lounge Servers	10			
Lounge Bus Persons	2	22		
Food Court Manager	1			
Assistant Food Court Manager	1			
Food Court Supervisors	2			
Cashiers	9			
Bus Persons	7	23		
Coffee Shop/Golf Course Cantina/Room Servic	1			
Servers	6			
Golf Course Attendants	2	9	2	Seasonal
Casino Floor Manager	1			
Assistant Casino Floor Manager	1			
Casino Floor Supervisors	2			
Casino Floor Servers	11			
Casino Floor VIP Servers	3	18		
Culinary				
Executive Chef	1			
Executive Sous Chef	1			
Sous Chefs	6			
Pastry Chef	1			
Chief Steward	1			
Cooks	80			
Warewashers	20	110		
Total Staff Complement		864	49	Part-time & Seasonal Staff Count
Less: Part-time and seasonal staff		49		
Total Full-time Staff Complement		815		

DRAFT

Great Canadian Gaming Corporation
Organization Chart - Resort Casino
June, 2014

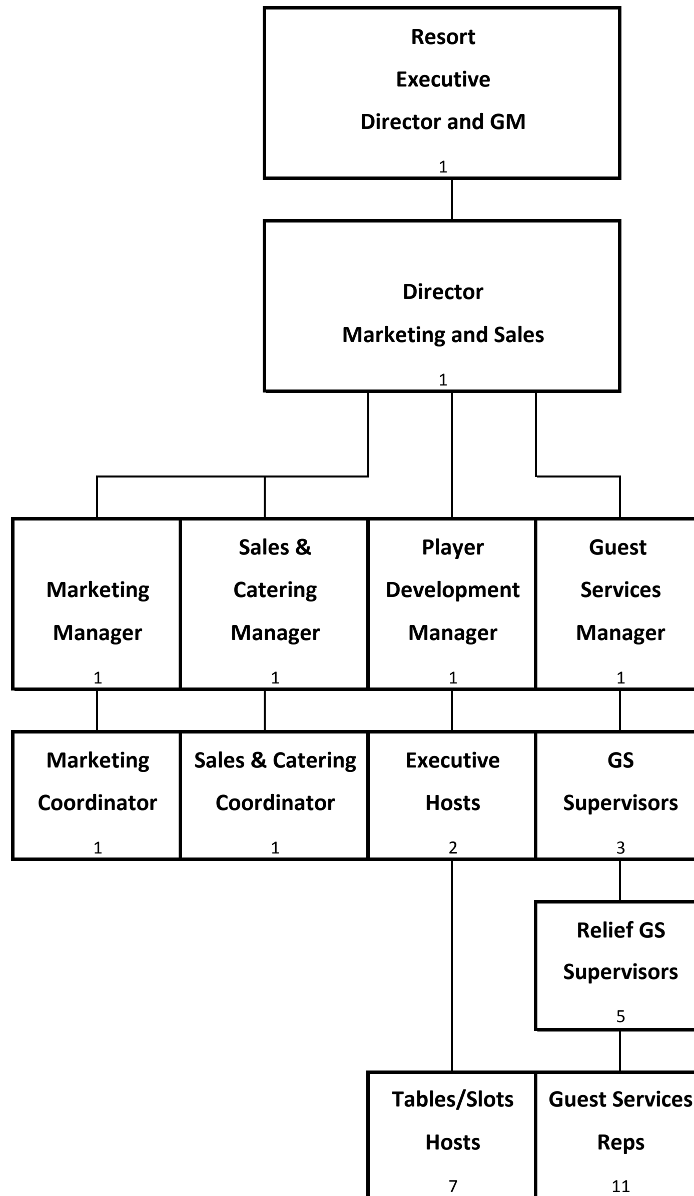


DRAFT

Great Canadian Gaming Corporation

Organization Chart - Resort Casino Marketing Department

June, 2014

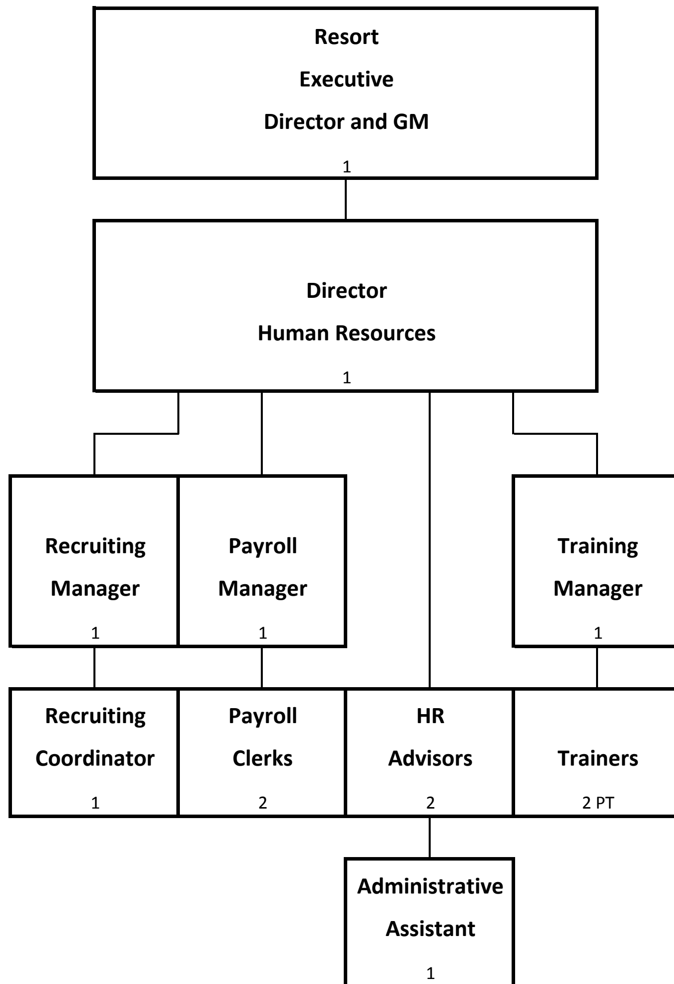


DRAFT

Great Canadian Gaming Corporation

Organization Chart - Resort Casino HR Department

June, 2014

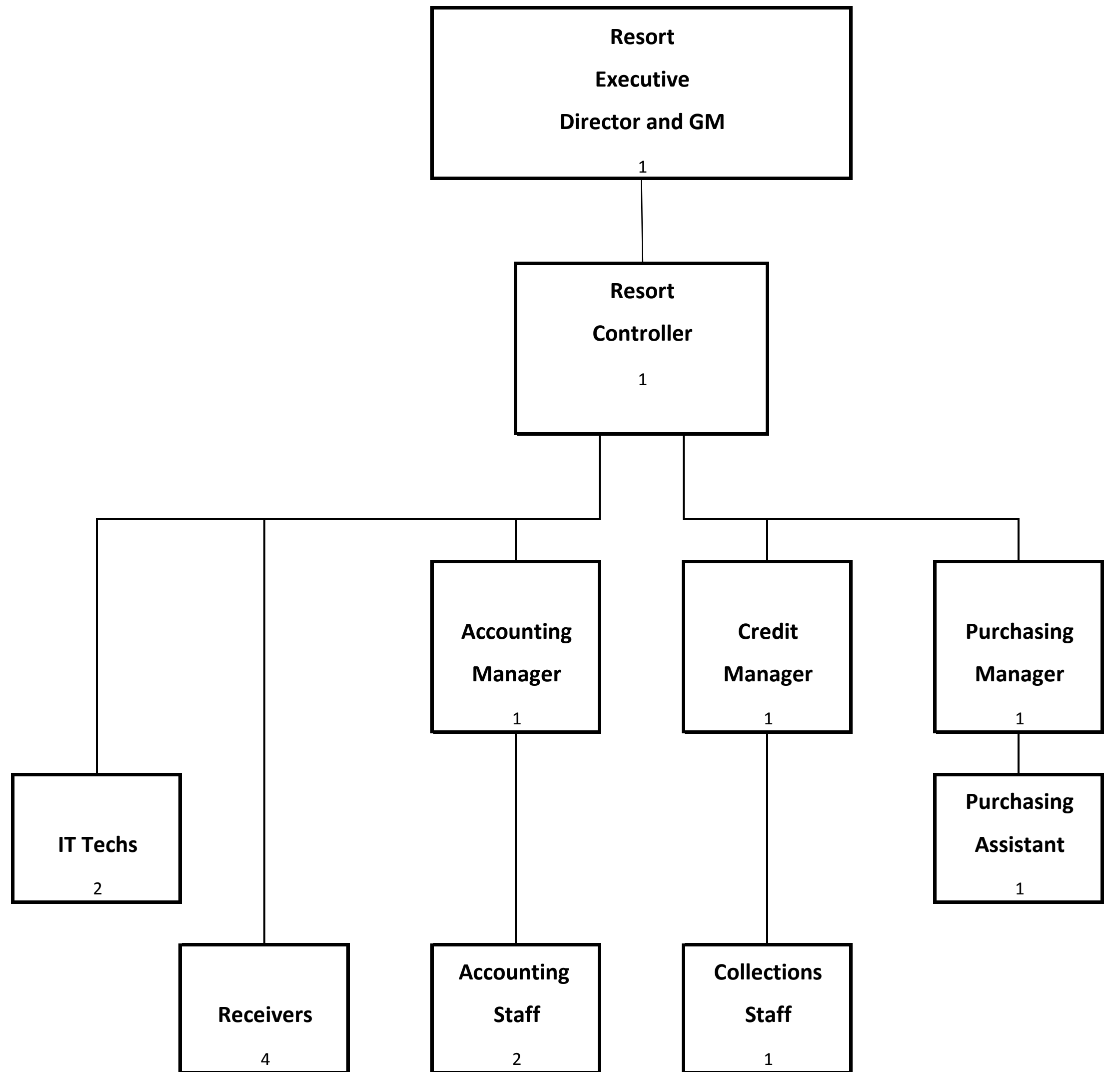


DRAFT

Great Canadian Gaming Corporation

Organization Chart - Resort Casino Finance Department

June, 2014

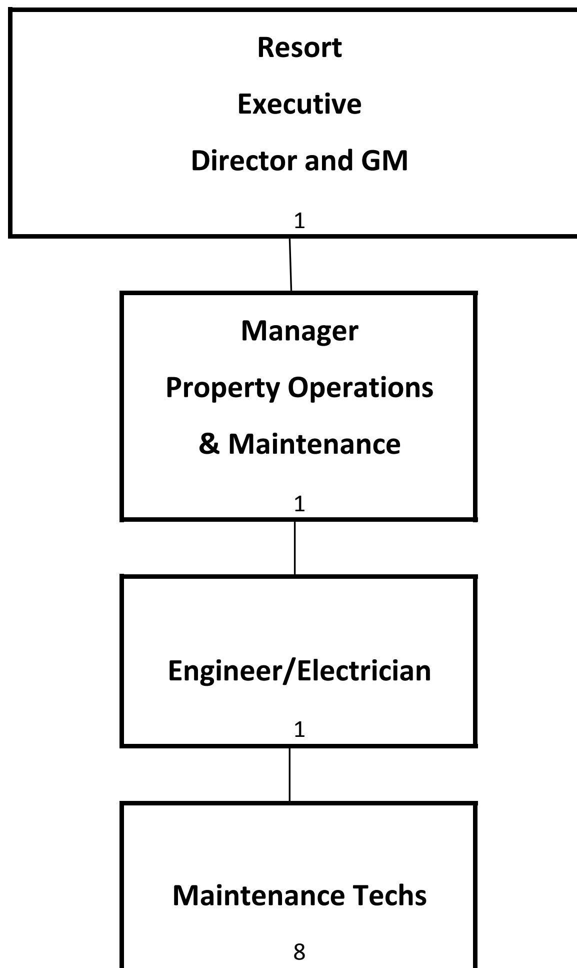


DRAFT

Great Canadian Gaming Corporation

Organization Chart - Resort Casino Property Operations and Maintenance

June, 2014

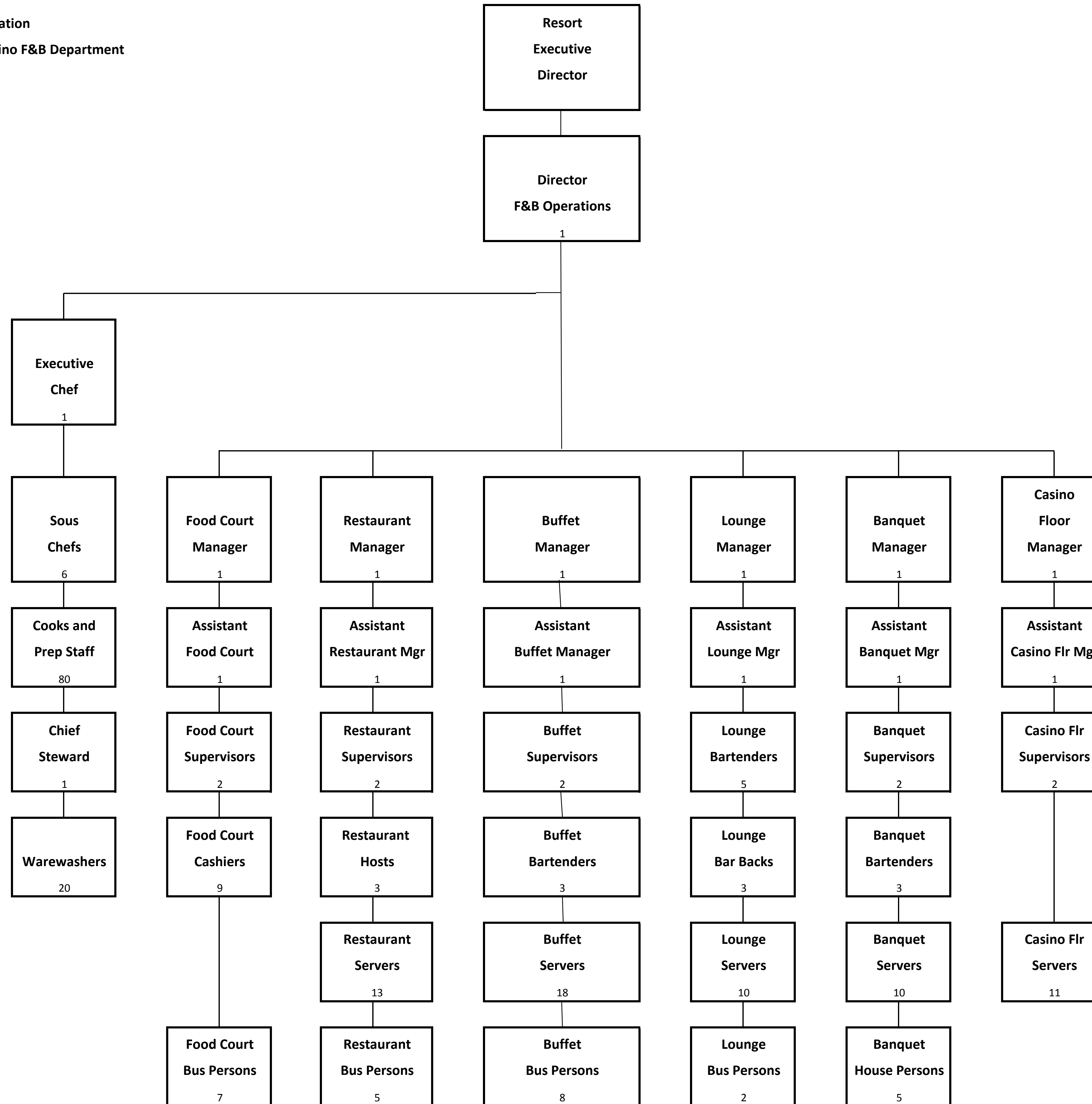


DRAFT

Great Canadian Gaming Corporation

Organization Chart - Resort Casino F&B Department

June, 2014

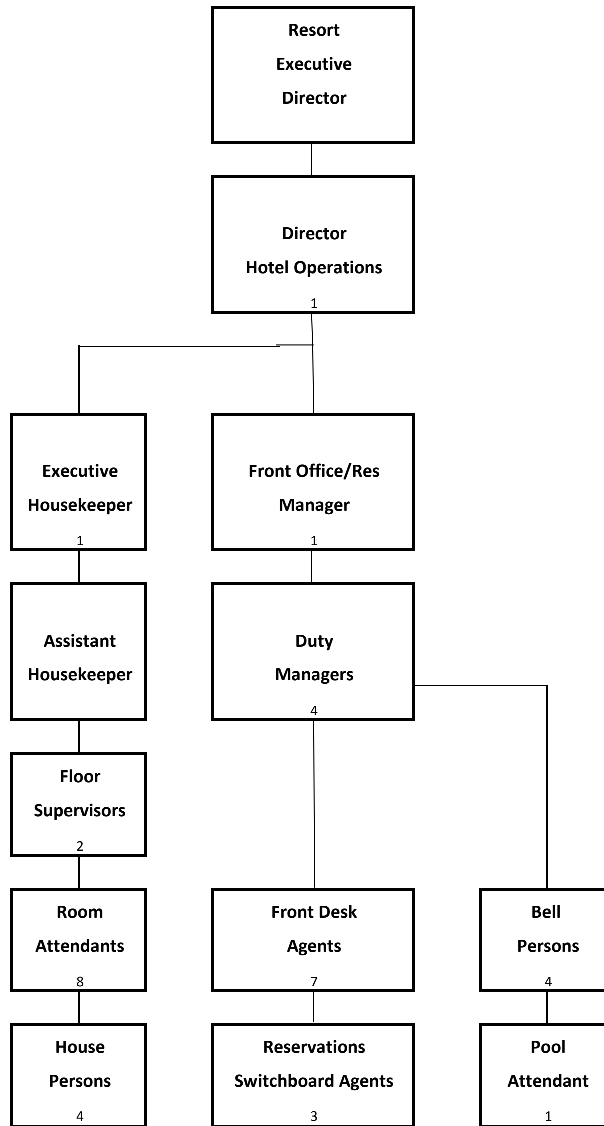


DRAFT

Great Canadian Gaming Corporation

Organization Chart - Resort Casino Hotel

May, 2014

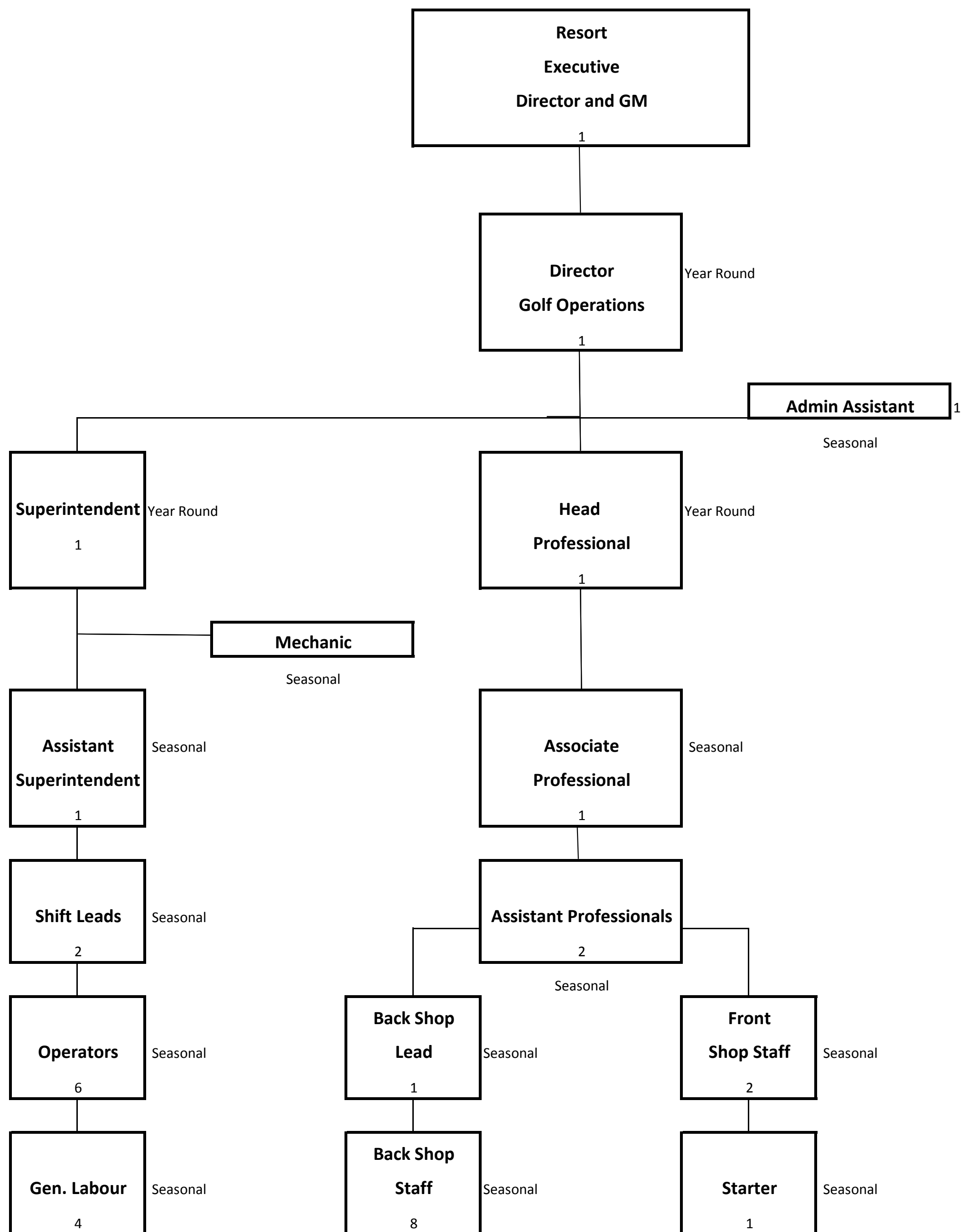


DRAFT

Great Canadian Gaming Corporation

Organization Chart - Resort Casino Golf Course

June, 2014



EXHIBIT

10

10–Exhibit VIII. C.1.a

LAND OPTIONS AND SURVEY

SUMMARY OF OPTIONS TO PURCHASE PROPERTY IN AMSTERDAM, NEW YORK

Grantor	Nadler Brothers, Inc.		Larry A. Francisco and Karen L. Francisco	
Grantee	Florida Acquisition Corp.		Florida Acquisition Corp.	
Property	State Highway 30 and Belldons Road Amsterdam, New York		141 Thruview Drive Amsterdam, New York	
Lot Size	Approximately 341 acres		Approximately 171 acres	
Tax Parcel	Section 55.19, Block 1, Lot 4 and Section 71, Block 1, Lots 6 and 61		Section 55, Block 1, Lot 23	
Option Commencement	March 28, 2014		March 28, 2014	
Option Expiration	5:00pm on earlier of (i) September 30, 2016 and (ii) 10 business days following the date on which Grantee obtains an irrevocable, final and unappealable casino license in a form satisfactory to Grantee from the New York State Gaming Commission or affiliated licensing body under the Upstate NY Gaming and Economic Development Act of 2013		5:00pm on earlier of (i) September 30, 2016 and (ii) 10 business days following the date on which Grantee obtains an irrevocable, final and unappealable casino license in a form satisfactory to Grantee from the New York State Gaming Commission or affiliated licensing body under the Upstate NY Gaming and Economic Development Act of 2013	
Option Payments	Date	Amount	Date	Amount
	May 30, 2014	$5,000.00	May 30, 2014	$5,000.00
	June 1, 2014	$5,000.00	June 1, 2014	$5,000.00
	July 1, 2014	$5,000.00	July 1, 2014	$5,000.00
	August 1, 2014	$5,000.00	August 1, 2014	$5,000.00
	December 1, 2014	$5,000.00	December 1, 2014	$5,000.00
	March 1, 2015	$5,000.00	March 1, 2015	$5,000.00
	June 1, 2015	$5,000.00	June 1, 2015	$5,000.00
	September 1, 2015	$5,000.00	September 1, 2015	$5,000.00
	December 1, 2015	$10,000.00	December 1, 2015	$10,000.00
	March 1, 2016	$10,000.00	March 1, 2016	$10,000.00
	June 1, 2016	$10,000.00	June 1, 2016	$10,000.00
	September 1, 2016	$10,000.00	September 1, 2016	$10,000.00
Purchase Price	$3,500,000.00		$1,750,000.00	
Contract Deposit	$100,000.00[1]		$100,000.00[1]	
Contingency	Simultaneous closing of Francisco property[2]		Simultaneous closing of Nadler property[2]	
Closing Date	90 days following Contract date[3]		90 days following Contract date[3]	

---

[1] To be paid within 2 business days after Purchaser's receipt of the fully executed Contract.
[2] Subject to Purchaser's right to waive such contingency.
[3] Subject to Purchaser's right to adjourn Closing for up to 30 days by written notice no later than 10 days before the scheduled Closing. Purchaser may accelerate Closing to a date no earlier than 30 days after delivery of an acceleration notice.

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

Blank Rome LLP
405 Lexington Avenue
New York, New York 10174
Attention: Martin Luskin

MEMORANDUM OF OPTION TO PURCHASE

This Memorandum of Option to Purchase (this "Memorandum of Option") dated as of March 28, 2014 is made and entered into by and between **LARRY A. FRANCISCO** and **KAREN L. FRANCISCO**, each an individual having an address at 141 Thruview Drive, Amsterdam, New York 12010 (collectively, jointly and severally, "Owner") and **FLORIDA ACQUISITION CORP.**, a Delaware corporation having an address c/o Blank Rome LLP, 405 Lexington Avenue, New York, New York 10174, Attention: Martin Luskin ("Optionee").

WITNESSETH:

1. For good and valuable consideration, Owner and Optionee have entered into an Option to Purchase Real Property dated as of March 28 2014 (the "Option Agreement") covering the real property on Thruview Drive, in the Town of Florida, Montgomery County, New York, being approximately ±171 acres of property (tax map #: 55-1-23; address: 141 Thruview Drive, Amsterdam, NY 12010), as shown on the tax map attached hereto as Schedule A (the "Premises"). All capitalized terms set forth herein shall have the meanings ascribed to such terms in the Option Agreement unless otherwise defined herein.

2. The terms and provisions of the Option Agreement are incorporated herein by reference as though fully set forth herein.

3. Pursuant to the terms of the Option Agreement, by notice given no later than 5:00 p.m. September 30, 2016, Optionee has the option to purchase the Premises.

4. The Option Agreement provides for payments by Optionee to Owner of up to Eighty Thousand Dollars ($80,000.00) prior to the exercise of the option to purchase the Premises.

5. This Memorandum of Option does not supersede, modify, amend or otherwise change the terms of the Option Agreement. This Memorandum of Option shall not be used in interpreting the provisions of the Option Agreement. In the event of a conflict between the provisions of this Memorandum of Option and the provisions of the Option Agreement, the Option Agreement shall control.

6. This Memorandum of Option may be executed in counterparts, each of which shall be deemed an original and all of which taken together shall constitute but one and the same instrument.

7. This Memorandum of Option shall be governed by and construed in accordance with the laws of the State of New York.

8. This Memorandum of Option shall bind and inure to the benefit of the parties hereto and their respective successors and assigns.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Owner and Optionee have caused this Memorandum of Option to be executed as of the date first written above.

OWNER:

LARRY A. FRANCISCO

KAREN L. FRANCISCO

OPTIONEE:

FLORIDA ACQUISITION CORP.

By: ______________________
Name: Martin Luskin
Title: Authorized Signatory

900200.00001/7369509v.1

ACKNOWLEDGEMENTS

STATE OF NEW YORK)
ss.:
COUNTY OF Montgomery)

On the 28th day of March, in the year 2014, before me, the undersigned, a Notary Public in and for said state, personally appeared **Larry A. Francisco** personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the person or the entity upon behalf of which the person acted, executed the instrument.

Sandra J Steenburg
Notary Public

SANDRA J STEENBURG
Notary Public - State of New York
Qualified in County of Fulton
Commission Expires July 22, 2014
Registration No. 01ST5063533

STATE OF NEW YORK)
ss.:
COUNTY OF Montgomery)

On the 28 day of March, in the year 2014, before me, the undersigned, a Notary Public in and for said state, personally appeared **Karen L. Francisco** personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the person or the entity upon behalf of which the person acted, executed the instrument.

Sandra J Steenburg
Notary Public

SANDRA J STEENBURG
Notary Public - State of New York
Qualified in County of Fulton
Commission Expires July 22, 2014
Registration No. 01ST5063533

STATE OF NEW YORK)
ss.:
COUNTY OF)

On the 31st day of March, in the year 2014, before me, the undersigned, a Notary Public in and for said state, personally appeared **Martin Luskin** personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the person or the entity upon behalf of which the person acted, executed the instrument.

Notary Public

MONICA MALDONADO
Notary Public, State of New York
No. 01MA6211620
Qualified in Queens County
Commission Expires 09/21/2017

900200.00001/7369509v.1

Exhibit A

PREMISES

SCHEDULE A *(Description)*

ALL that certain plot, piece or parcel of land situate in the Town of Florida, County of Montgomery and State of New York and bounded and described as follows:

On the south and west by lands of the late Palmer Rowland and the lands of the heirs of George Servoss; on the East by lands of Isaac DeGraff, on the north by the lands of the late Isaac Houch and lands of John Davidson.

Containing 100 acres, more or less, and being same premises described is a deed from Henry Malling and wife to James Ferguson, dated December 20th, 1841 and recorded in Montgomery County Clerk's Office in Book of Deeds No. 48, Page 239, on May 9th, 1842.

Also all that other place or parcel of land situate in the said town, county and state and bounded and described as follows:

On the north by lands of Andrew Frank, Samuel Sweet, Leonard Sweet and Peter Becker; on the east by lands of Charles Belding and George Ross; on the south by lands formerly belonging to Palmer Rowland, deceased and on the west by lands of party of the first part (Benjamin Baird). Containing 110 ½ acres of land.

Excepting however from the above described land the following properties:

Excepting and reserving therefrom for a burial plot ¼ acre of land (Being the same premises described in a deed from Isaac DeGraff and Don C. Bent to James Ferguson, dated November 5, 1851, and recorded in Montgomery County Clerk's Office November 14th, 1851 in Book of Deeds No. 61, page 478, etc.) Excepting and reserving from said above described premises about 12.25 acre lot conveyed to Martin Ohlenschlager and 11.58 acre lot conveyed to August Vebaska.

Excepting and reserving from the above described premises a parcel of land conveyed by Walter Francisco and Clara Francisco, his wife, to the County of Montgomery by Warranty Deed dated July 17, 1940 and recorded in Montgomery County Clerk's Office July 18, 1940 in Book 243 of Deeds at page 547.

Further excepting and reserving thereout and therefrom a parcel of land at the northeasterly corner of the above described farm adjoining the highway leading to Daniel Street in the City of Amsterdam, said parcel being described as follows:

Commencing at a point in the westerly side of said highway at the southeasterly corner of lands of Herman Klump, and running from thence westerly along the lands of said Klump 249 feet to a point; thence southerly on a line parallel with the westerly line of said highway, 150 feet to a point; thence easterly on a straight line 249 feet to a point in the westerly side of said highway; and thence northerly along the westerly side of said highway 90 feet to the point or place of beginning. Being the parcel with bungalow therein now occupied by first parties, and which said parcel is surrounded by a wire fence. Being the same premises conveyed by Walter Francisco and Clara L. Francisco, his wife, to Harry Francisco and Bessie M. Francisco, his wife, by Warranty Deed dated April 12, 1944 and recorded in Montgomery County Clerk's Office May 11, 1944 in Book 255 of Deeds at Page 102.

Also excepting and reserving from the above described premises approximately 10.870 acres of land, more or less, appropriated by the State of New York for highway purposes by Notice of Appropriation, dated April 7, 1952 and recorded in Montgomery County Clerk's Office April 18, 1952 in Book 287 of Deeds at Page 340.

***THE POLICY TO BE ISSUED** under this Commitment will insure the title to such buildings and improvements on the premises which by law constitute real property.*

***FOR CONVEYANCING ONLY:** Together with all the right, title and interest of the party of the first part, of, in and to the land lying in the street in front of and adjoining said premises.*

SCHEDULE A *(Description)*

Excepting and reserving from the above described premises a parcel of land conveyed by Harry Francisco and Bessie M. Fransicso, his wife, to Industries for Amsterdam, Inc. by Warranty Deed dated July 30, 1958 and recorded in Montgomery County Clerk's Office August 1, 1958 in Book 312 of Deeds at Page 47.

***THE POLICY TO BE ISSUED** under this Commitment will insure the title to such buildings and improvements on the premises which by law constitute real property.*

***FOR CONVEYANCING ONLY:** Together with all the right, title and interest of the party of the first part, of, in and to the land lying in the street in front of and adjoining said premises.*

MONTGOMERY COUNTY
Real Property Tax Service Agency
Sandra Frasier, Director

SPECIAL DISTRICTS

LEGEND

PROPERTY LINE	PUBLIC RIGHT OF WAY	SCHOOL DISTRICT LINE	CALCULATED ACREAGE 7.5 A (c)
ORIGINAL LOT LINE	PRIVATE RIGHT OF WAY	FIRE DISTRICT	DEED ACREAGE 7.5 A
DENOTES COMMON OWNER	TOWN VILLAGE CITY	AGRICULTURAL DISTRICT	SCALED DIMENSION
BLOCK LIMIT	RAILROAD	MONUMENT LOCATOR	DEED DIMENSION
SECTION LINE	HYDROLOGY	COORDINATE LOCATOR	TAX MAP BLOCK NUMBER

SHEET INDEX

035.00	036.00	
054.00		056.00
070.00	071.00	072.00

SECT NO. 055.00

Map Date: Mar 15, 2013

TAX MAP
TOWN OF FLORIDA
MONTGOMERY COUNTY, NEW YORK
1 inch = 400 feet

NEW YORK STATE THRUWAY
CITY OF AMSTERDAM
TOWN OF FLORIDA
CHUCTANUNDA
BROADWAY
OLD ROUTE 30

OPTION TO PURCHASE REAL PROPERTY

THIS IS A LEGALLY-BINDING CONTRACT. IF NOT FULLY UNDERSTOOD, WE RECOMMEND

ALL PARTIES TO THE CONTRACT CONSULT AN ATTORNEY BEFORE SIGNING.

Option Date: March 28, 2014

Grantor: Larry A. Francisco and Karen L. Francisco, collectively, jointly and severally

141 Thruview Drive, Amsterdam, New York 12010

Grantee: Florida Acquisition Corp.

c/o Blank Rome LLP

405 Lexington Avenue, New York, New York 10174

Attention: Martin Luskin

1. Grant of Option. Grantor grants to Grantee the exclusive right and option to purchase, on the terms and conditions set forth herein (this "option" or this "option agreement"), real property owned by the Grantor on Thruview Drive, in the Town of Florida, Montgomery County, New York, being approximately ±171 acres of property (tax map #: 55-1-23; address: 141 Thruview Drive, Amsterdam, NY 12010) , as shown on the tax map attached hereto as Schedule A (the "premises" or the "property").

2. Option Period. The term of this option shall commence on the date hereof and continue until 5:00 P.M. on the earlier to occur of (i) September 30, 2016 and (ii) the date that is ten (10) business days following the date on which Grantee obtains an irrevocable, final and unappealable casino license in a form satisfactory to Grantee from the New York State Gaming Commission or affiliated licensing body under the Upstate NY Gaming and Economic Development Act of 2013.

3. Consideration for Option. This option is granted in consideration of the sum of One Dollar and other valuable consideration paid by Grantee to Grantor, receipt of which is hereby acknowledged. In addition:

No other consideration for the portion of the Option Period from the date hereof until;

Unless Grantee exercises this option as hereinafter set forth, Grantee shall make payments to Grantor (i) in the amount of $5,000.00 (Five Thousand Dollars), commencing on the date that is sixty (60) days after the New York State Gaming Commission issues a request for applications for casino licenses in the Capital region and thereafter on the first day of the month for each of the three (3)

calendar months following such date and (ii) unless already paid pursuant to (i) above, on the dates and in the amounts set forth below:

Date	Amount
December 1, 2014	$5,000.00
March 1, 2015	$5,000.00
June 1, 2015	$5,000.00
September 1, 2015	$5,000.00
December 1, 2015	$10,000.00
March 1, 2016	$10,000.00
June 1, 2016	$10,000.00
September 1, 2016	$10,000.00

Grantee may make no initial monthly payment as set forth above, and in such event, this option and the rights of Grantee shall automatically and immediately terminate without notice.

