



# GREAT CANADIAN GAMING CORPORATION

## **ANNUAL INFORMATION FORM**

for the

**YEAR ENDED DECEMBER 31, 2017**

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March 4, 2018

*(Expressed in millions of Canadian dollars, except for per share information)*

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## DEFINITIONS AND INTERPRETATION

### Definitions

In this Annual Information Form (“AIF”):

“Adjusted EBITDA” has the meaning defined in the “Non-IFRS Measures” section of this AIF;

“AGCO” means Alcohol and Gaming Commission of Ontario;

“AGFTD” means Alcohol, Gaming, Fuel and Tobacco Division of Nova Scotia;

“Annual Financial Statements” means the Company’s audited consolidated financial statements for the year ended December 31, 2017, available on SEDAR at [www.sedar.com](http://www.sedar.com);

“AROC” means the Third Amended and Restated Casino Operating Contract among Great Canadian Gaming Corporation, Nova Scotia Provincial Lotteries and Casino Corporation, and 6364942 Canada Inc. and 6364951 Canada Inc. as partners of Metropolitan Entertainment Group;

“BC” means the Province of British Columbia;

“BCGEU” means the British Columbia Government and Service Employees’ Union;

“BCHRIMC” means the BC Horse Racing Industry Management Committee;

“BCLC” means the British Columbia Lottery Corporation;

“BCSA” means the British Columbia Standardbred Association;

“BCTOBA” means the British Columbia Thoroughbred Owners & Breeders Association;

“Bingo Esquimalt” means the commercial bingo hall in Esquimalt, British Columbia;

“BSA” means Bank Secrecy Act, a US law requiring financial institutions in the US to assist US government agencies to detect and prevent money laundering;

“Canada Line” means the automated rail-based rapid transit service connecting Vancouver with Richmond and the Vancouver International Airport, in British Columbia;

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

“Casino New Brunswick” means the casino and hotel in Moncton, New Brunswick, operated by GCGNB;

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

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

“CGC” means a Community Gaming Centre, a facility with gaming offerings that include slot machines and bingo games;

“CGL” means Chilliwack Gaming Ltd., a wholly-owned subsidiary of the Company;

“Chances Chilliwack” means the CGC in Chilliwack, British Columbia, operated by CGL;

“Chances Dawson Creek” means the CGC, in Dawson Creek, British Columbia, operated by GCEC;

“Chances Maple Ridge” means the CGC in Maple Ridge, British Columbia, operated by GCEC;

“Chilliwack Bingo” means the bingo hall in Chilliwack, British Columbia, operated by CGL until Chances Chilliwack was opened;

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

“COSA” means a Casino, Bingo and/or Community Gaming Centre Operational Services Agreement in British Columbia and Ontario;

“CPMA” means the Canadian Pari-Mutuel Agency;

“CRA” means the Canada Revenue Agency;

“CR Accounts” means the designated Capital Reserve Accounts used in Nova Scotia of which a portion of revenues are deposited for the purpose of undertaking capital expenditures, refurbishments, maintenance, upgrades and enhancements of the Casino Nova Scotia Halifax and Casino Nova Scotia Sydney;

“Credit and Guarantee Agreement” means the agreement dated February 14, 2007 and as amended July 21, 2011, July 24, 2012, and May 25, 2015 among the Company, certain of its subsidiaries as guarantors, and various Canadian and US lenders, which provide the Company’s Revolving Credit Facility and former Term Loan B;

“CSPA” means a Casino Service Provider Agreement;

“CTHS” means the Canadian Thoroughbred Horse Society, BC;

“Elements Casino (Surrey)” means the standardbred racetrack and casino in Surrey, British Columbia, operated by Orangeville;

“East Gaming Bundle” means certain gaming assets in OLG’s Gaming Bundle 2 (East), which consists of Shorelines Casino Thousand Islands, Shorelines Slots at Kawartha Downs, and Shorelines Casino Belleville;

“FDC” means the Facility Development Commission, a remuneration component available to the Company by BCLC pursuant to current COSAs;

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

“FinCEN” means the Financial Crimes Enforcement Network;

“FinTRAC” means the Financial Transactions and Reports Analysis Centre of Canada;

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

“Gaming Regulators” means AGCO, AGFTD, GCGNB and GPEB;

“GAGC” means Great American Gaming Corporation, a wholly-owned subsidiary of the Company;

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

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

“GCGNB” means Great Canadian Gaming (New Brunswick) Ltd., an indirect wholly-owned subsidiary of the Company;

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

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

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

“GTA Gaming Bundle” means certain gaming assets in OLG’s Gaming Bundle 5 (GTA), including Casino Woodbine, Casino Ajax and Great Blue Heron Casino located in the Mississaugas of Scugog Island First Nation;

“Hard Rock Casino Vancouver” means the casino in Coquitlam, British Columbia, operated by GCCI;

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

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

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

“Horse Racing Agreement” means the Memorandum of Agreement and Addendum dated April 2010, between CTHS, HBPA, HRBC, BCTOBA, TBC, the Interior Horse Racing Association, and, the Company’s wholly-owned racetrack operators located in British Columbia, Orangeville and HEI;

“HRBC” means the Harness Racing BC Society which replaced both the BCSA and the BC Standardbred Breeders Society effective February 1, 2010;

“IFRS” means International Financial Reporting Standards, as applicable to publicly accountable enterprises in Canada;

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

“IRS” means the Internal Revenue Service Small Business / Self Employed Division;

“MD&A” means Management’s Discussion and Analysis for the year ended December 31, 2017, available on SEDAR at [www.sedar.com](http://www.sedar.com);

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

“Ministry” means the British Columbia Ministry of Attorney General who announced on November 17, 2009 the establishment of the BCHRIMC. The Ministry of Finance now governs horse racing in British Columbia;

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

“NBGCB” means New Brunswick Gaming Control Branch;

“NBLGC” means New Brunswick Lotteries and Gaming Corporation;

“Non-recourse Credit Facility” means the \$60.0 Non-recourse Revolving Credit Facility of the Company’s OGELP subsidiary that was arranged on January 11, 2016;

“NSPLCC” means Nova Scotia Provincial Lotteries and Casino Corporation;

“NYSE” means New York Stock Exchange;

“OHHA” means Ontario Harness Horse Association;

“OLG” means Ontario Lottery and Gaming Corporation, a provincial Crown corporation that conducts and manages gaming in Ontario, including operating and managing province-wide lotteries, casinos and slot machines at horse racetracks;

“OGELP” means Ontario Gaming East Limited Partnership, a partnership in which the Company holds a 90.5% interest, that operates the East Gaming Bundle;

“OGGTA” means Ontario Gaming GTA Limited Partnership, a partnership in which the Company holds a 49% interest that operates the GTA Gaming Bundle;

“OGWGLP” means Ontario Gaming West GTA Limited Partnership, a partnership in which the Company holds 55% interest that will operate the West GTA Gaming Bundle upon acquisition estimated to complete in the second quarter of 2018;

“Ontario Racetracks” means the Georgian Downs and Flamboro Downs standardbred race tracks located in Ontario;

“Operational Services Agreements” means collectively, COSAs, CSPA, and AROC;

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

“Other BC Casinos” means Chances Dawson Creek, Chances Maple Ridge and Chances Chilliwack;

“PCMLTFA” means the federal *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*;

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

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

“Racino” means a combined horse racetrack and casino, featuring slot machines and, in some cases, table games;

“Revolving Credit Facility” means the \$350.0 Senior Secured Revolving Credit Facility forming part of a debt re-financing by the Company completed on February 14, 2007, and as amended by the Company on July 21, 2011, July 14, 2012, and May 25, 2015;