4. Purchase Price of Property. The full purchase price of the property is $1,750,000.00 (One Million Seven Hundred Fifty Thousand Dollars) which amount shall be payable as herein provided if Grantee elects to exercise this option.

5. Application of Consideration to Purchase Price. If Grantee purchases the property described in this option, and under the terms and conditions hereof, the consideration paid for this option shall be applied to the purchase price.

6. Exercise of Option. Grantee may exercise this option by giving Grantor written notice thereof in accordance with paragraph 16 below, signed by the Grantee, accompanied by each of the following items signed by Grantee, before the expiration of the option period: (i) the real property sales contract (the "Contract"), the form of which is attached hereto as Exhibit A, and (ii) the escrow agreement, the form of which is attached to the Contract (the "Escrow Agreement"). Upon exercise of the option and execution of the Contract by Grantee, the terms and conditions of the Contract shall be applicable to the transaction to the extent that such terms and conditions are not inconsistent with any provision set forth herein. Grantor shall return to Grantee original countersigned counterparts of the Contract and Escrow Agreement within five (5) days after receipt of Grantee's written notice under this paragraph.

7. Failure to Exercise Option. If Grantee does not exercise this option in accordance with its terms and within the option period, this option and the rights of Grantee shall automatically and immediately terminate without notice. In the event Grantee fails to exercise this option, Grantor shall retain all sums paid as consideration for this option.

8. Grantor Authority. Grantor represents that Grantor is the sole fee owner of the property and has not granted any option to purchase the premises (other than this option) or any right of first refusal or right of first offer to purchase the premises, and has the right, power and authority to make and perform its obligations under this option.

9. Grantee's Right of Access. Following execution hereof, Grantee shall have the right to enter onto the premises and have prepared, at Grantee's own expense, engineering, survey, surface and sub-surface inspections and tests and other such preliminary work as may be necessary in assisting Grantee in deciding whether to exercise the purchase option. If the option is not exercised, the Grantee agrees to compensate Grantor for any damage that may arise from such work. Grantee further agrees to indemnify, defend and hold harmless Grantor for any liability resulting from damage to the premises caused by the negligent or wrongful acts or omissions of Grantee or its agents in connection with the performing of the above acts (provided Grantee shall not have any liability to Grantor by reason of the discovery of matters or circumstances through Grantee's inspections, tests or other such preliminary work or by reason of any other pre-existing condition of the property).

10. Restoration of Premises. The Grantee shall not remove any improvement or timber from the premises during the course of its option, and covenants and agrees it will restore any damage to the premises caused by Grantee to substantially the same condition as existed immediately prior to such damage within sixty (60) days of such damage. In the event Grantee fails to restore the property to such condition, Grantor shall have the option to restore said property, in which event Grantee shall be solely responsible for the repayment to Grantor of funds reasonably necessary to correct the situation or shall be liable to the Grantor for damages incurred in accordance with Paragraph 9 hereof.

11. Binding Effect. This option shall be binding upon and shall inure to the benefit of the parties to it, and their respective heirs, successors, or assigns.

12. Assignment. Grantee shall have the right to assign its rights under this option only to an entity in existence and controlled by or affiliated with Grantee upon written notice to Grantor.

13. Exclusivity. From and after the date hereof, so long as this option remains in full force and effect, neither Grantor, nor any agent or representative of Grantor, shall enter into, solicit or negotiate for entry into any purchase agreement, option agreement, sale contract, "back up offer" or any similar instrument regarding the sale or conveyance of the premises, any portion thereof or any interest therein or the sale or conveyance of any interest in any entity that owns or controls the premises.

14. Memorandum of Option. Simultaneously with the signing of this option agreement by Grantor and Grantee, Grantor and Grantee shall execute and deliver to each other a recordable Memorandum of Option (the "Memorandum of Option") in the form annexed hereto as Exhibit B, together with such forms as Grantee's title company shall require to record said Memorandum of Option (it being understood that Grantor shall, upon demand by Grantee, execute and have notarized any additional or confirmatory documents which may be required by the Grantee's title company to record the Memorandum of Option), which Grantee shall be entitled to promptly record (or cause to be recorded). In the event Grantee assigns its rights under this option pursuant to paragraph 12 above, Grantor at Grantee's request shall execute and deliver a revised Memorandum of Option reflecting the identity of such assignee, and otherwise in accordance with the terms of this paragraph. Grantor shall not record this option agreement or the Memorandum of Option without Grantee's prior written consent.

15. Confidentiality. Grantor hereby covenants and agrees that, at all times after the date hereof, unless consented to in writing by Grantee, no press release or other disclosure concerning this option agreement or the Contract (or any terms thereof, the intended use of the premises or the fact that there were negotiations for the sale of the premises) will be made, and Grantor shall prevent disclosure for its part, its agents and any party under the control of Grantor (including by any broker of Grantor) of this option (including the identity of Grantee and its constituent members) and all information furnished to Grantor concerning the premises (including development plans), other than (a) to attorneys of Grantor who are involved in the ordinary course of business with this transaction, who will be instructed to comply with the confidentiality provision hereof, (b) in response to lawful process or subpoena or other valid or enforceable order of a court of competent jurisdiction (with notice thereof to Grantee) or (c) the recorded Memorandum of Option or a recorded memorandum of the Contract.

16. Notices. Written notices to be given under this option agreement may be delivered in person, by Federal Express or other nationally recognized overnight courier which obtains a signature upon delivery or mailed by certified mail, return receipt requested, and if to Grantor, addressed to Grantor at the address set forth above for Grantor, with a copy to Salmon & Salmon LLP, 179 Wallins Corners, Road, Amsterdam, New York 12010, Attention: James F. Salmon, Esq., and if to Grantee, to the address set forth above for Grantee, with a copy to Blank Rome LLP, 405 Lexington Avenue, New York, New York 10174, Attention: Kim L. Khutorsky, Esq. When mailed, the written notice shall be deemed to have been duly given if and when deposited in the United States mail with proper and sufficient postage affixed, properly addressed to the intended recipient, and in the case of personal delivery or overnight courier the written notice shall be deemed to have been duly given when actually delivered to the intended recipient.

THIS IS A LEGALLY-BINDING CONTRACT. IF NOT FULLY UNDERSTOOD, WE RECOMMEND

ALL PARTIES TO THE CONTRACT CONSULT AN ATTORNEY BEFORE SIGNING.

IN WITNESS WHEREOF, the parties have signed this Option Agreement effective as of the day and year first above written.

Grantor:

____

Larry A. Francisco

____

Karen L. Francisco

Grantee:

FLORIDA ACQUISITION CORP.

By: _________________________

Martin Luskin

Title: Authorized Signatory

Real Estate Broker:
Mullins Realty, 16 Stockbridge Road, Slingerlands, NY 12159 Attention: Mick Mullins
Phone: 518-383-8424 Fax: 518-383-8424 Email: MullinsAAA@aol.com

---

SCHEDULE A

Premises

[See Attached]

SCHEDULE A *(Description)*

ALL that certain plot, piece or parcel of land situate in the Town of Florida, County of Montgomery and State of New York and bounded and described as follows:

On the south and west by lands of the late Palmer Rowland and the lands of the heirs of George Servoss; on the East by lands of Isaac DeGraff, on the north by the lands of the late Isaac Houch and lands of John Davidson.

Containing 100 acres, more or less, and being same premises described is a deed from Henry Malling and wife to James Ferguson, dated December 20th, 1841 and recorded in Montgomery County Clerk's Office in Book of Deeds No. 48, Page 239, on May 9th, 1842.

Also all that other place or parcel of land situate in the said town, county and state and bounded and described as follows:

On the north by lands of Andrew Frank, Samuel Sweet, Leonard Sweet and Peter Becker; on the east by lands of Charles Belding and George Ross; on the south by lands formerly belonging to Palmer Rowland, deceased and on the west by lands of party of the first part (Benjamin Baird). Containing 110 ½ acres of land.

Excepting however from the above described land the following properties:

Excepting and reserving therefrom for a burial plot ¼ acre of land (Being the same premises described in a deed from Isaac DeGraff and Don C. Bent to James Ferguson, dated November 5, 1851, and recorded in Montgomery County Clerk's Office November 14th, 1851 in Book of Deeds No. 61, page 478, etc.) Excepting and reserving from said above described premises about 12.25 acre lot conveyed to Martin Ohlenschlager and 11.58 acre lot conveyed to August Vebaska.

Excepting and reserving from the above described premises a parcel of land conveyed by Walter Francisco and Clara Francisco, his wife, to the County of Montgomery by Warranty Deed dated July 17, 1940 and recorded in Montgomery County Clerk's Office July 18, 1940 in Book 243 of Deeds at page 547.

Further excepting and reserving thereout and therefrom a parcel of land at the northeasterly corner of the above described farm adjoining the highway leading to Daniel Street in the City of Amsterdam, said parcel being described as follows:

Commencing at a point in the westerly side of said highway at the southeasterly corner of lands of Herman Klump, and running from thence westerly along the lands of said Klump 249 feet to a point; thence southerly on a line parallel with the westerly line of said highway, 150 feet to a point; thence easterly on a straight line 249 feet to a point in the westerly side of said highway; and thence northerly along the westerly side of said highway 90 feet to the point or place of beginning. Being the parcel with bungalow therein now occupied by first parties, and which said parcel is surrounded by a wire fence. Being the same premises conveyed by Walter Francisco and Clara L. Francisco, his wife, to Harry Francisco and Bessie M. Francisco, his wife, by Warranty Deed dated April 12, 1944 and recorded in Montgomery County Clerk's Office May 11, 1944 in Book 255 of Deeds at Page 102.

Also excepting and reserving from the above described premises approximately 10.870 acres of land, more or less, appropriated by the State of New York for highway purposes by Notice of Appropriation, dated April 7, 1952 and recorded in Montgomery County Clerk's Office April 18, 1952 in Book 287 of Deeds at Page 340.

THE POLICY TO BE ISSUED under this Commitment will insure the title to such buildings and improvements on the premises which by law constitute real property.

FOR CONVEYANCING ONLY: Together with all the right, title and interest of the party of the first part, of, in and to the land lying in the street in front of and adjoining said premises.

SCHEDULE A *(Description)*

Excepting and reserving from the above described premises a parcel of land conveyed by Harry Francisco and Bessie M. Fransicso, his wife, to Industries for Amsterdam, Inc. by Warranty Deed dated July 30, 1958 and recorded in Montgomery County Clerk's Office August 1, 1958 in Book 312 of Deeds at Page 47.

***THE POLICY TO BE ISSUED** under this Commitment will insure the title to such buildings and improvements on the premises which by law constitute real property.*

***FOR CONVEYANCING ONLY:** Together with all the right, title and interest of the party of the first part, of, in and to the land lying in the street in front of and adjoining said premises.*

MAP PREPARED BY

MONTGOMERY COUNTY

Real Property Tax Service Agency

Sandra Frasier, Director

SPECIAL DISTRICTS

LEGEND

PROPERTY LINE

ORIGINAL LOT LINE

DENOTES COMMON OWNER

BLOCK LIMIT

SECTION LINE

PUBLIC RIGHT OF WAY

PRIVATE RIGHT OF WAY

TOWN VILLAGE CITY

RAILROAD

HYDROLOGY

SCHOOL DISTRICT LINE

FIRE DISTRICT

AGRICULTURAL DISTRICT

MONUMENT LOCATOR

COORDINATE LOCATOR

CALCULATED ACREAGE 7.5 A (c)

DEED ACREAGE 7.5 A

SCALED DIMENSION

DEED DIMENSION

TAX MAP BLOCK NUMBER

SHEET INDEX

SECT NO. 055.00

Map Date: Mar 15, 2013

TAX MAP

TOWN OF FLORIDA

MONTGOMERY COUNTY, NEW YORK

1 Inch = 400 feet

EXHIBIT A

Form of Contract

STANDARD FORM CONTRACT FOR PURCHASE AND SALE OF REAL ESTATE

THIS IS A LEGALLY-BINDING CONTRACT. IF NOT FULLY UNDERSTOOD, WE RECOMMEND

ALL PARTIES TO THE CONTRACT CONSULT AN ATTORNEY BEFORE SIGNING.

1. IDENTIFICATION OF PARTIES TO THIS CONTRACT (this "Contract")

A. SELLER - The Seller is:

Larry A. Francisco and Karen L. Francisco

141 Thruview Drive, Amsterdam, New York 12010

(the word "Seller" refers to Larry A. Francisco and Karen L. Francisco, collectively, jointly and severally).

B. PURCHASER - The Purchaser is:

[____________]

[____________________]

[____________________]

Attention: [__________]

(the word "Purchaser" refers to [____________] and to the assignee of Purchaser pursuant to paragraph 24 herein).

2. PROPERTY TO BE SOLD

The Property and improvements which the Seller is agreeing to sell and which the Purchaser is agreeing to purchase is known as: 141 Thruview Drive, Amsterdam, NY 12010 (tax map #:55-1-23), located in the Town of Florida, in Montgomery County, New York, as shown on the tax map attached (and/or more particularly described) on Schedule A (the "premises" or the "Property").

(This Property includes all the Seller's rights and privileges, if any, to all land, water, streets and roads annexed to, and on all sides of the property.) The lot size of the Property is described as approximately ± 171 Acres

3. INTENTIONALLY OMITTED

4. PURCHASE PRICE

The purchase price is ($1,750,000.00) ONE MILLION SEVEN HUNDRED FIFTY THOUSAND DOLLARS

The Purchaser shall pay the purchase price as follows:

$ 0 deposit with this Contract.

$ 100,000.00 additional deposit within two (2) business days after receipt by Purchaser of a fully executed counterpart of this Contract, which deposit shall be held by Fidelity National Title Insurance Company, as escrowee ("Escrowee" or "Title Company"), in accordance with the terms of the Escrow Agreement of even date herewith executed by Seller and Purchaser, a copy of which is attached hereto as Exhibit 1 (the "Escrow Agreement").

$ 1,650,000.00 in cash, certified check or by wire transfer at the closing of title ("Closing"). This amount shall be reduced by crediting against it the total amount of non-refundable option consideration received by the Seller under the option agreement (the "Option") between Seller and Purchaser (or Purchaser's assignor), which is to be applied to the purchase price.

$ 0 by PURCHASER assuming and agreeing to pay a mortgage, now a recorded lien on the premises upon which there is unpaid estimated principal amount.

$ 0 Purchase money mortgage to Seller (see attached addendum for terms)

$ 1,750,000.00 TOTAL PRICE

5. INTENTIONALLY OMITTED

6. INTENTIONALLY OMITTED

7. OTHER TERMS

A. Purchaser's obligations under this Contract are contingent on the simultaneous closing of the adjacent Nadler property consisting of approximately ± 341 Acres by the Purchaser from Nadler Brothers, Inc., relating to the property known as : tax map #s: 55.19-1-4, 71-1-6, 71-1-61; on State Highway 30 and Belldons Road, in the Town of Florida and the City of Amsterdam, Montgomery County, New York.

B. Notwithstanding the foregoing, Purchaser may waive the contingency above at any time.

8. TITLE AND SURVEY

A. The abstract of title or any continuation thereof, or any title insurance policy shall be obtained at ~~SELLER'S~~ __ PURCHASER'S_x_ expense. The Seller shall cooperate in providing any available abstract of title or title insurance policy information without cost to PURCHASER. If the SELLER has a survey of the premises, it shall be provided to the PURCHASER and ~~SELLERS~~ __ PURCHASER_x_ shall pay the cost of updating any such survey or the cost of a new survey.

B. Title to the Property shall be free and clear of all liens, leases, occupancies, encumbrances, covenants, conditions and other matters affecting title, except for the Permitted Exceptions, and shall be good of record, in fact merchantable and insurable at standard rates. For the purposes of this Paragraph 8, the term "Permitted Exceptions" shall mean those matters affecting title to the Property set forth on Schedule B, attached hereto and made a part hereof.

9. CONDITION OF PREMISES

The buildings on the premises, if any, are sold "as is" without warranty as to condition, and the Purchaser agrees to take title to the buildings "as is" and in their present condition subject to reasonable use, wear, tear and natural deterioration between the date hereof and closing of title: except that, other than as set forth in paragraph 23 below, in the case of any condemnation, taking or destruction within the meaning of the provisions of Section 5-1311 of the General Obligations Law of the State of New York entitled "Uniform Vendor and Purchaser Risk Act", said section shall apply to this Contract.

10. CONDITIONS AFFECTING TITLE

The Seller shall convey and the Purchaser shall accept the Property subject to all covenants, conditions, restrictions and easements of record and zoning and environmental protection laws so long as the Property is not in violation thereof and any of the foregoing does not prevent the intended use of the Property for the purpose of ______casino, hotel and golf course______________________.

also subject to any unpaid installments of street or other improvement assessments payable after the date of the transfer of title to the property, and any state of facts which an inspection and/or accurate survey may show, provided that nothing in this paragraph renders the title to the Property unmarketable. Notwithstanding anything to the contrary contained in this Contract, Seller shall convey the Property free of all (and Purchaser shall have no obligation to accept the Property subject to any) tenancies and occupancies.

11. DEED, TRANSFER TAXES AND TITLE AFFIDAVIT

The Seller shall convey the Property to the Purchaser by Warranty Deed in proper form for recording, which deed shall include the covenant required by Subdivision "5" of Section 13 of the Lien Law. If the Seller conveys in any trust capacity, the usual deed given in such cases shall be accepted. The said deed shall be prepared, duly signed by the Seller, signature(s) acknowledged, all at the Seller's expense, so as to convey to the Purchaser the fee simple of said premises free and clear of all liens, leases, occupancies and encumbrances, except as herein stated. Seller shall, at Purchaser's request, use a legal description for such deed (which may include metes and bounds) determined by a property survey obtained by Purchaser. At Closing, Seller will pay any and all state, county and local transfer and recording fees pursuant to New York State Department of Taxation and Finance Combined Real Estate Transfer Tax Return (TP-584), plus any other transfer related tax or fee. All other costs and expenses attendant to settlement, including title company charges, shall be at the cost of the party that incurred same, at or prior to Closing (it being understood that Seller shall pay for any endorsements which Seller elects to obtain to cure a title exception). Additionally, at Closing, Seller shall deliver: (i) such title affidavits and

other documents as Title Company shall reasonably require and (ii) a duly executed certificate of non-foreign status of each Seller in the applicable form set forth in Treasury Regulations §1.1445-2(b)(2). Upon Purchaser's request, Seller shall request an assignment of the existing mortgage note and mortgage encumbering the Property (and an allonge to the mortgage note), if any, to Purchaser's lender.

12. TAX AND OTHER ADJUSTMENTS

The following, if any, shall be apportioned so that the Purchaser and Seller are assuming the expenses of the property and income from the property as of the date of transfer of title:

A. Taxes, sewer, water, rents and condominium or association fees.

B. Municipal assessment yearly installments except as set forth in item 9.

13. RIGHT OF INSPECTION AND ACCESS

Purchaser and/or a representative shall be given access to the Property for any tests or inspections. The PURCHASER agrees to hold Seller harmless against any and all liabilities that may arise from damage caused by said tests and inspections (provided Purchaser shall not have any liability to Seller by reason of the discovery of matters or circumstances through Purchaser's tests or inspections or by reason of any other pre-existing condition of the Property). In the event the Purchaser does not purchase the Property, the Purchaser agrees to restore any damage caused by Purchaser to the Property to substantially the same condition as existed immediately prior to such damage. This Contract is contingent upon a written determination(s), at Purchaser's expense, by a licensed architect or licensed engineer or by an agreed third party that the Property does not have structural, mechanical, and/or environmental defects exceeding a combined value of $250,000.00.

14. TRANSFER OF TITLE

Closing is to be completed at 12:00 noon on the date that is ninety (90) days following the date of this Contract, time being of the essence (the actual closing date is hereinafter referred to as the "Closing Date"), at the office of Attorney for the Seller or by escrow deliveries to Escrowee. Notwithstanding the foregoing, Purchaser shall have the right to adjourn the scheduled Closing for up to thirty (30) days by written notice to Seller no later than ten (10) days prior to the scheduled Closing. Purchaser may, by written notice to Seller, accelerate the date of Closing to a date no earlier than thirty (30) days after delivery of such acceleration notice.

15. DEPOSITS

All deposits will be held in escrow by Escrowee pursuant to the Escrow Agreement. The Purchaser will receive credit on the total amount of the deposit (including all interest accrued thereon) toward the purchase price.

16. REAL ESTATE BROKER

The Purchaser and Seller agree that Mullins Realty brought about the sale and each party represents that it has dealt with no other real estate broker or agent in connection with this sale, and Seller agrees to pay the Brokers' commission to Mullins Realty as agreed to per separate agreement. The provisions of this paragraph shall survive the Closing or termination of this Contract.

17. INTENTIONALLY OMITTED

18. INTENTIONALLY OMITTED

19. NOTICES

All notices contemplated by this Contract shall be in writing, delivered by certified or registered mail, return receipt requested, postmarked no later than the required date, by Federal Express or other nationally recognized overnight courier which obtains a signature upon delivery or by personal service by such date, in each case with a copy to such party's attorney at the address set forth on the signature page herein. When mailed, the written notice shall be deemed to have been duly given if and when deposited in the United States mail with proper and sufficient postage affixed, properly addressed to the intended recipient, and in the case of personal delivery or overnight courier the written notice shall be deemed to have been duly given when actually delivered to the intended recipient.

20. MISCELLANEOUS

A. Originals. This Contract may be executed in counterparts, each of which will be an original, and a facsimile copy showing execution shall be given the same force and effect of an original.

B. Section and Other Headings. The section and other headings are for reference purposes only and will not in any way affect the meaning or interpretation of the text of this Contract.

C. Governing Law. This Contract will be construed and enforced in accordance with the laws of the State of New York without giving effect to any conflict of laws or choice of laws to the contrary.

21. ENTIRE AGREEMENT

This Contract contains all agreements of the parties hereto. There are no promises, agreements, terms, conditions, warranties, representations or statements other than contained herein. This Contract shall apply to and bind the heirs, legal representatives, successors and assigns of the respective parties. It may not be changed orally.

22. Seller Representations. Seller represents and warrants as follows:

a. Seller is the sole fee owner of the Property and has not granted any option to purchase the Property (other than the Option) or any right of first refusal or right of first offer to purchase the premises, and has the right, power and authority to make and perform its obligations under this Contract. This Contract and Seller's closing documents have been duly authorized by all necessary action on the part of Seller and have been or will be duly executed and delivered by Seller. Seller's execution, delivery and performance of this Contract and Seller's closing documents will not conflict

with or result in a violation or breach of any agreement, judgment, order or decree of any court or arbiter, to which Seller is a party. This subparagraph 22(a) shall survive Closing for a period of six (6) months.

b. Except as set forth on Schedule C attached hereto, there exists no leases, licenses or other agreements (written or oral) for the use or occupancy of all or any portion of the premises and no person or entity has the right (or claims to have the right) to use or occupy all or any portion of the premises.

c. There is no action, litigation, condemnation or proceeding of any kind pending or threatened against Seller or the Property, and Seller has not received any notices regarding same.

d. Except as listed on Schedule D attached hereto, Seller has not received any written notice as to, nor to Seller's knowledge are there, any violation or breaches of any (i) governmental regulations with respect to the Property, or the use, operation or maintenance thereof, or (ii) agreement, covenant or restriction binding upon the Property.

e. To Seller's knowledge, no waste, substance, pollutant, contaminant or material, including, without limitation, any substances or materials defined as or included within the definition of "hazardous substances," "hazardous wastes," "hazardous materials," or "toxic substances" under any Environmental Laws, and including, but not limited to, asbestos, polychlorinated biphenyls, petroleum and petroleum based products ("Hazardous Substances") have been used, generated, transported, treated, stored, released, discharged or disposed of in, onto, under or from the Property or any portion thereof. No written notification of release of a Hazardous Substance has been filed or received by Seller as to the Property; (ii) Seller has not received written notice from any governmental authority having jurisdiction over the Property asserting any uncured violation of environmental laws; and (iii) there are no, nor have there been in the last twenty (20) years, above-ground or underground tanks or any other underground storage facilities located on the Property.

The representations and warranties of Seller under this paragraph 22 are made as of the date hereof, and as a condition to Purchaser's obligation to close title under this Contract, shall be true as of the Closing Date.

23. Condemnation. If after the execution and delivery of this Contract and prior to Closing, any proceedings are instituted, or public hearings are noticed, by any governmental authority which shall relate to the proposed taking of all or any portion of the Property by eminent domain, or if all or any portion of the Property is taken by eminent domain after the date of this Contract and prior to the Closing, Seller shall promptly notify Purchaser in writing no later than two business days after Seller's receipt of any notification or the date of Closing, whichever occurs earlier. Purchaser shall thereafter have the right and option to terminate this Contract by giving written notice to Seller and Escrowee within thirty (30) days after receipt by Purchaser of the notice from Seller or on the Closing Date, whichever is earlier. If the Closing Date was scheduled to occur after the institution of such proceeding, the Closing Date shall be deemed adjourned in order that Purchaser shall have its full thirty (30) day period within which to determine whether or not to proceed with Closing. If Purchaser timely

terminates this contract, Purchaser shall be entitled to receive all deposits from Escrowee and this Contract shall thereupon be terminated and become void and of no further effect, and neither party hereto shall have any obligations of any nature to the other hereunder or by reason hereof, except for those obligations and liabilities that are expressly stated to survive termination of this contract. If Purchaser does not elect to terminate this Contract, the parties hereto shall proceed to the Closing and at the Closing, Seller shall assign to Purchaser all of its right, title and interest in all awards in connection with such taking and shall pay to Purchaser any award paid to Seller with respect to such taking. Purchaser shall have the right to participate in discussions or proceedings with any governmental authority and approve any amount relating to the proposed taking of any portion of the Property.

24. Assignment. Purchaser shall have the right to assign its rights under this Contract to an entity controlled by or affiliated with Purchaser upon written notice to Seller.

25. Exclusivity. From and after the date hereof, so long as this Contract remains in full force and effect, neither Seller, nor any agent or representative of Seller, shall enter into, solicit or negotiate for entry into any purchase agreement, option agreement, sale contract, "back up offer" or any similar instrument regarding the sale or conveyance of the Property, any portion thereof or any interest therein or the sale or conveyance of any interest in any entity that owns or controls the Property.

26. Memorandum of Contract. Simultaneously with the signing of this Contract by Seller and Purchaser, Seller and Purchaser shall execute and deliver to each other a recordable Memorandum of Contract (the "Memorandum of Contract") in the form annexed hereto as Exhibit 2, together with such forms as Title Company shall require to record said Memorandum of Contract (it being understood that Seller shall, upon demand by Purchaser, execute and have notarized any additional or confirmatory documents which may be required by the Purchaser's title company to record the Memorandum of Contract), which Purchaser shall be entitled to promptly record (or cause to be recorded). In the event Purchaser assigns its rights under this Contract pursuant to paragraph 24 above, Seller at Purchaser's request shall execute and deliver a revised Memorandum of Contract reflecting the identity of such assignee, and otherwise in accordance with the terms of this paragraph. Seller shall not record this Contract or the Memorandum of Contract without Purchaser's prior written consent

27. Confidentiality. Seller hereby covenants and agrees that, at all times after the date hereof, unless consented to in writing by Purchaser, no press release or other disclosure concerning the Option or the Contract (or any terms thereof, the intended use of the Property or the fact that there were negotiations for the sale of the Property) will be made, and Seller shall prevent disclosure for its part, its agents and any party under the control of Seller (including by any broker of Seller) of the Option and the Contract (including the identity of Purchaser and its constituent members) and all information furnished to Seller concerning the Property (including development plans), other than (a) to attorneys of Seller who are involved in the ordinary course of business with this transaction, which will be instructed to comply with the confidentiality provision hereof, (b) in response to lawful process or subpoena or other valid or enforceable order of a court of competent jurisdiction (with notice thereof to Purchase) or (c) the recorded Memorandum of Option (as defined in the Option) or recorded Memorandum of Contract.

28. Default. In the event that Purchaser fails to close by reason of its default under this Contract, Seller may, as its sole and exclusive remedy, cancel this Contract by written notice to Purchaser, in which event the deposit shall be delivered to and retained by Seller as liquidated damages and not as a penalty, the parties agreeing that the deposit represents a reasonable estimate of Seller's actual damages and shall sufficiently compensate Seller for any damage incurred thereby.

THIS IS A LEGALLY-BINDING CONTRACT. IF NOT FULLY UNDERSTOOD, WE RECOMMEND

ALL PARTIES TO THE CONTRACT CONSULT AN ATTORNEY BEFORE SIGNING.

Dated: ______________________________

Purchaser ____________________________

Purchaser ____________________________

ACCEPTANCE

Dated: ______________________________

Seller ______________________________

Larry A. Francisco

Seller ______________________________

Karen L. Francisco

Attorneys:

For Seller: Salmon & Salmon LLP
179 Wallins Corner Road
Amsterdam, New York 12010
Attention: James F. Salmon, Esq.

For Purchaser: Blank Rome LLP
405 Lexington Avenue
New York, New York 10174
Attention: Martin Luskin, Esq.

Real Estate Broker:

Mullins Realty, 16 Stockbridge Road, Slingerlands, NY 12159 Attention: Mick Mullins

Phone: 518-383-8424 Fax: 518-383-8424 Email: MullinsAAA@aol.com

---

Produced with ZipForm® by zipLogix 18070 Fifteen Mile Road, Fraser, Michigan 48026 www,zipLogix.com

Schedule A

Property

[See Attached]

SCHEDULE A *(Description)*

ALL that certain plot, piece or parcel of land situate in the Town of Florida, County of Montgomery and State of New York and bounded and described as follows:

On the south and west by lands of the late Palmer Rowland and the lands of the heirs of George Servoss; on the East by lands of Isaac DeGraff, on the north by the lands of the late Isaac Houch and lands of John Davidson.

Containing 100 acres, more or less, and being same premises described is a deed from Henry Malling and wife to James Ferguson, dated December 20th, 1841 and recorded in Montgomery County Clerk's Office in Book of Deeds No. 48, Page 239, on May 9th, 1842.

Also all that other place or parcel of land situate in the said town, county and state and bounded and described as follows:

On the north by lands of Andrew Frank, Samuel Sweet, Leonard Sweet and Peter Becker; on the east by lands of Charles Belding and George Ross; on the south by lands formerly belonging to Palmer Rowland, deceased and on the west by lands of party of the first part (Benjamin Baird). Containing 110 ½ acres of land.

Excepting however from the above described land the following properties:

Excepting and reserving therefrom for a burial plot ¼ acre of land (Being the same premises described in a deed from Isaac DeGraff and Don C. Bent to James Ferguson, dated November 5, 1851, and recorded in Montgomery County Clerk's Office November 14th, 1851 in Book of Deeds No. 61, page 478, etc.) Excepting and reserving from said above described premises about 12.25 acre lot conveyed to Martin Ohlenschlager and 11.58 acre lot conveyed to August Vebaska.

Excepting and reserving from the above described premises a parcel of land conveyed by Walter Francisco and Clara Francisco, his wife, to the County of Montgomery by Warranty Deed dated July 17, 1940 and recorded in Montgomery County Clerk's Office July 18, 1940 in Book 243 of Deeds at page 547.

Further excepting and reserving thereout and therefrom a parcel of land at the northeasterly corner of the above described farm adjoining the highway leading to Daniel Street in the City of Amsterdam, said parcel being described as follows:

Commencing at a point in the westerly side of said highway at the southeasterly corner of lands of Herman Klump, and running from thence westerly along the lands of said Klump 249 feet to a point; thence southerly on a line parallel with the westerly line of said highway, 150 feet to a point; thence easterly on a straight line 249 feet to a point in the westerly side of said highway; and thence northerly along the westerly side of said highway 90 feet to the point or place of beginning. Being the parcel with bungalow therein now occupied by first parties, and which said parcel is surrounded by a wire fence. Being the same premises conveyed by Walter Francisco and Clara L. Francisco, his wife, to Harry Francisco and Bessie M. Francisco, his wife, by Warranty Deed dated April 12, 1944 and recorded in Montgomery County Clerk's Office May 11, 1944 in Book 255 of Deeds at Page 102.

Also excepting and reserving from the above described premises approximately 10.870 acres of land, more or less, appropriated by the State of New York for highway purposes by Notice of Appropriation, dated April 7, 1952 and recorded in Montgomery County Clerk's Office April 18, 1952 in Book 287 of Deeds at Page 340.

***THE POLICY TO BE ISSUED** under this Commitment will insure the title to such buildings and improvements on the premises which by law constitute real property.*

***FOR CONVEYANCING ONLY:** Together with all the right, title and interest of the party of the first part, of, in and to the land lying in the street in front of and adjoining said premises.*

SCHEDULE A *(Description)*

Excepting and reserving from the above described premises a parcel of land conveyed by Harry Francisco and Bessie M. Fransicso, his wife, to Industries for Amsterdam, Inc. by Warranty Deed dated July 30, 1958 and recorded in Montgomery County Clerk's Office August 1, 1958 in Book 312 of Deeds at Page 47.

***THE POLICY TO BE ISSUED** under this Commitment will insure the title to such buildings and improvements on the premises which by law constitute real property.*

***FOR CONVEYANCING ONLY:** Together with all the right, title and interest of the party of the first part, of, in and to the land lying in the street in front of and adjoining said premises.*

MAP PREPARED BY

MONTGOMERY COUNTY

Real Property Tax Service Agency

Sandra Frasier, Director

Revision Table

SPECIAL DISTRICTS

LEGEND

PROPERTY LINE		PUBLIC RIGHT OF WAY	
ORIGINAL LOT LINE		PRIVATE RIGHT OF WAY	
DENOTES COMMON OWNER		TOWN VILLAGE CITY	
BLOCK LIMIT		RAILROAD	
SECTION LINE		HYDROLOGY	

SCHOOL DISTRICT LINE	SCH	CALCULATED ACREAGE	7.8 A (c)
FIRE DISTRICT	F	DEED ACREAGE	7.5 A
AGRICULTURAL DISTRICT	MCAGD	SCALED DIMENSION	22.5 (s)
MONUMENT LOCATOR	■	DEED DIMENSION	150
COORDINATE LOCATOR	+	TAX MAP BLOCK NUMBER	②

SHEET INDEX

038.00	039.00	
054.00	☒	056.00
070.00	071.00	072.00

SECT NO. 055.00

Map Date: Mar 15, 2013

TAX MAP

TOWN OF FLORIDA

MONTGOMERY COUNTY, NEW YORK

1 inch = 400 feet

CITY OF AMSTERDAM

TOWN OF FLORIDA

NEW YORK STATE THRUWAY

CHUCTANUNDA

SOUTH

CREEK

THAYER ROAD

OLD ROUTE

038.00

054.00

055.00

055.14

056.00

070.00

071.00

072.00

① ② ③

Schedule B

Permitted Exceptions

1. Easement made by Walter Francisco and Clara Louise Francisco to The Adirondack Power and Light Corporation, dated December 3, 1921 and recorded February 27, 1922 in the Montgomery County Clerk's Office in Book 196 of Deeds at Page 198.

2. Easement made by Walter Francisco to The American Telephone and Telegraph Company, dated November 26, 1930 and recorded December 6, 1930 in the Montgomery County Clerk's Office in Book 224 of Deeds at Page 115.

3. Easement made by Walter Francisco and Clara Francisco to The American Telephone and Telegraph Company, dated August 30, 1925 and recorded October 14, 1927 in Montgomery County Clerk's Office in Book 215 of Deeds at Page 138.

4. Easement made by Walter Francisco and Mrs. Clara Louise Francisco and others to New York Power and Light Corporation, dated May 13, 1932 and recorded October 13, 1932 in Montgomery County Clerk's Office in Book 227 of Deeds at Page 399.

5. Easement made by Harry Francisco and Bessie M. Francisco to American Telephone and Telegraph Company, dated April 26, 1952 and recorded in Montgomery County Clerk's Office September 18, 1952 in Book 289 of Deeds at Page 286.

6. Notice of Appropriation made by and between Harry Francisco, Bessie Francisco, Walter Francisco, Clara Francisco, American Telephone and Telegraph Company and Niagara Mohawk Power Corporation, dated April 7, 1952 and recorded April 18, 1952 in Book 287 page 340.

7. Easement made by Harry Francisco to New York Telephone Company, dated July 20, 1964 and recorded in Montgomery County Clerk's Office October 15, 1964 in Book 356 of Deeds at Page 291.