“RFI” means Request for Information;

“RFP” means Request for Proposal;

“RFPQ” means Request for Pre-Qualification;

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

“SEDAR” means the System for Electronic Document Analysis and Retrieval, which is used for electronically filing securities related information with the Canadian securities regulatory authorities;

“Senior Unsecured Notes” means the \$450.0 6.625% Senior Unsecured Notes due July 25, 2022 forming part of a debt re-financing completed by the Company on July 24, 2012;

“Shorelines Casino Belleville” means the casino in Belleville, Ontario, operated by OGELP;

“Shorelines Casino Thousand Islands” (formerly OLG Casino Thousand Islands) means the casino in Gananoque, Ontario;

“Shorelines Slots at Kawartha Downs” (formerly OLG Slots at Kawartha Downs) means the casino in Fraserville, Ontario;

“Standardbred Alliance” means the alliance of eight standardbred horse racetracks in Ontario with members that represent a three-tier racing hierarchy, ‘Grass Roots’ (Clinton Raceway, Hanover Raceway), ‘Signature’ (Flamboro Downs, Georgian Downs, Grand River Raceway and The Raceway at Western Fair) and ‘Premier’ (Mohawk Racetrack and Woodbine Racetrack);

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

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

“TSX” means the Toronto Stock Exchange;

“TSX-V” means the TSX Venture Exchange;

“US” or “USA” means United States of America;

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

“VLT” means a video lottery terminal;

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

“WSGC” means the Washington State Gambling Commission; and

“West GTA Gaming Bundle” means certain gaming assets in OLG’s Gaming Bundle 6 (West GTA), including OLG Casino Brantford, OLG Slots at Mohawk Racetrack, OLG Slots at Flamboro Downs and OLG Slots at Grand River Raceway.



## **Currency and Presentation**

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

All references to “Company”, “Great Canadian”, “us”, “we” or “our” means Great Canadian Gaming Corporation and/or its subsidiaries.

All information in this AIF is presented as at and for the year ended December 31, 2017, unless otherwise indicated.

## **Forward-Looking Information**

This AIF contains certain “forward-looking information” or statements within the meaning of applicable securities legislation. Forward-looking information is based on the Company’s current expectations, estimates, projections and assumptions that were made by the Company in light of historical trends and other factors. Forward-looking statements are frequently but not always identified by words such as “expects”, “anticipates”, “believes”, “intends”, “estimates”, “potential”, “targeted”, “planned”, “possible” or similar expressions or statements that events, conditions or results “will”, “may”, “could” or “should” occur or be achieved. 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 objectives, expected future expenditures, costs, operating and financial results, 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, the impact of conditions imposed on certain VIP players in British Columbia, the impact of unionization activities, the Company’s position on its claim against the BCLC with respect to the collection of marketing contributions, the Company’s beliefs about the outcome of its notices of objection and subsequent appeals challenging the CRA’s reassessments and its tax position on its facility development commission prevailing, the terms and expected benefits of the normal course issuer bid, the Company’s expected share of BC horse racing industry revenue in future years, and expectations and implications of changes in legislation and government policies, volatile gaming holds, the effects of competition in the market and potential difficulties in employee retention and recruitment. 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 (including those related to anti-money laundering legislation or policy that may impact VIP play), volatile gaming holds, the effects of competition in the market; the development of properties in Ontario and transitioning of operations to the Company and affiliates; 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; actual and possible reassessments of the Company’s prior tax filings by tax authorities; the results of the Company’s notices of objection and subsequent appeals challenging reassessments received by the CRA; the Company’s tax position on its facility development commission prevailing; the results of the Company’s litigation with BCLC; 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 timing and results of collective bargaining negotiations; adverse changes in the Company’s labour relations; the Company’s ability to manage its capital projects and its expanding operations in jurisdictions where it operates; 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; the risk associated with partnership relationship; First Nations rights with respect to some land on which the Company conducts 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; demand for new products and services; fluctuations in operating results; economic uncertainty and financial market volatility; technology dependence; and privacy breaches or 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 this AIF, and as identified in the Company's disclosure record on SEDAR at [www.sedar.com](http://www.sedar.com).

The forward-looking information in documents incorporated by reference speaks only as of the date of those documents. The Company believes that the expectations reflected in forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct. Readers are cautioned not to place undue reliance on the forward-looking information. 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 AIF.

### **Non-IFRS Measures**

The following non-IFRS definitions are used in this AIF because management believes that they provide useful information regarding our ongoing operations. Readers are cautioned that the definitions are not recognized measures under IFRS, do not have standardized meanings prescribed by IFRS, and should not be construed to be alternatives to revenues and net earnings 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.

Except as otherwise noted in this AIF, Adjusted 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 reversal of long-lived assets, business acquisition, restructuring and other, and foreign exchange gain and other. Adjusted EBITDA is derived from the consolidated statements of earnings and other comprehensive income, and can be computed as revenues less human resources expenses and property, marketing and administration expenses plus share of profit of equity investments relating to principal operating entities. We believe Adjusted EBITDA is a useful measure because it provides information to management about the ongoing 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. Adjusted EBITDA is also used by the investors and analysts for the purpose of valuing the Company.

The following non-IFRS measures have common definitions in the gaming industry and provide both investors and management with indications of its businesses' operating volumes and the volatility inherent in the Company's casino games:

- Table drop means the collective amount of money customers pay 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.
- 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 earned from poker games and is calculated as a fixed percentage of the amount wagered by customers on every hand of poker played.
- Slot coin-in is the aggregate amount of money customers have wagered on slots and other electronic gaming machines.
- Slot win is the slot coin-in less amounts cashed out and prizes won by customers.
- Slot win per machine per day ("Slot Win/Slot/Day") is the average daily slot win earned per slot machine, and is calculated as the slot win divided by the number of days in the period, divided by the average number of slot machines that operated during the period.
- Slot win percentage is the ratio of slot win divided by slot coin-in.

## **CORPORATE STRUCTURE**

### **Name, Address and Incorporation**

Great Canadian Gaming Corporation's principal office is located at 95 Schooner Street, Coquitlam, British Columbia, V3K 7A8. The registered and records office is located at 1500 - 1055 West Georgia Street, Vancouver, BC, V6E 4N7. The Company was incorporated in Canada under the *Business Corporations Act* (British Columbia).

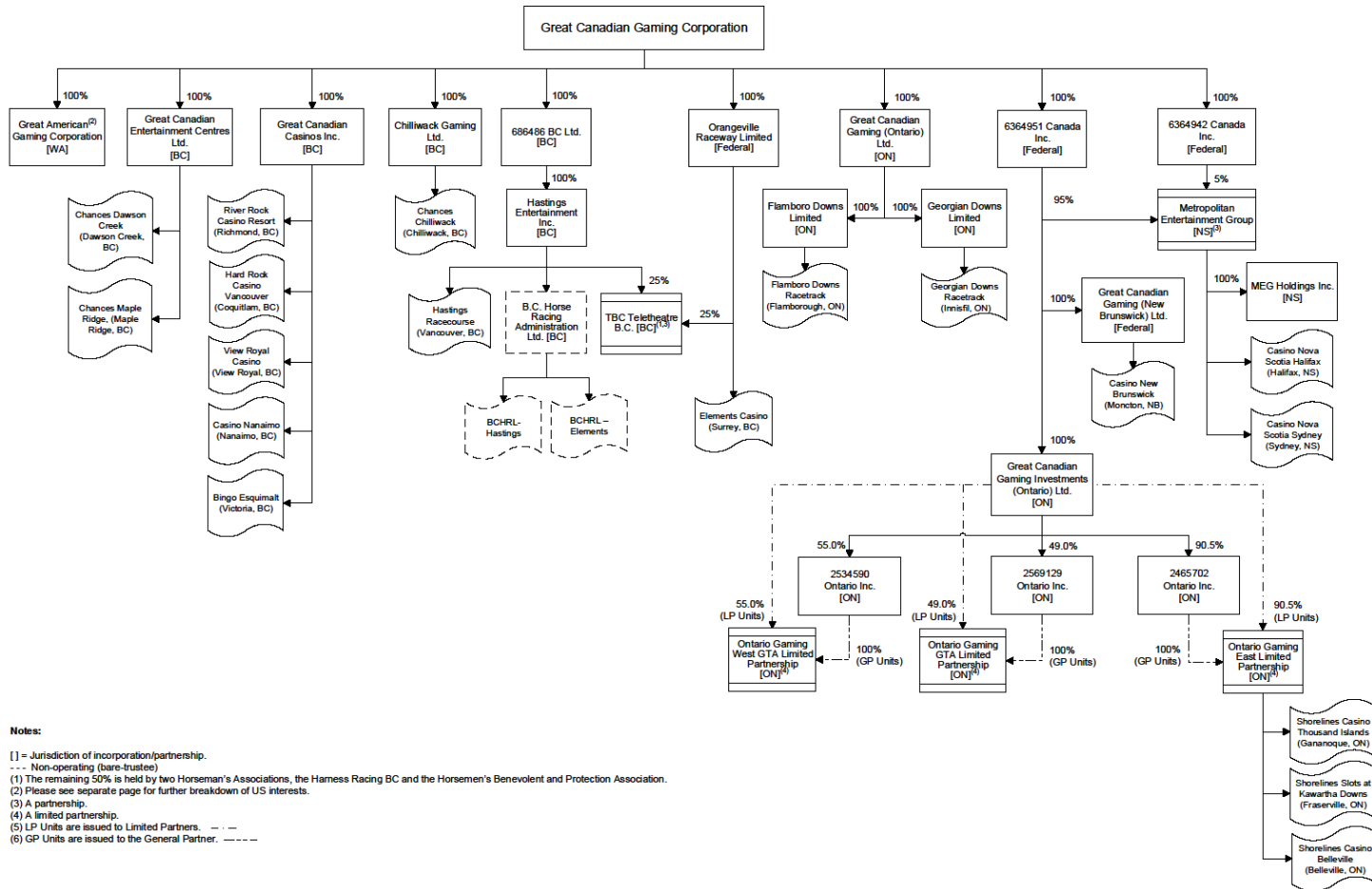
The Company's common shares are listed on the TSX under TSX symbol: "GC." A description of the Company's capital structure is included in the "Description of Capital Structure" section of this AIF.

### **Intercorporate Relationships**

The following two charts set out the Company's material subsidiaries and operations as of December 31, 2017:



**GREAT CANADIAN GAMING CORPORATION**  
Corporate Structure

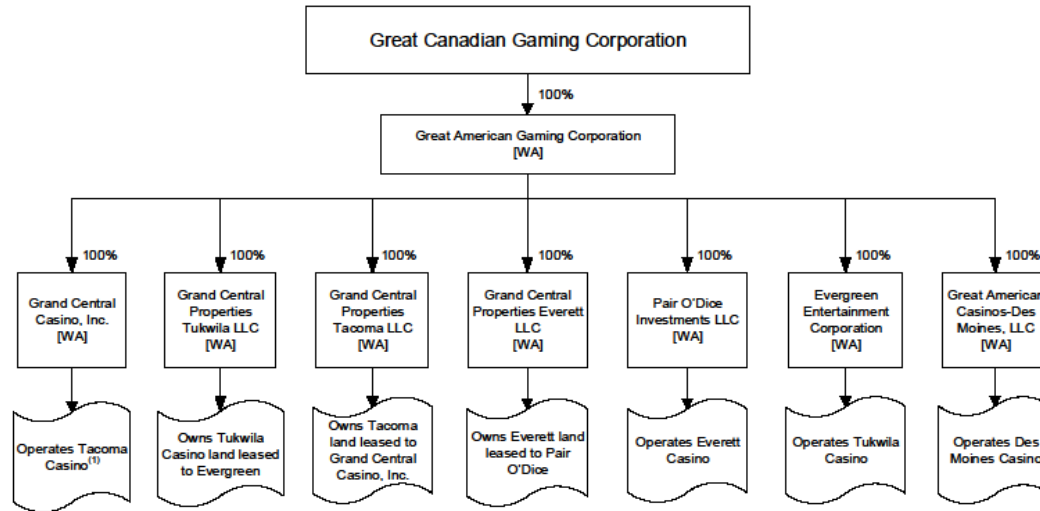


**Notes:**

- [ ] = Jurisdiction of incorporation/partnership.
- - - Non-operating (bare-trustee)
- (1) The remaining 50% is held by two Horseman's Associations, the Harness Racing BC and the Horsemen's Benevolent and Protection Association.
- (2) Please see separate page for further breakdown of US interests.
- (3) A partnership.
- (4) A limited partnership.
- (5) LP Units are issued to Limited Partners. - - -
- (6) GP Units are issued to the General Partner. - - - -



**GREAT CANADIAN GAMING CORPORATION**  
Corporate Structure  
US Interests



**Notes:**

[ ] = Jurisdiction of Incorporation.

<sup>(1)</sup>Tacoma Casino is also known as Lakewood Casino.

## GENERAL DEVELOPMENT OF THE BUSINESS

### Three Year History

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

#### 2015:

- On April 1 2015, the Company exercised its renewal option with BCLC to extend the term of the COSA under which the Company operates Chances Dawson Creek. Under the terms of the contract extension, the Company has an additional 10 years of term certainty until June 30, 2026;
- On May 25, 2015, the Company extended the maturity of its Credit and Guarantee Agreement, which covers the terms of its \$350.0 Revolving Credit Facility by five years to May 25, 2020;
- On June 29, 2015, after receiving the required gaming and securities regulatory approvals, the Company completed the purchase and cancellation of 3,400,000 common shares of the Company from a company controlled by the Estate of Ross McLeod, a former director and officer of the Company who passed away in 2011, for \$77.7. This represented approximately 4.87% of the number of outstanding common shares of the Company on that date;
- On September 30, 2015, the Company exercised its renewal option with BCLC to extend the term of the COSA under which the Company operates Hard Rock Casino Vancouver. Under the terms of the contract extension, the Company will have an additional 10 years of term certainty until November 16, 2025;
- On October 1, 2015, the Company, through a wholly owned subsidiary, completed the acquisition of 100% of the assets and operations of Casino New Brunswick for a cash purchase price of \$97.3. Casino New Brunswick operates a casino with a hotel and a multi-use theatre and convention space under a CSPA with the NBLGC that expires on December 31, 2030; and
- On December 17, 2015, the Company renovated and rebranded the Fraser Downs Racetrack and Casino, located in Surrey, BC, as "Elements Casino". The renovated facility includes gaming, facility layout, food and beverage and entertainment enhancements throughout the property.