Schedule C

Leases, Licenses, and Use or Occupancy Agreements

None

Schedule D

Notices of Violation or Breaches of Governmental Regulations, Agreement, Covenant or Restriction

None

Exhibit 1

Form of Escrow Agreement

ESCROW AGREEMENT

THIS ESCROW AGREEMENT ("Agreement") is made as of ________ ___, 201_ by and among **LARRY A. FRANCISCO** and **KAREN L. FRANCISCO**, each an individual (collectively, jointly and severally, "Seller"), and [______________], a [_____________] ("Purchaser"), and **FIDELITY NATIONAL TITLE INSURANCE COMPANY** ("Escrow Agent").

RECITALS:

WHEREAS, Purchaser and Seller are parties to that certain Contract for Purchase and Sale of Real Estate dated ________ __, 201_ (the "Purchase Agreement"), with respect to the sale by Seller to Purchaser of the real property located on Thruview Drive, in the Town of Florida, Montgomery County, New York, being approximately ±171 acres of property (tax map #: 55-1-23; address: 141 Thruview Drive, Amsterdam, NY 12010) ("Property"), as more particularly described therein.

WHEREAS, pursuant to the terms of the Purchase Agreement, Purchaser agreed to deposit the Deposit (as hereinafter defined) with the Escrow Agent.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties agree as follows:

1. Definitions. Except as otherwise noted herein, the meaning of the defined terms in this Agreement shall be governed by the definitions of those terms contained in the Purchase Agreement.

2. Establishment of Escrow; Payment of Deposit.

(a) Concurrently herewith, Purchaser has deposited in escrow with the Escrow Agent the sum of One Hundred Thousand Dollars ($100,000.00) (together with all accrued interest on such deposit, hereinafter referred to collectively as the "Deposit"). The Deposit shall be held in escrow by the Escrow Agent and disbursed solely in accordance with the terms hereof.

(b) Upon the Closing, Escrow Agent is authorized and directed to pay the Deposit to Seller or as Seller may direct.

(c) In the event the Purchase Agreement is terminated by reason of Purchaser's default, Escrow Agent shall pay the Deposit to Seller, who shall retain the Deposit as and for its liquidated damages in accordance with the Purchase Agreement.

(d) In the event the Purchase Agreement is terminated by reason other than Purchaser's default, Escrow Agent shall pay the Deposit to Purchaser.

(e) Except as otherwise provided for in this Agreement, Escrow Agent shall not pay or deliver the Deposit to any party unless written demand is made therefor and a copy of such written demand is delivered to the other party. If Escrow Agent does not receive a written

900200.00001/7352693v.3

objection from the other party to the proposed payment or delivery within five (5) business days after such demand is served by personal delivery on such party, Escrow Agent is hereby authorized and directed to make such payment or delivery. If Escrow Agent does receive such written objection within such five (5) business day period or if for any other reason Escrow Agent in good faith shall elect not to make such payment or delivery, Escrow Agent shall forward a copy of the objections, if any, to the other party or parties, and continue to hold the Deposit unless otherwise directed by written instructions from the parties to this Agreement or by a judgment of a court of competent jurisdiction. In any event, Escrow Agent shall have the right to refrain from taking any further action with respect to the subject matter of the escrow until it is reasonably satisfied that such dispute is resolved or action by Escrow Agent is required by an order or judgment of a court of competent jurisdiction.

3. Deposit. Escrow Agent shall invest all of the monies held in escrow under this Agreement, including any interest received thereon, in an FDIC insured interest-bearing deposit account or US-Treasury money market fund at [Signature Bank, N.A./Citibank, N.A./JPMorgan Chase Bank, N.A.]. The party entitled to receive the interest earned on the Deposit shall pay all income taxes owed in connection therewith.

4. Notices. All notices, payments or other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given if sent by registered or certified mail, postage prepaid and return receipt requested and received, or by nationally recognized overnight courier service, or by e-mail with confirmed receipt and a "hard" copy forward approximately simultaneously via one of the other methods of delivery, addressed as follows:

If to Seller: Larry A. Francisco and Karen L. Francisco
141 Thruview Drive
Amsterdam, NY 12010
Email: ______________

With a copy to: Salmon & Salmon LLP
179 Wallins Corner Road
Amsterdam, NY 12010
Attn: James F. Salmon, Esq.
Email: _______________

If to Purchaser: __________________
____
____
Attn: ____________
Email: _______________

With a copy to: Blank Rome LLP
405 Lexington Avenue

New York, New York 10174
Attention: Martin Luskin, Esq. and Kim L. Khutorsky, Esq.
mluskin@blankrome.com and klikhutorsky@blankrome.com

Escrow Agent: Fidelity National Title Insurance Company
485 Lexington Avenue, 18th Floor
New York, New York 10017
Attention: Nick DeMartini
ndemartini@fnf.com

5. Waivers. No waiver of any of the provisions of this Agreement shall be binding upon any party hereto unless in writing and signed by such party. No waiver of any provision of, or default under, this Agreement shall affect the right of any party thereafter to enforce said provision or to exercise any right or remedy in the event of any other default, whether or not similar.

6. Modification. This Agreement may be supplemented, altered, amended, modified or revoked by writing only, signed by all of the parties hereto.

7. Duties of Escrow Agent.

(a) Escrow Agent, by signing this Agreement, signifies its agreement to hold the Deposit for the purposes as provided in this Agreement.

(b) Escrow Agent may rely upon, and shall be protected in acting or refraining from acting upon, any written notice, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper party or parties; provided, however, that, as stated above, any modification of this Agreement must be signed by all of the parties hereto. Any notice to Escrow Agent shall be sufficient only if received by Escrow Agent within the applicable time period set forth herein.

(c) Escrow Agent shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the rights of powers conferred upon it by this Agreement. Escrow Agent may consult with counsel of its own choice, and shall have full and complete authorization and protection for any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel.

(d) Escrow Agent shall not be liable or responsible for and has no liability in the event of failure, insolvency, or inability of the depositary to pay the Deposit or for any failure, refusal or inability of the depository into which the Deposit is deposited to pay the Deposit at Escrow Agent's direction, or for levies by taxing authorities based upon the taxpayer identification number used to establish this interest bearing account. Escrow Agent shall not be responsible for any interest except for such interest as is actually received, nor shall Escrow Agent be responsible for the loss of any interest arising from the closing of any account or the sale of any certificate of deposit or other instrument prior to maturity.

8. Benefit. This Agreement shall be binding upon and inure to the benefit of

the parties hereto and their respective successors and assigns.

9. Reimbursement. Seller and Purchaser, jointly and severally, agree to reimburse Escrow Agent, upon demand, for the reasonable costs and expenses including attorneys' fees (either paid to retained attorneys or equaling the reasonable value of services rendered to itself) incurred by Escrow Agent in connection with its acting in its capacity as escrow agent. In the event of litigation relating to the subject matter of the escrow, whichever of Seller or Purchaser is not the prevailing party shall reimburse the prevailing party for any costs and fees paid by the prevailing party or paid from the escrowed funds to Escrow Agent.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth above.

SELLER:

____
LARRY A. FRANCISCO

____
KAREN L. FRANCISCO

PURCHASER:

[____________________],
a [__________________________]

By: ____________________
Name:
Title:

ESCROW AGENT

FIDELITY NATIONAL TITLE INSURANCE COMPANY

By: ________________________________
Name:
Title:

Exhibit 2

Form of Memorandum of Contract

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

Blank Rome LLP
405 Lexington Avenue
New York, New York 10174
Attention: Martin Luskin

MEMORANDUM OF CONTRACT

This Memorandum of Contract dated as of March __, 2014 is made and entered into by and between **LARRY A. FRANCISCO** and **KAREN L. FRANCISCO**, each an individual having an address at 141 Thruview Drive, Amsterdam, New York 12010 (collectively, jointly and severally, "Seller") and [________________], a [____________] having an address [________________________] ("Purchaser").

WITNESSETH:

Seller and Purchaser have entered into a Contract for Purchase and Sale of Real Estate dated as of the date hereof (the "Contract") for the sale of the real property located on Thruview Drive, in the Town of Florida, Montgomery County, New York, being approximately ±171 acres of property (tax map #: 55-1-23; address: 141 Thruview Drive, Amsterdam, NY 12010), as shown on the tax map (and/or more particularly described) on Schedule A attached hereto (the "Property"). Pursuant to the terms of the Contract, Seller and Purchaser have agreed to record a memorandum of the Contract setting forth certain rights of the Purchaser under the Contract.

All undefined capitalized terms herein shall have the meanings ascribed to such terms in the Contract.

Pursuant to the terms of the Contract, the closing of title to the Property shall take place on ________ ___, 201_, subject to the right of Purchaser to adjourn the closing of title up to a date not later than ________ ___, 201_, as such date may be extended or accelerated pursuant to the terms of the Contract.

The Contract provides for a deposit by Purchaser of One Hundred Thousand Dollars ($100,000.00) prior to the conveyance of title to the Property. Said amount is in addition to payments made by Purchaser to Seller prior to execution of the Contract of up to Eighty Thousand Dollars ($80,000.00).

Subject to the terms of the Contract, Seller will not (a) sell, lease, transfer or otherwise encumber all or any portion of the Property or any interest in any entity that owns or controls the Property, nor grant any right or option (including without limitation any right of first refusal or right of first offer) with respect to the foregoing or (b) enter into any easement, lease, license agreement, service contract or any other agreement relating to the development, use, maintenance or operation of the Property.

This Memorandum of Contract does not supersede, modify, amend or otherwise change the terms of the Contract. In the event of a conflict between the provisions of this Memorandum of Contract and the provisions of the Contract, the Contract shall control.

This Memorandum of Contract may be executed in counterparts, each of which shall be deemed an original and all of which taken together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, Seller and Purchaser have caused this Memorandum of Contract to be executed as of the date first written above.

SELLER:

____
LARRY A. FRANCISCO

____
KAREN L. FRANCISCO

PURCHASER:

[________________________]

By: ____________________________
Name:
Title:

ACKNOWLEDGEMENTS

STATE OF NEW YORK)
ss.:
COUNTY OF)

On the day of __________, in the year 201_, before me, the undersigned, a Notary Public in and for said state, personally appeared **Larry A. Francisco** personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the person or the entity upon behalf of which the person acted, executed the instrument.

____
Notary Public

STATE OF NEW YORK)
ss.:
COUNTY OF)

On the day of __________, in the year 201_, before me, the undersigned, a Notary Public in and for said state, personally appeared **Karen L. Francisco** personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the person or the entity upon behalf of which the person acted, executed the instrument.

____
Notary Public

STATE OF NEW YORK)
ss.:
COUNTY OF)

On the day of __________, in the year 2014, before me, the undersigned, a Notary Public in and for said state, personally appeared ____________________________________ personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

____
Notary Public

Schedule A

PROPERTY

EXHIBIT B

Form of Memorandum of Option

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

Blank Rome LLP
405 Lexington Avenue
New York, New York 10174
Attention: Martin Luskin

MEMORANDUM OF OPTION TO PURCHASE

This Memorandum of Option to Purchase (this "Memorandum of Option") dated as of March __, 2014 is made and entered into by and between **LARRY A. FRANCISCO** and **KAREN L. FRANCISCO**, each an individual having an address at 141 Thruview Drive, Amsterdam, New York 12010 (collectively, jointly and severally, "Owner") and **FLORIDA ACQUISITION CORP.**, a Delaware corporation having an address c/o Blank Rome LLP, 405 Lexington Avenue, New York, New York 10174, Attention: Martin Luskin. ("Optionee").

WITNESSETH:

For good and valuable consideration, Owner and Optionee have entered into an Option to Purchase Real Property dated as of March ___, 2014 (the "Option Agreement") covering the real property on Thruview Drive, in the Town of Florida, Montgomery County, New York, being approximately ±171 acres of property (tax map #: 55-1-23; address: 141 Thruview Drive, Amsterdam, NY 12010), as shown on the tax map attached hereto as Schedule A (the "Premises"). All capitalized terms set forth herein shall have the meanings ascribed to such terms in the Option Agreement unless otherwise defined herein.

The terms and provisions of the Option Agreement are incorporated herein by reference as though fully set forth herein.

Pursuant to the terms of the Option Agreement, by notice given no later than 5:00 p.m. September 30, 2016, Optionee has the option to purchase the Premises.

The Option Agreement provides for payments by Optionee to Owner of up to Eighty Thousand Dollars ($80,000.00) prior to the exercise of the option to purchase the Premises.

This Memorandum of Option does not supersede, modify, amend or otherwise change the terms of the Option Agreement. This Memorandum of Option shall not be used in interpreting the provisions of the Option Agreement. In the event of a conflict between the provisions of this Memorandum of Option and the provisions of the Option Agreement, the Option Agreement shall control.

This Memorandum of Option may be executed in counterparts, each of which shall be deemed an original and all of which taken together shall constitute but one and the same instrument.

This Memorandum of Option shall be governed by and construed in accordance with the laws of the State of New York.

This Memorandum of Option shall bind and inure to the benefit of the parties hereto and their respective successors and assigns.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Owner and Optionee have caused this Memorandum of Option to be executed as of the date first written above.

OWNER:

____
LARRY A. FRANCISCO

____
KAREN L. FRANCISCO

OPTIONEE:

FLORIDA ACQUISITION CORP.

By: ____________________________
Name: Martin Luskin
Title: Authorized Signatory

900200.00001/7352693v.3

ACKNOWLEDGEMENTS

STATE OF NEW YORK)
ss.:
COUNTY OF)

On the day of __________, in the year 2014, before me, the undersigned, a Notary Public in and for said state, personally appeared **Larry A. Francisco** personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the person or the entity upon behalf of which the person acted, executed the instrument.

____
Notary Public

STATE OF NEW YORK)
ss.:
COUNTY OF)

On the day of __________, in the year 2014, before me, the undersigned, a Notary Public in and for said state, personally appeared **Karen L. Francisco** personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the person or the entity upon behalf of which the person acted, executed the instrument.

____
Notary Public

STATE OF NEW YORK)
ss.:
COUNTY OF)

On the day of __________, in the year 2014, before me, the undersigned, a Notary Public in and for said state, personally appeared **Martin Luskin** personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the person or the entity upon behalf of which the person acted, executed the instrument.

____
Notary Public

Exhibit A

PREMISES

[See Attached]

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

Blank Rome LLP
405 Lexington Avenue
New York, New York 10174
Attention: Martin Luskin

MEMORANDUM OF OPTION TO PURCHASE

This Memorandum of Option to Purchase (this "Memorandum of Option") dated as of March 28, 2014 is made and entered into by and between **NADLER BROTHERS, INC.**, a New York corporation having an address at 179 Wallins Corners Road, Amsterdam, New York 12010, Attention: Mr. Donald Nadler ("Owner") and **FLORIDA ACQUISITION CORP.**, a Delaware corporation having an address c/o Blank Rome LLP, 405 Lexington Avenue, New York, New York 10174, Attention: Martin Luskin ("Optionee").

WITNESSETH:

1. For good and valuable consideration, Owner and Optionee have entered into an Option to Purchase Real Property dated as of March 28, 2014 (the "Option Agreement") covering the real property on State Highway 30 and Belldons Road, in the Town of Florida and the City of Amsterdam, Montgomery County, New York, being approximately ±341 acres of property (tax map #s: 55.19-1-4, 71-1-6, 71-1-61), as shown on the tax map attached hereto as Schedule A (the "Premises"). All capitalized terms set forth herein shall have the meanings ascribed to such terms in the Option Agreement unless otherwise defined herein.

2. The terms and provisions of the Option Agreement are incorporated herein by reference as though fully set forth herein.

3. Pursuant to the terms of the Option Agreement, by notice given no later than 5:00 p.m. September 30, 2016, Optionee has the option to purchase the Premises.

4. The Option Agreement provides for payments by Optionee to Owner of up to Eighty Thousand Dollars ($80,000.00) prior to the exercise of the option to purchase the Premises.

5. This Memorandum of Option does not supersede, modify, amend or otherwise change the terms of the Option Agreement. This Memorandum of Option shall not be used in interpreting the provisions of the Option Agreement. In the event of a conflict between the provisions of this Memorandum of Option and the provisions of the Option Agreement, the Option Agreement shall control.

6. This Memorandum of Option may be executed in counterparts, each of which shall be deemed an original and all of which taken together shall constitute but one and the same instrument.

7. This Memorandum of Option shall be governed by and construed in accordance with the laws of the State of New York.

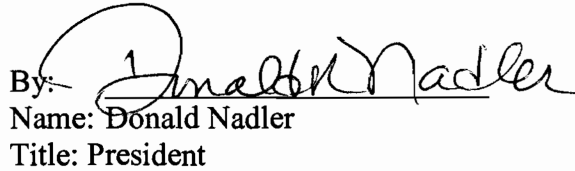
8. This Memorandum of Option shall bind and inure to the benefit of the parties hereto and their respective successors and assigns.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Owner and Optionee have caused this Memorandum of Option to be executed as of the date first written above.

OWNER:

NADLER BROTHERS, INC.



By: ____________________
Name: Donald Nadler
Title: President

OPTIONEE:

FLORIDA ACQUISITION CORP.

By: ____________________
Name: Martin Luskin
Title: Authorized Signatory

ACKNOWLEDGEMENTS

STATE OF NEW YORK)
ss.:
COUNTY OF Montgomery)

On the 28th day of March, in the year 2014, before me, the undersigned, a Notary Public in and for said state, personally appeared Donald R Nadler personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

Sandra J Steenburg
Notary Public

SANDRA J STEENBURG
Notary Public - State of New York
Qualified in County of Fulton
Commission Expires July 22, 2014
Registration No. 01ST5063533

STATE OF NEW YORK)
ss.:
COUNTY OF)

On the 31st day of March, in the year 2014, before me, the undersigned, a Notary Public in and for said state, personally appeared **Martin Luskin** personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the person or the entity upon behalf of which the person acted, executed the instrument.

Monica Maldonado
Notary Public

MONICA MALDONADO
Notary Public, State of New York
No. 01MA6211620
Qualified in Queens County
Commission Expires 09/21/2017

Exhibit A

PREMISES

SCHEDULE A *(Description)*

(Description of land as per Book 290 page 288. (Cover subject premises and more))

Parcel No. 1:

ALL THAT TRACT OR PARCEL OF LAND, situate in the Town of Florida, County of Montgomery and State of New York, bounded and described as follows:

BEGINNING at the most northerly corner of the farm formerly owned by George Herrick and running thence along said lands as the needle now points and as the fence now stands South 53 degrees 15 seconds West twenty-two chains and three links; thence South 54 degrees 35 seconds West 13 chains and 66 links to a stone, being the most easterly corner of lands formerly owned by James Tweedy, thence along the same as the fence now stands North 36 degrees 50 seconds West 15 chains and 58 links; thence North 36 degrees West 11 chains and 19 links to the westerly bounds of the road leading from Minaville to the City of Amsterdam; thence along the same North 34 degrees 50 seconds East 12 chains 14 links to a stake and stone on the easterly bounds of the lands of Eve Rowland; thence along the same North 53 degrees 55 seconds East 23 chains and 72 links to a stone set in the ground being the corner of said Rowland Farm; thence along the highway South 36 degrees 50 seconds East 4 chains and 51 links to the corner of the lands formerly owned by William McClumpha; thence along the same as the fence now stands North 54 degrees 40 seconds East 14 chains and 63 links to the corner of the lands formerly owned by Garrett Vanderveer; thence along the same as the fence now stands 50 degrees 45 seconds East 23 chains 80 links; thence South 46 degrees 35 seconds East 4 chains and 10 links; thence South 25 degrees 30 inches East 5 chains and 11 links to a stone set in the ground, being the most southerly corner of said Vanderveer Farm; thence along the lands formerly owned by one Blood and one Hiram Hubbs as the fence now stands, South 56 degrees 15 seconds West 19 chains and 72 links to the lands formerly owned by one George Herrick; thence along the same as the fence now stand North 37 degrees 15 seconds West 4 chains and 80 links to the place of beginning. Containing 163.11 acres of land.

The use of the phrase “as the fence now stands” in the above description in various places, refers to the location of such fences on February 11, 1924.

EXCEPTING AND RESERVING from above described premises the portion thereof conveyed to Henry Verbrasks and wife by deed dated February 29, 1924, and recorded in Montgomery County Clerk’s Office in Book 202 at Page 557. **(COPY TO FOLLOW);**

ALSO EXCEPTING the premises conveyed to Nick Fabozzi and wife by deed dated July 25, 1925, and recorded in said Clerk’s Office in Book 207 at Page 317. **(COPY HEREIN)**;

ALSO EXCEPTING the premises conveyed to John C. Verbasks by two separate deeds the first of which is dated October 27, 1926, and recorded in said Clerk’s Office in Book 213 at Page 104 **(COPY HEREIN);** and the second is dated November 20, 1928, and recorded in said Clerk’s Office in Book 216 at Page 370. **(COPY HEREIN)**.

Parcel No. 2:

ALL THAT PIECE OR PARCEL OF LAND situate, lying and being in the Town of Florida, County of Montgomery, N.Y., known as Lot No. 87 on a map of the sub-division of a Tract called Warrenbush made by J.R. Reykis and on file in the Office of the Secretary of State, and is bounded on the Southeast by Lot No. 88; On the Southwest by Lot No. 107; on the Northeast by Lot No. 86; and on the northwest by Lots Nos. 110, 111 and 112; said tract or parcel containing 105 acres of land, be the same more or less. Said tract being bounded northerly and westerly by lands now or formerly of one Francisco, and by the highway

THE POLICY TO BE ISSUED under this Commitment will insure the title to such buildings and improvements on the premises which by law constitute real property.

FOR CONVEYANCING ONLY: Together with all the right, title and interest of the party of the first part, of, in and to the land lying in the street in front of and adjoining said premises.

SCHEDULE A *(Description)*

leading past the Francisco Farm; Southerly by lands now or formerly of one Pagel; formerly of Hartley; and Easterly by the Amsterdam-Minaville Highway.

Parcel No. 3 :

ALL THAT PIECE OR PARCEL OF FARM LAND situate, lying and being in the Town of Florida, County of Montgomery, and State of New York, bounded and described as follows: On the Northerly side by the highway leading easterly from what is known as Amsterdam-Minaville Highway past the farms of the late Emery Elwood and the late Hiram Hubbs; on the Westerly side by the highway leading South from the first above mentioned highway; on the Southerly side by the lands formerly of Charles Gentz, now deceased, and on the Easterly side by lands formerly of one Staley, now deceased, and lands now or formerly of Elmer Abraham, Arthur Smyths and Charles Abraham. Being all of the lands of the southerly side of the said first mentioned highway which were owned by the Hiram Hubbs at the time of his death, consisting of about 140 acres of land more or less,

EXCEPTING AND RESERVING therefrom the wood lot of about ten acres and the right of way thereto of twenty feet in width as described in deed of Charles Hubb to Elmer Abraham dated March 31, 1934, and recorded in Montgomery County Clerk's Office in Book 230 of Deeds at Page 24. **(COPY TO FOLLOW)**

Parcel No. 4:

ALL THAT TRACT OR PARCEL OF LAND, situate in the City of Amsterdam, and Town of Florida, County of Montgomery and State of New York, briefly bounded and described as follows: Northwesterly and Northerly by lands of Roman Catholic Cemetery Association, by lands formerly of Henry C. Grieme, by lands formerly of William McClearly, by Minaville Street and the public highway leading from Amsterdam to Minaville, being a continuation of Minaville Street; Easterly by lands formerly of Ten Eyck Major and lands formerly of Francis Morris, deceased; and on the South and Southwest by lands now or formerly of Joseph Nadler and Daniel F. Nadler and one John Verbrasks. Said parcel or farm containing 144.69 acres.

EXCLUDING however certain lots shown on map described as Map of a Portion of Vanderveer Homestead Property, Amsterdam, New York, made by F. E. Crane, C.E. and filed in Office of the Montgomery County Clerk, said lots being numbered on said Map as Lots No. 1, 2, 8, 9, 13, 35, 40, 42, 95, 96, 104, 106 and 107, said lots having been conveyed by said David Lorenzo or his predecessors in title. **(COPY HEREIN)**

Excepting however from the above described land the following Deed made by Nadler Bros., Inc. to Richard H. Prant, dated July 1, 1987 and recorded July 2, 1987 in Liber 474 page 284. **(COPY HEREIN)**

Please note: A new metes and bounds description may be furnished upon receipt of an accurate and certificated survey acceptable to this company.

THE POLICY TO BE ISSUED under this Commitment will insure the title to such buildings and improvements on the premises which by law constitute real property.

FOR CONVEYANCING ONLY: Together with all the right, title and interest of the party of the first part, of, in and to the land lying in the street in front of and adjoining said premises.

SCHEDULE A *(Description)*

(Description of land as per Book 295 page 79. (Cover subject premises and more))

ALL that piece or parcel of land situate in the Town of Florida, Montgomery County, N.Y. bounded and described as follows:

BEGINNING at a point in the westerly margin of the Amsterdam-Minaville highway, said point being S. 42 degrees 39 minutes 40 seconds West 389 feet from the division line between lands now or formerly of said George D. Lampkin and lands now or formerly of Stephen Kryseczak, and marked by a stake; running thence South 61 degrees 05 minutes East 1094 feet, more or less, across lands of said George D. Lampkin, to a point in the westerly margin of lands now or formerly of Jaeger; running thence North 57 degrees 46 minutes 59 seconds East 523.99 feet, more or less, along said westerly margin of lands now or formerly of Jaeger to a point; continuing thence North 57 degrees 52 minutes 47 seconds East 838.5 feet, more or less, along the westerly margin of lands formerly of Herrick and now of Jaeger, to a point in the southerly margin of lands formerly of Elwood, and now of Nadler; thence North 33 degrees 07 minutes 52 seconds West 1211.63 feet, along the southerly margin of lands formerly of Elwood, now Nadler, to a point in the easterly margin of lands now or formerly of Nicola Fabbozi; thence South 57 degrees 37 minutes West 110.69 feet along the easterly margin of lands formerly of Nicola Fabbozi to a point marked by an iron pipe; thence North 54 degrees West 430.95 feet along the southerly margin of lands formerly of Nicola Fabbozi; to a point in the easterly margin of highway leading from Amsterdam to Minaville; thence South 39 degrees 02 minutes 10 seconds West 127.46 feet along the easterly margin of highway to a point; continuing thence South 29 degrees 58 minutes West 792.54 feet along the easterly margin of highway to a point; continuing thence South 32 degrees 13 minutes 25 seconds West 178.15 feet along the easterly margin of highway to a point in the northerly margin of lands of Steven Czelusniak; thence South 64 degrees 31 minutes East 120 feet along the northerly margin of lands of Steven Czelusniak to a point; thence South 40 degrees 15 minutes West 153.35 feet along the easterly margin of lands of Steven Czelusniak to a point; continuing thence South 44 degrees 04 minutes West 210.61 feet along the easterly margin of lands of Steven Czelusniak to a point; thence North 53 degrees 23 minutes West 120 feet along the southerly margin of lands of Steven Czelusniak to a point in the easterly margin of highway; running thence South 42 degrees 39 minutes 40 seconds West 298.77 feet along said easterly margin of the Amsterdamn-Minaville highway to the point or place of BEGINNING.

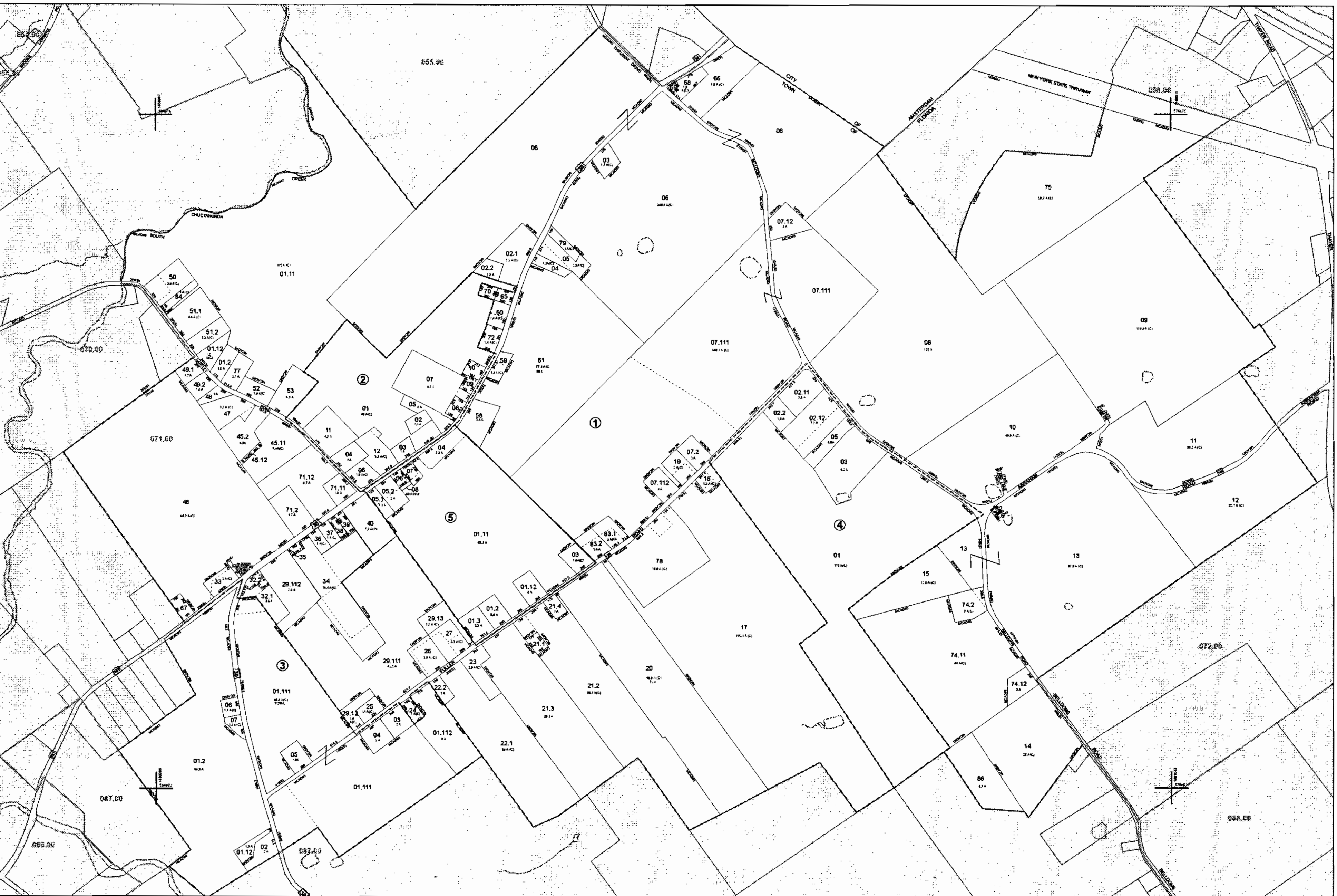
EXCEPTING AND RESERVING from the above described property, a parcel of land lying immediately easterly of, and adjoining, the aforesaid lands of Steven Czeluzniak, being a parcel 26 feet, more or less, along the northerly edge, 365 feet, more or less, along the easterly edge, 35 feet, more or less, along the southerly edge, and 363.96 feet along the westerly edge. **(COPY TO FOLLOW)**

Please note: A new metes and bounds description may be furnished upon receipt of an accurate and certificated survey acceptable to this company.

THE POLICY TO BE ISSUED under this Commitment will insure the title to such buildings and improvements on the premises which by law constitute real property.

FOR CONVEYANCING ONLY: Together with all the right, title and interest of the party of the first part, of, in and to the land lying in the street in front of and adjoining said premises.

055.15
570872
055.16
573872
055.20
NEW YORK STATE THRUWAY
30
05
01
055.19
CITY
TOWN
1
03
02
OF
OF
04
AMSTERDAM
FLORIDA
570876
573876
MAP PREPARED BY:
MONTGOMERY COUNTY
Real Property Tax Service Agency
Sandra Frasier, Director
SPECIAL DISTRICTS
PROPERTY LINE
ORIGINAL LOT LINE
DENOTES COMMON OWNER
BLOCK LIMIT
SECTION LINE
PUBLIC RIGHT OF WAY
PRIVATE RIGHT OF WAY
TOWN VILLAGE CITY
RAILROAD
HYDROLOGY
LEGEND
SCHOOL DISTRICT LINE
FIRE DISTRICT
AGRICULTURAL DISTRICT
MONUMENT LOCATOR
COORDINATE LOCATOR
CALCULATED ACREAGE
DEED ACREAGE
SCALED DIMENSION
DEED DIMENSION
TAX MAP BLOCK NUMBER
SHEET INDEX
SECT. NO. 055.19
Date: 12/11/2012
TAX MAP
CITY OF AMSTERDAM
MONTGOMERY COUNTY, NEW YORK



MAP PREPARED BY
MONTGOMERY COUNTY
Real Property Tax Service Agency
Sandra Frasier, Director
SPECIAL DISTRICTS
LEGEND
SHEET INDEX
SECT NO. 071.00
TAX MAP
TOWN OF FLORIDA
MONTGOMERY COUNTY, NEW YORK
Map Date: Mar 15, 2013
NEW YORK STATE THRUWAY
THAYER ROAD
BELLDOONE ROAD
CHUCTANUNDA CREEK
CITY
TOWN
OF
AMSTERDAM
FLORIDA
055.00
058.00
070.00
071.00
072.00
087.00
088.00
089.00

OPTION TO PURCHASE REAL PROPERTY

THIS IS A LEGALLY-BINDING CONTRACT. IF NOT FULLY UNDERSTOOD, WE RECOMMEND

ALL PARTIES TO THE CONTRACT CONSULT AN ATTORNEY BEFORE SIGNING.

Option Date: March 28, 2014

Grantor: Nadler Brothers, Inc.

c/o 179 Wallins Corners Road, Amsterdam, New York 12010

Attention: Donald Nadler, President

Grantee: Florida Acquisition Corp.

c/o Blank Rome LLP

405 Lexington Avenue, New York, New York 10174

Attention: Martin Luskin

1. Grant of Option. Grantor grants to Grantee the exclusive right and option to purchase, on the terms and conditions set forth herein (this "option" or this "option agreement"), real property owned by the Grantor on State Highway 30 and Belldons Road, in the Town of Florida and the City of Amsterdam, Montgomery County, New York, being approximately ±341 acres of property (tax map #s: 55.19-1-4, 71-1-6, 71-1-61), as shown on the tax map attached hereto as Schedule A (the "premises" or the "property").

2. Option Period. The term of this option shall commence on the date hereof and continue until 5:00 P.M. on the earlier to occur of (i) September 30, 2016 and (ii) the date that is ten (10) business days following the date on which Grantee obtains an irrevocable, final and unappealable casino license in a form satisfactory to Grantee from the New York State Gaming Commission or affiliated licensing body under the Upstate NY Gaming and Economic Development Act of 2013.

3. Consideration for Option. This option is granted in consideration of the sum of One Dollar and other valuable consideration paid by Grantee to Grantor, receipt of which is hereby acknowledged. In addition:

No other consideration for the portion of the Option Period from the date hereof until;

Unless Grantee exercises this option as hereinafter set forth, Grantee shall make payments to Grantor (i) in the amount of $5,000.00 (Five Thousand Dollars), commencing on the date that is sixty

(60) days after the New York State Gaming Commission issues a request for applications for casino licenses in the Capital region and thereafter on the first day of the month for each of the three (3) calendar months following such date and (ii) unless already paid pursuant to (i) above, on the dates and in the amounts set forth below:

Date	Amount
December 1, 2014	$5,000.00
March 1, 2015	$5,000.00
June 1, 2015	$5,000.00
September 1, 2015	$5,000.00
December 1, 2015	$10,000.00
March 1, 2016	$10,000.00
June 1, 2016	$10,000.00
September 1, 2016	$10,000.00

Grantee may make no initial monthly payment as set forth above, and in such event, this option and the rights of Grantee shall automatically and immediately terminate without notice.

4. Purchase Price of Property. The full purchase price of the property is $3,500,000.00 (Three Million Five Hundred Thousand Dollars) which amount shall be payable as herein provided if Grantee elects to exercise this option.

5. Application of Consideration to Purchase Price. If Grantee purchases the property described in this option, and under the terms and conditions hereof, the consideration paid for this option shall be applied to the purchase price.

6. Exercise of Option. Grantee may exercise this option by giving Grantor written notice thereof in accordance with paragraph 16 below, signed by the Grantee, accompanied by each of the following items signed by Grantee, before the expiration of the option period: (i) the real property sales contract (the "Contract"), the form of which is attached hereto as Exhibit A, and (ii) the escrow agreement, the form of which is attached to the Contract (the "Escrow Agreement"). Upon exercise of the option and execution of the Contract by Grantee, the terms and conditions of the Contract shall be applicable to the transaction to the extent that such terms and conditions are not inconsistent with any provision set forth herein. Grantor shall return to Grantee original countersigned counterparts of the Contract and Escrow Agreement within five (5) days after receipt of Grantee's written notice under this paragraph.