#### 2016:

- On January 11, 2016, OGELP, a partnership in which the Company holds a 90.5% interest, acquired the East Gaming Bundle and signed a minimum 20-year COSA with the OLG. Please refer to the Annual Financial Statements for more information. OGELP subsequently commenced a comprehensive development plan for the East Gaming Bundle, including a new full service casino and entertainment facility located in Belleville, Ontario, named the Shorelines Casino Belleville. To finance the acquisition, OGELP entered into a \$60.0 Non-recourse Credit Facility expiring on January 11, 2020, which is non-recourse to the Company and its other subsidiaries. The counterparties to this credit facility are major financial institutions with minimum "A" credit ratings. Please refer to the Annual Financial Statements for more information;
- On July 21, 2016, the Company completed the acquisition of Bingo Esquimalt;
- On September 20, 2016, the Company and BCLC announced plans to enhance the gaming and entertainment options at the View Royal Casino. New features will include new and modern dining options such as a buffet, casual lounge and bar, a multi-purpose entertainment venue that will accommodate up to 600 guests, and an expansion of the gaming floor with 12 new live dealer table games and an additional 350 slot machines and electronic table games. Renovations began in 2017

with an expected completion date in the first half of 2018, where it will be rebranded as Elements Casino Victoria; and

- In November 2016, the Company and the City of Vancouver reached an agreement to extend the initial term of the operating lease agreement for Hastings Racecourse until November 9, 2019.

## **2017**

- On January 11, 2017, OGELP opened the new Shorelines Casino in Belleville, Ontario;
- On February 21, 2017, the Council of the City of Peterborough in Ontario agreed to a settlement with the Peterborough Downtown Business Improvement Association (the "DBIA") that ends the DBIA's Ontario Municipal Board appeal of the City's approval of the Company's application to develop a new gaming property in the City of Peterborough. On September 6, 2017, OGELP hosted an official ground breaking ceremony to mark the start of construction of Shorelines Casino Peterborough;
- On March 31, 2017, the Company signed Lease Extension Agreements with OLG for its Georgian Downs and Flamboro Downs racetracks. The agreements secure lease revenues for these properties for an extended term from April 1, 2018 to March 31, 2023;
- The Company opened a new gaming facility in Des Moines, Washington on May 18, 2017;
- On August 8, 2017, the Company announced that OGGTA, a partnership in which the Company holds a 49% interest, was selected as the successful proponent by OLG to operate gaming facilities in the GTA Gaming Bundle. Please refer to the Annual Financial Statements for more information;
- On December 18, 2017, the Company announced that OGWGLP, a partnership in which the Company holds a 55% interest, was selected to operate certain gaming facilities in the West GTA Gaming Bundle. The Partnership signed a business transition and asset purchase agreement with OLG on December 18, 2017 to acquire certain assets in the West GTA Gaming Bundle and will have the exclusive right to operate these assets for a minimum period of 20 years, in accordance with the requirements of a COSA. Please refer to the Annual Financial Statements for more information; and
- On December 21, 2017, the first phase of renovations at View Royal was completed, which includes the expansion of the casino gaming floor.

## **BUSINESS OF THE COMPANY**

### **Overview**

The Company operates gaming, entertainment, and hospitality facilities in British Columbia, Ontario, New Brunswick, Nova Scotia and Washington State. As at December 31, 2017, the Company's 22 gaming properties consisted of 14 casinos, including a Four Diamond resort hotel in Richmond, British Columbia and a four star hotel in Moncton, New Brunswick, four horse racetrack casinos, three community gaming centres and one commercial bingo hall. The Company opened the new Shorelines Casino Belleville on January 11, 2017 and Great American Casino Des Moines on May 18, 2017. In Canada, the Company operates its casinos both within managed markets that feature high barriers to entry and under agreements as service providers with provincial lottery corporations. As at December 31, 2017, the Company had approximately 5,100 employees in Canada and 700 in Washington State.

The Company is expanding its operations in Ontario. On January 23, 2018, the Company acquired the assets and operations of the OLG's gaming facilities in the GTA Gaming Bundle, which consists of the OLG Slots at Woodbine, OLG Slots at Ajax Downs, and Great Blue Heron Casino. On December 19, 2017, the Company was selected as the successful proponent by the OLG to operate certain gaming facilities in the West GTA Gaming Bundle, which consists of the OLG Slots at Mohawk Racetrack, OLG Casino Brantford, OLG Slots at Flamboro Downs, and OLG Slots at Grand River Raceway.

### **Corporate Social Responsibility**

Adhering to corporate social responsibility best practices, and having a positive impact on the communities the Company does business in, is a commitment the Company takes seriously. In accordance with the Company's mission and values, the Company has established policies and practices to conduct its business with integrity as well as encouraging community support and environmental sustainability.

"PROUD of our people, our business, our community" is the Company's brand and program that unifies its community, volunteering, and social responsibility efforts. As part of the program, the Company promotes and supports non-profit groups, community associations, and charities that its staff chooses to be a part of by investing in these various organizations in British Columbia, Ontario, and Nova Scotia.

The Company has established a corporate ethics and conduct policy that governs its officers, directors and employees with respect to a range of corporate ethics and social responsibility issues.

Through the mandate of the Company's provincial gaming partners, as well as a series of internal initiatives, the Company supports and participates in developments related to socially responsible gaming practices in the industry and facilitates such practices at its facilities. Those practices include, but are not limited to, responsible gaming training for all employees, education material and services available for players at all facilities, voluntary self-exclusion programs and the continued accreditation from the Responsible Gambling Council, an independent non-profit organization dedicated to problem gambling prevention.



## Revenue

The following table summarizes the Company's consolidated revenues for the years ended December 31, 2017, 2016, and 2015:

	Twelve Months of		
	2017	2016	2015
Gross Gaming Revenues	\$ 1,181.6	\$ 1,085.2	\$ 894.9
Facility Development Commission	39.1	37.4	36.9
Hospitality, lease and other revenues	162.8	153.3	127.8
Racetrack revenues <sup>(1)</sup>	12.1	13.0	12.0
	<b>1,395.6</b>	1,288.9	1,071.6
Less:			
Provincial government portion of Gross Gaming Revenues <sup>(2)</sup>	(734.7)	(682.0)	(581.0)
Promotional allowances	(46.6)	(40.5)	(27.7)
<b>Revenues</b>	<b>\$ 614.3</b>	<b>\$ 566.4</b>	<b>\$ 462.9</b>

<sup>(1)</sup> The Company's share of profit of TBC of \$2.5 previously included in "racetrack revenues" for the twelve months ended December 31, 2015, has been retrospectively reclassified to "share of profit of equity investment" on the consolidated statements of earnings and other comprehensive income. This revised presentation provides more useful comparative information regarding the Company's operating financial performance.

<sup>(2)</sup> Municipal gaming taxes of \$3.7 previously presented as a "provincial/state government portion of Gross Gaming Revenues" for the twelve months ended December 31, 2015 has been retrospectively reclassified to "property, marketing and administration expenses". This revised presentation provides more useful comparative information regarding the Company's operating financial performance.

## Property Operations Summary

For a summary of key attributes of each of the Company's facilities as at December 31, 2017, including expiry dates of operating agreements, see "Business Description – Operations" of the MD&A.

### British Columbia

The Company was founded in British Columbia, Canada, and a significant portion of its operations are located there. In British Columbia, the Company operates four casinos, one thoroughbred racetrack that offers slot machines, a standardbred racetrack that offers both table games and slot machines, three community gaming centres, one commercial bingo hall, two multi-purpose show theatres, several licensed restaurants, a resort with two hotels, a conference centre and a marina. The Company also owns or holds an interest in 21 Racebooks in addition to internet and phone racetrack wagering. The Company operates casinos primarily catering to regional customers and offers multiple entertainment venues for different customer demographics. The Company's British Columbia properties generated revenues of \$356.6 for the year ended December 31, 2017, representing 58% of its consolidated revenues for that period. For the year ended December 31, 2016, the Company's British Columbia properties generated revenues of \$345.2, representing 61% of its consolidated revenues for that period.

#### **Description of Gaming Properties in British Columbia**

**River Rock Casino Resort.** River Rock comprises a 90,000 square foot casino (which includes separate high limit and poker rooms), a AAA Four Diamond resort hotel that contains two hotels with a total of 396 rooms and a multi-purpose show theatre with approximately 1,000 seats. As at December 31, 2017, the casino offered 1,263 slot machines, 32 Touch Bet Roulette terminals and 117 gaming tables (including 10 poker tables). This property also features a variety of food and beverage venues, a Racebook, a pool, a spa, conference facilities, and a marina and is licensed to serve liquor throughout the casino. Parking is provided through approximately 2,700 stalls in two multi-level parking garages plus 300 surface parking

stalls. There is approximately 15,000 square feet of commercial space adjacent to the property. The casino operates 24 hours per day.

River Rock is centrally located in the vicinity of the Vancouver International Airport, and the residential communities of South Vancouver and Richmond. The Company operates one of the parking garages adjacent to the Canada Line Bridgeport station, across the street from River Rock. Pursuant to an agreement among the Company, South Coast British Columbia Transportation Authority and Canada Line, the Company provides 1,200 parking spots for Canada Line passengers. The parking garage provides additional weekend and evening parking capacity for River Rock's patron demand.

Refer to the "Major Developments – Labour Relations" section of the MD&A for details on the union at River Rock.

**Hard Rock Casino Vancouver.** Hard Rock Casino Vancouver is situated in Coquitlam, British Columbia, near a major east/west highway running through Metro Vancouver and comprises an 85,000 square foot casino (which includes separate high limit and poker rooms) and a multi-purpose show theatre with approximately 1,051 seats. The "Hard Rock Casino Vancouver" name is used under a trademark license from HR West Licensor, LLC (prior to September 30, 2016, from Hard Rock Hotel & Casino HRHH IP, LLC). The initial term of the license agreement is for a period of 10 years and will automatically renew for two additional periods of five years provided Hard Rock Casino Vancouver achieves specified increased revenue targets.

As at December 31, 2017, the casino offered 931 slot machines, 28 Touch Bet Roulette terminals and 49 gaming tables (including 5 poker tables). This facility also features a variety of food and beverage venues, a Racebook, and is licensed to serve liquor throughout the casino. Parking is provided through both a 1,600 stall, multi-level parking garage and 400 stalls of surface parking. The casino operates 24 hours per day.

In 2015, the Company renovated the VIP gaming area by adding an enhanced high-limit table area, with two new private VIP gaming rooms and a blackjack room at the Hard Rock Casino Vancouver. As part of the Company's efforts to increase traffic and improve results at the Hard Rock Casino Vancouver, the company opened the Buffet at Unlisted on September 16, 2015.

Due to the positive response from the Buffet, the Company expanded the seating capacity in the fourth quarter of 2016. During the first quarter of 2017, the Company introduced a new high-end restaurant, which is operated by a third party, Neptune Restaurant Group.

Subsequent to 2017, collective bargaining agreements between Hard Rock Casino Vancouver and the BCGEU continued. A strike vote occurred in early February which is discussed further under "Other Business Developments - Unions and Labour Relations at Properties" section of this AIF.

**View Royal Casino.** View Royal Casino comprises a 42,000 square foot facility. As at December 31, 2017, the casino offered 555 slot machines, four Touch Bet Roulette terminals and 19 gaming tables. This property offers a food and beverage outlet and is licensed to serve liquor throughout the casino. Parking is provided through a 530 stall, multi-level parking garage and approximately 130 surface stalls. The casino, which is located on Vancouver Island in a suburb of Victoria, British Columbia, operates from 16 to 18 hours per day.

On September 20, 2016, the Company and BCLC announced plans to enhance the gaming and entertainment options at the View Royal Casino and entered into a project development agreement. Renovations are expected to be complete in the first half of 2018, where it will be rebranded as Elements Casino Victoria, as described in the "Three Year History" section of this AIF.

**Casino Nanaimo.** Casino Nanaimo comprises a 24,000 square foot facility. Casino Nanaimo is adjacent to both a shopping mall and a convention centre in downtown Nanaimo, British Columbia. As at

December 31, 2017, the casino offered 409 slot machines and 13 gaming tables. This property features a food and beverage venue and a Racebook and is licensed to serve liquor throughout the casino. Surface parking is available adjacent to the property. The casino operates from 15 to 16 hours per day.

Renovations to Casino Nanaimo commenced in the second half of 2016 and completed in the second quarter of 2017. The Company expanded both gaming and non-gaming amenities to better serve the marketplace by adding a VIP slot area, opening a new Poker/Racebook room, and adopting the Company's Well restaurant brand, which allows the property to offer greater entertainment options, including viewing parties for sporting events and live shows.

**Bingo Esquimalt.** Bingo Esquimalt comprises an 8,000 square foot facility and features a commercial bingo hall with a food and beverage venue. The bingo hall operates 13 hours per day.

**Elements Casino (Surrey).** Elements Casino was rebranded and renovated in the fourth quarter of 2015. The redevelopment included gaming, facility layout, food and beverage and entertainment enhancements throughout the property, including a buffet and entertainment lounge. Exterior changes to the facility provide more street presence to passing traffic. Elements Casino offers live standardbred racing seven months of the year (58 live race days in 2017, 2016 - 55) on a 5/8 mile track. As at December 31, 2017, the property offered 543 slot machines, 12 Touch Bet Roulette terminals and 24 gaming tables. The property has a 21,000 square foot grandstand facility and an approximately 87,000 square foot casino, and is located on a 55 acre site leased from the City of Surrey, BC. The racetrack also features on-site stabling, a Racebook, a variety of licensed food and beverage venues and is licensed to serve liquor throughout the facility. Surface parking is available adjacent to the property. The casino operates 24 hours per day, seven days a week.

**Hastings Racecourse and Slot Facility.** Hastings Racecourse features live thoroughbred racing six months of the year on a 5/8 mile track. As at December 31, 2017, the property offered 536 slot machines within a 34,000 square foot casino facility that is located at Hastings Park on a 48 acre site leased from the City of Vancouver, BC. The racecourse also features limited on-site stabling, a variety of licensed food and beverage venues, and a year round simulcast of national and international horse racing at an on-site Racebook. Surface parking is available on the adjacent grounds of the Pacific National Exhibition. The casino operates from 16 to 18 hours per day.

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

In November 2016, the Company and the City of Vancouver reached an agreement to extend the initial term of the operating lease agreement at Hastings Racecourse until November 9, 2019.

During 2017, Hastings Racecourse commenced collective bargaining. A Strike Notice and Lockout Notice was received by Hastings Racecourse which is discussed further under "Other Business Developments - Unions and Labour Relations at Properties" section of this AIF.

**Chances Chilliwack.** Chances Chilliwack is a 27,500 square foot CGC located in Chilliwack, British Columbia that opened on November 1, 2012. As at December 31, 2017, the facility offered 300 slot machines, both conventional and electronic bingo operations and a Racebook. The property also features a premium casual restaurant under the Company's Well brand, a meeting room and an outdoor patio and stage and is licensed to serve liquor throughout the CGC. Surface parking is available adjacent to the property. The CGC operates from 15 to 18 hours per day.

On May 31, 2011, the Company purchased the assets and undertaking of Chilliwack Bingo Association for upfront cash consideration of \$10.2. The agreement also provides for additional consideration depending on the level of future slot win generated by the CGC over a 20-year period. As of December 31, 2017, the Company has accrued \$6.0 as a provision for the present value of additional consideration.