7. Failure to Exercise Option. If Grantee does not exercise this option in accordance with its terms and within the option period, this option and the rights of Grantee shall automatically and immediately terminate without notice. In the event Grantee fails to exercise this option, Grantor shall retain all sums paid as consideration for this option.

8. Grantor Authority. Grantor represents that Grantor is the sole fee owner of the property and has not granted any option to purchase the premises (other than this option) or any right of first refusal

or right of first offer to purchase the premises, and has the right, power and authority to make and perform its obligations under this option.

9. Grantee's Right of Access. Following execution hereof, Grantee shall have the right to enter onto the premises and have prepared, at Grantee's own expense, engineering, survey, surface and sub-surface inspections and tests and other such preliminary work as may be necessary in assisting Grantee in deciding whether to exercise the purchase option. If the option is not exercised, the Grantee agrees to compensate Grantor for any damage that may arise from such work. Grantee further agrees to indemnify, defend and hold harmless Grantor for any liability resulting from damage to the premises caused by the negligent or wrongful acts or omissions of Grantee or its agents in connection with the performing of the above acts (provided Grantee shall not have any liability to Grantor by reason of the discovery of matters or circumstances through Grantee's inspections, tests or other such preliminary work or by reason of any other pre-existing condition of the property).

10. Restoration of Premises. The Grantee shall not remove any improvement or timber from the premises during the course of its option, and covenants and agrees it will restore any damage to the premises caused by Grantee to substantially the same condition as existed immediately prior to such damage within sixty (60) days of such damage. In the event Grantee fails to restore the property to such condition, Grantor shall have the option to restore said property, in which event Grantee shall be solely responsible for the repayment to Grantor of funds reasonably necessary to correct the situation or shall be liable to the Grantor for damages incurred in accordance with Paragraph 9 hereof.

11. Binding Effect. This option shall be binding upon and shall inure to the benefit of the parties to it, and their respective heirs, successors, or assigns.

12. Assignment. Grantee shall have the right to assign its rights under this option only to an entity in existence and controlled by or affiliated with Grantee upon written notice to Grantor.

13. Exclusivity. From and after the date hereof, so long as this option remains in full force and effect, neither Grantor, nor any agent or representative of Grantor, shall enter into, solicit or negotiate for entry into any purchase agreement, option agreement, sale contract, "back up offer" or any similar instrument regarding the sale or conveyance of the premises, any portion thereof or any interest therein or the sale or conveyance of any interest in any entity that owns or controls the premises.

14. Memorandum of Option. Simultaneously with the signing of this option agreement by Grantor and Grantee, Grantor and Grantee shall execute and deliver to each other a recordable Memorandum of Option (the "Memorandum of Option") in the form annexed hereto as Exhibit B, together with such forms as Grantee's title company shall require to record said Memorandum of Option (it being understood that Grantor shall, upon demand by Grantee, execute and have notarized any additional or confirmatory documents which may be required by the Grantee's title company to record the Memorandum of Option), which Grantee shall be entitled to promptly record (or cause to be recorded). In the event Grantee assigns its rights under this option pursuant to paragraph 12 above, Grantor at Grantee's request shall execute and deliver a revised Memorandum of Option reflecting the identity of

such assignee, and otherwise in accordance with the terms of this paragraph. Grantor shall not record this option agreement or the Memorandum of Option without Grantee's prior written consent.

15. Confidentiality. Grantor hereby covenants and agrees that, at all times after the date hereof, unless consented to in writing by Grantee, no press release or other disclosure concerning this option agreement or the Contract (or any terms thereof, the intended use of the premises or the fact that there were negotiations for the sale of the premises) will be made, and Grantor shall prevent disclosure for its part, its agents and any party under the control of Grantor (including by any broker of Grantor) of this option (including the identity of Grantee and its constituent members) and all information furnished to Grantor concerning the premises (including development plans), other than (a) to attorneys of Grantor who are involved in the ordinary course of business with this transaction, who will be instructed to comply with the confidentiality provision hereof, (b) in response to lawful process or subpoena or other valid or enforceable order of a court of competent jurisdiction (with notice thereof to Grantee) or (c) the recorded Memorandum of Option or a recorded memorandum of the Contract.

16. Notices. Written notices to be given under this option agreement may be delivered in person, by Federal Express or other nationally recognized overnight courier which obtains a signature upon delivery or mailed by certified mail, return receipt requested, and if to Grantor, addressed to Grantor at the address set forth above for Grantor, with a copy to Salmon & Salmon LLP, 179 Wallins Corners, Road, Amsterdam, New York 12010, Attention: James F. Salmon, Esq., and if to Grantee, to the address set forth above for Grantee, with a copy to Blank Rome LLP, 405 Lexington Avenue, New York, New York 10174, Attention: Kim L. Khutorsky, Esq. When mailed, the written notice shall be deemed to have been duly given if and when deposited in the United States mail with proper and sufficient postage affixed, properly addressed to the intended recipient, and in the case of personal delivery or overnight courier the written notice shall be deemed to have been duly given when actually delivered to the intended recipient.

THIS IS A LEGALLY-BINDING CONTRACT. IF NOT FULLY UNDERSTOOD, WE RECOMMEND

ALL PARTIES TO THE CONTRACT CONSULT AN ATTORNEY BEFORE SIGNING.

IN WITNESS WHEREOF, the parties have signed this Option Agreement effective as of the day and year first above written.

Grantor:

Nadler Brothers, Inc.

By: ______________________

Donald Nadler

Title: President

Grantee:

FLORIDA ACQUISITION CORP.

By: ______________________

Martin Luskin

Title: Authorized Signatory

Real Estate Broker:
Mullins Realty, 16 Stockbridge Road, Slingerlands, NY 12159 Attention: Mick Mullins
Phone: 518-383-8424 Fax: 518-383-8424 Email: MullinsAAA@aol.com

---

SCHEDULE A

Premises

See Attached

SCHEDULE A *(Description)*

(Description of land as per Book 290 page 288. (Cover subject premises and more))

Parcel No. 1:

ALL THAT TRACT OR PARCEL OF LAND, situate in the Town of Florida, County of Montgomery and State of New York, bounded and described as follows:

BEGINNING at the most northerly corner of the farm formerly owned by George Herrick and running thence along said lands as the needle now points and as the fence now stands South 53 degrees 15 seconds West twenty-two chains and three links; thence South 54 degrees 35 seconds West 13 chains and 66 links to a stone, being the most easterly corner of lands formerly owned by James Tweedy, thence along the same as the fence now stands North 36 degrees 50 seconds West 15 chains and 58 links; thence North 36 degrees West 11 chains and 19 links to the westerly bounds of the road leading from Minaville to the City of Amsterdam; thence along the same North 34 degrees 50 seconds East 12 chains 14 links to a stake and stone on the easterly bounds of the lands of Eve Rowland; thence along the same North 53 degrees 55 seconds East 23 chains and 72 links to a stone set in the ground being the corner of said Rowland Farm; thence along the highway South 36 degrees 50 seconds East 4 chains and 51 links to the corner of the lands formerly owned by William McClumpha; thence along the same as the fence now stands North 54 degrees 40 seconds East 14 chains and 63 links to the corner of the lands formerly owned by Garrett Vanderveer; thence along the same as the fence now stands 50 degrees 45 seconds East 23 chains 80 links; thence South 46 degrees 35 seconds East 4 chains and 10 links; thence South 25 degrees 30 inches East 5 chains and 11 links to a stone set in the ground, being the most southerly corner of said Vanderveer Farm; thence along the lands formerly owned by one Blood and one Hiram Hubbs as the fence now stands, South 56 degrees 15 seconds West 19 chains and 72 links to the lands formerly owned by one George Herrick; thence along the same as the fence now stand North 37 degrees 15 seconds West 4 chains and 80 links to the place of beginning. Containing 163.11 acres of land.

The use of the phrase "as the fence now stands" in the above description in various places, refers to the location of such fences on February 11, 1924.

EXCEPTING AND RESERVING from above described premises the portion thereof conveyed to Henry Verbrasks and wife by deed dated February 29, 1924, and recorded in Montgomery County Clerk's Office in Book 202 at Page 557. **(COPY TO FOLLOW);**

ALSO EXCEPTING the premises conveyed to Nick Fabozzi and wife by deed dated July 25, 1925, and recorded in said Clerk's Office in Book 207 at Page 317. **(COPY HEREIN)**;

ALSO EXCEPTING the premises conveyed to John C. Verbasks by two separate deeds the first of which is dated October 27, 1926, and recorded in said Clerk's Office in Book 213 at Page 104 **(COPY HEREIN);** and the second is dated November 20, 1928, and recorded in said Clerk's Office in Book 216 at Page 370. **(COPY HEREIN)**.

Parcel No. 2:

ALL THAT PIECE OR PARCEL OF LAND situate, lying and being in the Town of Florida, County of Montgomery, N.Y., known as Lot No. 87 on a map of the sub-division of a Tract called Warrenbush made by J.R. Reykis and on file in the Office of the Secretary of State, and is bounded on the Southeast by Lot No. 88; On the Southwest by Lot No. 107; on the Northeast by Lot No. 86; and on the northwest by Lots Nos. 110, 111 and 112; said tract or parcel containing 105 acres of land, be the same more or less. Said tract being bounded northerly and westerly by lands now or formerly of one Francisco, and by the highway

***THE POLICY TO BE ISSUED** under this Commitment will insure the title to such buildings and improvements on the premises which by law constitute real property.*

***FOR CONVEYANCING ONLY:** Together with all the right, title and interest of the party of the first part, of, in and to the land lying in the street in front of and adjoining said premises.*

SCHEDULE A *(Description)*

leading past the Francisco Farm; Southerly by lands now or formerly of one Pagel; formerly of Hartley; and Easterly by the Amsterdam-Minaville Highway.

Parcel No. 3 :

ALL THAT PIECE OR PARCEL OF FARM LAND situate, lying and being in the Town of Florida, County of Montgomery, and State of New York, bounded and described as follows: On the Northerly side by the highway leading easterly from what is known as Amsterdam-Minaville Highway past the farms of the late Emery Elwood and the late Hiram Hubbs; on the Westerly side by the highway leading South from the first above mentioned highway; on the Southerly side by the lands formerly of Charles Gentz, now deceased, and on the Easterly side by lands formerly of one Staley, now deceased, and lands now or formerly of Elmer Abraham, Arthur Smyths and Charles Abraham. Being all of the lands of the southerly side of the said first mentioned highway which were owned by the Hiram Hubbs at the time of his death, consisting of about 140 acres of land more or less,

EXCEPTING AND RESERVING therefrom the wood lot of about ten acres and the right of way thereto of twenty feet in width as described in deed of Charles Hubb to Elmer Abraham dated March 31, 1934, and recorded in Montgomery County Clerk's Office in Book 230 of Deeds at Page 24. **(COPY TO FOLLOW)**

Parcel No. 4:

ALL THAT TRACT OR PARCEL OF LAND, situate in the City of Amsterdam, and Town of Florida, County of Montgomery and State of New York, briefly bounded and described as follows: Northwesterly and Northerly by lands of Roman Catholic Cemetery Association, by lands formerly of Henry C. Grieme, by lands formerly of William McClearly, by Minaville Street and the public highway leading from Amsterdam to Minaville, being a continuation of Minaville Street; Easterly by lands formerly of Ten Eyck Major and lands formerly of Francis Morris, deceased; and on the South and Southwest by lands now or formerly of Joseph Nadler and Daniel F. Nadler and one John Verbrasks. Said parcel or farm containing 144.69 acres.

EXCLUDING however certain lots shown on map described as Map of a Portion of Vanderveer Homestead Property, Amsterdam, New York, made by F. E. Crane, C.E. and filed in Office of the Montgomery County Clerk, said lots being numbered on said Map as Lots No. 1, 2, 8, 9, 13, 35, 40, 42, 95, 96, 104, 106 and 107, said lots having been conveyed by said David Lorenzo or his predecessors in title. **(COPY HEREIN)**

Excepting however from the above described land the following Deed made by Nadler Bros., Inc. to Richard H. Prant, dated July 1, 1987 and recorded July 2, 1987 in Liber 474 page 284. **(COPY HEREIN)**

Please note: A new metes and bounds description may be furnished upon receipt of an accurate and certificated survey acceptable to this company.

THE POLICY TO BE ISSUED *under this Commitment will insure the title to such buildings and improvements on the premises which by law constitute real property.*

FOR CONVEYANCING ONLY: *Together with all the right, title and interest of the party of the first part, of, in and to the land lying in the street in front of and adjoining said premises.*

SCHEDULE A *(Description)*

(Description of land as per Book 295 page 79. (Cover subject premises and more))

ALL that piece or parcel of land situate in the Town of Florida, Montgomery County, N.Y. bounded and described as follows:

BEGINNING at a point in the westerly margin of the Amsterdam-Minaville highway, said point being S. 42 degrees 39 minutes 40 seconds West 389 feet from the division line between lands now or formerly of said George D. Lampkin and lands now or formerly of Stephen Kryseczak, and marked by a stake; running thence South 61 degrees 05 minutes East 1094 feet, more or less, across lands of said George D. Lampkin, to a point in the westerly margin of lands now or formerly of Jaeger; running thence North 57 degrees 46 minutes 59 seconds East 523.99 feet, more or less, along said westerly margin of lands now or formerly of Jaeger to a point; continuing thence North 57 degrees 52 minutes 47 seconds East 838.5 feet, more or less, along the westerly margin of lands formerly of Herrick and now of Jaeger, to a point in the southerly margin of lands formerly of Elwood, and now of Nadler; thence North 33 degrees 07 minutes 52 seconds West 1211.63 feet, along the southerly margin of lands formerly of Elwood, now Nadler, to a point in the easterly margin of lands now or formerly of Nicola Fabbozi; thence South 57 degrees 37 minutes West 110.69 feet along the easterly margin of lands formerly of Nicola Fabbozi to a point marked by an iron pipe; thence North 54 degrees West 430.95 feet along the southerly margin of lands formerly of Nicola Fabbozi; to a point in the easterly margin of highway leading from Amsterdam to Minaville; thence South 39 degrees 02 minutes 10 seconds West 127.46 feet along the easterly margin of highway to a point; continuing thence South 29 degrees 58 minutes West 792.54 feet along the easterly margin of highway to a point; continuing thence South 32 degrees 13 minutes 25 seconds West 178.15 feet along the easterly margin of highway to a point in the northerly margin of lands of Steven Czelusniak; thence South 64 degrees 31 minutes East 120 feet along the northerly margin of lands of Steven Czelusniak to a point; thence South 40 degrees 15 minutes West 153.35 feet along the easterly margin of lands of Steven Czelusniak to a point; continuing thence South 44 degrees 04 minutes West 210.61 feet along the easterly margin of lands of Steven Czelusniak to a point; thence North 53 degrees 23 minutes West 120 feet along the southerly margin of lands of Steven Czelusniak to a point in the easterly margin of highway; running thence South 42 degrees 39 minutes 40 seconds West 298.77 feet along said easterly margin of the Amsterdamn-Minaville highway to the point or place of BEGINNING.

EXCEPTING AND RESERVING from the above described property, a parcel of land lying immediately easterly of, and adjoining, the aforesaid lands of Steven Czeluzniak, being a parcel 26 feet, more or less, along the northerly edge, 365 feet, more or less, along the easterly edge, 35 feet, more or less, along the southerly edge, and 363.96 feet along the westerly edge. **(COPY TO FOLLOW)**

Please note: A new metes and bounds description may be furnished upon receipt of an accurate and certificated survey acceptable to this company.

THE POLICY TO BE ISSUED under this Commitment will insure the title to such buildings and improvements on the premises which by law constitute real property.

FOR CONVEYANCING ONLY: Together with all the right, title and interest of the party of the first part, of, in and to the land lying in the street in front of and adjoining said premises.

MAP PREPARED BY:
MONTGOMERY COUNTY
Real Property Tax Service Agency
Sandra Frasier, Director

SPECIAL DISTRICTS

LEGEND

PROPERTY LINE	PUBLIC RIGHT OF WAY
ORIGINAL LOT LINE	PRIVATE RIGHT OF WAY
DENOTES COMMON OWNER	TOWN VILLAGE CITY
BLOCK LIMIT	RAILROAD
SECTION LINE	HYDROLOGY

SCHOOL DISTRICT LINE	CALCULATED ACREAGE 7.5 A (c)
FIRE DISTRICT	DEED ACREAGE 7.5 A
AGRICULTURAL DISTRICT	SCALED DIMENSION 22.5 (s)
MONUMENT LOCATOR	DEED DIMENSION 150
COORDINATE LOCATOR	TAX MAP BLOCK NUMBER

SHEET INDEX

055.14	055.15	055.16
	X	055.20

SECT. NO. 055.19

Date: 12/11/2012

TAX MAP
CITY OF AMSTERDAM
MONTGOMERY COUNTY, NEW YORK
1 inch = 100 feet

MONTGOMERY COUNTY
Real Property Tax Service Agency
Sandra Frasier, Director
SPECIAL DISTRICTS
LEGEND
SHEET INDEX
SECT NO. 071.00
Map Date: Mar 15, 2013
TAX MAP
TOWN OF FLORIDA
MONTGOMERY COUNTY, NEW YORK
NEW YORK STATE THRUWAY
CITY OF AMSTERDAM
TOWN OF FLORIDA
THAYER ROAD
BELLDOONS ROAD
CHUCTANUNDA CREEK
055.00
056.00
070.00
071.00
072.00
087.00
088.00
089.00

EXHIBIT A

Form of Contract

STANDARD FORM CONTRACT FOR PURCHASE AND SALE OF REAL ESTATE

THIS IS A LEGALLY-BINDING CONTRACT. IF NOT FULLY UNDERSTOOD, WE RECOMMEND

ALL PARTIES TO THE CONTRACT CONSULT AN ATTORNEY BEFORE SIGNING.

1. IDENTIFICATION OF PARTIES TO THIS CONTRACT (this "Contract")

A. SELLER - The Seller is:

Nadler Brothers, Inc.

c/o 179 Wallins Corners Road, Amsterdam, New York 12010

Attention: Donald Nadler, President

(the word "Seller" refers to Nadler Brothers, Inc., a [____________] corporation).

B. PURCHASER - The Purchaser is:

[_________________]

[_________________]

[_________________]

Attention:___________

(the word "Purchaser" refers to [_____________] and to the assignee of Purchaser pursuant to paragraph 24 herein).

2. PROPERTY TO BE SOLD

The Property and improvements which the Seller is agreeing to sell and which the Purchaser is agreeing to purchase is known as: tax map #s: 55.19-1-4, 71-1-6, 71-1-61; on State Highway 30 and Belldons Road, in the Town of Florida and the City of Amsterdam, Montgomery County, New York, as shown on the tax map attached (and/or more particularly described) on Schedule A (the "premises" or the "Property").

(This Property includes all the Seller's rights and privileges, if any, to all land, water, streets and roads annexed to, and on all sides of the property.) The lot size of the Property is described as approximately ± 341 Acres

3. INTENTIONALLY OMITTED

4. PURCHASE PRICE

The purchase price is ($3,500,000.00) THREE MILLION FIVE HUNDRED THOUSAND DOLLARS

The Purchaser shall pay the purchase price as follows:

$ 0 deposit with this Contract.

$ 100,000.00 additional deposit within two (2) business days after receipt by Purchaser of a fully executed counterpart of this Contract, which deposit shall be held by Fidelity National Title Insurance Company, as escrowee ("Escrowee" or "Title Company"), in accordance with the terms of the Escrow Agreement of even date herewith executed by Seller and Purchaser, a copy of which is attached hereto as Exhibit 1 (the "Escrow Agreement").

$ 3,400,000.00 in cash, certified check or by wire transfer at the closing of title ("Closing"). This amount shall be reduced by crediting against it the total amount of non-refundable option consideration received by the Seller under the option agreement (the "Option") between Seller and Purchaser (or Purchaser's assignor), which is to be applied to the purchase price.

$ 0 by PURCHASER assuming and agreeing to pay a mortgage, now a recorded lien on the premises upon which there is unpaid estimated principal amount.

$ 0 Purchase money mortgage to Seller (see attached addendum for terms)

$ 3,500,000.00 TOTAL PRICE

5. INTENTIONALLY OMITTED

6. INTENTIONALLY OMITTED

7. OTHER TERMS

A. Purchaser's obligations under this Contract are contingent on the simultaneous closing of the adjacent Francisco property consisting of approximately ± 171 Acres by the Purchaser from Larry and Karen Francisco, relating to the property known as 141 Thruview Drive, Amsterdam, NY 12010 (tax map #:55-1-23), located in the Town of Florida, in Montgomery County, New York.

B. Notwithstanding the foregoing, Purchaser may waive the contingency above at any time.

8. TITLE AND SURVEY

A. The abstract of title or any continuation thereof, or any title insurance policy shall be obtained at ~~SELLER'S~~ __ PURCHASER'S_x_ expense. The Seller shall cooperate in providing any available abstract of title or title insurance policy information without cost to PURCHASER. If the SELLER has a survey of the

premises, it shall be provided to the PURCHASER and SELLERS__ PURCHASER_x_ shall pay the cost of updating any such survey or the cost of a new survey.

B. Title to the Property shall be free and clear of all liens, leases, occupancies, encumbrances, covenants, conditions and other matters affecting title, except for the Permitted Exceptions, and shall be good of record, in fact merchantable and insurable at standard rates. For the purposes of this Paragraph 8, the term "Permitted Exceptions" shall mean those matters affecting title to the Property set forth on Schedule B, attached hereto and made a part hereof.

9. CONDITION OF PREMISES

The buildings on the premises, if any, are sold "as is" without warranty as to condition, and the Purchaser agrees to take title to the buildings "as is" and in their present condition subject to reasonable use, wear, tear and natural deterioration between the date hereof and closing of title: except that, other than as set forth in paragraph 23 below, in the case of any condemnation, taking or destruction within the meaning of the provisions of Section 5-1311 of the General Obligations Law of the State of New York entitled "Uniform Vendor and Purchaser Risk Act", said section shall apply to this Contract.

10. CONDITIONS AFFECTING TITLE

The Seller shall convey and the Purchaser shall accept the Property subject to all covenants, conditions, restrictions and easements of record and zoning and environmental protection laws so long as the Property is not in violation thereof and any of the foregoing does not prevent the intended use of the Property for the purpose of ______casino, hotel and golf course______________________________.

also subject to any unpaid installments of street or other improvement assessments payable after the date of the transfer of title to the property, and any state of facts which an inspection and/or accurate survey may show, provided that nothing in this paragraph renders the title to the Property unmarketable. Notwithstanding anything to the contrary contained in this Contract, Seller shall convey the Property free of all (and Purchaser shall have no obligation to accept the Property subject to any) tenancies and occupancies.

11. DEED, TRANSFER TAXES AND TITLE AFFIDAVIT

The Seller shall convey the Property to the Purchaser by Warranty Deed in proper form for recording, which deed shall include the covenant required by Subdivision "5" of Section 13 of the Lien Law. If the Seller conveys in any trust capacity, the usual deed given in such cases shall be accepted. The said deed shall be prepared, duly signed by the Seller, signature(s) acknowledged, all at the Seller's expense, so as to convey to the Purchaser the fee simple of said premises free and clear of all liens, leases, occupancies and encumbrances, except as herein stated. Seller shall, at Purchaser's request, use a legal description for such deed (which may include metes and bounds) determined by a property survey obtained by Purchaser. At Closing, Seller will pay any and all state, county and local transfer and recording fees pursuant to New York State Department of Taxation and Finance Combined Real Estate Transfer Tax Return (TP-584), plus any other transfer related tax or fee. All other costs and expenses attendant to

settlement, including title company charges, shall be at the cost of the party that incurred same, at or prior to Closing (it being understood that Seller shall pay for any endorsements which Seller elects to obtain to cure a title exception). Additionally, at Closing, Seller shall deliver: (i) such title affidavits and other documents as Title Company shall reasonably require and (ii) a duly executed certificate of non-foreign status of Seller in the applicable form set forth in Treasury Regulations §1.1445-2(b)(2). Upon Purchaser's request, Seller shall request an assignment of the existing mortgage note and mortgage encumbering the Property (and an allonge to the mortgage note), if any, to Purchaser's lender.

12. TAX AND OTHER ADJUSTMENTS

The following, if any, shall be apportioned so that the Purchaser and Seller are assuming the expenses of the property and income from the property as of the date of transfer of title:

A. Taxes, sewer, water, rents and condominium or association fees.

B. Municipal assessment yearly installments except as set forth in item 9.

13. RIGHT OF INSPECTION AND ACCESS

Purchaser and/or a representative shall be given access to the Property for any tests or inspections. The PURCHASER agrees to hold Seller harmless against any and all liabilities that may arise from damage caused by said tests and inspections (provided Purchaser shall not have any liability to Seller by reason of the discovery of matters or circumstances through Purchaser's tests or inspections or by reason of any other pre-existing condition of the Property). In the event the Purchaser does not purchase the Property, the Purchaser agrees to restore any damage caused by Purchaser to the Property to substantially the same condition as existed immediately prior to such damage. This Contract is contingent upon a written determination(s), at Purchaser's expense, by a licensed architect or licensed engineer or by an agreed third party that the Property does not have structural, mechanical, and/or environmental defects exceeding a combined value of $250,000.00.

14. TRANSFER OF TITLE

Closing is to be completed at 12:00 noon on the date that is ninety (90) days following the date of this Contract, time being of the essence (the actual closing date is hereinafter referred to as the "Closing Date"), at the office of Attorney for the Seller or by escrow deliveries to Escrowee. Notwithstanding the foregoing, Purchaser shall have the right to adjourn the scheduled Closing for up to thirty (30) days by written notice to Seller no later than ten (10) days prior to the scheduled Closing. Purchaser may, by written notice to Seller, accelerate the date of Closing to a date no earlier than thirty (30) days after delivery of such acceleration notice.

15. DEPOSITS

All deposits will be held in escrow by Escrowee pursuant to the Escrow Agreement. The Purchaser will receive credit on the total amount of the deposit (including all interest accrued thereon) toward the purchase price.

16. REAL ESTATE BROKER

The Purchaser and Seller agree that Mullins Realty brought about the sale and each party represents that it has dealt with no other real estate broker or agent in connection with this sale, and Seller agrees to pay the Brokers' commission to Mullins Realty as agreed to per separate agreement. The provisions of this paragraph shall survive the Closing or termination of this Contract.

17. INTENTIONALLY OMITTED

18. INTENTIONALLY OMITTED

19. NOTICES

All notices contemplated by this Contract shall be in writing, delivered by certified or registered mail, return receipt requested, postmarked no later than the required date, by Federal Express or other nationally recognized overnight courier which obtains a signature upon delivery or by personal service by such date, in each case with a copy to such party's attorney at the address set forth on the signature page herein. When mailed, the written notice shall be deemed to have been duly given if and when deposited in the United States mail with proper and sufficient postage affixed, properly addressed to the intended recipient, and in the case of personal delivery or overnight courier the written notice shall be deemed to have been duly given when actually delivered to the intended recipient.

20. MISCELLANEOUS

A. Originals. This Contract may be executed in counterparts, each of which will be an original, and a facsimile copy showing execution shall be given the same force and effect of an original.

B. Section and Other Headings. The section and other headings are for reference purposes only and will not in any way affect the meaning or interpretation of the text of this Contract.

C. Governing Law. This Contract will be construed and enforced in accordance with the laws of the State of New York without giving effect to any conflict of laws or choice of laws to the contrary.

21. ENTIRE AGREEMENT

This Contract contains all agreements of the parties hereto. There are no promises, agreements, terms, conditions, warranties, representations or statements other than contained herein. This Contract shall apply to and bind the heirs, legal representatives, successors and assigns of the respective parties. It may not be changed orally.

22. Seller Representations. Seller represents and warrants as follows:

a. Seller is the sole fee owner of the Property and has not granted any option to purchase the Property (other than the Option) or any right of first refusal or right of first offer to purchase the premises, and has the right, power and authority to make and perform its obligations under this Contract. This Contract and Seller's closing documents have been duly authorized by all necessary

action on the part of Seller and have been or will be duly executed and delivered by Seller. Seller's execution, delivery and performance of this Contract and Seller's closing documents will not conflict with or result in a violation or breach of Seller's organizational documents, or any agreement, judgment, order or decree of any court or arbiter, to which Seller is a party. The owners of all of the shares and beneficial interests in Seller are set forth on Schedule C attached hereto. This subparagraph 22(a) shall survive Closing for a period of six (6) months.

b. Except as set forth on Schedule D attached hereto, there exists no leases, licenses or other agreements (written or oral) for the use or occupancy of all or any portion of the premises and no person or entity has the right (or claims to have the right) to use or occupy all or any portion of the premises.

c. There is no action, litigation, condemnation or proceeding of any kind pending or threatened against Seller or the Property, and Seller has not received any notices regarding same.

d. Except as listed on Schedule E attached hereto, Seller has not received any written notice as to, nor to Seller's knowledge are there, any violation or breaches of any (i) governmental regulations with respect to the Property, or the use, operation or maintenance thereof, or (ii) agreement, covenant or restriction binding upon the Property.

e. To Seller's knowledge, no waste, substance, pollutant, contaminant or material, including, without limitation, any substances or materials defined as or included within the definition of "hazardous substances," "hazardous wastes," "hazardous materials," or "toxic substances" under any Environmental Laws, and including, but not limited to, asbestos, polychlorinated biphenyls, petroleum and petroleum based products ("Hazardous Substances") have been used, generated, transported, treated, stored, released, discharged or disposed of in, onto, under or from the Property or any portion thereof. No written notification of release of a Hazardous Substance has been filed or received by Seller as to the Property; (ii) Seller has not received written notice from any governmental authority having jurisdiction over the Property asserting any uncured violation of environmental laws; and (iii) there are no, nor have there been in the last twenty (20) years, above-ground or underground tanks or any other underground storage facilities located on the Property.

f. There exists no cemetery grounds or burial plots on the Property.

The representations and warranties of Seller under this paragraph 22 are made as of the date hereof, and as a condition to Purchaser's obligation to close title under this Contract, shall be true as of the Closing Date.

23. Condemnation. If after the execution and delivery of this Contract and prior to Closing, any proceedings are instituted, or public hearings are noticed, by any governmental authority which shall relate to the proposed taking of all or any portion of the Property by eminent domain, or if all or any portion of the Property is taken by eminent domain after the date of this Contract and prior to the Closing, Seller shall promptly notify Purchaser in writing no later than two business days after Seller's receipt of any notification or the date of Closing, whichever occurs earlier. Purchaser shall thereafter

have the right and option to terminate this Contract by giving written notice to Seller and Escrowee within thirty (30) days after receipt by Purchaser of the notice from Seller or on the Closing Date, whichever is earlier. If the Closing Date was scheduled to occur after the institution of such proceeding, the Closing Date shall be deemed adjourned in order that Purchaser shall have its full thirty (30) day period within which to determine whether or not to proceed with Closing. If Purchaser timely terminates this contract, Purchaser shall be entitled to receive all deposits from Escrowee and this Contract shall thereupon be terminated and become void and of no further effect, and neither party hereto shall have any obligations of any nature to the other hereunder or by reason hereof, except for those obligations and liabilities that are expressly stated to survive termination of this contract. If Purchaser does not elect to terminate this Contract, the parties hereto shall proceed to the Closing and at the Closing, Seller shall assign to Purchaser all of its right, title and interest in all awards in connection with such taking and shall pay to Purchaser any award paid to Seller with respect to such taking. Purchaser shall have the right to participate in discussions or proceedings with any governmental authority and approve any amount relating to the proposed taking of any portion of the Property.

24. Assignment. Purchaser shall have the right to assign its rights under this Contract to an entity controlled by or affiliated with Purchaser upon written notice to Seller.

25. Exclusivity. From and after the date hereof, so long as this Contract remains in full force and effect, neither Seller, nor any agent or representative of Seller, shall enter into, solicit or negotiate for entry into any purchase agreement, option agreement, sale contract, "back up offer" or any similar instrument regarding the sale or conveyance of the Property, any portion thereof or any interest therein or the sale or conveyance of any interest in any entity that owns or controls the Property.

26. Memorandum of Contract. Simultaneously with the signing of this Contract by Seller and Purchaser, Seller and Purchaser shall execute and deliver to each other a recordable Memorandum of Contract (the "Memorandum of Contract") in the form annexed hereto as Exhibit 2, together with such forms as Title Company shall require to record said Memorandum of Contract (it being understood that Seller shall, upon demand by Purchaser, execute and have notarized any additional or confirmatory documents which may be required by the Purchaser's title company to record the Memorandum of Contract), which Purchaser shall be entitled to promptly record (or cause to be recorded). In the event Purchaser assigns its rights under this Contract pursuant to paragraph 24 above, Seller at Purchaser's request shall execute and deliver a revised Memorandum of Contract reflecting the identity of such assignee, and otherwise in accordance with the terms of this paragraph. Seller shall not record this Contract or the Memorandum of Contract without Purchaser's prior written consent

27. Confidentiality. Seller hereby covenants and agrees that, at all times after the date hereof, unless consented to in writing by Purchaser, no press release or other disclosure concerning the Option or the Contract (or any terms thereof, the intended use of the Property or the fact that there were negotiations for the sale of the Property) will be made, and Seller shall prevent disclosure for its part, its agents and any party under the control of Seller (including by any broker of Seller) of the Option and the Contract (including the identity of Purchaser and its constituent members) and all information furnished to Seller concerning the Property (including development plans), other than (a) to attorneys of Seller

who are involved in the ordinary course of business with this transaction, which will be instructed to comply with the confidentiality provision hereof, (b) in response to lawful process or subpoena or other valid or enforceable order of a court of competent jurisdiction (with notice thereof to Purchase) or (c) the recorded Memorandum of Option (as defined in the Option) or recorded Memorandum of Contract.

28. Default. In the event that Purchaser fails to close by reason of its default under this Contract, Seller may, as its sole and exclusive remedy, cancel this Contract by written notice to Purchaser, in which event the deposit shall be delivered to and retained by Seller as liquidated damages and not as a penalty, the parties agreeing that the deposit represents a reasonable estimate of Seller's actual damages and shall sufficiently compensate Seller for any damage incurred thereby.

THIS IS A LEGALLY-BINDING CONTRACT. IF NOT FULLY UNDERSTOOD, WE RECOMMEND

ALL PARTIES TO THE CONTRACT CONSULT AN ATTORNEY BEFORE SIGNING.

Dated: ______________________________

Purchaser ______________________________

Purchaser ______________________________

ACCEPTANCE

Dated: ______________________________

Seller ______________________________

Seller ______________________________

Attorneys:

For Seller: Salmon & Salmon LLP
179 Wallins Corner Road
Amsterdam, New York 12010
Attention: James F. Salmon, Esq.

For Purchaser: Blank Rome LLP
405 Lexington Avenue

New York, New York 10174
Attention: Martin Luskin, Esq.

Real Estate Broker:

Mullins Realty, 16 Stockbridge Road, Slingerlands, NY 12159 Attention: Mick Mullins

Phone: 518-383-8424 Fax: 518-383-8424 Email: MullinsAAA@aol.com

---

Produced with ZipForm® by zipLogix 18070 Fifteen Mile Road, Fraser, Michigan 48026 www,zipLogix.com

Schedule A

Property

SCHEDULE A *(Description)*

(Description of land as per Book 290 page 288. (Cover subject premises and more))

Parcel No. 1:

ALL THAT TRACT OR PARCEL OF LAND, situate in the Town of Florida, County of Montgomery and State of New York, bounded and described as follows:

BEGINNING at the most northerly corner of the farm formerly owned by George Herrick and running thence along said lands as the needle now points and as the fence now stands South 53 degrees 15 seconds West twenty-two chains and three links; thence South 54 degrees 35 seconds West 13 chains and 66 links to a stone, being the most easterly corner of lands formerly owned by James Tweedy, thence along the same as the fence now stands North 36 degrees 50 seconds West 15 chains and 58 links; thence North 36 degrees West 11 chains and 19 links to the westerly bounds of the road leading from Minaville to the City of Amsterdam; thence along the same North 34 degrees 50 seconds East 12 chains 14 links to a stake and stone on the easterly bounds of the lands of Eve Rowland; thence along the same North 53 degrees 55 seconds East 23 chains and 72 links to a stone set in the ground being the corner of said Rowland Farm; thence along the highway South 36 degrees 50 seconds East 4 chains and 51 links to the corner of the lands formerly owned by William McClumpha; thence along the same as the fence now stands North 54 degrees 40 seconds East 14 chains and 63 links to the corner of the lands formerly owned by Garrett Vanderveer; thence along the same as the fence now stands 50 degrees 45 seconds East 23 chains 80 links; thence South 46 degrees 35 seconds East 4 chains and 10 links; thence South 25 degrees 30 inches East 5 chains and 11 links to a stone set in the ground, being the most southerly corner of said Vanderveer Farm; thence along the lands formerly owned by one Blood and one Hiram Hubbs as the fence now stands, South 56 degrees 15 seconds West 19 chains and 72 links to the lands formerly owned by one George Herrick; thence along the same as the fence now stand North 37 degrees 15 seconds West 4 chains and 80 links to the place of beginning. Containing 163.11 acres of land.