During 2016, the Company expanded the footprint of the slot machine area of this CGC using the underutilized bingo area. During 2017, the Company added 45 slot machines. Depending upon the success of the new slot machines, the Company is considering expanding the building to accommodate additional gaming capacity, which would also be subject to approval from BCLC.

**Chances Maple Ridge.** Chances Maple Ridge is a 27,500 square foot CGC located on the corner of 227<sup>th</sup> Street and Lougheed Highway in Maple Ridge, British Columbia which opened on October 23, 2013. As at December 31, 2017, the centre offered 200 slot machines and both conventional and electronic bingo games. The property also features a premium casual restaurant under the Company's Well Brand, a Racebook, a banquet facility and meeting rooms and is licensed to serve liquor throughout the CGC. Surface parking is available adjacent to the property. The CGC operates from 15 to 16 hours per day.

**Chances Dawson Creek.** Chances Dawson Creek is a 16,000 square foot CGC located in Dawson Creek, British Columbia. As at December 31, 2017, the centre offered 152 slot machines, one electronic table gaming device, and both conventional and electronic bingo operations. This property also features a food and beverage venue and is licensed to serve liquor throughout the CGC. Surface parking is available adjacent to the property. This CGC operates from 12 to 14 hours per day.

The Company spent \$0.3 to refresh Chances Dawson Creek, which was completed in 2017.

**TBC.** The Company owns a 50% interest in TBC, which operates 19 Racebooks across British Columbia, including the Racebooks at River Rock, Hard Rock Casino Vancouver, Casino Nanaimo, Chances Maple Ridge and Chances Chilliwack. TBC also operates internet and phone horse racing wagering. TBC does not have an interest in the Racebook at Hastings Racecourse, which is owned and operated by HEI, or the Racebook at Elements Casino, which is owned and operated by Orangeville.

### **Operating Agreements with BCLC**

The Company's British Columbia-based gaming operations are conducted pursuant to separate COSAs, or Operational Services Agreements, entered into with BCLC for each of its facilities. Under these agreements, and depending on the nature of the operation, the Company provides premises to host casino and bingo operations managed and conducted by BCLC and provides certain gaming equipment and supplies and other operational services, such as supplying security and surveillance and gaming personnel to operate the casinos. The Company owns all gaming tables at its facilities, other than cards, chips, dice and roulette equipment, which is owned by BCLC. BCLC is responsible for the selection, with the Company's input, of all games and types of slot machines played at the Company's facilities, and the purchase, operation, and maintenance of these machines.

The expiry dates of the Company's Operational Services Agreements are listed in the "Business Description – Operations" section of the MD&A. The Company's ability to renew an Operational Services Agreement is conditional upon the agreement being in good standing, appropriate notice of renewal being given, a business plan for the renewal term being submitted to and approved by BCLC, and the absence of changes to government gaming policy that materially adversely impact the gaming model reflected in the Operational Services Agreement. It is the Company's practice to negotiate with BCLC on extending the Operational Services Agreement for the respective gaming facility when it expands a gaming facility or develops a new gaming facility.

The following table sets out for each of the Company's BC facilities the percentage of remuneration payments the Company receives for providing gaming services to BCLC as at December 31, 2017:

Facility	% of Slot Machine Win	% of Poker Rake	% of Craps Table Win	% of Bingo Win	% of Other Gaming Table Win
River Rock Casino Resort	25 <sup>(1)</sup>	75	75	-	40 <sup>(2)</sup>
Hard Rock Casino Vancouver	25 <sup>(1)</sup>	75	75	-	40 <sup>(2)</sup>
View Royal Casino	25 <sup>(1)</sup>	-	-	-	40 <sup>(2)</sup>
Casino Nanaimo	25 <sup>(1)</sup>	-	-	-	40 <sup>(2)</sup>
Bingo Esquimalt	-	-	-	yes <sup>(3)</sup>	-
Elements Casino (Surrey)	25 <sup>(1)</sup>	75	-	-	40 <sup>(2)</sup>
Hastings Racecourse and Slot Facility	25 <sup>(1)</sup>	-	-	-	-
Chances Chilliwack	25 <sup>(1)</sup>	-	-	yes <sup>(3)</sup>	-
Chances Maple Ridge	25 <sup>(1)</sup>	-	-	yes <sup>(3)</sup>	-
Chances Dawson Creek	25 <sup>(1)</sup>	-	-	yes <sup>(3)</sup>	-

<sup>(1)</sup> 25% of slot machine win, less 25% of BCLC's cost to lease slot machines and electronic gaming tables.

<sup>(2)</sup> 40% of other gaming table win, less 1% to reimburse BCLC for gaming equipment and related supplies.

<sup>(3)</sup> CGC's and Bingo Halls earn a percentage of the bingo win in the amount of (in dollars): 60% of the first \$20,000 of weekly bingo win, 40% of the next \$60,000 of weekly bingo win and 25% of the weekly bingo win thereafter.

The majority of the Company's capital expenditures on gaming operations in British Columbia are eligible for reimbursement by the provincial gaming authority through the FDC program. Please refer to the Annual Financial Statements for information on the FDC program.

### **Agreements Related to Horse Racing**

In April 2010, the Company entered into the Horse Racing Agreement, which establishes the authority of the BCHRIMC and its mandate, consistent with the Ministry's stated areas of focus. The premise for the BCHRIMC was to provide strategic direction and business leadership to the provincial horse racing industry and provide a forum for industry participants to cooperate collectively in the development of the industry.

On December 14, 2016, the BCHRIMC finalized a three-year industry funding arrangement amongst both the Province's Thoroughbred sector and the Standardbred sector and their respective track operators, Hastings Racecourse and Elements Casino. This agreement expires on December 31, 2019.

Under the financial allocations for 2017, HEI and Orangeville shared approximately 43% (2016 – 43%) of industry net revenue in British Columbia through the consolidated industry revenue fund which had been established and maintained for the purpose of facilitating financial allocations among industry organizations. The financial allocations may be adjusted by resolution of the BCHRIMC. For 2018, the total of both Hastings Racecourse's and Elements Casino's racing industry revenue share percentage is expected to be consistent with the prior year.

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. The BRHRIMC and GPEB have also approved the race days and season lengths for 2018. These include 52 confirmed thoroughbred race days at Hastings Racecourse over a seven-month season and 62 confirmed standardbred race days at Elements Casino over a seven-month season.

Licenses to conduct pari-mutuel betting at a Racebook facility in British Columbia must be obtained from the CPMA. Refer to the "Regulation and Licensing – Pari-mutuel Wagering" section of this AIF for more information.

### **Conditions in British Columbia**

The gaming industry in British Columbia is highly regulated and the market is controlled by BCLC. Over the past few years, there have been a number of changes in the gaming environment and competitive marketplace in British Columbia. BCLC has encouraged the consolidation and development of modern facilities through various initiatives. There are 15 casinos in the Province, six of which are located in the Metro Vancouver area. There are also two horse racetrack casinos located in Metro Vancouver, one which contains tables and slot machines and one which contains slot machines only. Within Metro Vancouver, the Company owns and operates two casinos and two horse racetrack casinos.

The Company's direct competitors in the Metro Vancouver area are currently Gateway Casinos & Entertainment Limited ("Gateway") and Paragon Gaming LLC ("Paragon").

Gateway, a privately held gaming company based in Burnaby, British Columbia, operates the following casinos in the Metro Vancouver region<sup>(1)</sup>:

- the Cascades Casino in Langley hosts approximately 943 slot machines and 28 table games within a facility that also features various related food and beverage venues and offers an adjoining hotel and convention centre.
- the Grand Villa Casino in Burnaby hosts approximately 1,153 slot machines and 64 table games within a facility that also features various food and beverage venues and offers adjoining hotel and conference facilities.
- the Starlight Casino in New Westminster hosts approximately 944 slot machines and 54 table games within a facility that also features various related food and beverage venues.

On November 9, 2016, BCLC announced that it has selected Gateway to open and operate a new gaming and entertainment facility in the South of the Fraser region, with the City of Delta selected as the preferred host local government. On September 8, 2017, after obtaining preliminary approval from BCLC, Gateway announced that it has secured development land at the Delta Town and Country Inn as the site for its gaming and entertainment facility.

Paragon, a U.S. based gaming company, relocated the Edgewater Casino in downtown Vancouver, BC to the adjacent Parq Vancouver at the end of the third quarter of 2017. The new complex hosts 600 slot machines and 75 table games (the same number of gaming devices prior to the relocation) within a facility that also features two hotel towers, eight restaurants, and commercial space.

On July 8, 2016, BCLC announced that it has selected the City of Victoria as the preferred host local government for a gaming facility proposal in the Greater Victoria region. BCLC stated that it will develop a gaming facility to suit the market in the City of Victoria with View Royal Casino remaining the primary facility in the region. The Company has been shortlisted for a RFP to operate the potential casino and entertainment facility in Victoria.

The Province has 27 CGCs and bingo halls, four of which are operated by the Company. On December 23, 2015, Gateway acquired Playtime Gaming Inc., which owned and operated six CGCs in British Columbia (Abbotsford, Campbell River, Courtenay, Langley, Penticton, and Victoria).

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<sup>(1)</sup> Information obtained from public sources, including BCLC's Community Impact Report for the fiscal year ended March 31, 2017.

The following table includes a list of competitors' CGCs which are operating in proximity to the Company's facilities in BC:

<b>Location</b>	<b># of slots <sup>(1)</sup></b>	<b>Distance to nearest Great Canadian location</b>
Abbotsford	186	39 kilometres from Chances Chilliwack and 39 kilometres from Chances Maple Ridge
Campbell River	145	157 kilometres from Casino Nanaimo
Courtenay	194	112 kilometres from Casino Nanaimo
Duncan	155	52 kilometres from Casino Nanaimo and View Royal Casino
Fort St. John	143	72 kilometres from Chances Dawson Creek
Mission	125	26 kilometres from Chances Maple Ridge and 43 kilometres from Chances Chilliwack
Port Alberni	100	81 kilometres from Casino Nanaimo
Squamish	95	66 kilometres from Hastings Racecourse and Slot Facility

<sup>(1)</sup> Information obtained from BCLC's Community Impact Report for the fiscal year ended March 31, 2017.

In addition to competition from land based casinos, in July 2010, BCLC expanded its existing gaming website to provide British Columbia residents with the ability to wager on casino-style games online. BCLC's web-based casino offers a variety of online games, including slot machines, roulette, poker, blackjack, and baccarat which closely resemble those available within the Company's properties. Although this form of gaming does represent a competitive entertainment option within the British Columbia market, BCLC has stated that its online offerings will seek to encourage patrons to visit the Province's physical gaming properties.

## **Ontario**

As a result of the efforts to modernize the gaming model in Ontario, the gaming industry in that Province is undergoing significant changes which may affect the Company's operations.

### ***Ontario's Gaming Modernization Plans***

In May 2012, OLG issued an RFI to obtain input from potential industry participants regarding the modernization of gaming in Ontario. OLG stated that as a result of feedback from the RFI, and to enable OLG to more effectively manage the gaming market in Ontario, OLG has grouped all of the 28 Gaming Zones into a maximum of nine Gaming Bundles in the Province of Ontario. 25 of the Gaming Zones have been grouped into the seven Gaming Bundles for the modernization of land-based gaming, with each bundle representing a separate bidding opportunity. Potential relocation of the existing Gaming Sites in Gaming Zones to other locations within such Gaming Zones are subject to municipal, OLG and Ontario Government approvals. In November 2012, OLG initiated the RFPQ process to pre-qualify service providers to participate in the request for proposals processes for these Gaming Bundles. As mentioned in the "General Development of the Business – Three Year History" of this AIF, the Company, through its partnership interest in OGELP, OGGTA, and OGWGLP, was awarded the East Gaming Bundle, GTA Gaming Bundle, and West GTA Gaming Bundle.

While the service providers are responsible for the day-to-day gaming operations in their respective Gaming Bundles, OLG continues to:

- conduct and manage gaming and lottery schemes in the bundle;
- require compliance with applicable law and the COSA;
- be the owner of key player information;
- uphold the standards of its Responsible Gambling program through the service provider, including the self-exclusion program; and distribute Municipality Contribution Agreement payments to host communities service providers who are required to follow all applicable laws, as well as OLG and AGCO regulations and rigorous Responsible Gambling standards.

As at December 31, 2017, the Company operated five properties in Ontario, including three Shorelines facilities: Shorelines Slots at Kawartha Downs, Shorelines Casino Thousand Islands and Shorelines Belleville (the latter opened on January 11, 2017), and two horse racetracks: Flamboro Downs and Georgian Downs, both of which host slot machines owned and operated by OLG. The Company's Ontario properties generated revenues of \$124.2 for the year ended December 31, 2017, representing 20% of consolidated revenues for that period. For the year ended December 31, 2016, the Company's Ontario properties generated revenues of \$95.2, representing 17% of consolidated revenues for that period.

### ***Description of Gaming Facilities in Ontario***

***Flamboro Downs.*** Flamboro Downs features live standardbred racing nine months of the year (131 live race days in 2017, 2016 - 130) on a 1/2 mile track. The slot facility at the racetrack offered 800 slot machines that are owned and operated by OLG and operates 24 hours per day. The racetrack also features a variety of licensed food and beverage venues and year round simulcast of national and international horse racing at an on-site Racebook. Surface parking is available adjacent to the property.

Flamboro Downs has a 66,000 square foot grandstand and an 80,000 square foot slot facility leased by OLG, which are located on a 230 acre site. Flamboro Downs is in the community of Flamborough, which is located approximately 82 kilometres west of Toronto and 16 kilometres west of Hamilton.

Refer to the "Major Developments – Labour Relations" section of the MD&A for details on the union at Flamboro Downs.

***Georgian Downs.*** Georgian Downs features live standardbred racing three months of the year (39 live race days in 2017, 2016 - 39) on a 5/8 mile track. The slot facility at the racetrack offered 1,000 slot machines that are owned and operated 24 hours per day by OLG. The racetrack also features a variety of licensed food and beverage venues and simulcast of national and international horse racing at an on-site Racebook. Surface parking is available adjacent to the property.

Georgian Downs has an approximately 35,000 square foot grandstand facility and an 87,000 square foot slot facility leased by OLG, which are located on a 76 acre site. In addition, the Company owns 70 acres of vacant adjacent land. Georgian Downs is in the township of Innisfil, which is located approximately 80 kilometres north of Toronto near an off-ramp off a major highway.

Refer to the "Major Developments – Labour Relations" section of the MD&A for details on the union at Georgian Downs.

***Shorelines Casino Thousand Islands.*** Shorelines Casino Thousand Islands, which was acquired from OLG on January 11, 2016, is a 57,000 square foot casino located in Gananoque, Ontario. On December 31, 2017, the facility offered 525 slot machines and 23 gaming tables. This property also features a food and beverage venue and is licensed to serve liquor throughout the casino. Surface parking is available on the property. The casino operates from 19 to 24 hours per day.