The use of the phrase "as the fence now stands" in the above description in various places, refers to the location of such fences on February 11, 1924.

EXCEPTING AND RESERVING from above described premises the portion thereof conveyed to Henry Verbrasks and wife by deed dated February 29, 1924, and recorded in Montgomery County Clerk's Office in Book 202 at Page 557. **(COPY TO FOLLOW);**

ALSO EXCEPTING the premises conveyed to Nick Fabozzi and wife by deed dated July 25, 1925, and recorded in said Clerk's Office in Book 207 at Page 317. **(COPY HEREIN)**;

ALSO EXCEPTING the premises conveyed to John C. Verbasks by two separate deeds the first of which is dated October 27, 1926, and recorded in said Clerk's Office in Book 213 at Page 104 **(COPY HEREIN);** and the second is dated November 20, 1928, and recorded in said Clerk's Office in Book 216 at Page 370. **(COPY HEREIN)**.

Parcel No. 2:

ALL THAT PIECE OR PARCEL OF LAND situate, lying and being in the Town of Florida, County of Montgomery, N.Y., known as Lot No. 87 on a map of the sub-division of a Tract called Warrenbush made by J.R. Reykis and on file in the Office of the Secretary of State, and is bounded on the Southeast by Lot No. 88; On the Southwest by Lot No. 107; on the Northeast by Lot No. 86; and on the northwest by Lots Nos. 110, 111 and 112; said tract or parcel containing 105 acres of land, be the same more or less. Said tract being bounded northerly and westerly by lands now or formerly of one Francisco, and by the highway

***THE POLICY TO BE ISSUED** under this Commitment will insure the title to such buildings and improvements on the premises which by law constitute real property.*

***FOR CONVEYANCING ONLY:** Together with all the right, title and interest of the party of the first part, of, in and to the land lying in the street in front of and adjoining said premises.*

SCHEDULE A *(Description)*

leading past the Francisco Farm; Southerly by lands now or formerly of one Pagel; formerly of Hartley; and Easterly by the Amsterdam-Minaville Highway.

Parcel No. 3 :

ALL THAT PIECE OR PARCEL OF FARM LAND situate, lying and being in the Town of Florida, County of Montgomery, and State of New York, bounded and described as follows: On the Northerly side by the highway leading easterly from what is known as Amsterdam-Minaville Highway past the farms of the late Emery Elwood and the late Hiram Hubbs; on the Westerly side by the highway leading South from the first above mentioned highway; on the Southerly side by the lands formerly of Charles Gentz, now deceased, and on the Easterly side by lands formerly of one Staley, now deceased, and lands now or formerly of Elmer Abraham, Arthur Smyths and Charles Abraham. Being all of the lands of the southerly side of the said first mentioned highway which were owned by the Hiram Hubbs at the time of his death, consisting of about 140 acres of land more or less,

EXCEPTING AND RESERVING therefrom the wood lot of about ten acres and the right of way thereto of twenty feet in width as described in deed of Charles Hubb to Elmer Abraham dated March 31, 1934, and recorded in Montgomery County Clerk's Office in Book 230 of Deeds at Page 24. **(COPY TO FOLLOW)**

Parcel No. 4:

ALL THAT TRACT OR PARCEL OF LAND, situate in the City of Amsterdam, and Town of Florida, County of Montgomery and State of New York, briefly bounded and described as follows: Northwesterly and Northerly by lands of Roman Catholic Cemetery Association, by lands formerly of Henry C. Grieme, by lands formerly of William McClearly, by Minaville Street and the public highway leading from Amsterdam to Minaville, being a continuation of Minaville Street; Easterly by lands formerly of Ten Eyck Major and lands formerly of Francis Morris, deceased; and on the South and Southwest by lands now or formerly of Joseph Nadler and Daniel F. Nadler and one John Verbrasks. Said parcel or farm containing 144.69 acres.

EXCLUDING however certain lots shown on map described as Map of a Portion of Vanderveer Homestead Property, Amsterdam, New York, made by F. E. Crane, C.E. and filed in Office of the Montgomery County Clerk, said lots being numbered on said Map as Lots No. 1, 2, 8, 9, 13, 35, 40, 42, 95, 96, 104, 106 and 107, said lots having been conveyed by said David Lorenzo or his predecessors in title. **(COPY HEREIN)**

Excepting however from the above described land the following Deed made by Nadler Bros., Inc. to Richard H. Prant, dated July 1, 1987 and recorded July 2, 1987 in Liber 474 page 284. **(COPY HEREIN)**

Please note: A new metes and bounds description may be furnished upon receipt of an accurate and certificated survey acceptable to this company.

THE POLICY TO BE ISSUED under this Commitment will insure the title to such buildings and improvements on the premises which by law constitute real property.

FOR CONVEYANCING ONLY: Together with all the right, title and interest of the party of the first part, of, in and to the land lying in the street in front of and adjoining said premises.

SCHEDULE A *(Description)*

(Description of land as per Book 295 page 79. (Cover subject premises and more))

ALL that piece or parcel of land situate in the Town of Florida, Montgomery County, N.Y. bounded and described as follows:

BEGINNING at a point in the westerly margin of the Amsterdam-Minaville highway, said point being S. 42 degrees 39 minutes 40 seconds West 389 feet from the division line between lands now or formerly of said George D. Lampkin and lands now or formerly of Stephen Kryseczak, and marked by a stake; running thence South 61 degrees 05 minutes East 1094 feet, more or less, across lands of said George D. Lampkin, to a point in the westerly margin of lands now or formerly of Jaeger; running thence North 57 degrees 46 minutes 59 seconds East 523.99 feet, more or less, along said westerly margin of lands now or formerly of Jaeger to a point; continuing thence North 57 degrees 52 minutes 47 seconds East 838.5 feet, more or less, along the westerly margin of lands formerly of Herrick and now of Jaeger, to a point in the southerly margin of lands formerly of Elwood, and now of Nadler; thence North 33 degrees 07 minutes 52 seconds West 1211.63 feet, along the southerly margin of lands formerly of Elwood, now Nadler, to a point in the easterly margin of lands now or formerly of Nicola Fabbozi; thence South 57 degrees 37 minutes West 110.69 feet along the easterly margin of lands formerly of Nicola Fabbozi to a point marked by an iron pipe; thence North 54 degrees West 430.95 feet along the southerly margin of lands formerly of Nicola Fabbozi; to a point in the easterly margin of highway leading from Amsterdam to Minaville; thence South 39 degrees 02 minutes 10 seconds West 127.46 feet along the easterly margin of highway to a point; continuing thence South 29 degrees 58 minutes West 792.54 feet along the easterly margin of highway to a point; continuing thence South 32 degrees 13 minutes 25 seconds West 178.15 feet along the easterly margin of highway to a point in the northerly margin of lands of Steven Czelusniak; thence South 64 degrees 31 minutes East 120 feet along the northerly margin of lands of Steven Czelusniak to a point; thence South 40 degrees 15 minutes West 153.35 feet along the easterly margin of lands of Steven Czelusniak to a point; continuing thence South 44 degrees 04 minutes West 210.61 feet along the easterly margin of lands of Steven Czelusniak to a point; thence North 53 degrees 23 minutes West 120 feet along the southerly margin of lands of Steven Czelusniak to a point in the easterly margin of highway; running thence South 42 degrees 39 minutes 40 seconds West 298.77 feet along said easterly margin of the Amsterdamn-Minaville highway to the point or place of BEGINNING.

EXCEPTING AND RESERVING from the above described property, a parcel of land lying immediately easterly of, and adjoining, the aforesaid lands of Steven Czeluzniak, being a parcel 26 feet, more or less, along the northerly edge, 365 feet, more or less, along the easterly edge, 35 feet, more or less, along the southerly edge, and 363.96 feet along the westerly edge. **(COPY TO FOLLOW)**

Please note: A new metes and bounds description may be furnished upon receipt of an accurate and certificated survey acceptable to this company.

THE POLICY TO BE ISSUED under this Commitment will insure the title to such buildings and improvements on the premises which by law constitute real property.

FOR CONVEYANCING ONLY: Together with all the right, title and interest of the party of the first part, of, in and to the land lying in the street in front of and adjoining said premises.

055.15

055.16

055.20

055.19

NEW YORK STATE THRUWAY

NEW YORK STATE THRUWAY

30

01

05

03

02

04

1

CITY
TOWN

OF
OF

AMSTERDAM
FLORIDA

570872

573872

570876

573876

MAP PREPARED BY:
MONTGOMERY COUNTY
Real Property Tax Service Agency
Sandra Frasier, Director

SPECIAL DISTRICTS

LEGEND

PROPERTY LINE
ORIGINAL LOT LINE
DENOTES COMMON OWNER
BLOCK LIMIT
SECTION LINE

PUBLIC RIGHT OF WAY
PRIVATE RIGHT OF WAY
TOWN VILLAGE CITY
RAILROAD
HYDROLOGY

SCHOOL DISTRICT LINE
FIRE DISTRICT
AGRICULTURAL DISTRICT
MONUMENT LOCATOR
COORDINATE LOCATOR

CALCULATED ACREAGE
DEED ACREAGE
SCALED DIMENSION
DEED DIMENSION
TAX MAP BLOCK NUMBER

SHEET INDEX

SECT. NO. 055.19

Date: 12/11/2012

TAX MAP
CITY OF AMSTERDAM
MONTGOMERY COUNTY, NEW YORK
1 inch = 100 feet

MONTGOMERY COUNTY

Real Property Tax Service Agency

Sandra Frasier, Director

SPECIAL DISTRICTS

LEGEND

PROPERTY LINE	PUBLIC RIGHT OF WAY	SCHOOL DISTRICT LINE	CALCULATED ACREAGE 7.8 A (c)
ORIGINAL LOT LINE	PRIVATE RIGHT OF WAY	FIRE DISTRICT	DEED ACREAGE 7.5 A
DENOTES COMMON OWNER	TOWN VILLAGE CITY	AGRICULTURAL DISTRICT	SCALED DIMENSION
BLOCK LIMIT	RAILROAD	MONUMENT LOCATOR	DEED DIMENSION
SECTION LINE	HYDROLOGY	COORDINATE LOCATOR	TAX MAP BLOCK NUMBER

SHEET INDEX

054.00	055.00	056.00
070.00		072.00
086.00	087.00	088.00

SECT NO. 071.00

Map Date: Mar 15, 2013

TAX MAP

TOWN OF FLORIDA

MONTGOMERY COUNTY, NEW YORK

NEW YORK STATE THRUWAY

AMSTERDAM

FLORIDA

CITY

TOWN

OF

BELLDOONS ROAD

CHUCTANUNDA CREEK

THAYER ROAD

055.00

056.00

070.00

071.00

072.00

087.00

088.00

Schedule B

Permitted Exceptions

1. Right of Way Easement made by Jay Rowland to The Adirondack Power and Light Corporation, dated December 3, 1921 and recorded February 27, 1922 in Book 196 page 199.

2. Right of Way Easement made by Emory Elwood and Sarah Elwood to The Adirondack Power and Light Corporation, dated December 8, 1921 and recorded February 27, 1922 in Book 196 page 200.

3. Utility Easement made by Chas Hubbs and Jessie K. Hubbs to American Telephone and Telegraph Company, dated July 17, 1928 and recorded September 20, 1928 in Book 216 page 169.

4. Right of Way Easement made by Charles Hubbs to Elmer Abraham, dated March 31, 1934 and recorded April 17, 1934 in Book 230 page 24.

5. Utility Easement made by Nadler Bros. Inc. to New York Telephone Company, dated July 27, 1956 and recorded October 1, 1956 in Book 301 page 484.

Schedule C

Owners of All Shares and Beneficial Interests in Seller

Donald R. Nadler	100 shares
Douglas A. Nadler	100 shares
Mary Ann Wert	100 Shares
Kevin R. Duffy as Trustee of the Kevin R. Duffy Revocable Trust	150 Shares
Robert j. Nadler, Jr.	150 shares
Susan D. Anderson as Trustee of the Susan D. Anderson Revocable Trust	150 Shares
Judith L. Nadler	150 Shares
Patricia Ann Nadler Kuk as Trustee of the Patricia Ann Kuk Trust dated 3/28/96	150 shares
Catherine Jean Nadler Hall	50 shares
Jason Tyler Hall	50 shares
Matthew Carlton Hall	50 shares
Total Shares	1200

Schedule D

Leases, Licenses, and Use or Occupancy Agreements

Oral Occupancy Agreement with Local Farmer, with an expiration date of September 1, 2014

Schedule E

Notices of Violation or Breaches of Governmental Regulations, Agreement, Covenant or Restriction

None

Exhibit 1

Form of Escrow Agreement

ESCROW AGREEMENT

THIS ESCROW AGREEMENT ("Agreement") is made as of ________ ___, 201_ by and among **NADLER BROTHERS, INC.**, a [__________] corporation ("Seller"), and [______________], a [_____________] ("Purchaser"), and Fidelity National Title Insurance Company ("Escrow Agent").

RECITALS:

WHEREAS, Purchaser and Seller are parties to that certain Contract for Purchase and Sale of Real Estate dated ________ __, 201_ (the "Purchase Agreement"), with respect to the sale by Seller to Purchaser of the real property located on State Highway 30 and Belldons Road, in the Town of Florida and the City of Amsterdam, Montgomery County, New York, being approximately ±341 acres of property (tax map #s: 55.19-1-4, 71-1-6, 71-1-61) ("Property"), as more particularly described therein.

WHEREAS, pursuant to the terms of the Purchase Agreement, Purchaser agreed to deposit the Deposit (as hereinafter defined) with the Escrow Agent.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties agree as follows:

1. Definitions. Except as otherwise noted herein, the meaning of the defined terms in this Agreement shall be governed by the definitions of those terms contained in the Purchase Agreement.

2. Establishment of Escrow; Payment of Deposit.

(a) Concurrently herewith, Purchaser has deposited in escrow with the Escrow Agent the sum of One Hundred Thousand Dollars ($100,000.00) (together with all accrued interest on such deposit, hereinafter referred to collectively as the "Deposit"). The Deposit shall be held in escrow by the Escrow Agent and disbursed solely in accordance with the terms hereof.

(b) Upon the Closing, Escrow Agent is authorized and directed to pay the Deposit to Seller or as Seller may direct.

(c) In the event the Purchase Agreement is terminated by reason of Purchaser's default, Escrow Agent shall pay the Deposit to Seller, who shall retain the Deposit as and for its liquidated damages in accordance with the Purchase Agreement.

(d) In the event the Purchase Agreement is terminated by reason other than Purchaser's default, Escrow Agent shall pay the Deposit to Purchaser.

(e) Except as otherwise provided for in this Agreement, Escrow Agent shall not pay or deliver the Deposit to any party unless written demand is made therefor and a copy of such written demand is delivered to the other party. If Escrow Agent does not receive a written objection from the other party to the proposed payment or delivery within five (5) business days

900200.00001/7347737v.7

after such demand is served by personal delivery on such party, Escrow Agent is hereby authorized and directed to make such payment or delivery. If Escrow Agent does receive such written objection within such five (5) business day period or if for any other reason Escrow Agent in good faith shall elect not to make such payment or delivery, Escrow Agent shall forward a copy of the objections, if any, to the other party or parties, and continue to hold the Deposit unless otherwise directed by written instructions from the parties to this Agreement or by a judgment of a court of competent jurisdiction. In any event, Escrow Agent shall have the right to refrain from taking any further action with respect to the subject matter of the escrow until it is reasonably satisfied that such dispute is resolved or action by Escrow Agent is required by an order or judgment of a court of competent jurisdiction.

3. Deposit. Escrow Agent shall invest all of the monies held in escrow under this Agreement, including any interest received thereon, in an FDIC insured interest-bearing deposit account or US-Treasury money market fund at [Signature Bank, N.A./Citibank, N.A./JPMorgan Chase Bank, N.A.]. The party entitled to receive the interest earned on the Deposit shall pay all income taxes owed in connection therewith.

4. Notices. All notices, payments or other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given if sent by registered or certified mail, postage prepaid and return receipt requested and received, or by nationally recognized overnight courier service, or by e-mail with confirmed receipt and a "hard" copy forward approximately simultaneously via one of the other methods of delivery, addressed as follows:

If to Seller:

Nadler Brothers, Inc.
179 Wallins Corners Road
Amsterdam, NY 12010
Attn: Donald Nadler, President
Email: ______________

With a copy to: Salmon & Salmon LLP
179 Wallins Corner Road
Amsterdam, NY 12010
Attn: James F. Salmon, Esq.
Email: _______________

If to Purchaser: __________________

____

____

Attn: ____________
Email: _______________

With a copy to: Blank Rome LLP
405 Lexington Avenue

New York, New York 10174
Attention: Martin Luskin, Esq. and Kim L. Khutorsky, Esq.
mluskin@blankrome.com and klikhutorsky@blankrome.com

Escrow Agent: Fidelity National Title Insurance Company
485 Lexington Avenue, 18th Floor
New York, New York 10017
Attention: Nick DeMartini
ndemartini@fnf.com

5. Waivers. No waiver of any of the provisions of this Agreement shall be binding upon any party hereto unless in writing and signed by such party. No waiver of any provision of, or default under, this Agreement shall affect the right of any party thereafter to enforce said provision or to exercise any right or remedy in the event of any other default, whether or not similar.

6. Modification. This Agreement may be supplemented, altered, amended, modified or revoked by writing only, signed by all of the parties hereto.

7. Duties of Escrow Agent.

(a) Escrow Agent, by signing this Agreement, signifies its agreement to hold the Deposit for the purposes as provided in this Agreement.

(b) Escrow Agent may rely upon, and shall be protected in acting or refraining from acting upon, any written notice, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper party or parties; provided, however, that, as stated above, any modification of this Agreement must be signed by all of the parties hereto. Any notice to Escrow Agent shall be sufficient only if received by Escrow Agent within the applicable time period set forth herein.

(c) Escrow Agent shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the rights of powers conferred upon it by this Agreement. Escrow Agent may consult with counsel of its own choice, and shall have full and complete authorization and protection for any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel.

(d) Escrow Agent shall not be liable or responsible for and has no liability in the event of failure, insolvency, or inability of the depositary to pay the Deposit or for any failure, refusal or inability of the depository into which the Deposit is deposited to pay the Deposit at Escrow Agent's direction, or for levies by taxing authorities based upon the taxpayer identification number used to establish this interest bearing account. Escrow Agent shall not be responsible for any interest except for such interest as is actually received, nor shall Escrow Agent be responsible for the loss of any interest arising from the closing of any account or the sale of any certificate of deposit or other instrument prior to maturity.

8. Benefit. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

9. Reimbursement. Seller and Purchaser, jointly and severally, agree to reimburse Escrow Agent, upon demand, for the reasonable costs and expenses including attorneys' fees (either paid to retained attorneys or equaling the reasonable value of services rendered to itself) incurred by Escrow Agent in connection with its acting in its capacity as escrow agent. In the event of litigation relating to the subject matter of the escrow, whichever of Seller or Purchaser is not the prevailing party shall reimburse the prevailing party for any costs and fees paid by the prevailing party or paid from the escrowed funds to Escrow Agent.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth above.

SELLER:

NADLER BROTHERS, INC.,
a ___________ corporation

By:________________________
Name:
Title:

PURCHASER:

[__________________],
a [_______________________]

By: __________________
Name:
Title:

ESCROW AGENT

FIDELITY NATIONAL TITLE INSURANCE COMPANY

By: ____________________________
Name:
Title:

Exhibit 2

Form of Memorandum of Contract

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

Blank Rome LLP
405 Lexington Avenue
New York, New York 10174
Attention: Martin Luskin

MEMORANDUM OF CONTRACT

This Memorandum of Contract dated as of March __, 2014 is made and entered into by and between **NADLER BROTHERS, INC.**, a [__________] corporation having an address at 179 Wallins Corners Road, Amsterdam, New York 12010, Attention: Mr. Donald Nadler ("Seller") and [________________], a [____________] having an address [_________________________] ("Purchaser").

WITNESSETH:

Seller and Purchaser have entered into a Contract for Purchase and Sale of Real Estate dated as of the date hereof (the "Contract") for the sale of the real property located on State Highway 30 and Belldons Road, in the Town of Florida and the City of Amsterdam, Montgomery County, New York, being approximately ±341 acres of property (tax map #s: 55.19-1-4, 71-1-6, 71-1-61), as shown on the tax map (and/or more particularly described) on Schedule A attached hereto (the "Property"). Pursuant to the terms of the Contract, Seller and Purchaser have agreed to record a memorandum of the Contract setting forth certain rights of the Purchaser under the Contract.

All undefined capitalized terms herein shall have the meanings ascribed to such terms in the Contract.

Pursuant to the terms of the Contract, the closing of title to the Property shall take place on ________ ___, 201_, subject to the right of Purchaser to adjourn the closing of title up to a date not later than ________ ___, 201_, as such date may be extended or accelerated pursuant to the terms of the Contract.

The Contract provides for a deposit by Purchaser of One Hundred Thousand Dollars ($100,000.00) prior to the conveyance of title to the Property. Said amount is in addition to payments made by Purchaser to Seller prior to execution of the Contract of up to Eighty Thousand Dollars ($80,000.00).

Subject to the terms of the Contract, Seller will not (a) sell, lease, transfer or otherwise encumber all or any portion of the Property or any interest in any entity that owns or controls the Property, nor grant any right or option (including without limitation any right of first refusal or right of first offer) with respect to the foregoing or (b) enter into any easement, lease, license agreement, service contract or any other agreement relating to the development, use, maintenance or operation of the Property.

This Memorandum of Contract does not supersede, modify, amend or otherwise change the terms of the Contract. In the event of a conflict between the provisions of this Memorandum of Contract and the provisions of the Contract, the Contract shall control.

This Memorandum of Contract may be executed in counterparts, each of which shall be deemed an original and all of which taken together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, Seller and Purchaser have caused this Memorandum of Contract to be executed as of the date first written above.

SELLER:

NADLER BROTHERS, INC.

By: ______________________________

Name: Donald Nadler
Title: President

PURCHASER:

[__________________________]

By: ______________________________

Name:
Title:

STATE OF _______)
) ss.:
COUNTY OF _______)

On the ____ day of ___________ in the year 201_ before me, the undersigned, personally appeared _________________________________, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their/ capacity(ies), that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument, and that such individual made such appearance before the undersigned in the State of ________, County of _______.

____
Notary Public

STATE OF NEW YORK)
) ss.:
COUNTY OF ________)

On the ____ day of ______________________ in the year 2014_ before me, the undersigned, personally appeared _____________________________________, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument, and that such individual made such appearance before the undersigned in the State of New York, County of _______.

____
Notary Public

____

Schedule A

PROPERTY

EXHIBIT B

Form of Memorandum of Option

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

Blank Rome LLP
405 Lexington Avenue
New York, New York 10174
Attention: Martin Luskin

MEMORANDUM OF OPTION TO PURCHASE

This Memorandum of Option to Purchase (this "Memorandum of Option") dated as of March __, 2014 is made and entered into by and between **NADLER BROTHERS, INC.**, a __________ corporation having an address at 179 Wallins Corners Road, Amsterdam, New York 12010, Attention: Mr. Donald Nadler ("Owner") and **FLORIDA ACQUISITION CORP.**, a Delaware corporation having an address c/o Blank Rome LLP, 405 Lexington Avenue, New York, New York 10174, Attention: Martin Luskin. ("Optionee").

WITNESSETH:

For good and valuable consideration, Owner and Optionee have entered into an Option to Purchase Real Property dated as of March ___, 2014 (the "Option Agreement") covering the real property on State Highway 30 and Belldons Road, in the Town of Florida and the City of Amsterdam, Montgomery County, New York, being approximately ±341 acres of property (tax map #s: 55.19-1-4, 71-1-6, 71-1-61), as shown on the tax map attached hereto as Schedule A (the "Premises"). All capitalized terms set forth herein shall have the meanings ascribed to such terms in the Option Agreement unless otherwise defined herein.

The terms and provisions of the Option Agreement are incorporated herein by reference as though fully set forth herein.

Pursuant to the terms of the Option Agreement, by notice given no later than 5:00 p.m. September 30, 2016, Optionee has the option to purchase the Premises.

The Option Agreement provides for payments by Optionee to Owner of up to Eighty Thousand Dollars ($80,000.00) prior to the exercise of the option to purchase the Premises.

This Memorandum of Option does not supersede, modify, amend or otherwise change the terms of the Option Agreement. This Memorandum of Option shall not be used in interpreting the provisions of the Option Agreement. In the event of a conflict between the provisions of this

Memorandum of Option and the provisions of the Option Agreement, the Option Agreement shall control.

This Memorandum of Option may be executed in counterparts, each of which shall be deemed an original and all of which taken together shall constitute but one and the same instrument.

This Memorandum of Option shall be governed by and construed in accordance with the laws of the State of New York.

This Memorandum of Option shall bind and inure to the benefit of the parties hereto and their respective successors and assigns.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Owner and Optionee have caused this Memorandum of Option to be executed as of the date first written above.

OWNER:

NADLER BROTHERS, INC.

By: ______________________
Name: Donald Nadler
Title: President

OPTIONEE:

FLORIDA ACQUISITION CORP.

By: ______________________
Name: Martin Luskin
Title: Authorized Signatory

ACKNOWLEDGEMENTS

STATE OF NEW YORK)
ss.:
COUNTY OF)

On the day of __________, in the year 2014, before me, the undersigned, a Notary Public in and for said state, personally appeared ______________________________________ personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

____
Notary Public

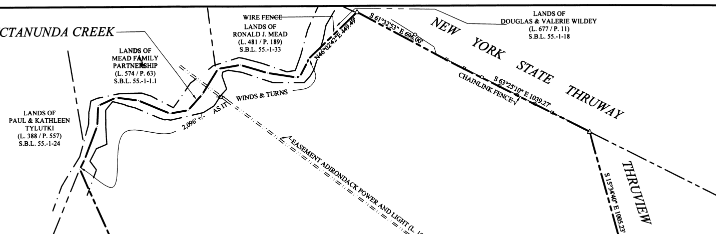
STATE OF NEW YORK)
ss.:
COUNTY OF)

On the day of __________, in the year 2014, before me, the undersigned, a Notary Public in and for said state, personally appeared **Martin Luskin** personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the person or the entity upon behalf of which the person acted, executed the instrument.

____
Notary Public

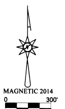
Exhibit A

PREMISES



LEGEND

- △ HIGHWAY MONUMENT
- □ CONCRETE POST
- ○ IRON PIPE FOUND
- ⊙ IRON ROD FOUND
- ● IRON ROD SET
- ⊡ TREE
- -○- OVERHEAD UTILITY LINE



TOTAL AREA: 506.373 ACRES

NOTES:

1) OWNER UNKNOWN, THIS PARCEL IS EXCEPTED FROM NADLER DEED AS LOT 13 OF VANDERVEER HOMESTEAD PROPERTY. LOT DOES NOT APPEAR ON CURRENT TAX ROLLS.

2) LANDS OF ARMANDO & TERESA IORIO (L. 397 / P. 804) LOTS 95, 96, 104, 107 & 106 OF VANDERVEER HOMESTEAD PROPERTY.

3) EXCEPTION FOR CEMETERY, SEE (L. 61 / P. 478) AREA EXCEPTED IS MUCH LARGER THAN AREA ACTUALLY USED.

MAP REFERENCES:

1) "MAP OF A PORTION OF THE VANDERVEER HOMESTEAD PROPERTY FIFTH WARD - AMSTERDAM, N. Y., MADE FOR DAVID LORENZO"
DATED: NOVEMBER 11, 1925
BY: H. S. CRANE
FILE NO: PH-2156
2) VARIOUS TAKING MAPS FOUND ON FILE
3) "SURVEY MAP OF LANDS OF EVELYN COOPER TO BE CONVEYED TO THEODORE R. & JUDITH K. SCHROM"
DATED: SEPTEMBER 24, 1985
BY: JOHN W. FERGUSON
4) "SURVEY MAP OF LANDS OF CHARLES B. & ROSA T. PAGLES TO BE CONVEYED TO JOSEPH & KIM KELLY"
DATED: SEPTEMBER 8, 1987
BY: JOHN W. FERGUSON
5) "SURVEY MAP OF LANDS OF MARVIN M. & DORTHY B. MILLER AND CARL S. & LEILA N. SALMON TO BE CONVEYED TO MARTIN MILANO"
DATED: FEBRUARY 18, 1988
BY: JOHN W. FERGUSON
6) "SURVEY MAP AND PLOT PLAN OF LANDS OF ROY FRANCISCO TO BE CONVEYED TO WILLIAM BRYK, JR."
DATED: SEPTEMBER 12, 1991
BY: JOHN W. FERGUSON
7) "SURVEY MAP OF LANDS OF EDWARD CZELUSNIAK, JR. & FRANCES CZELUSNIAK TO BE CONVEYED TO KEN SLEZAK"
DATED: OCTOBER 28, 2009
BY: FERGUSON AND FOSS PROFESSIONAL SURVEYORS

Ⓐ LANDS OF JUDITH K. & THEODORE SCHROM (L. 1688 / P. 309) S.B.L. 71.-1-58
Ⓑ LANDS OF IRENE CZELUSNIAK (L. 533 / P. 149) S.B.L. 71.-1-59
Ⓒ LANDS OF J.K. BRUNDAGE (L. 721 / P. 16) S.B.L. 71.-1-4
Ⓓ LANDS OF JOSEPH B. MULLARKEY (L. 575 / P. 345) S.B.L. 71.-1-5
Ⓔ LANDS OF LUIGI & ANNA D'ANIELLO (L. 396 / P. 865) S.B.L. 71.-1-79
Ⓕ LANDS OF TRENT M. OLIVER (L. 1584 / P. 328) S.B.L. 71.-1-3
Ⓖ LANDS OF WILLIAM J. & AUDREY J. BRYK (L. 544 / P. 106) S.B.L. 71.-1-7.12
Ⓗ LANDS OF MONTGOMERY & FULTON COUNTY EDC (L. 399 / P. 552) S.B.L. 55.19-1-2
Ⓘ LANDS OF ARMANDO & TERESA IORIO S.B.L. 55.19-1-3
Ⓙ LANDS OF STEVEN M. RACKOWSKI (L. 707 / P. 302) S.B.L. 71.-1-69
Ⓚ LANDS OF JOSEPH & KIM KELLY (L. 642 / P. 65) S.B.L. 71.-1-2.2

LANDS OF LARRY & KAREN FRANCISCO (LIBER 479 / PAGE 341) S.B.L. 55.00-1-23 AREA: 169.984

LANDS OF NADLER BROS. INC. (LIBER 290 / PAGE 288) PARCEL 2 S.B.L. 71.-1-6 AREA: 107.152 ACRES

LANDS OF NADLER BROS. INC. (LIBER 290 / PAGE 288) PARCEL 1 S.B.L. 71.-1-6 AREA: 97.332 ACRES

LANDS OF NADLER BROS. INC. (LIBER 290 / PAGE 288) PARCEL 1 S.B.L. 71.-1-6 AREA: 48.787 ACRES

LANDS OF NADLER BROS. INC. (LIBER 290 / PAGE 288) PARCEL 4 S.B.L. 55.19-1-4 AREA: 25.949 ACRES

LANDS OF NADLER BROS. INC. (LIBER 295 / PAGE 79) S.B.L. 71.-1-61 AREA: 57.269 ACRES

MINAVILLE STREET (ABANDONED)

THRUVIEW DRIVE

STATE ROUTE 30

BELDONS ROAD

NEW YORK STATE THRUWAY

CITY OF AMSTERDAM / TOWN OF FLORIDA

LANDS OF WILLIAM & PATRICIA GASNER (L. 484 / P. 68) S.B.L. 71.-1-1.11

LANDS OF MARY JANE PERETTA (L. 1796 / P. 291) S.B.L. 71.-2-1

LANDS OF KENNETH & KATHLEEN SLEZAK (INST. NO. 2010-35998) S.B.L. 71.-5-1.11

LANDS OF GARY & STACIA FRANCISCO (L. 734 / P. 135) S.B.L. 71.-1-7.11

LANDS OF KENNETH & BARBARA KRUGER (L. 465/P. 247) S.B.L. 71.-1-8

LANDS OF PERVAZ M. CHOUDRY (L. 1542/P. 205) S.B.L. 56.-3-7

LANDS OF PAMELA M. MANN (L. 1776 / P. 311) S.B.L. 71.-1-66

LANDS OF ARMANDO & TERESA IORIO (L. 410 / P. 368) S.B.L. 71.-1-68

LANDS OF TCHESLAW & REGINA CHITCHEBRA (L. 627 / P. 214) S.B.L. 71.-1-2.1

NOTE: THIS PARCEL DOES NOT APPEAR TO BE INCLUDED IN L. 295/P.79

SURVEY MAP OF LANDS TO BE CONVEYED TO

FLORIDA ACQUISITION CORP.

CITY OF AMSTERDAM
TOWN OF FLORIDA
COUNTY OF MONTGOMERY
STATE OF NEW YORK

SCALE: 1" = 300'

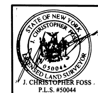
MAY 12, 2014

I HEREBY CERTIFY TO FLORIDA AQUISITION CORP. AND FIDELITY NATIONAL TITLE INSURANCE CORP. THAT THIS SURVEY WAS PREPARED USING GENERALLY ACCEPTED STANDARDS FOR TITLE SURVEYS.

S.B.L. REFERS TO SECTION-BLOCK-LOT NUMBER AS FOUND IN FULTON COUNTY REAL PROPERTY TAX SERVICE

ONLY COPIES FROM THE ORIGINAL OF THIS SURVEY WITH AN ORIGINAL OF THE LAND SURVEYOR'S SEAL SHALL BE CONSIDERED TO BE VALID TRUE COPIES.

UNAUTHORIZED ALTERATION OR ADDITION TO A SURVEY MAP BEARING A LICENSED LAND SURVEYOR'S SEAL IS A VIOLATION OF SECTION 7209-3 OF THE NEW YORK STATE EDUCATION LAW.



J. CHRISTOPHER FOSS
P.L.S. #50044

FERGUSON & FOSS
PROFESSIONAL LAND SURVEYORS, PC
P.O. BOX 356-JOHNSTOWN, NY 12095 518-762-9997
EMAIL: fergusonandfoss@frontiernet.net

EXHIBIT

11–Exhibit VIII. C.4

11 PROGRAM OVERVIEW

Program New York - Initial Concept - May 20 - 2014

Item	Qty	Unit	Area	Notes
Casino (look at Preeng building - screed with Green screens to save cost on Casino Box and speed up construction)				
Slots	1200	30	36000	DX cooling heating
tables	30	350	10500	
Total Gaming equipment			**46500**	
Back of House admin staff area (on Mez)			16275	
Circulation areas and Entrance bathrooms			7533	
Mechanical - Electrical Rooms storage			3138.75	
Total Gaming Other			**26946.75**	
F&B (all located as part of the gaming floor)				
Food Court - 3 sub brands	140	seats	1680	
Buffet on gaming level (proximate floor)	300	seats	7500	
1 Premium casual Restaurant (on Mez over looking gaming floor)	120	seats	4800	DX Cooling heating
Entertainment Lounge bar & stage (on gaming floor with access to back of house)	200	seats	6000	
Total F&B front of house			**19980**	
Kitchens (all incorporated in one location to save labor and servicing costs)				
1 production Kitchen (I main connected to shipping and Receiving) Driving Buffet - Food Court and Catering)			7992	
1 Kitchen Premium Casual (connected to Production but with separate lines)			2880	
Kitchen extra storage and Warming areas			1498.5	
Stage Dressing green room sound area for Entertainment lounge)			600	
Total F&B back of House			**12970.5**	

Item	Qty	Unit	Area	Notes
Hotel (4 story low Rise - Approx. 25 rooms per level lodge resort style)				
Rooms (includes Floor storage and Ice machines - Adirondack style lodge - 4 story (consider steel stud stick framing over concrete) To be discussed?	100	rooms	45000	
Atrium & check in - vaulted space - perhaps using a gable vaulted design?	1		9000	Closed loop water - 2 pipe
Coffee shop (no kitchen - just coffee and microwave toaster) (as you enter the casino Soup sandwich bar and Good Quality Coffee on gaming floor)	1		500	with Resistance Heating?
Business Center (just off Atrium)	1		500	
Spa (Location TBD)	1		1500	
pool area (small pool - hot tub) (off atrium - Possible Exterior Pool hot tub to save costs)	1		2000	
Fitness Center (2 Stationary bikes - 2 Tread mills - Weight machine - dumbbell center)	1		500	
Meeting space (best to incorporate off gaming floor or on Gaming Mez to be used as flex space - link to Production kitchen	1		3,500	
Gift shop Retail			500	
Small Laundry (will mostly be ship in ship out)			750	
Maintenance - house keeping, workshop area			700	
Golf Proshop (as part of - or just off Atrium area)			1000	
total hotel space (front of house)			**65450**	
Hotel Back of house administration storage ect			**16362.5**	
Total Basic Program			**188209.8**	
Central Loading area and Dock (shipping & Receiving)			**4705.244**	
Total Gross area of Development (FAR total)			**192915**	
Golf Course			**18 hole**	same Quality as Site in Amsterdam
Golf training center - Driving area - pitch and put area - Sand Trap area (small building - 1000 for Gear - class area)			**1000**	
Plaza area - to be used for Famers market - festivals ect (services with several 100 amp services - sub metered) Combination Grass areas and Asphalt			**100,000 S**	Movable Planters and Landscape for flexibility
50 slip RV site - 30 amp Electrical hook up and potable water (no sewage hook up at slip but a sanitation as exit to the park)			Optional - seperated	from Casino area and parking for priviacy
Nature trails with Public art (using natural Topography for the trails and old equipment ect as Art features with signs telling a story of the history around the property)			**??**	
Parking stalls	**2200**		**900,000 sq**	**feet**

EXHIBIT

12–Exhibit VIII. C.5

12 SITE RENDERING

RENDERING - FRONT VIEW

AMSTERDAM / FLORIDA, NEW YORK PROPOSAL

GREAT CANADIAN GAMING CORPORATION

CLAIRVEST

CGL CLIMANS GREEN LIANG architects inc

Exit 27 Casino Development

Montgomery County, New York

Potential Trail Connection to
Erie Canal Trail (Little Falls to Albany)

South Chuctanunda Creek

Thruview Drive

Beldons Road

Phase One

Casino
Hotel
Outdoor gathering space
100 Residential Villas

Phase Two

18 Hole Championship Golf Course
100 Residential Villas

Phase Three

Second 18 Hole Championship Golf Course
Commercial to Compliment Project
100 Residential Villas

30

CLAIRVEST
GREAT CANADIAN GAMING CORPORATION
FINANCIAL DISTRICT PROPERTIES

0' 350' 700'

Master Plan Created By: CGL Architects & Vandewalle & Associates

1. MAIN ENTRANCE
2. CASINO
3. HOTEL
4. FARMER'S MARKET
5. EVENT SPACE
6. BUS AND RV PARK
7. GOLF COURSE AND NATURE TRAILS

CONTEXT PLAN

GREAT CANADIAN GAMING CORPORATION
CLAIRVEST
CGL CLIMANS GREEN LIANG architects inc

AMSTERDAM / FLORIDA, NEW YORK PROPOSAL

1. MAIN ENTRANCE
2. CASINO
3. HOTEL
4. FARMER'S MARKET
5. EVENT SPACE
6. BUS AND RV PARK
7. GOLF COURSE AND NATURE TRAILS

CONCEPT SITE PLAN

GREAT CANADIAN GAMING CORPORATION CLAIRVEST CGL CLIMANS GREEN LIANG architects inc

AMSTERDAM / FLORIDA, NEW YORK PROPOSAL

RENDERING - FARMER'S MARKET

GREAT CANADIAN GAMING CORPORATION

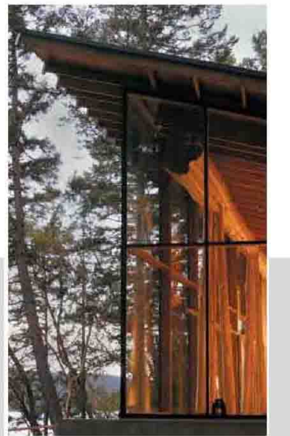
CLAIRVEST

CGL CLIMANS GREEN LIANG architects inc

AMSTERDAM / FLORIDA, NEW YORK PROPOSAL

GREAT CANADIAN GAMING CORPORATION CLAIRVEST CGL CLIMANS GREEN LIANG architects inc

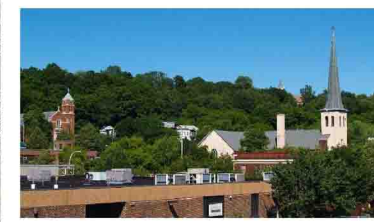
AMSTERDAM / FLORIDA, NEW YORK PROPOSAL

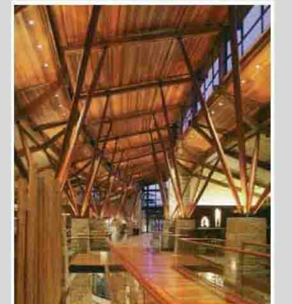


Wood & Stone

Casino Gaming Floor

Entertainment
Bar Areas

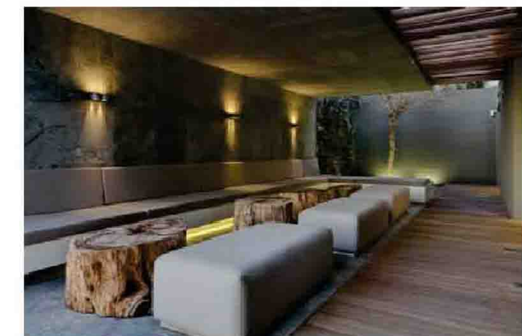




Market Space

Patios and Restaurant

Public Plaza



Lounge Areas

Native planting, reducing the need for irrigation

Sun shades - reduce cooling

Pedestrian Priority
Provide pedestrian dominated environments to enhance community experience.

Bike Accessibility
Design access ways to promote bicycle usage.

Walkable Streets
Provide enhanced pedestrian links within development and to surrounding city.

Pedestrian and bike pathways

Vegetative Roof Deck
Expansive landscaped roofs for improving stormwater management and reducing heat island effect.

High Albedo Roof
Use of highly reflective roofing in order to lower absorption of solar energy.

Heat Island Reduction
Use of trees and landscape elements throughout to reduce heat island effect.

Green Design

Designing to preserve the environment

Glulam and timber

Deciduous Plants
Provide Shade in the public realm for outdoor thermal comfort.

Stormwater Management
Reduce amount of storm water runoff by capturing it with landscape design.

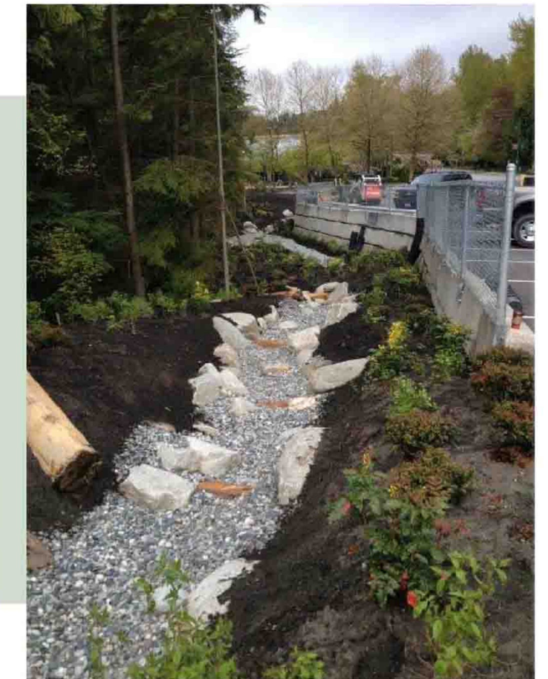
Water Efficient Landscape
To limit the use of potable water for irrigation.

Vegetated fencing

Natural fieldstone

Roof overhangs to shade and cool the building face

water retention for slow release into storm systems



Swales to collect parking lot runoff

Sustainable

Using long-lasting, renewable, and durable materials

EXHIBIT

13–Exhibit VIII. C.21

13 DIRECT CONSTRUCTION JOBS

Montgomery County Casino & Hotel Resort
Estimated Jobs by Trade Classification

Exhibit VIII.C.21

Trade	Jobs	Q1	Q2	Q3	Q4	FY 15 Total	Q1	Q2	Q3	Q4	FY 16 Total	Q1	Q2	Q3	Q4	FY 17 Total	Total
Laborers		0	1	10	2	13	4	11	21	3	39	0	0	0	0	0	52
Engineers		0	2	5	3	10	2	2	9	0	13	0	0	0	0	0	23
Carpenters		0	0	3	3	6	7	37	47	22	113	0	0	0	0	0	119
Masons		0	0	0	1	1	1	8	15	5	29	0	0	0	0	0	30
Ironworkers		0	0	1	1	2	14	13	0	0	27	0	0	0	0	0	29
Roofers		0	0	0	0	0	10	11	0	0	21	0	0	0	0	0	21
Glaziers		0	0	0	0	0	0	6	5	0	11	0	0	0	0	0	11
Painters		0	0	0	0	0	0	0	0	9	9	0	0	0	0	0	9
Plumbers		0	0	0	0	0	8	7	7	1	23	0	0	0	0	0	23
Fitters		0	0	0	0	0	5	5	5	2	17	0	0	0	0	0	17
Sheet Metal		0	0	0	0	0	12	12	12	0	36	0	0	0	0	0	36
Electricans		0	0	0	0	0	40	40	32	0	112	0	0	0	0	0	112
Elevator Constructors		0	0	0	0	0	0	2	1	0	3	0	0	0	0	0	3
		0	3	19	10	32	103	154	154	42	453	0	0	0	0	0	485

Trade	Rate	Hours	Q1	Q2	Q3	Q4	FY 15 Total	Q1	Q2	Q3	Q4	FY 16 Total	Q1	Q2	Q3	Q4	FY 17 Total	Total
Laborers			0	780	7,800	1,560	10,140	3,120	8,580	16,380	2,340	30,420	0	0	0	0	0	40,560
Engineers			0	1,560	3,900	2,340	7,800	1,560	1,560	7,020	0	10,140	0	0	0	0		17,940
Carpenters			0	0	2,340	2,340	4,680	5,460	28,860	36,660	17,160	88,140	0	0	0	0	0	92,820
Masons			0	0	0	780	780	780	6,240	11,700	3,900	22,620	0	0	0	0	0	23,400
Ironworkers			0	0	780	780	1,560	10,920	10,140	0	0	21,060	0	0	0	0	0	22,620
Roofers			0	0	0	0	0	7,800	8,580	0	0	16,380	0	0	0	0	0	16,380
Glaziers			0	0	0	0	0	0	4,680	3,900	0	8,580	0	0	0	0	0	8,580
Painters			0	0	0	0	0	0	0	0	7,020	7,020	0	0	0	0	0	7,020
Plumbers			0	0	0	0	0	6,240	5,460	5,460	780	17,940	0	0	0	0	0	17,940
Fitters			0	0	0	0	0	3,900	3,900	3,900	1,560	13,260	0	0	0	0	0	13,260
Sheet Metal			0	0	0	0	0	9,360	9,360	9,360	0	28,080	0	0	0	0	0	28,080
Electricans			0	0	0	0	0	31,200	31,200	24,960	0	87,360	0	0	0	0	0	87,360
Elevator Constructors			0	0	0	0	0	0	1,560	780	0	2,340	0	0	0	0	0	2,340
			0	2,340	14,820	7,800	24,960	80,340	120,120	120,120	32,760	353,340	0	0	0	0	0	378,300

Trade		Costs	Q1	Q2	Q3	Q4	FY 15 Total	Q1	Q2	Q3	Q4	FY 16 Total	Q1	Q2	Q3	Q4	FY 17 Total	Total
Laborers	76.45		$0.00	$59,631.00	$596,310.00	$119,262.00	$775,203.00	$238,524.00	$655,941.00	$1,252,251.00	$178,893.00	$2,325,609.00	$0.00	$0.00	$0.00	$0.00	$0.00	$3,100,812.00
Engineers	100.94		$0.00	$157,466.40	$393,666.00	$236,199.60	$787,332.00	$157,466.40	$157,466.40	$708,598.80	$0.00	$1,023,531.60	$0.00	$0.00	$0.00	$0.00	$0.00	$1,810,863.60
Carpenters	80.56		$0.00	$0.00	$188,510.40	$188,510.40	$377,020.80	$439,857.60	$2,324,961.60	$2,953,329.60	$1,382,409.60	$7,100,558.40	$0.00	$0.00	$0.00	$0.00	$0.00	$7,477,579.20
Masons	92.06		$0.00	$0.00	$0.00	$71,806.80	$71,806.80	$71,806.80	$574,454.40	$1,077,102.00	$359,034.00	$2,082,397.20	$0.00	$0.00	$0.00	$0.00	$0.00	$2,154,204.00
Ironworkers	102.74		$0.00	$0.00	$80,137.20	$80,137.20	$160,274.40	$1,121,920.80	$1,041,783.60	$0.00	$0.00	$2,163,704.40	$0.00	$0.00	$0.00	$0.00	$0.00	$2,323,978.80
Roofers	93.26		$0.00	$0.00	$0.00	$0.00	$0.00	$727,428.00	$800,170.80	$0.00	$0.00	$1,527,598.80	$0.00	$0.00	$0.00	$0.00	$0.00	$1,527,598.80
Glaziers	69.12		$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$323,481.60	$269,568.00	$0.00	$593,049.60	$0.00	$0.00	$0.00	$0.00	$0.00	$593,049.60
Painters	69.12		$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$485,222.40	$485,222.40	$0.00	$0.00	$0.00	$0.00	$0.00	$485,222.40
Plumbers	77.7		$0.00	$0.00	$0.00	$0.00	$0.00	$484,848.00	$424,242.00	$424,242.00	$60,606.00	$1,393,938.00	$0.00	$0.00	$0.00	$0.00	$0.00	$1,393,938.00
Fitters	77.7		$0.00	$0.00	$0.00	$0.00	$0.00	$303,030.00	$303,030.00	$303,030.00	$121,212.00	$1,030,302.00	$0.00	$0.00	$0.00	$0.00	$0.00	$1,030,302.00
Sheet Metal	73.66		$0.00	$0.00	$0.00	$0.00	$0.00	$689,457.60	$689,457.60	$689,457.60	$0.00	$2,068,372.80	$0.00	$0.00	$0.00	$0.00	$0.00	$2,068,372.80
Electricans	96		$0.00	$0.00	$0.00	$0.00	$0.00	$2,995,200.00	$2,995,200.00	$2,396,160.00	$0.00	$8,386,560.00	$0.00	$0.00	$0.00	$0.00	$0.00	$8,386,560.00
Elevator Constructors	117.45		$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$183,222.00	$91,611.00	$0.00	$274,833.00	$0.00	$0.00	$0.00	$0.00	$0.00	$274,833.00
			$0.00	$217,097.40	$1,258,623.60	$695,916.00	$2,171,637.00	$7,229,539.20	$10,473,411.00	$10,165,350.00	$2,587,377.00	$30,455,677.20	$0.00	$0.00	$0.00	$0.00	$0.00	$32,627,314.20

EXHIBIT

14

14–Exhibit IX.A.1.a

SUPPORT DOCUMENTS

2 N. Main Street, Gloversville, NY 12078
1166 Riverfront Center, Amsterdam, NY 12010
(518) 725-0641 ~ www.fultonmontgomeryny.org

RESOLUTION

Fulton Montgomery Regional Chamber of Commerce Board of Directors Supports a Proposed Casino Project in Montgomery County

WHEREAS, the Fulton Montgomery Regional Chamber of Commerce is the leading voice of business in the Fulton and Montgomery Counties region of New York State, and is a member organization representing and dedicated to furthering the interests of businesses, organizations and individuals and is committed to the improvement of the general economy and quality of life in the community; and

WHEREAS, on November 5, 2013 there was a passage of the Upstate Gaming and Economic Development Act which allows the siting of casinos in New York State,

WHEREAS there is a proposal to site a Casino in the Town of Florida, County of Montgomery, in the Capital Region, which includes the County of Montgomery,

WHEREAS, the host communities (Montgomery County and the Town of Florida) will each receive 10% of the gaming revenues (estimated to be over $10 million annually) in addition to sales tax and real property taxes generated by the project,

WHEREAS, the proposed project will result in hundreds of new permanent jobs and construction jobs in the region;

WHEREAS, the proposed project would likely also provide economic development benefits for hotels, restaurants, and other businesses in the region; be it

RESOLVED, that the Fulton Montgomery Regional Chamber Board of Directors, at its meeting on Wednesday, February 19, 2014 passed this resolution supporting the development of a Casino in the Town of Florida, County of Montgomery; and be it further

RESOLVED, that the Fulton Montgomery Regional Chamber of Commerce urges the New York State Gaming Commission to give full and proper consideration to the merits associated with an application for a Casino to be sited in the Town of Florida, County of Montgomery

Resolution in Support of the Montgomery County Economic Development and Planning, and the Locating of a Casino in Montgomery County

WHEREAS, on November 5th, in a referendum as part of the 2013 General Election, Village of Fonda voters in favor of the referendum, along with Montgomery County voters also voting in support of the commercial casino referendum; and

WHEREAS, the identification of locations for the commercial casinos approved by State voters is now underway across New York State; and

WHEREAS, in recognition of the potential economic benefits, the Board of Trustees for the Village of Fonda is supportive of a commercial casino being located in the County, provided there is stated support from the host municipality;

RESOLVED, that the Board of Trustees does hereby declare support for the locating of a commercial casino in Montgomery County, based on the positive economic and fiscal benefits, provided there is stated support from the host municipality in Montgomery County; and

FURTHER RESOLVED, the Clerk of the Board of Trustees is hereby directed to transmit certified copies of this resolution to Governor Andrew Cuomo, Senator Cecilia Tkaczyk and Assemblyman Angelo Santabarbara, and Montgomery County Executive Matthew Ossenfort.

Vote by Board of Trustees:

Name	Aye	Nay	Abstained	Absent
Mayor Peeler	X			
Trustee Boyd	X			
Trustee Dumar	X			
Trustee Galusha	X			
Trustee Healey	X			

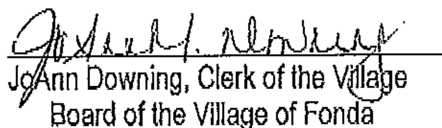
STATE OF NEW YORK)
) SS.:
COUNTY OF MONTGOMERY)

I, JoAnn Downing, the undersigned Clerk of the Village Board of the Village of Fonda (the "Village Board"), DO HEREBY CERTIFY that I have compared the foregoing copy of the minutes of the regular monthly meeting of the Village Board, including the Resolution contained therein, held **on MARCH 10, 2014** with the original thereof on file in my office, and that the same is a true and correct copy of such proceedings of the Village Board and such resolution set forth therein and of the whole of said original so far as the same relates to the subject matters therein referred to.

I FURTHER CERTIFY that (A) all members of the Village Board had due notice of said meeting; (B) said meeting was in all respects duly held; (C) pursuant to Article 7 of the Public Officers Law (the "Open Meetings Law"), said meeting was open to the general public, and due notice of the time and place of said meeting was duly given in accordance with such Open Meetings Law; and (D) there was a quorum of the members of the Village Board present throughout said meeting.

I FURTHER CERTIFY that, as of the date hereof, the attached Resolution is in full force and effect and has not been amended, repealed and rescinded.

IN WITNESS THEREOF, I have hereunto set my hand and affixed the seal of the Village Board this 10th day of March, 2014.



JoAnn Downing, Clerk of the Village
Board of the Village of Fonda

(SEAL)

MAR 24 2014

VILLAGE OF FT. JOHNSON
P. O. Box 179
FT. JOHNSON, NEW YORK 12070

Mayor Kenneth M. Walter
Clerk Barbara S. Smith 518-843-3175
Treasurer Barbara S. Smith 518-843-3175
Web Site: www.vfjny.org

Trustees: Chris Blessing
Jim Bartone
Darlene Roe
Bill Smith

Matthew Ossenfort
County Executive
Montgomery County
County Annex Building
Fonda, New York 12068

March 19, 2014

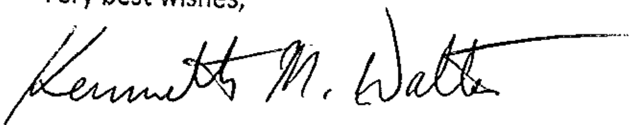
Dear County Executive Ossenfort:

The Village of Fort Johnson is pleased to offer our support for the siting of a Casino in Montgomery County. We fully recognize the Regionally transformative nature of this project and the positive economic benefits that would occur.

Our municipality and the County are tied very closely with regard to community and economic development initiatives as well as educational and cultural resources. There is no doubt that the siting of a casino in Montgomery County would have a dramatic positive impact on the economy of our municipality, via job creation (both construction and permanent), and increased sales tax revenue generated by the anticipated visitors to our region.

Attached please find a copy of our resolution of support. We wish you all the best as you pursue this initiative and stand by you in your effort. We are willing to assist in any way reasonable plausible to further enhance your success.

Very best wishes,



Kenneth M. Walter, Mayor
Village of Fort Johnson

Cc: Kenneth Rose, Director
Montgomery County Business Development Center

RESOLUTION STATING SUPPORT FOR LOCATING A CASINO IN SUPPORTING COMMUNITIES IN MONTGOMERY COUNTY

WHEREAS, The Board of Trustees of the Village of Fort Johnson, New York hereby referred to as "Legislative Body" agrees that

WHEREAS, on November 5th, in a referendum as part of the 2013 General Election, state voters approved the development of seven commercial casinos, with Montgomery County voters also voting in support of the commercial casino referendum; and

WHEREAS, siting for the commercial casinos approved by State voters is now underway across New York State; and

WHEREAS, in recognition of the potential economic benefits, this Legislative Body is supportive of a commercial casino being located in the County, provided there is stated support from the host municipality;

RESOLVED, that this Legislative Body does hereby declare support for the sighting of a commercial casino in Montgomery County, based on the positive economic and fiscal benefits, provided there is stated support from the host municipality in Montgomery County; and

FURTHER RESOLVED, the Clerk of the Village of Fort Johnson is hereby directed to transmit certified copies of this resolution to Matthew Ossenfort, County Executive, Montgomery County, New York.

Roll Call Vote:

Mayor Kenneth Walter	Aye
Trustee Christopher Blessing	Aye
Trustee James Bartone	Aye
Trustee William Smith	Aye
Trustee Darlene Roe	Aye

Resolution No. 119 APR 2 2 2014

Supervisor WALDRON offered the following Resolution and moved its adoption:

RESOLUTION SUPPORTING A CASINO DEVELOPMENT PROJECT
IN MONTGOMERY COUNTY

WHEREAS, the Montgomery County Legislature recently passed a Resolution supporting the location of a commercial Casino in Montgomery County; and

WHEREAS, said resolution states that the Montgomery County Legislature believes that a casino would produce "potential economic benefits"; and

WHEREAS, in a letter dated March 5, 2014, the Montgomery County Executive requested that the Fulton County Board of Supervisors support the siting of a commercial Casino in Montgomery County; and

WHEREAS, the proposed casino location in Montgomery County is superior to others that have been proposed in the Capital Region; and

WHEREAS, the siting of a multi-recreational casino gaming resort in Montgomery County will result in new jobs and provide a boost to area tax bases within the region; now, therefore be it

RESOLVED, That the Fulton County Board of Supervisors hereby expresses its support for the siting of a commercial casino in Montgomery County; and, be it further

RESOLVED, That certified copies of this Resolution be forwarded to the County Treasurer, Governor Cuomo, NYS Gaming Commission, Senator Hugh Farley, Assemblyman Marc Butler, Senator Cecilia Tkaczyk, Assemblyman Angelo Santabarbara, Montgomery County Legislature, Budget Director/County Auditor and Administrative Officer/Clerk of the Board.

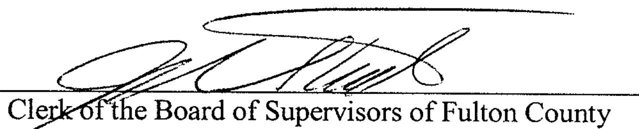
Seconded by Supervisor KINOWSKI and adopted by the following vote:

Total: Ayes: 521 (17) Nays: 6 (1) (Supervisor Johnson) Absent: 24 (2) (Supervisors Capek and Howard)

STATE OF NEW YORK }
COUNTY OF FULTON } ss:

I, Jon R. Stead, Clerk of the Board of Supervisors of Fulton County hereby certify that I have compared the foregoing resolution with the original resolution, adopted by the Board of Supervisors of said County, at a duly called and held meeting of said Board on the 14th day of APRIL 2014, and the same is a true and correct transcript therefrom and the whole thereof.

Witness my hand and official seal
this 14th day of APRIL 2014



Clerk of the Board of Supervisors of Fulton County

Resolution No. 141

Supervisor FAGAN offered the following Resolution and moved its adoption:

RESOLUTION OPPOSING ASSEMBLY BILL A689-A MANDATING EARLY VOTING IN NEW YORK STATE

WHEREAS, proposed Assembly Bill A.689-a, if approved, would mandate a 15-day early voting period for general elections, an 8-day early voting period for primary elections and require the operation of four (4) polling sites throughout the County and at the Board of Elections office; and

WHEREAS, said Bill, approved by the Assembly in March, would mandate substantial new costs upon county governments and taxpayers; and

WHEREAS, the Election Commissioners have expressed serious concerns about current proposals for early voting because they constitute an unfunded State mandate and will result in extensive new costs for local taxpayers with uncertain benefit; and

WHEREAS, the State-mandated so-called Tax Cap and insufficient relief from existing state-mandates has placed an unprecedented strain on local governments, now, therefore be it

RESOLVED, That the Board of Supervisors hereby opposes implementation of the scheme contained in Assembly Bill A.689-a regarding early voting; and, be it further

RESOLVED, That the Board of Supervisors also hereby demands that the New York State Legislature take financial responsibility for any and all costs associated with any early voting mandates it imposes; and, be it further

RESOLVED, That the Board urges that more reasonable approaches be sought to encourage voter turnout and/or that counties be allowed to "opt-in" to early voting procedures in the best interest of their own local region; and, be it further

RESOLVED, That certified copies of this Resolution be forwarded to the County Treasurer, Governor Cuomo, Senate Majority Co-Leader Skelos, Senate Majority Co-Leader Klein, Assembly Speaker Silver, Senator Farley, Assemblyman Butler, All Counties, NYSAC, NYS Board of Elections, Fulton County Elections Commissioners, Budget Director/County Auditor and Administrative Officer/Clerk of the Board.

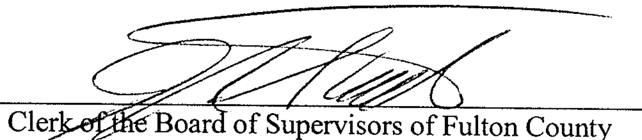
Seconded by Supervisor GROFF and adopted by the following vote:

Total: Ayes: 18 Nays: 0 Absent: 2 (Supervisors Capek and Howard)

STATE OF NEW YORK }
COUNTY OF FULTON } ss:

I, Jon R. Stead, Clerk of the Board of Supervisors of Fulton County hereby certify that I have compared the foregoing resolution with the original resolution, adopted by the Board of Supervisors of said County, at a duly called and held meeting of said Board on the 14th day of APRIL 2014, and the same is a true and correct transcript therefrom and the whole thereof.

Witness my hand and official seal
this 14th day of APRIL 2014



Clerk of the Board of Supervisors of Fulton County

Resolution No. 127

Supervisor BORN offered the following Resolution and moved its adoption:

RESOLUTION URGING NEW YORK STATE TO ESTABLISH A RESIDENCY WAITING PERIOD TO QUALIFY FOR WELFARE BENEFITS

WHEREAS, New York State offers some of the most substantial social welfare/public assistance benefits available compared to other states; and

WHEREAS, New York also provides a larger group of optional Medicaid benefits than most other states; and

WHEREAS, New York State has no residency requirements to receive welfare benefits; and

WHEREAS, establishing a residency requirement for state to state migration would be a safeguard to reduce the high costs of public assistance spending in New York; now, therefore be it

RESOLVED, That the Board of Supervisors hereby calls upon the State Legislature to approve legislation establishing a reasonable waiting period requirement before a person from another state can apply for and obtain any form of public assistance benefits in New York State; and, be it further

RESOLVED, That certified copies of this Resolution be forwarded to the County Treasurer, Governor Cuomo, Senator Hugh Farley, Assemblyman Marc Butler, NYS Comptroller Thomas DiNapoli, All New York counties, NYS Association of Counties, Budget Director/County Auditor and Administrative Officer/Clerk of the Board.

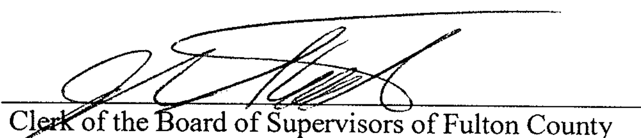
Seconded by Supervisor GENDRON and adopted by the following vote:

Total: Ayes: 18 Nays: 0 Absent: 2 (Supervisors Capek and Howard)

STATE OF NEW YORK}
COUNTY OF FULTON} ss:

I, Jon R. Stead, Clerk of the Board of Supervisors of Fulton County hereby certify that I have compared the foregoing resolution with the original resolution, adopted by the Board of Supervisors of said County, at a duly called and held meeting of said Board on the 14th day of APRIL 2014, and the same is a true and correct transcript therefrom and the whole thereof.

Witness my hand and official seal
this 14th day of APRIL 2014



Clerk of the Board of Supervisors of Fulton County

CITY OF AMSTERDAM, NY
COMMON COUNCIL
JUNE 17, 2014

RESOLUTION #13/14-288
RESOLUTION STATING SUPPORT FOR THE LOCATION, APPROVAL AND OPERATION OF A CASINO IN THE CITY OF AMSTERDAM

BY: MAYOR THANE

WHEREAS, on November 5th, in a referendum as part of the 2013 General Election, state voters approved the development of seven commercial casinos, with City of Amsterdam voters also voting in support of the commercial casino referendum; and

WHEREAS, the Upstate Gaming Economic Development Act of 2013 (Chapters 174 and 175 of of the Laws of 2013) known as the "Gaming Act" was enacted on July 30, 2013; and

WHEREAS, pursuant to the Gaming Act, four casinos are to be sited within three regions of the State; and

WHEREAS, one of the regions is Region 2 and includes the County of Montgomery, City of Amsterdam and Town of Florida; and

WHEREAS, the Gaming Act creates the Resort Gaming Facility Location Board to review and evaluate the applications submitted to make selections of who is eligible to apply for a commercial gaming licesnse in New York State; and

WHEREAS, siting for the commercial casinos approved by State voters is now underway across New York State; and

WHEREAS, this City Council has received calls and emails of support for a commercial casino operation in the City; and

WHEREAS, in recognition of the potential economic benefits, this City Concil is supportive of a commercial casino being located in the City of Amsterdam;

RESOLVED, in furtherance of the above goals, this City Council does hereby agree to the location of of a commercial casino proposed by Florida Acquisition Corp.; Clairvest Group; and/or Great Canadian Gaming Corp., in the City of Amsterdam, situated on two parcels of land in the Town of Florida and the City of Amsterdam, adjacent to Exit 27 of the New York State Thruway, based on the positive economic and fiscal benefits; and

FURTHER RESOLVED, the Clerk of this Council is to transmit certified copies of this resolution to Governor Andrew Cuomo, Senator Cecilia Tkaczyk and Assemblyman Angelo Santabarbara

RESOLUTION ADOPTED. Alderwoman Beekman voted nay.

COMMON COUNCIL
City of Amsterdam, NY

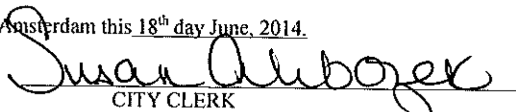
	Aye	Nay
Alderman Russo	√	
Alderwoman Beekman		√
Alderman Barone	√	
Alderwoman Hatzenbuhler	√	
Alderman Leggiero	√	

ANN M. THANE, MAYOR

Dated: June 18, 2014

This is to certify that I, Susan Alibozek, City Clerk of the City of Amsterdam, County of Montgomery, State of New York, that the above is the original Resolution, passed by the City of Amsterdam Common Council on June 17, 2014, a majority of all members elected to the Council voting in favor

I have set my hand and the official seal of the City of Amsterdam this 18th day June, 2014.



CITY CLERK

CITY SEAL
Received & Filed in the Office of the City Clerk: 6/18/14 Received by: [signature]

RESOLUTION NO. 146 of 2014

DATED: June 24, 2014

RESOLUTION STATING SUPPORT FOR THE LOCATION, APPROVAL AND OPERATION OF A CASINO ADJACENT TO EXIT 27 OF THE NYS THRUWAY (ECONOMIC DEVELOPMENT, PLANNING, AND TOURISM)

Resolution by Legislator: Dimond **Seconded by:** Weitz

WHEREAS, on November 5th, in a referendum as part of the 2013 General Election, state voters approved the development of seven commercial casinos, with Montgomery County voters also voting in support of the commercial casino referendum; and

WHEREAS, the Upstate Gaming Economic Development Act of 2013 (Chapters 174 and 175 of the Laws of 2013) known as the "Gaming Act" was enacted on July 30, 2013; and

WHEREAS, pursuant to the Gaming Act, four casinos are to be sited within three regions of the State; and

WHEREAS, one of the regions is Region 2 and includes the County of Montgomery; and

WHEREAS, the Gaming Act creates the Resort Gaming Facility Location Board to review and evaluate the applications submitted to make selections of who is eligible to apply for a commercial gaming license in New York State; and

WHEREAS, siting for the commercial casinos approved by State voters is now underway across New York State; and

WHEREAS, this Legislative Body has received calls and emails of support for a commercial casino operation in the County.

RESOLVED, in recognition of the potential economic benefits, this Legislative Body is supportive of a commercial casino being located in the County, provided there is stated support from the host municipality; and

FURTHER RESOLVED, that in furtherance of the above goals, this Legislative Body does hereby agree to the location of a commercial casino proposed by Florida Acquisition Corp.; Clairvest Group; and/or Great Canadian Gaming Corp., in Montgomery County, situated on two parcels of land in the Town of Florida and the City of Amsterdam, adjacent to Exit 27 of the New York State Thruway, based on the positive economic and fiscal benefits; and

FURTHER RESOLVED, that the Clerk of the Montgomery County Legislature is hereby directed to transmit certified copies of this resolution to Governor Andrew Cuomo, Senator Cecilia Tkaczyk and Assemblyman Angelo Santabarbara.

RESOLUTION VOTE, passed with Aye(7). Legislator Kelly voted Nay. Legislator Duchessi was absent. (6/24/2014)

County Attorney

---

cc: County Clerk
County Treasurer
Economic Development/Planning Director

STATE OF NEW YORK County of Montgomery ss.:

This is to certify that I, the Undersigned, Interim Clerk Of The Board of Supervisors of the County of Montgomery, have compared the foregoing copy of resolution with the original resolution now on file in the office, and which was passed by the Board of Supervisors of said County on the 24th day of June, 2014, a majority of all the members elected to the Board voting in favor therof, and that the same is a correct and true transcript of such original resolution and of the whole thereof.

IN WITNESS WHEREOF, I have set my hand and the official seal of the Board of Supervisors this 26th day of June, 2014

Voting Record

Kelly	(R)	No
Quackenbush	(D)	Yes
Dimond	(D)	Yes
Weitz	(L)	Yes
Bieniek	(D)	Yes
Duchessi	(D)	Absent
Wheeler	(R)	Yes
Isabel	(D)	Yes
Kuchis	(R)	Yes

Totals:		
	Aye:	7
	Nay:	1
	Abstained:	0
	Absent:	1

This resolution was approved by the County Executive on 6/26/2014
Resolution was enacted on 6/26/2014

RESOLUTION STATING SUPPORT FOR THE LOCATION,
APPROVAL AND OPERATION OF A CASINO IN THE TOWN OF FLORIDA

WHEREAS, on November 5th, in a referendum as part of the 2013 General Election, state voters approved the development of seven commercial casinos, with Town of Florida voters also voting in support of the commercial casino referendum; and

WHEREAS, the Upstate Gaming Economic Development Act of 2013 (Chapters 174 and 175 of of the Laws of 2013) known as the "Gaming Act" was enacted on July 30, 2013; and

WHEREAS, pursuant to the Gaming Act, four casinos are to be sited within three regions of the State; and

WHEREAS, one of the regions is Region 2 and includes the County of Montgomery, Town of Florida and City of Amsterdam ; and

WHEREAS, the Gaming Act creates the Resort Gaming Facility Location Board to review and evaluate the applications submitted to make selections of who is eligible to apply for a commercial gaming licesnse in New York State; and

WHEREAS, Siting for the commercial casinos approved by State voters is now underway across New York State; and

WHEREAS, this Town Board has received calls and emails of support for a commercial casino operation in the Town; and

WHEREAS, In recognition of the potential economic benefits, this Town Board is supportive of a commercial casino being located in the Town of Florida;

NOW THEREFORE BE IT RESOLVED, That in furtherance of the above goals, this Town Board does hereby agree to the location of of a commercial casino proposed by Florida Acquisition Corp.; Clairvest Group; and/or Great Canadian Gaming Corp., in the Town of Florida, situated on two parcels of land in the Town of Florida and the City of Amsterdam, adjacent to Exit 27 of the New York State Thruway, based on the positive economic and fiscal benefits; and

FURTHER RESOLVED, That the Clerk of this Board is hereby directed to transmit certified copies of this resolution to Governor Andrew Cuomo, Senator Cecilia Tkaczyk and Assemblyman Angelo Santabarbara.

Supervisor Eric Mead: Yes

Councilman Steve Rackowski: Yes

Councilman Ronald Phillips: Yes

Councilman Guy Robataille: Yes

Councilman Harold Alikonis: Yes

MOTION by Supervisor Mead and seconded from Councilman Alikonis

Kim LaMont, Town Clerk Kim LaMont

Date: 6/16/14

APR 24 2014

283 Manny's Corners Road
Amsterdam, New York 12010

Telephone (518) 842-7961
Fax No. (518) 843-6136

April 22, 2014

Matthew Ossenfort, County Executive
Montgomery County Annex Building
P.O. Box 1500, 20 Park Street
Fonda, New York 12068-1500

Dear County Executive Ossenfort:

The Town of Amsterdam is pleased to offer our support for a Casino in Montgomery County. We fully recognize the transformative nature of this project and the positive economic benefits that would occur.

The Town of Amsterdam and Montgomery County are tied very closely especially concerning community and economic development initiatives as well as educational and cultural resources. If given an opportunity, we believe building a casino in Montgomery County would have a dramatic positive impact on the economy of our municipality through job creation (both construction and permanent) and increased sales tax revenue generated by anticipated visitors to our region.

Attached please find a certified copy of our resolution of support. The Amsterdam Town Board wishes you all the best as you pursue this business venture and support your efforts. The Town of Amsterdam is willing to assist in any reasonable way to further increase your success.

Sincerely,

Thomas P. DiMezza

Thomas P. DiMezza
Town Supervisor

cc: Kenneth Rose, Director Mo. Co. Business Development Center
Bart Tessiero, Councilman
Kenneth Krutz, Councilman

Enclosure

283 Manny's Corners Road
Amsterdam, New York 12010

Telephone (518) 842-7961
Fax No. (518) 843-6136

RESOLUTION STATING SUPPORT FOR LOCATING A CASINO IN SUPPORTING COMMUNITIES IN MONTGOMERY COUNTY (ECONOMIC DEVELOPMENT, PLANNING AND TOURISM)

WHEREAS, on November 5th, in a referendum as part of the 2013 General Election, state voters approved the development of seven commercial casinos, with Montgomery County voters also voting in support of the commercial casino referendum; and

WHEREAS, sites for the commercial casinos approved by State voters is now underway across New York State; and

WHEREAS, the Town Board, Town of Amsterdam has received calls and emails of support for a commercial casino operation in the County; and

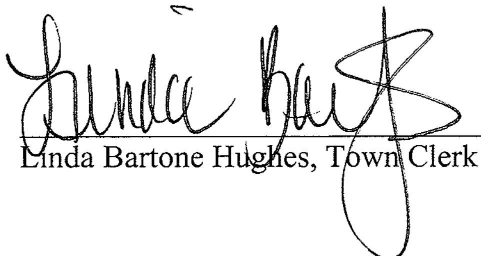
WHEREAS, in recognition of the potential economic benefits, the Town of Amsterdam Town Board is supportive of a commercial casino being located in the County, provided there is stated support from the host municipality;

RESOLVED, that the Town Board, Town of Amsterdam does hereby declare support for the site of a commercial casino in Montgomery County, based on the positive economic and fiscal benefits provided there is support from host municipalities in Montgomery County; and

FURTHER RESOLVED, the Town Clerk of the Amsterdam Town Board is directed to transmit a certified copy of this resolution to Governor Andrew Cuomo, Senator Cecilia Tkaczyk and Assemblyman Angelo Santabarbara.

Sponsored by: Councilman Bart Tessiero
Seconded by: Supervisor Thomas P. DiMezza
ADOPTED-3-AYES-0-NOES

Adopted this 16th day of April 2014



Linda Bartone Hughes, Town Clerk

BERNARD BARNES
Mayor

KAREN CROUSE
Clerk - Treasurer

NORMAN MASTROMORO
Village Attorney

VILLAGE of ST. JOHNSVILLE

16 WASHINGTON STREET
ST. JOHNSVILLE, NEW YORK 13452
INCORPORATED 1857

MARTIN CALLAHAN
Deputy Mayor

Trustees
JAMES CASTRUCCI
GENE COLORITO
MARGARET DIGIACOMO

VILLAGE OFFICE
PHONE: (518) 568-2221
FAX: (518) 568-7716
TDD: (315) 477-6447

Matthew Ossenfort
County Executive
Montgomery County
County Annex Building
Fonda, New York 12068

March 17, 2014

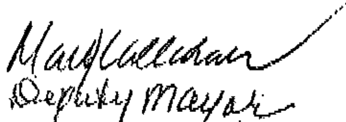
Dear County Executive Ossenfort:

The Village of St. Johnsville is pleased to offer our support for the siting of a Casino in Montgomery County. We fully recognize the Regionally transformative nature of this project and the positive economic benefits that would occur.

Our municipality and the County are tied very closely with regard to community and economic development initiatives as well as educational and cultural resources. There is no doubt that the siting of a casino in Montgomery County would have a dramatic positive impact on the economy of our municipality, via job creation (both construction and permanent), and increased sales tax revenue generated by the anticipated visitors to our region.

Attached please find a copy of our resolution of support. We wish you all the best as you pursue this initiative and stand by you in your effort. We are willing to assist in any way reasonable plausible to further enhance your success.

Very best wishes,



Cc: Kenneth Rose, Director
Montgomery County Business Development Center

BERNARD BARNES
Mayor

KAREN CROUSE
Clerk - Treasurer

NORMAN MASTROMORO
Village Attorney

VILLAGE of ST. JOHNSVILLE

16 WASHINGTON STREET
ST. JOHNSVILLE, NEW YORK 13452
INCORPORATED 1857

MARTIN CALLAHAN
Deputy Mayor

Trustees
JAMES CASTRUCCI
GENE COLORITO
MARGARET DIGIACOMO

VILLAGE OFFICE
PHONE: (518) 568-2221
FAX: (518) 568-7716
TDD: (315) 477-6447

RESOLUTION NO. of 2014
DATED: March 17, 2014

RESOLUTION STATING SUPPORT FOR LOCATING A CASINO IN SUPPORTING COMMUNITIES IN MONTGOMERY COUNTY (ECONOMIC DEVELOPMENT, PLANNING,AND TOURISM)

Motion: Trustee Castrucci **Seconded by:** Trustee DiGiacomo

WHEREAS, on November 5th, in a referendum as part of the 2013 General Election, state voters approved the development of seven commercial casinos, with Montgomery County voters also voying in support of the commercial casino referendum; and

WHEREAS, siting for the commercial casinos approved by State voters is now underway across New York State; and

WHEREAS, this Legislative Body has received calls and emails of support for a commercial casino operation in the county; and

WHEREAS, in recognition of the potential economic benefits this Legislative Body is supportive of a commercial casino being located in the County, provided there is stated support from the host municipality;

RESOLVED, that this Legislative Body does hereby declare support for the sighting of a commercial casino in Montgomery County, based on positive economic and fiscal benefits, provided there is stated support from the host municipality in Montgomery County; and

FURTHER RESOLVED, the Clerk of this Legislative Body is hereby directed to transmit certified copies of this resolution to Governor Andrew Cuomo, Senator Cecilia Tkaczyk and Assemblyman Angelo Santabarbara.

RESOLUTION VOTE, passed with Aye

Karen Crouse
Village Clerk

STATE OF NEW YORK County of Montgomery ss:

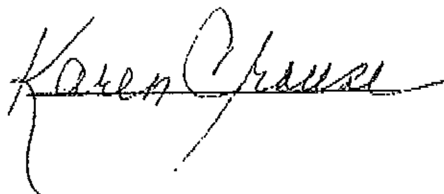
This is to certify that I, the Undersigned, Clerk of the St. Johnsville Village Board of the County of Mongomery, have compared the foregoing copy of resolution with the original resolution now on file in the office, and which was passed by the Village of said County on the 17th day of March, 2014, a majority of all the members elected to the Board voting in favor therof, and that the same is a correct and true transcript of such original resolution and of the whole thereof.

IN WITNESS WHEREOF, I have set my hand and the official seal of the Village this 17th day of March, 2014

Voting Record

Barnes - aye
Callahan - aye
Castrucci - aye
Colorito - aye
DiGiacomo aye

Totals: Aye: 5
Nay: -0-
Abstained: -0-
Absent: -0-



EXHIBIT

15

15—Exhibit X. B.5

SIGNED MOU / PLA

BENTLEY ASSOCIATES L. P.

250 Park Avenue, Suite 1101
New York, New York 10177
www.bentleylp.com

Tel: (212) 972-8700
Fax: (212) 972-1820

June 26th, 2014

Strictly Confidential

Florida Acquisition Corp LLC
c/o CLAIRVEST GROUP INC.
22 St. Clair Avenue East, Suite 1700
Toronto, Ontario, Canada, M4T 2S3

Attn: Jeff Parr

Dear Mr. Parr:

On behalf of Bentley Associates L.P. "Bentley" or "Advisor"), we wish to thank you for the opportunity to represent Florida Acquisition Corp LLC an entity promoted by Clairvest Group Inc. in connection with the Acquisition (as defined below) ("Bidco") in connection with the effort to (i) be awarded a gaming license by the New York State Gaming Commission for Region 2 as described in the Upstate New York State Gaming Economic Development Act of 2013 (the "Act") and construct a Gaming Resort for Region 2 as described in the Act (together, the "Gaming License"); and/ or (ii) make an investment in a recipient of a Gaming License. Regardless of the form or structure of a transaction (as further defined in Annex A hereto) the preceding sections (i) and (ii) are referred to as the "Acquisition."

This letter (the "Agreement") confirms the agreement between Bentley and Bidco under which Bentley is engaged as the exclusive financial advisor to Bidco in connection with the proposed Acquisition.

1. *Services:* Bentley accepts this exclusive engagement and agrees, to the extent requested by Bidco and appropriate in Bentley's judgment for the Acquisition, to exclusively:

   (a) advise Bidco with respect to the form and structure of, and terms and Acquisition Price to be paid in, the potential Acquisition; and

   (b) counsel Bidco as to strategy and tactics for negotiation relating to the potential Acquisition and participate in such negotiations.

JP

[initials]

If Bentley is asked to provide other services not specifically contemplated above, then Bidco and Bentley shall enter into a separate or amending agreement covering such additional services to be rendered and any separate fee payable by Bidco with respect thereto.

Nothing contained herein shall constitute an assurance that any Acquisition will be completed.

2. *Compensation:* Provided Bentley continues to work exclusively with Bidco with respect to the Acquisition and does not receive fees from any other person in respect of the Acquisition, Bentley shall be entitled to the following compensation for its services; if an Acquisition is consummated during the following periods (or if an agreement for an Acquisition is entered into during the following periods which subsequently results in an Acquisition):

   (i) during the term of Bentley's engagement under this letter; or

   (ii) during the 24 months following termination or expiration of Bentley's engagement under this letter agreement and Advisor has not been engaged by any other party to perform services with respect to the Acquisition;

   then upon consummation of the Acquisition, Bidco shall pay Bentley a transaction fee (the "Transaction Fee") in United States dollars equal to 2.0% of the Acquisition Price (as defined in Annex A) paid in such Acquisition, up to a maximum of $1,500,000.

The Transaction Fee shall be payable in cash on the Acquisition Date; provided, however, if any part of the Acquisition Price consists of contingent or deferred payments (the "Deferred Payments"), then any portion of Bentley's fees payable hereunder relating to the Deferred Payments shall be paid with the same schedule of payments as the Deferred Payments, but in any case no longer than 24 months.

3. *Expenses:* In addition to the fees payable to Bentley, commencing on March 3, 2014 and ending on the termination of this letter, Bidco shall reimburse Bentley, upon request, for its reasonable out-of-pocket expenses (including reasonable fees and expenses of its legal counsel) incurred in connection with Bentley's engagement provided that the nature and scope of the fees are agreed to in advance by Bidco. Upon termination of this letter agreement, Bidco agrees to pay promptly in cash any unreimbursed expenses that have accrued as of such date. Upon execution of this Agreement, Bidco shall pay to Bentley $5,000 as an initial deposit towards reimbursement of such expenses, which amount shall be replenished by Bidco upon Bentley's request to the extent such amount has been used for expenses previously

incurred by Bentley. Upon termination of this engagement, Bentley shall return to Bidco any unused portion of such amount.

4. *Term:* Bentley's engagement shall commence on the date of execution of this letter by Bidco and shall be terminated on the date that is the earlier of (i) the final Transaction Fee Payment or (ii) at any time after April 8, 2016. Notwithstanding termination of Bentley's engagement, Sections 2 through 6 and Sections 9 through 14 shall survive and remain in effect only to the extent that Bentley does not represent any other party regarding an Acquisition during any relevant period.

5. *Bidco Information:* Bidco shall furnish all information reasonably requested by Bentley for the purpose of rendering services hereunder except when the provision of such information would be contrary to confidentiality obligations of Bidco (the "Information"). Bidco recognizes and confirms that Bentley (i) will use and rely on the Information and on other information available from generally recognized public sources in performing the services contemplated by this letter without any obligation to independently verify the Information or such other information; (ii) will not assume responsibility for the accuracy or completeness of the Information or such other information; and (iii) will not make an appraisal of any of the assets or liabilities of Bidco or any other entity. To the best of Bidco's knowledge, the Information will be true and correct in all material respects and will not contain any material misstatement of a fact or omit to state any material fact necessary to make the statements contained therein not misleading.

6. *Advisor Intention:* Bidco acknowledges that all opinions and advice (written or oral) given by Bentley to Bidco in connection with Bentley's engagement are intended solely for the benefit and use of Bidco and its securityholders and affiliates in considering the transaction(s) to which they relate and Bidco agrees that no such opinion or advice shall be used for any other purpose or reproduced, disseminated, quoted or referred to at any time, in any manner or for any purpose, nor shall any public references to Bentley be made by Bidco, without the prior written consent of Bentley.

7. *Right of Participation: Ben*tley's affiliates, family members and employees shall have the right, but not the obligation, to invest parri passu in any Acquisition, subject to Bidco's approval.

8. *Indemnification:* Bidco agrees to the indemnification, contribution, limitation of liability and expense reimbursement provisions set forth in Annex B hereto, the provisions of which are incorporated into this Agreement in their entirety.

9. *No Third Party Duty:* Bidco and Bentley agree and acknowledge that (i) this Agreement is solely for the benefit of Bidco and any assignee , Bentley and the other Indemnified Parties (as defined in Annex B hereto), (ii) Bentley shall owe no duty to any person or entity other than Bidco, and (iii) no person or entity, including without limitation Clairvest's shareholders and Clairvest's and its shareholders' respective employees, officers, directors, trustees, affiliates and agents, shall be deemed a third

party beneficiary of this Agreement or have any rights with respect to Bentley's engagement other than the Indemnified Parties, who shall have the rights set forth in Annex B hereto.

10. *Press:* Bentley shall have the right, subject toBidco's prior approval, to place announcements and advertisements in financial and other newspapers and journals and in its own marketing materials and website, at its own expense, describing its services in connection with this engagement, subsequent to the closing of the Acquisition (or Bidco's announcement thereof, if earlier).

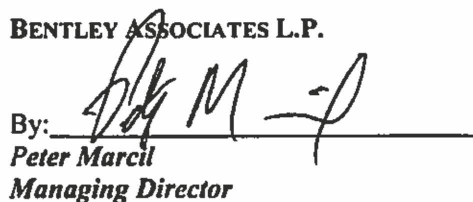
    Bidco shall provide drafts of any press releases or other public communications referencing Bentley or the engagement to Bentley for its review and written approval a reasonable time in advance of any planned dissemination thereof.

11. *Miscellaneous:* This Agreement sets forth the entire understanding of the parties relating to the subject matter hereof and supersedes and cancels any prior communications, understandings and agreements between the parties. This Agreement may not be amended or modified except in writing. The rights, obligations and liabilities of either party hereunder may not be assigned without the written consent of the other party; provided, that Bentley or Bidco may assign its rights, obligations and liabilities hereunder without the consent of the other party to any entity that succeeds to all or substantially all of the assets of Bentley or Bidco, as the case may be, (whether by direct acquisition or by merger). This Agreement shall apply to, inure to the benefit of and be binding upon and enforceable against Bentley and Bidco, their successors and, to the extent permitted hereunder, its assignees.

12. *Execution:* This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument. Delivery of a signed copy of this Agreement by facsimile or other electronic transmission shall be as effective as delivery of a manually signed counterpart of this Agreement. Solely for purposes of enforcing this agreement, Bidco consents to personal jurisdiction, service and venue in any court in which any claim, action or proceeding which is subject to this Agreement (including without limitation the indemnification provisions) is brought against Bentley or any other Indemnified Party. Any right to trial by jury with respect to any claim, action or proceeding related to or arising out of Bentley's engagement, any transaction or conduct in connection therewith or this agreement is hereby waived. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York without reference to principles of conflicts of law.

Please confirm that the foregoing is in accordance with Bidco's understanding by signing and returning to Bentley the enclosed duplicate of this letter.

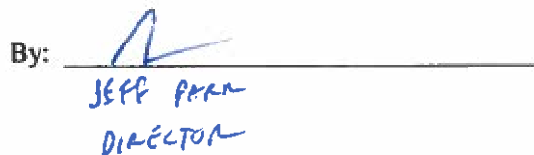
BENTLEY ASSOCIATES L.P.



By:____________________________
Peter Marcil
Managing Director

Accepted and agreed to as of
the 26th day of June, 2014

FLORIDA ACQUISTION CORP. LLC



By: ____________________________
JEFF PARR
DIRECTOR

ANNEX A: DEFINITIONS

Definitions: For the purposes of this letter:

1. An "Acquisition" means any transaction or a series of transactions which results, directly or indirectly, in Bidco or any of its affiliates ("Bidco") being awarded a Gaming License by the New York State Gaming Commission and constructing a Gaming Resort as described in the Upstate New York State Gaming Economic Development Act of 2013 (together, a "Gaming License") and / or Bidco investing in the assets or businesses of any entity that is awarded a Gaming License, regardless of the form of transaction, including without limitation: (i) a purchase of assets or capital stock (or rights to acquire the same), or (ii) any merger, consolidation, joint venture or other business/strategic combination involving the Gaming License or (iii) debt or equity or other securities of any recipient of a Gaming License.

2. "Acquisition Date" means the date of the closing and funding of an Acquisition.

3. "Acquisition Price" means the amount of equity capital invested by the Bidco (or any person or entity affiliated with it) in connection with the Acquisition. For greater clarity, Transaction Price shall include all equity capital invested in the Acquisition, whether by way of common shares, preferred shares or debentures.

ANNEX B: INDEMNIFICATION

In connection with the engagement of Bentley to advise and assist Bidco with the matters set forth in this Agreement, Bidco hereby agrees to indemnify and hold harmless Bentley, its affiliated companies, and each of Bentley's and such affiliated companies' respective officers, directors, agents, employees and controlling persons (within the meaning of each of Section 20 of the Securities Exchange Act of 1934 and Section 15 of the Securities Act of 1933) (each of the foregoing, including Bentley, being hereinafter referred to as an "Indemnified Person") to the fullest extent permitted by law from and against any and all losses, claims, damages, expenses (including reasonable fees, disbursements and other charges of counsel), actions (including actions brought by Bidco or its equity holders or derivative actions brought by any person claiming through Bidco or in its name), proceedings or investigations (whether formal or informal), or threats thereof (all of the foregoing being hereinafter referred to as "Liabilities"), based upon, relating to or arising out of such engagement or any Indemnified Person's role therein; provided, however, that Bidco shall not be liable under this paragraph: (a) for any amount paid in settlement of claims without Bidco's consent, which consent shall not be unreasonably withheld, or (b) to the extent that it is finally judicially determined that such Liabilities resulted primarily from the willful misconduct, bad faith or gross negligence of the Indemnified Person seeking Indemnification. In connection with Bidco's obligation to indemnify for expenses as set forth above, Bidco further agrees to reimburse each Indemnified Person for all such expenses (including reasonable fees, disbursements and other charges of counsel) as they are incurred by such Indemnified Person; provided, however, that if an Indemnified Person is reimbursed hereunder for any expenses, such reimbursement of expenses shall be refunded to the extent it is finally judicially determined that the Liabilities in question resulted primarily from the willful misconduct, bad faith or gross negligence of such Indemnified Person. We hereby also agree that neither Bentley nor any other Indemnified Person shall have any Liability to Bidco (or anyone claiming through Bidco or in its name) in connection with Bentley's engagement by Bidco except as noted in this letter or to the extent that such Indemnified Person has engaged in willful misconduct, acted in bad faith or been grossly negligent.

Promptly after Bentley receives notice of the commencement of any action or other proceeding in respect of which indemnification or reimbursement may be sought hereunder, Bentley will notify Bidco thereof; but the omission so to notify the Bidco shall not relieve Bidco from any obligation hereunder unless, and only to the extent that, such omission results in Bidco's forfeiture of substantive rights or defenses. If any such action or other proceeding shall be brought against any Indemnified Person, Bidco shall, upon written notice given reasonably promptly following your notice to Bidco of such action or proceeding, be entitled to assume the defense thereof at Bidco's expense with counsel chosen by Bidco and reasonably satisfactory to the Indemnified Person; provided, however, that any Indemnified Person may at its own expense retain separate counsel to participate in such defense. Notwithstanding the foregoing, such Indemnified Person shall have the right to employ separate counsel at the Bidco's expense and to control its own defense of such action or proceeding if, in reasonable opinion of counsel to such Indemnified Person, (i) there are or may be legal defenses available to such Indemnified Person or to other Indemnified Persons that are different from or additional to those available to Bidco, or (ii) a conflict or potential conflict exists between Bidco and such Indemnified Person that would make such separate representation advisable; provided, however, that in no event shall Bidco be required to pay fees and expenses under this indemnity for more than one firm of attorneys in any jurisdiction in any one legal action or group of

related legal actions. Bidco agrees that it will not, without the prior written consent of Bentley, settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding relating to the matters contemplated by Bentley's engagement (whether or not any Indemnified Person is a party thereto) unless such settlement, compromise or consent includes an unconditional release of Bentley and each other Indemnified Person from all liability arising or that may arise out of such claim, action or proceeding.

If the indemnification or reimbursement provided for hereunder is finally judicially determined by a court of competent jurisdiction to be unavailable to an Indemnified Person in respect of any Liabilities (other than as a consequence of a final judicial determination of willful misconduct, bad faith or gross negligence of such Indemnified Person), then Bidco agree in lieu of indemnifying such Indemnified Person, to contribute to the amount paid or payable by such Indemnified Person as a result of such Liabilities in such proportion as is appropriate to reflect the relative benefits received, or sought to be received, by Bidco on the one hand and by such Indemnified Person on the other from the transactions in connection with which Bentley has been engaged. If the allocation provided in the preceding sentence is not permitted by applicable law or as a result of a final judicial determination of willful misconduct, bad faith or gross negligence, then Bidco agrees to contribute to the amount paid or payable by such Indemnified Person as a result of such Liabilities in such proportion as is appropriate to reflect not only the relative benefits referred to in such preceding sentence but also the relative fault of Bidco and of such Indemnified Person. Notwithstanding the foregoing, in no event shall the aggregate amount contributed by the Indemnified Person taking into account Bidco's contributions as described above exceed the amount of fees actually received by Bentley pursuant to such engagement except where there has been willful misconduct, bad faith or gross negligence on the part of Bentley. The relative benefits received or sought to be received by Bidco on the one hand and by Bentley on the other shall be deemed to be in the same proportion as (a) the total value of the transactions with respect to which Bentley has been engaged bears to (b) the fees paid or payable to Bentley with respect to such engagement

If any provision hereof shall be determined to be invalid or unenforceable in any respect, such determination shall not affect such provision in any other respect or any other provision of this Agreement, which shall remain in full force and effect.

Memorandum of Understanding
Between
Florida Acquisition, LLC
And
Greater Capital Region Building and Construction Trades

This Agreement between Florida Acquisition, LLC (The Owner) and the Greater Capital Region Building and Construction Trades (GCRB&CTC) sets forth its commitment to build the "Exit 27 Casino in Amsterdam NY" with the attached Project Labor Agreement (PLA),as the same may be modified as contemplated by the last sentence of this Memorandum of Understanding. Whereas a Construction Manager (CM) has not been selected and most likely will not before the date for submission for proposal to the State of New York and this Agreement shall ensure that at such time that a (CM) is named the owner agrees that the CM shall become signatory to this Project Agreement and substantially agrees to its provisions, further the GCRB&CTC will meet with the CM promptly thereafter to discuss and "in good Faith" re-negotiate certain provisions needed for the successful completion of the project.

Florida Acquisition, LLC
By ______________________
JEFF PARK, DIRECTOR

For The Greater Capital Region Building and Construction Trades Council
By ______________________
Jeff Stark, President

PROJECT LABOR AGREEMENT FOR CONSTRUCTION OF THE Exit 27 Casino Amsterdam New York ATTACHMENT A

TABLE OF CONTENTS

ARTICLE	PAGE
1. Preamble	3
2. Parties Covered by this Agreement and General Conditions	4
3. Scope of this Agreement	6
4. Referral and Employment	7
5. Union Representation	10
6. Management's Rights	11
7. Work Stoppage and Lockouts	12
8. Labor Management Committee	13
9. Grievance & Arbitration Procedure	13
10. Jurisdictional Disputes	15
11. Hours of Work, Premium Payments, Shifts & Holidays	16
12. Apprentices	19
13. Safety and Protection of Person and Property	20
14. Miscellaneous Provisions	21
15. Future Changes in Collective Bargaining Agreement	22
16. Savings and Separability	23
17. Helmets to Hardhats	24
18. Signature Pages	25 -29
EXHIBIT A	30
EXHIBIT B	31
ADDENDUM 1	32

SCHEDULE A. Current Collective Bargaining Agreements – All signatory local unions

ARTICLE 1 – PREAMBLE

This Agreement is entered into this July 1, 2014, by and between Florida Acquisition Corp and the Local Unions affiliated with the Greater Capital Region Building and Construction Trades Council, AFL-CIO (herein after "Unions").

WHEREAS, the Construction Manager(s) desires to provide for the sufficient, safe, quality and timely completion of the Exit 27 Casino in Amsterdam NY (the Project) in a manner designed to afford the best work at the lowest reasonable cost to Florida Acquisition Corp (The Owner) and Canadian Gaming (The Operator):

WHEREAS, this Project Labor Agreement ("Agreement") will foster the achievement of these goals including:

1. Standardizing the terms and conditions governing the employment of labor on the Project;

2. Receiving negotiated adjustments as to work rules and staffing requirements from those which otherwise might not provide the same.

3. Providing comprehensive and standardized mechanisms for the settlement of work disputes, including those related to jurisdiction; (prior to project start and during)

4. Ensuring a reliable source of skilled and experienced labor;

5. Furthering public policy objectives as to improved employment opportunities for local workers, minorities, women and the economically disadvantaged in the construction industry;

6. Avoiding the costly delays of potential strikes, slowdowns, walkouts, lockouts, picketing and other disruptions arising from work disputes and promote labor harmony and peace for the duration of the Project;

7. Expediting the construction process and otherwise maximizing the public safety and minimizing inconvenience caused by ongoing construction; and

8. Improving project cost efficiencies by incorporating state of the art processes and avoiding duplication of labor activities (stacking) or any non-productive labor (standby) requirements.

WHEREAS, the parties subject to the terms of this Agreement desire the stability, security and work opportunities afforded by a Project Labor Agreement;

Now, therefore, it is agreed as follows:

ARTICLE 2
PARTIES COVERED BY THIS AGREEMENT AND GENERAL CONDITIONS

Section 1. Parties by this Agreement

The parties covered by and subject to the terms of this Agreement are:

a. The Greater Capital Region Building and Construction Trades Council, AFL-CIO together with its affiliated Local Union members identified in the Collective Bargaining Agreements attached hereto and made a part hereof (Schedule A).

b. All Contractors, regardless of tier who are awarded contracts pursuant to the bidding procedures applicable to this Project.

c. Canadian Gaming, LLC

d. Florida Acquisition Corp

e. Construction Manager TBA

.

Section 2. Certain Definitions

a. Throughout this Agreement, the Greater Capital Region Building and Construction Trades Council, AFL-CIO ("GCRBCTC") and its affiliated Local Union members are sometimes referred to as singularly and collectively as "Union(s)".

b. "Collective Bargaining Agreements", herein sometimes referred to as "CBA's", means those local union agreements identified in Schedule A attached hereto:

c. "Contractor(s)" means contractor(s) who have been awarded contracts for this Project and subcontractors of any tier engaged by Contractor(s) for on-site Project construction work within scope of work.

d. "Construction Manager" means TBA

e. "Owner" Florida Acquisition Corp

f. "Operator" Means Canadian Gaming, LLC

Section 3. Supremacy Clause

This Agreement, together with the Collective Bargaining Agreements (Schedule A) represents the complete understanding of all parties covered by this Agreement and supersedes any national, local or other collective bargaining agreement of any type which would otherwise apply to this Project, in whole or in part. Where a subject covered by the provisions, explicit or

implicit, of this Agreement is also covered by provisions set forth in the Collective Bargaining Agreements the provisions of this Agreement shall prevail. No practice, understanding or agreement between a Contractor and a Local Union which is not explicitly set forth in this Agreement shall be binding on this Project unless endorsed in writing by the Contractor.

Section 4. Liability

The liability of any Contractor and/or any Union under this Agreement shall be several and not joint. The Owner, Construction Manager and any Contractor shall not be liable for any violations of this Agreement by any other Contractor.

Section 5. Bid Specifications

a. The bid specifications or the Construction Manager's Instruction to Bidders and Bid Package of the Project will require that all successful bidders and their subcontractors of whatever tier are bound by this Agreement. It is understood that nothing in this Agreement shall be construed as limiting the sole discretion of Owner and Construction Manager in determining which bidder(s) shall be awarded contracts for the Project. It is further understood that Owner has sole discretion at any time to terminate, delay or suspend the Project, in whole or part. It is also understood that this is a self-contained, standalone Agreement and that by virtue of having become bound to the Project Agreement, neither the Construction Manager nor the Contractor(s) will be obligated to sign any other local, area or national agreement.

b. This Agreement shall only be binding on the signatory parties hereto and shall not apply to their parents, affiliates or subsidiaries.

c. Nothing contained herein shall be construe to prohibit, restrict or interfere with the performance of any other operation, work or function which may occur at the Project site or be associated with the development of the Project.

d. The Owner and/or the Construction Manager have the absolute right to select any qualified bidder for the award of contracts on this Project without the reference to the existence on non-existence of any agreements between such bidder and any party to this Agreement: provided, however, only that such bidder is willing, ready and able to become a party to and comply with this Project Agreement, should it be designated the successful bidder.

e. It is agreed that the Construction Manager shall require all Contractors of whatever tier have been awarded contracts for work covered by this Agreement, to accept and be bound by the terms and conditions of this Project Agreement through a provision in its subcontract prior to commencing work. It is further agreed that, where there is a conflict, the terms and conditions of this Project Agreement shall supersede and override terms and conditions of any and all other national, area, or local collective bargaining agreements, except for all work performed under the NTL Articles of Agreement, the National Stack/Chimney Agreement, the National Cooling Tower Agreement, all instrument calibration work and loop checking shall be performed under the terms of the UA/IBEW Joint National Agreement for Instrument and Control Systems Technicians, and the National Agreement of the International Union of Elevator Constructors,

with the exception of Article VIII, X, and XI of this Project Agreement, which shall apply to such work. It is understood that this is a self- contained, stand alone, Agreement and that by virtue of having become bound to this Project Agreement, neither the Construction Manager nor the Contractors will be obligated to sign any other local, area, or national agreement.

ARTICLE 3 – SCOPE OF THIS AGREEMENT

This agreement shall be as defined and limited by the following sections of this Article 3.

Section 1. The Work

This Agreement applies to all on-site construction of the building, Fit-up of tenant space, Housing, and appurtenant Buildings, Site Environmental and Site Infrastructure Improvements performed on the Project during the term hereof. Specifically: The Exit 27 Casino in Amsterdam NY

Section 2. Term

This Agreement commences on July 1, 2014, This Agreement will be periodically reviewed and will expire by mutual consent.

Section 3. Excluded Persons

The following persons are not subject to the provisions of the Agreement:

a. Superintendents, supervisors (excluding general and forepersons specifically covered in Schedule A) engineers, inspectors and testers, quality control/ assurance personnel (including Data Center Certification 3rd Party and 3rd Party Inspectors), equipment manufacturers, factory technicians, I & C programmers and technicians, surveyors, timekeepers, mail carriers, clerks, office workers, suppliers, messengers, security guards, non-manual employees, and all professional, engineering, administrative, salaried and management persons.

b. Employees or Contractors or, Owner;

c. Persons engaged in laboratory or specialty testing or inspections not ordinarily done by a member of a Trade Union.

d. Employees and entities engaged in off-site manufacture, modifications, repair, maintenance, assembly, painting, handling or fabrication of components, materials, equipment or machinery or involved in deliveries to and from the Project site,

e. Employees of the Construction Manager, Contractor, other contractors or subcontractors excepting those performing manual, on-site construction labor who will be covered by this Agreement and Schedule A.

f. Employees of equipment suppliers performing or assisting in on-site equipment installation or warranty work will work with the respective craft having jurisdiction over such work. The craft must have a certified or qualified (trained) person to assist in the work.

g. Employees engaged in geophysical testing (whether land or water) other than boring for core Samples;

h. Employees engaged in laboratory, specialty testing, inspections or surveying, or any other professional consultants, and such laboratory, testing, inspection or surveying firm (individuals engaged in on-site surveying as direct hires of a signatory contractor, rather than pursuant to a professional services contract with the Owner, the Construction Manager or any other professional consultants, are covered by this Agreement). "Project property surveying and benchmarks shall be provided by the civil engineer or others hired by the owner or A/E. All surveys and layout from the benchmarks provided by others shall be performed by the respective trade in accordance with their collective bargaining agreements."

i. Employees of subcontractors and/or suppliers and/or independent haulers engaged in use of vehicles for delivery of and pick up of materials or supplies for deliveries and pick-ups at the Project site (teamsters shall not be required to drive such vehicles) except in the case of deliveries of dirt, stone or concrete or other aggregates, which teamsters shall drive to the Project site.

j. Employees engaged in ancillary Project work performed by third parties such as electrical utilities, gas utilities, telephone companies and railroads.

k. All on-site construction debris or waste materials generated by any contractor or subcontractor shall be removed by laborers. Construction Manager in its sole discretion may employ laborers in a sufficient quantity to remove construction debris or waste materials, as well as general site clean-up. Notwithstanding this provision each contractor or subcontractor is responsible for clearing their immediate work area of debris and materials generated by the particular trade.

Section 3.MBE/WBE

The Owner, Construction Manager and Unions recognize the need to promote opportunities for local MBE and WBE contractors and sub-contractors and will strive to achieve an overall project goal of 20% MWBE participation. The parties will confer through Labor/Management sub-committee to develop a qualified list of MWBE contractors.

ARTICLE 4 – REFERRAL AND EMPLOYMENT

Section 1. Referral

a. Contractors agree to hire craft employees covered by this Agreement through the job referral systems established in the Local Unions' area Collective Bargaining Agreement.

b. The Local Unions shall exert their utmost efforts to recruit and train sufficient numbers of skilled craft workers to fill the manpower requirements of the Contractor. The parties to this Agreement supports the development of increased numbers of skilled construction workers from the residents of the Capital Region and its immediate vicinity to meet the needs of this Project and the requirements of the industry generally.

c. Contractors shall contact and meet with representatives of the signatory unions at the Albany Labor Temple 890 Third street Albany NY 12206 or such other location mutually agreed to with the unions ***prior to commencing work*** for the purpose of a Mark-Up meeting, failure to do so may result in a stop work order.

Section 2. Non-Discrimination in Referrals

The local Unions represent that their hiring halls and/or referral systems will be operated in a nondiscriminatory manner and in full compliance with all applicable federal, state and local laws and regulations which require equal employment opportunities. Referrals shall not be affected in any way by the rules, regulations, bylaws, constitutional provisions or any other aspects or obligations of union membership, policies or requirements and shall be subject to such other conditions as are established in this Article. No employment applicant shall be discriminated against by any referral system or hiring hall because of the applicant's union membership or lack thereof.

Section 3. Union Dues/Fringe Benefits

All employees covered by this Agreement shall be subject to the Union security provisions contained in the applicable Collective Bargaining Agreement as amended from time to time, but only for the period of time during which they are performing on-site Project work and only to the extent of rendering payment of the applicable monthly union dues uniformly required for union membership in the Local Union, which represents the craft in which the employee is performing Project work. The Construction Manager, in order to ensure the full and timely remittance of all union dues and fringe benefit funds, including but not limited to Health and Welfare, Pension, Annuity, Legal Service, Education and Training, SUB, Apprenticeship (hereinafter "Funds" or "Fund") due the affiliated Local Unions as provided for in all applicable Collective Bargaining Agreements between the Local Unions and Contractors which have contracted to perform work on the Project, agrees that it will, upon notification of not more than fifteen (15) days from the date of a default from any affiliated Local Union that a Contractor has become delinquent in the payment of Fund contributions due in connection with the work on the Project to immediately stop payment on all monies due or which may become due to the delinquent Contractor up to the amount alleged to be owed from the Project and all such funds be paid via a joint check to the complaining Local Union to be applied against the amount owed by the defaulting Contractor.

a. The Construction Manager shall allow the Contractor a period of ten (10) working days from the date of notification to produce a written letter signed by the Business Manager of the complaining Local Union that the amount in default has been paid in full and the Contractor is current in the remittance of Funds or a bona-fide explanation acceptable to the complaining Local Union of why in the Contractor’s opinion the amounts are not due as alleged. In the event of such a bona-fide dispute, The Construction Manager will use its best efforts to act as initial arbiter and take action it then deems appropriate.

b. No monies shall be paid to the delinquent Contractor who may request arbitration of the dispute in accordance with this Article 3. In the event such a letter is not delivered to the Construction Manager within ten (10) working days from the date of notification to the defaulting Contractor, the Construction Manager shall immediately cause to have paid over to the Fund Administrator of the complaining Local Union all monies due the defaulting Contractor

to the extent necessary to satisfy the amounts payable to the Contractor by Construction Manager for the Project.

c. Notwithstanding any other provisions of this Agreement, including any provisions to arbitrate disputes, the members of a Local Union can elect to refuse to perform services for a delinquent Employer any time after a Benefit Fund delinquency exceeds thirty (30) days, on five (5) days written notice to the President of the Building Trades Council and the Construction Manager. The provisions of Section 3 shall remain in full force and effect with work to all other Local Union members working on the Project. If a Contractor fails to contribute to a Local Union's Benefit Funds because of the Contractor's inability to collect payment from the Owner and/or Construction Manager for work performed on the Project, the Construction Manager agrees that the Contractor will not be removed from the job for non-performance which results from a Local Union's members refusing to perform services as set forth in this Section.

Section 4. Craft Forepersons and General Forepersons

The selection of craft forepersons and/or general forepersons and the number of forepersons required shall be solely the responsibility of the Contractor except where otherwise provided by specific provisions of an applicable Collective Bargaining Agreement. All forepersons shall take orders exclusively from the designated contractor representatives. Craft forepersons shall be designated as working forepersons at the request of the Contractor, except when an existing local Collective Bargaining Agreement prohibits a foreperson from working when the craft persons he is leading exceed a specified number.

SECTION 5. LABOR MANAGEMENT OR PROMOTION FUND

The GCRBCTC will establish a Labor Management Fund or Promotion Fund which shall become part of this Agreement; the purpose of which is to assist the GCRBCTC in engaging in activities that will promote and support the Project Site. The activities may include, but may not be limited to, educational material for the workers or the community; promotional rewards for safety or safety related items for the workforce; training and educational seminars; drug testing and costs associated for trade representation as it pertains to the Project Site. The trades will work with representatives of the Owner to identify other acceptable uses for the Labor Management or Promotion Fund. The contribution of two cent (.02) per hour for each employee will become effective on the effective date of this agreement and continue in force for the duration of this agreement. The contribution will be collected by the individual trades fund(s) via the benefits remittance form and paid, in full, to the GCRBCTC. The contribution may not be increased except by mutual consent.

ARTICLE 5 – UNION REPRESENTATION

Section 1. Local Union Representative

Each Local Union designate shall be afforded full access to the Project.

.

Section 2. Stewards

a. Each Local Union may have the right to designate a working journey person as a steward and an alternate, and shall notify the Contractor of the identity of the designated Steward (and alternate) prior to the assumption of such duties. Stewards shall not exercise supervisory functions.

b. In addition to their work as an employee, the Steward shall have the right to receive complaints or grievances and to discuss and assist in their adjustment with the Contractor's appropriate supervisor. Each Steward shall be concerned with the employees of the Steward's Contractor and, if applicable, subcontractors of that Contractor. The Contractor will not discriminate against the Steward in the proper performance of Union duties.

c. The Stewards shall not have the right to determine when overtime shall be worked, or who shall work overtime except pursuant to a Collective Bargaining agreement provision providing procedures for the equitable distribution of overtime.

Section 3. Layoff of a Steward

Contractors agree to notify the appropriate Local Union twenty four (24) hours prior to the layoff of a Steward, except in cases of discipline or discharge for just cause. If a Steward is protected against layoff by a Collective Bargaining Agreement, such provisions shall be recognized to the extent the Steward possesses the necessary qualifications to perform the work required. In any case in which a Steward is discharged or disciplined for just cause, the Local Union involved shall be notified immediately by the Contractor.

Section 4. Workforce Diversity Utilization:

The Unions and the Owner recognize and acknowledge that workforce diversity of minorities and women are employment goals consistent with our values of fair play. The Local Unions agree and will strive to achieve that Seven- (7%) Percent of all referrals will consist of minorities and women. The percentages goals are based upon hours worked, by craft. In the event a Local Union either fails, or is unable, to refer qualified minority or female applicants in desired affirmative action goals as set forth in the bid specifications, the Contractor may employ qualified minority or female applicants from any other available source.

ARTICLE 6 - UNION STANDARDS

The Council and its affiliates have a legitimate interest in preventing the undermining of the work opportunities and standards gained through collective bargaining and desire to preserve and protect work opportunities for its members. Therefore not more than fifty (50%) by dollar value of off-site assemblies or fabrications may be provided by non-union workers or non-signatory companies. The trades agree to install any off-site assemblies or fabricated items regardless of union or non-union labor provided the quantity does not exceed the percentage set forth

ARTICLE 7 – MANAGEMENT’S RIGHTS

Section 1. Reservation of Rights

Except as expressly limited by a specific provisions of this Agreement, Contractors retain full and exclusive authority for the management of their operations including, but not limited to: the right to direct the work force; including determination as to the number to be hired and the qualifications therefore; the promotion, transfer, or the discipline or discharge for a just cause of its employees; the assignment and schedule of work; the promulgation of reasonable Project work rules, and the requirement, timing and number of employees to be utilized for overtime work. Nothing contained herein shall be construed so as to allow direction of an Employee to perform work outside the jurisdiction of that Employees Labor Union affiliation, if any. No rules, customs, or practices as determined by the contractor which limit or restrict productivity or efficiency of the individual, and/or joint working efforts with other employees shall be permitted or observed.

Section 2. Materials, Methods & Equipment

There shall be no limitation or restriction upon the Contractor's choice of materials, techniques, methods, technology or design, or regardless of source or location, upon the use and installation of equipment, machinery, package units, pre-cast, pre-fabricated, pre- finished or pre-assembled materials, tools or other labor-saving devises. Contractors may, without restriction, install or use materials, supplies or equipment regardless of their source. The on-site installation or application of such items shall be performed by the craft having jurisdiction over such work pursuant to Collective Bargaining Agreement; provided, however, it is recognized that other personnel having special qualifications may participate, in a supervisory capacity, in the installation, check-off or testing of specialized or unusual equipment or facilities as designated by the Contractor. There shall be no restrictions as to work which is not performed at the Project site, with the exception of pre-tied or welded reinforcing steel.

ARTICLE 8 – WORK STOPPAGE AND LOCKOUTS

Section 1. No Strikes, No Lock Out

There shall be no strikes, sympathy strikes, picketing, work stoppages, slowdown, hand billing, demonstrations or other disruptive activity at the Project site for any reason by any Local Union or Employee against any Contractor or Employer while performing work at the Project site. There shall be no other Local Union or concerted Employee activity which disrupts or interferes with the operation of the Project. Failure of any Local Union or employee to cross any picket line established by any union signatory or non-signatory to this Agreement or the picket or demonstration line of any other organization, at or in proximity to the Project site is a violation of this Article 8.
There shall be no lockout at the Project by Owner or any Contractor. Contractors and Local Unions shall take all steps necessary to ensure compliance with this Section 1.

Section 2. Discharge for Violation

A Contractor may discharge any Employee violating Section I above and any such Employee will not be eligible thereafter for referral under this Agreement for sixty days.

Section 3. Notification

If a Contractor contends that any party covered by this Agreement has violated this Article 8, it will notify the Construction Manager and/or the Local Union involved advising of such fact with copy to the Building and Construction Trades Department (BCTC) and to the Local Union. The BCTC shall instruct, order or otherwise use its best efforts to cause the Employees, Contractors and/or the Local Unions to immediately cease and desist from any violation of this Article 8. The BCTC complying with these obligations shall not be liable for the unauthorized acts of a Local Union or its members.

Section 4. Expedited Arbitration

Any party alleging a violation of Section 1 of this Article 8 may utilize the expedited procedure set forth below (in lieu of, in addition to, any actions at law or equity).

a. A party invoking this procedure shall notify (to be mutually determined at a later date) who shall act as Arbitrator under this expedited arbitration procedure. Copies of such notification will be simultaneously sent to the alleged violator, the Contractor the Construction Manager and if a Local Union is alleged to be in violation, then to the BCTC.
b. The Arbitrator shall thereupon, after notice to all parties covered as to time and place, hold a hearing within Forty Eight (48) hours of receipt of the notice invoking the procedures if it is contended that the violation still exists. The hearing will not, however, be scheduled for less than twenty four (24) hours after the notice to the BCTC required by Section 3, above.
c. All notices pursuant to this Article 8, may be by telephone, telegraph, email, hand delivery or fax, confirmed by overnight delivery, to the parties involved. The hearing may be held on any day including Saturdays and Sundays. The hearing shall be completed in one session, which shall not exceed Four (4) hours duration with no more than Two (2) hours being allowed to either side to present its case, and conduct its cross examination unless otherwise agreed. A failure of any party to attend the hearing shall not delay the hearing of evidence by those present or the issuance of an award by the Arbitrator.
d. The sole issue at the hearing shall be whether a violation of Section I above has occurred. If a violation is found to have occurred, the Arbitrator shall issue a Cease and Desist Order restraining such violation and serve copies on the party determined to be in violation. The Arbitrator shall have no authority to consider any matter in justification, explanation or mitigation of such violation or to award damages, which issue is reserved solely for other proceedings, if any. The decision shall be issued in writing within three (3) hours after the close of the hearing, and may be issued without an opinion. If any involved party desires an opinion, one shall be issued within fifteen (15) calendar days,

but its issuance shall not delay compliance with, or enforcement of, the decision. A decision issued under this procedure may be enforced by any court of competent jurisdiction upon the filing of this Agreement together with the decision. Notice of the filing of such enforcement proceedings shall be given to the party involved. In any court proceeding to obtain a temporary or preliminary order enforcing the arbitrator's Award as issued under this expedited procedure, the involved Party and Contractor waive their right to a hearing and agree that such proceedings may be ex-parte, provided notice is given to opposing counsel. Such agreement does not waive any party's right to participate in a hearing for a final court order of enforcement or in any contempt proceeding.

e. Any rights created by statute or law governing arbitration proceedings which are inconsistent with this procedure set forth in this Article, or which interfere with compliance thereto, are hereby waived by the Contractors and Unions to whom they accrue.

f. The fees and expenses of the Arbitrator shall be equally divided between the involved parties (Contractor and the respective Union(s)).

Section 5. Arbitration of Discharges for Violation

Procedures contained in Article 8 shall not be applicable to any alleged violation of this Article, with the single exception that an Employee discharged for violation of Section 1, above, may have recourse to the procedures of Article 8 to determine only if the Employee did, in fact, violate the provisions of Section 1 of this article; but not for the purpose of modifying the discipline imposed where a violation is found to have occurred.

ARTICLE 9-LABOR MANAGEMENT MEETINGS AND COMMITTEE STRUCTURE

Section 1. Subjects.

The Unions, PMO and Construction Managers will meet a minimum of once per month at an agreed upon time and on-site location to: 1) promote harmonious relations among the Contractors and Unions; 2) enhance safety awareness, cost effectiveness and productivity of construction operations; 3) discuss matters relating to staffing and scheduling with safety and productivity as considerations; 4) review upcoming scope of works, bidders, contract awards; 5) deal with possible jurisdictional conflicts; 6) monitor and ensure timely completion; and 7) ensure a high degree of skill and quality of workmanship in the performance of the Project and to discuss other matters pertaining to the Project.

Section 2. Composition

The Committee shall be jointly chaired by designees of the Program Manager, Construction Managers and Representatives of the GCRBCTC and Contractors involved in the issues being discussed. The Committee may conduct business through mutually agreed subcommittees.

ARTICLE 10 – GRIEVANCE & ARBITRATION PROCEDURE

Section 1. Procedure for Resolution of Grievances

Any question, dispute or claim arising out of, or involving the interpretation or application of this Agreement (other than jurisdictional disputes or alleged violation of Article 8, Section 1) shall be considered a grievance and shall be resolved pursuant to the exclusive procedures of the steps described below; provided, in all cases, that the question, dispute or claim arose during the term of this Agreement.

Step 1:
a. When any party covered by this Agreement feels aggrieved by a claimed violation of this Agreement, the party shall, through the Local Union business representative, job steward or Contractor give notice of the claimed violation to the work site representative of the involved Contractor. To be timely, such notice of the grievance must be given within fourteen (14) Calendar days after the act, occurrences or event giving rise to the grievance. The business representative of the Local Union, the job steward, the Party and the work site representative of the involved Contractor shall meet and endeavor to adjust the matter within forty eight (48) hours after timely notice has been given. If they fail to resolve the matter within the prescribed period, the grieving party may, within fourteen (14) calendar days thereafter, pursue Step 2 of the grievance procedure by serving the involved Contractor and the CM or its assignee with written copies of the grievance setting forth a description of the claimed violation, the date on which the grievance occurred, and the provisions of the Agreement alleged to have been violated. Grievances and disputes settled at Step 1 are non-precedential except as to the specific Local Union, non-affiliated Party Employee and contractor directly involved unless the settlement is accepted in writing by Owner, or its designated representative as creating a precedent.

b. Should any party to this Agreement have a dispute (except jurisdictional disputes or alleged violations of Article 8, Section 1) with any other party to this Agreement and, if after conferring, a settlement is not reached within fourteen (14) calendar days, the dispute shall be reduced to writing and proceed to Step 2 in the same manner as outlined in subparagraph (a) above for the adjustment of Employee grievances.

Step 2:
The Business Manager or designee of the involved party, together with the representatives of BCTC, the involved Contractor, and the Construction Manager, or its designated representative shall meet within seven (7) calendar days of service of the written grievance arrive at a satisfactory settlement.

Step 3:
a. If the grievance shall have been submitted but not resolved in Step 2, any of the participating Step 2 entities may, within twenty one (21) calendar days after the initial Step 2 meeting, submit the grievance in writing (copies to other participants) to the Arbitrator under this procedure. The Labor Arbitration Rules of the American Arbitration Association shall govern the conduct of the arbitration hearing, at which all Step 2 participants shall be parties. The decision of the arbitrator shall be final and binding on the involved Contractor, local union and employees and the fees and expenses of such arbitrations shall be borne equally by the parties.

b. Failure of the grieving party to adhere to the time limits set forth in this Article shall render the grievance null and void. These time limits may be extended only by written consent of the parties at the particular step where the extension is agreed upon. The Arbitrator shall have authority to make decisions only on the issues presented to him and shall not have the authority to change, add to, delete or modify any provision of this Agreement.

Section 2. Limitation as to Retroactivity

No arbitration decision or award may provide retroactivity of any kind exceeding Ninety (90) calendar days prior to the date of service of the written grievance on the involved Contractor or Local Union.

Section 3. Participation by the Construction Manager or its Designated Representative

The Construction Manager shall be notified by the involved parties of all actions at Steps 2 and 3 and, at its election, may participate in full in all proceedings at these steps, including Step 3 arbitration.

ARTICLE 11 – JURISDICTIONAL DISPUTES

Section 1. No Disruptions

a. There will be no strikes, sympathy strikes, work stoppages, slowdowns, picketing or other disruptive activity of any kind arising out of any jurisdictional dispute. Pending the resolution of the dispute, the work shall continue uninterrupted. No jurisdictional dispute shall excuse a violation of Article 8
.

b. No jurisdiction dispute shall affect coordination of the various contractors at the Project or the progress of the Project.

c. The Signatories to this agreement adhere to the principle that jurisdictional disputes cannot and shall not interfere with the project.

d. Every effort will be made by the Employer to resolve all anticipated disputes over work assignments. These efforts will include pre-job conferences, jurisdictional mark-up meetings and similar such conferences. Pre-job conferences must be held by each Employer prior to the field work actually starting. Resolution of jurisdictional disputes will not include any “over manning” or the requirement to assign employees to any work functions other than the number that may be required to safely execute the work.
e. The Construction Manager shall be notified of all meetings pertaining to all jurisdictional disputes and may attend and participate.

Section 2. Assignment

The assignment of work will be solely the responsibility of the Contractor performing the work involved; and such work assignments will be in accordance with the Plan for the Settlement of Jurisdictional Disputes in the Construction Industry (the "Plan") or any successor Plan. Where such work assignment is agreed upon by the trades such work shall not be deemed jurisdictional but a miss-assignment of work and as such shall be grieveable under Article 10

Section 3. Procedure for Settlement of Disputes

a. Any Union having a jurisdictional dispute with respect to Project work assigned to another Union will submit the dispute in writing to the Administrator, Plan for the settlement of Jurisdictional Disputes in the Construction Industry within Seven (7) Days and send a copy of the letter to the other Contractor involved, the GCRBTC and the Local Union involved. Upon receipt of a dispute letter from any Local Union, the Administrator will invoke the procedures set forth in the Plan to resolve the jurisdictional dispute. The jurisdictional dispute letter shall contain the information described in Article IV of the Plan.

b. Any Contractor involved in a jurisdictional dispute on this Project shall continue working and without disruption of any kind.

Section 4. No Interference with Work

There shall be no interference or interruption of any kind with the work of the Project while any jurisdictional dispute is being resolved. The work shall proceed as assigned by the Contractor until finally resolved under the applicable procedure of this Article. The award shall be confirmed in writing to the involved parties. There shall be no strike, work stoppage or interruption in protest of any such award.

ARTICLE 12
HOURS OF WORK, PREMIUM PAYMENTS, SHIFTS & HOLIDAYS

Section 1. Work Week and Work Day

a. The standard work week will consist of five days Monday - Friday eight hours per day, plus 1/2 hour unpaid lunch period each day, or a four day 10 hour work week Monday - Thursday plus 1/2 hour unpaid lunch period each day. Any work beyond the eight hours or ten hour work day will be paid at time and one half.

b. The Construction Manager shall have the option of scheduling a five-day or four-day work week and the work day hours consistent with the Project requirements, and the Project Schedule.

c. The Day Shift shall be the hours of 7:00 a.m. - 3:30 p.m. starting and quitting times shall occur at the staging areas designated by the Contractor. Other shifts shall similarly commence and end at uniform times agreed upon by the Contractor and Union. When parking areas are more than a

ten minute walk from the staging or brassing area workers shall be given time to access their vehicles, (commonly referred to as in on our time out on your time)

d. Notice – Contractors shall provide not less than five (5) days prior notice to the crafts union Business Representative as to the workweek and work hour schedules to be worked or such lesser notice as may be mutually agreed upon.

e. Saturday/Make-up Day- The Contractor and/or Construction Manager shall have the option of scheduling Saturday as a voluntary make-up day for any work missed during Monday- Friday. When working a four Day, ten (10) Hour workweek, Friday may be scheduled as a voluntary make-up day

Section 2. Overtime

Overtime pay for hours outside of the standard work week and work day, described in Section 1, paragraph (a) above, shall be paid at time and a half, Saturdays shall be at time and half for the first eight hours and double time thereafter and Sundays shall be at double time. There will be no restriction upon the Contractor's scheduling or overtime or the non-discriminatory designation of employees who shall be worked, except as specifically set forth in Schedule A. There shall be no pyramiding of overtime pay under any circumstances. The Construction Manager and/or Contractor shall have the right to schedule work so as to minimize overtime

Section 3. Starting Times and Shifts

a. There shall be a uniform start time for all Contractors and employees or each shift in accordance with Section 1 above.

b. Flexible Starting Times – Shift starting times will be adjusted by the Contractor as necessary to fulfill Project requirements Shifts must be worked with a minimum of five (5) consecutive workdays and must be scheduled with the BCTC with not less than five (5) work days' notice to the party. If the flexible start time is earlier than 6am or later than 8am the shift will carry a differential of 10%

c. Shift work may be scheduled on either a five (5) day (5-8 hrs) or four (4) day (4-10 hrs) work week basis, at a straight time rate plus a fixed percentage increase per Schedule A or 15% shift differential (whichever is less)

Section 4. Holidays

a. Schedule – There shall be six recognized holidays on the Project:

New Year's Day Labor Day
Memorial Day Thanksgiving Day
Fourth of July Christmas Day

All holidays shall be observed on the dates designated by Law. In the absence of such designation, they shall be observed on the calendar date except those holidays which occur on Sunday shall be observed on the following Monday.

b. Payment – Regular holiday pay, if any, and/or premium pay for the work performed on such a recognized holiday shall be in accordance with the applicable Collective Bargaining Agreement.

c. Exclusivity – No holidays other than those listed in Section 4 – (a) above shall be recognized or observed.

Section 5. Reporting Pay

a. Employees who report to the work location pursuant to regular schedule and who are not provided with work or whose work is terminated early by a Contractor, for whatever reason, shall receive minimum reporting pay in accordance with the applicable Collective Bargaining Agreement. (Schedule A). Should this occur on a scheduled ten (10) hour work day, ten (10) hours minimum reporting pay shall apply in lieu of eight (8) hours where appearing

b. When an employee who has completed a schedule shift and left the Project site is "called out" to perform special work of a casual, incidental or irregular nature, the Employee shall receive pay for actual hours worked with a minimum guarantee as may be required by the applicable Collective Bargaining Agreement. (Schedule A).

c. When an employee leaves the job or work location of his own volition or is discharged for cause or is not working as a result of the Contractor's invocation of Section 7 below, he shall be paid only for the actual time worked.

d. There shall be no pay for time not actually worked except as specifically set forth in this Article or as specifically provided in a Schedule A.

Section 6. Payment Wages

a. Payday – Payment shall be made by check, drawn on a New York bank with branches located within commuting distance of the job site. Paychecks shall be issued by the Contractor at the job site by the end of the scheduled workday on Thursdays. In the event that the following Friday is a bank holiday, paychecks shall be issued on Wednesday of that week. Not more than three days wages shall be held back in any period. Paycheck stubs shall contain the name and business address of the Contractor, together with an itemization of deductions from gross wages.

b. Termination – Employees who are laid off or discharged for cause shall be paid in full for that which is due them at the time of termination. The Contractor shall also provide the employee with a written statement setting forth the date of lay off or discharge.

Section 7. Emergency Work Suspension

The Construction Manager and/or Contractor may, if considered necessary for the protection of life and/or safety of employees or others, and/or as required by the Owner suspend all or a portion of Project work. In such instances, employees will be paid for actual time worked; provided, however, that when a Contractor requests that employees remain at the job site available for work, employees will be paid for “stand-by” time at their hourly rate of pay, by the applicable Schedule A.

Section 8. Injury/Disability

An employee who, after commencing work, suffers a work-related injury or disability while performing work duties, shall receive no less than eight (8) Hours wages for that day. Further, the employee shall be rehired at such time as said employee is able to return to duties provided there is still work available on the Project for which the employee is qualified and able to perform unless such employee knowingly and willfully violates site emergency and injury reporting requirements as outlined within the project safety and jobsite orientation seminar.

Section 9. Time Keeping

A Contractor may utilize brass tagging, electronic time cards or other systems to check employees in and out. Each employee must check in and out. The Contractor will provide adequate facilities for checking in and out in an expeditious manner.

Section 10. Meal Period

Employees shall have meal period of not more than one half (1/2) hour duration at the work location between the third and fifth hour of the scheduled shift. A Contractor may, for efficiency of operation, establish a schedule which coordinates the meal periods of two or more crafts. If an employee is required to work through the meal period, the employee shall be compensated in a manner established in the applicable Schedule A.

Section 11. Break Periods

There will be no rest periods or other nonworking time established during working hours other than those referenced in this Agreement. Coffee Breaks are allowed as per each trade CBA so long as it does not stop production in its entirety. Individual beverage containers and lunch boxes will only be permitted in specified areas designated by the contractor and or Owner. There will be no food or drink other than water allowed within the building area.

Section 12. Other Work Rules

There shall be no use of tobacco or smoking within the building area. Designated smoking location will be identified for use during the allowed half hour lunch break.
Violation of tobacco/smoking, food restrictions or other designated Protocols established to maintain the cleanliness and safety of the facility may result in dismissal from the job-site in accordance with progressive and corrective discipline.
The Construction Manager reserves the right to issue additional rules after discussion with the trades in Labor management meetings or sub-committees.

ARTICLE 13 – APPRENTICES/TRAINING

Section 1. Ratios

Recognizing the need to maintain continuing supportive programs designed to develop adequate numbers of competent workers in the construction industry and to provide craft entry opportunities for minorities, women and economically disadvantaged non-minority males, Contractors will employ apprentices in their respective crafts to perform such work as is within their capabilities and which is customarily performed by the craft in which they are indentured. Contractors may utilize apprentices in a ratio not to exceed 25% when available of their work force by craft (without regard to whether a lesser ratio is set forth in Schedule A), unless the applicable Schedule A provides for a higher percentage. Apprentices shall be employed in a manner consistent with the provisions of the appropriate Schedule A and as approved by the NYSDOL.

Section 2. Department of Labor

To assist the Contractors in attaining a maximum effort on this Project, the parties agree to work in close cooperation with, and accept monitoring by the New York State Department of Labor to ensure that minorities and women are afforded every opportunity to participate in apprenticeship programs which result in the placement of apprentices on this Project. The Local unions will cooperate with Contractor requests for minority, women or economically disadvantaged referrals to meet this Contractor effort and/or as provided in the Collective Bargaining Agreement.

Section 3. Training

All workers, Foremen and General Foremen must have successfully completed the OSHA 10 Hour Safety Training Program and all Superintendents must have successfully completed the OSHA 30 Hour Safety Training Program.

ARTICLE 14
SAFETY AND PROTECTION OF PERSON AND PROPERTY

Section 1. Safety Requirements

Each Contractor will ensure that applicable Owner, Construction Manager, State, local and OSHA requirements are at all times maintained on the Project. Employees of the Contractors must perform their work at all times in a safe manner and protect themselves and the property of the Contractor and Owner from injury or harm. Failure to do so will be grounds for discipline.

Section 2. Contractor Rules

Employees shall at times be bound by the reasonable safety, security, and visitor rules as established for this Project. Such rules will be published and posted in conspicuous places throughout the Project.

Section 3. Inspections

Owner retains the right to inspect incoming shipments of equipment, apparatus, machinery and construction materials of every kind.

ARTICLE 15
MISCELLANEOUS PROVISIONS

Section 1. Project Rules

The Construction Manager and Contractors shall establish such reasonable Project rules as are appropriate for the good order of the Project. These rules will be explained at the pre- job conference and posted at the Project site and may be amended thereafter as necessary. Failure of an employee of a Contractor to observe these rules and regulations shall be grounds for discipline.

Section 2. Tools of the Trade

The welding/cutting torch and chain fall are tools of the trade having jurisdiction over the work performed. Employees using these tools shall perform any of the work of the trade. There shall be no restrictions on the emergency use of any tools or equipment for the performance of work within the employee's jurisdiction.

Section 3. Supervision

Employees shall work under the supervision of the craft foreperson or general foreperson.

Section 4. Travel Allowance

There shall be no payment for travel expenses, travel time, subsistence allowance or other such reimbursements or special pay except as expressly set forth in this Agreement.

Section 5. Full Work Day

a. Employees shall be at their staging area at the time established by the Contractor and shall be returned to their staging area by quitting time after performing their assigned functions under the supervision of the Contractor. The parties reaffirm their policy of a fair day's work for a fair day's wage.

b. There shall be no non-working employees at the Project unless the presence of such employee is required due to normal maintenance (e.g. refueling). There shall be no electrical stand-by employees until the electrical prime contractor has commenced work on the Project. No electrical stand-by employee may remain on the Project after the permanent electrical system is operational. There shall be no stand-by labor of any kind unless requested by the Construction Manager and/or Owner. With respect to the operating engineers working on the project, manning shall be in accordance with their current collective bargaining agreement with the explicit understanding that all manpower assigned to the project is productive".

ARTICLE 16
FUTURE CHANGES IN COLLECTIVE BARGAINING AGREEMENTs AND THIS PROJECT AGREEMENT

Section 1. Changes

a. Schedule A to this Agreement shall continue in full force and effect until the applicable Contractor and/or Union parties to the Schedule A CBAs notifies the contractor of the mutually agreed upon changes in provisions of such Agreements which are applicable to the Project, and their effective dates.

b. It is agreed that any work rule provisions negotiated into future Collective Bargaining Agreements will not apply to work on this Project if such provisions are less favorable to this Project than those contained in the expiring Collective Bargaining Agreements as they pertain to work rules; nor shall any provision be recognized or apply on this Project if it may be construed to apply exclusively, or predominantly, to work covered by this Agreement.

c. Any disagreement over the incorporation into Collective Bargaining Agreements of provisions agreed upon in the re-negotiation of Area Collective Bargaining Agreement shall be resolved in accordance with the procedure set forth in this Agreement.

Section 2. Labor Disputes During Negotiation of Collective Bargaining Agreements

The parties agree that there will be no strikes, work stoppages, sympathy actions, picketing, slowdown or other disruptive activity or other violations of this Agreement affecting the Project by any parties involved in the re-negotiation of Collective Bargaining Agreements nor shall there be any lockout on this Project affecting any party during the course of such re- negotiations.

Section3. Changes to this Project Agreement

There shall be no changes during the life of this Project Agreement unless mutually agreed upon by the parties through the Labor/Management Committee structure. Additional work may be added to this Agreement by the addition of a mutually signed Addendum and additional parties through a signature page in accordance with Article 17 section 6.

ARTICLE 17
SAVINGS AND SEPARABILITY

Section 1. This Agreement

In the event that the application of any provision of this Agreement is enjoined, on either an interlocutory or permanent basis, or otherwise found in violation of any law, the provision involved shall be rendered, temporarily or permanently, null and void but the remainder of this Agreement shall remain in full force and effect. In such event, this Agreement shall remain in effect for contracts already bid, awarded or in construction. The parties will enter into negotiations for a substitute provision in conformity with the law and the intent of the parties for contracts to be awarded in the future.

Section 2. The Bid Specifications

In the event that Owner's bid specifications, or other action, requiring that a successful bidder be bound by this Agreement is enjoined, on either an interlocutory or permanent basis, or otherwise found in violation of law, such requirement shall be rendered, temporarily or permanently, null and void but this Agreement shall remain in full force and effect to the extent allowed by law. In such event, the Agreement shall remain in effect for contracts already bid, awarded or in construction. The parties will enter into negotiations as to modifications to the Agreement to reflect the court action taken and in the intent of the parties for contracts to be awarded in the future.

Section 3. Non – Liability

In the event of an occurrence referenced in Section 1 or Section 2 of this Article 17, neither Owner, Construction Manager, nor any Contractor or any Local Union shall be liable, directly or indirectly, for any action taken, or not taken, to comply with any court order, injunction or determination. Project bid specifications will be issued in conformance with court orders then in effect and no retroactive payments or other action will be required if the original court determination is ultimately reversed.

Section 4. Non – Waiver

Nothing in Article 17 shall be construed as waiving the prohibitions set forth in Article 8.

Section 5. Mergers and Name Changes

In the event of any trade union mergers, name changes of either union, building trades council, contractor, project manager or owner this agreement shall continue in force upon their successors

SECTION 6. EXECUTION

All signature pages will be numbered and reference this agreement with the approved monogram. Additional parties to this agreement who have agreed by mutual consent will signify their agreement with separate counterpart signature pages, which will be considered part of this Agreement.

Section 5. Drug/Alcohol Testing

Prior to performing work, each contractor shall be responsible to provide a drug/alcohol screen for all employees prior to the employee performing on-site work, such testing shall be mandatory for all employees. Employees subject to drug/alcohol testing who pass the tests will receive payment for the time lost to take test but not to exceed 3 hours pays. No pay will be given to those testing positive for drugs/alcohol and they will not be permitted to work on the project.

The Owner, Construction Manager and/or Contractor may also require drug/alcohol testing of employees for cause when there is a reasonable suspicion of drug or alcohol use or employee involvement in an accident requiring off-site medical attention or documented unsafe act on the Project.

This section shall supersede any inconsistent provision in a local Union Agreement. A policy shall be developed by the parties through Labor/Management Committee

ARTICLE 18
HELMETS TO HARDHATS

Section 1. The Employers and the Unions recognize a desire to facilitate the entry into the building and construction trades of veterans who are interested in careers in the building and construction industry. The Employers and Unions agree to utilize the service of the Center for Military Recruitment, Assessment and Veterans Employment (hereafter "Center") and the Center's "Helmet to Hardhats" program to serve as a resource for preliminary orientation, assessment of construction aptitude, referral to apprenticeship programs or hiring halls, counseling and mentoring, support network, employment opportunities and other needs as identified by the parties.

Section 2. The Union and Employers agree to coordinate with the Center to create and maintain an integrated database of veterans interested in working on this Project and of apprenticeship and employment opportunities for this Project. To the extent permitted by law, the Unions will give credit to such veterans for bona fide, provable past experience.

In witness whereof, the parties have caused this Agreement to be executed and effective as of this 1 day of July 2014

For Florida Acquisitions, LLC
By ____

For CM
By ____

For The Greater Capital Region Building and Construction Trades Council
By____
Jeff Stark, President

ADDEDUM 1

Memorandum of Understanding
Between
Canadian Gaming, LLC
And
Greater Capital Region Building and Construction Trades

This Agreement between the parties ensures that as the project building phase nears its completion date, the Parties will meet and negotiate "In Good Faith" a maintenance agreement for the trades for on-going cosmetic maintenance and future renovations that is consistent with any other contractual obligations then binding on the undersigned.

For Canadian Gaming, LLC
By ____

For The Greater Capital Region Building and Construction Trades Council
By____
Jeff Stark, President