Refer to the "Major Developments – Labour Relations" section of the MD&A for details on the union at Shorelines Casino Thousand Islands.

***Shorelines Slots at Kawartha Downs.*** Shorelines Slots at Kawartha Downs, which was acquired from OLG on January 11, 2016, offers 38,000 square feet of gaming space on a leased property located in Fraserville, Ontario as a part of Kawartha Downs and Speedway, which features live standardbred racing on a 5/8 mile track and a 3/8 mile paved oval speedway located inside of the horse racing track. On December 31, 2017, the property offered 486 slot machines. Food and beverage is offered on the property through a food and beverage services agreement and surface parking is available on the adjacent grounds. The slots facility operates 24 hours per day.

Refer to the "Major Developments – Labour Relations" section of the MD&A for details on the union at Shorelines Slots at Kawartha Downs.



As mentioned in the “Three Year History” section of this AIF, the Company started construction of the new Shorelines Casino Peterborough, which is expected to complete in the second half of 2018, and will replace the Shorelines Slots at Kawartha Downs.

***Shorelines Casino Belleville (opened on January 11, 2017).*** Shorelines Casino Belleville, for which the opportunity to develop was acquired from OLG, is a 48,000 square foot casino located in Belleville, Ontario. On December 31, 2017, the facility offered 450 slot machines and 18 gaming tables. Food and beverage venues are offered with a license to serve liquor and surface parking is available on the adjacent grounds. The casino operates from 20 to 24 hours per day.

### ***Operating Agreements with OLG***

Under the COSA, OGELP will provide OLG with a pre-established, guaranteed annual gaming revenue threshold amount plus 30% of gross gaming revenue, as defined in the COSA, above the pre-established gaming revenue threshold for each year. The partnership, in which the Company has an interest in, will receive an annual service provider fee comprised of (i) a guaranteed base fixed fee component, (ii) a variable component above the applicable pre-established annual gaming revenue threshold retained by OLG, and (iii) a fixed amount for permitted capital expenditures.

The COSA under which OGELP operates has an initial term that extends until March 2036. If the COSA is not renewed at the end of the term, OGELP will transition operation of the casinos to OLG or a replacement service provider. As part of the process of disentanglement, OLG will be granted a lease to the casinos at market rates and will have the right to purchase all gaming equipment and supplies at their then fair market value.

The COSA, or the rights under that agreement, may not be transferred, assigned or otherwise disposed of without the consent of the OLG. The COSA can be terminated by the OLG if any transfer, assignment or disposition is completed without the consent of the OLG.

### ***Ontario Horse Racing Agreements***

In Ontario, the AGCO is responsible for the horse racing regulatory functions while OLG manages provincial funding and provides marketing for horse racing. Ontario Racing, a horse racing industry association, administers provincial funding provided by OLG for racing purses and provincial horse programs.

Effective April 1, 2014, the Company signed agreements with five other Ontario racetrack operators and the Ontario Racing Commission (which ceased operations in 2016, with AGCO assuming their regulatory responsibilities) in support of a five-year Horse Racing Partnership Plan released by the Government of Ontario. These agreements established an unprecedented Standardbred Alliance amongst a core group of racetracks centred around the concentrated horse supply in Central and South-Western Ontario and provide better stability and clarity for all industry stakeholders. The Standardbred Alliance has worked closely with government, regulators and industry participants to develop a racing plan that will see a co-ordinated year-round racing calendar that is attractive to both foreign and domestic customers, provides for consistent purse levels at each track, and enables enhanced operational efficiencies among the tracks. Under the terms of the revenue sharing agreements among the Standardbred Alliance members, racetracks’ pari-mutuel revenues and transitional funding received from the Province of Ontario are pooled and shared among the Ontario Alliance Racetracks.

The 2016 Ontario Budget, released by the Ontario Ministry of Finance on February 25, 2016, announced that this provincial transfer payment program would be extended to March 2021 at its current funding level of \$100.0 per year.

Licenses to conduct pari-mutuel betting at a Racebook facility in Ontario is regulated by the AGCO. Refer to the “Regulation and Licensing – Pari-mutuel Wagering” section of this AIF for more information.

### ***Competitive Conditions in Ontario***

The gaming industry in Ontario is highly regulated and is conducted and managed by OLG. At December 31, 2017, land-based gaming in Ontario existed primarily in the following forms:

1. Slots and Casinos that offer gaming, food and beverage services, and in some cases entertainment and are conducted and managed and primarily owned and operated by OLG, including slots at leased racetracks facilities, such as Georgian Downs and Flamboro Downs where OLG conducts and manages slot operations that are within horse racetracks owned by the private sector or not-for-profit organizations; and
2. Resort Casinos, which includes Casino Niagara, Casino Rama, Caesars Windsor and Fallsview Casino Resort. These casinos offer gaming and a wide range of amenities such as hotels, entertainment venues and meeting/convention areas. OLG maintains conduct and manages authority over gaming at these casinos, but their operations are contracted out to approved private sector gaming operators.

As OLG continues to modernize gaming in the Province of Ontario as described in the “Ontario’s Gaming Modernization Plans” section above, the Company may see further industry changes such as the expansion of new business lines, the relocation of gaming facilities, or the acquisition by the private sector of certain assets relating to casinos and slots facilities previously operated by OLG, similar to the Company’s acquisition of the East Gaming Bundle and GTA Gaming Bundle, as well as being awarded the West GTA Gaming Bundle through its partnerships. The Company’s gaming facilities from the acquisition of these bundles will compete with casinos operated by OLG or other service providers following the completion of the procurement process for the offered gaming bundles. While the Company is the operator of casinos or slot facilities at racetracks in the East Gaming Bundle and the GTA Gaming Bundle, there is one gaming bundle contiguous to the East Gaming Bundle.

In addition to competition from land based casinos, in January 2015, OLG launched an Internet gaming website to provide a platform for Ontario residents to wager on casino-style games online.

### **New Brunswick**

Casino New Brunswick, which was acquired by the Company through GCGNB on October 1, 2015, is located in Moncton, New Brunswick. During 2017, the property generated revenues of \$46.4, representing 8% of the Company’s consolidated revenues for the year ended December 31, 2017. For the year ended December 31, 2016, the property generated revenues of \$45.1 for the Company, representing 8% of the Company’s consolidated revenues for that period.

#### ***Description of Gaming Facility in New Brunswick***

**Casino New Brunswick.** Casino New Brunswick houses a 59,000 square foot casino (which includes a separate high limit room and a poker room), a four star resort hotel that contains 126 rooms and a 25,000 square foot multi-purpose entertainment and convention centre with approximately 2,500 seats. As at December 31, 2017, the casino offered 635 slot machines and 24 gaming tables (including six poker tables). The property also features a variety of licensed food and beverage venues, a pool, a spa and meeting facilities. Parking is provided through surface parking for approximately 1,750 spots. The casino operates between 20 to 24 hours per day, seven days per week. Casino New Brunswick is located in Moncton, near two major highways.

### ***Operational Services Agreement with NBLGC***

The Company's New Brunswick-based gaming operations are conducted pursuant to a CSPA with NBLGC. Under the CSPA, the Company has been contracted to operate the casino in Moncton, New Brunswick, and to supply certain services to NBLGC. As per the required duties under the agreement, the Company supplies gaming equipment and supplies, provides security and surveillance for the facilities and supplies gaming personnel. NBLGC has the right to review the Company's New Brunswick operations and approve annual budgets.

Under the terms of the CSPA, the Company's Casino New Brunswick facility earns gaming revenues equal to 50% of the first \$50.0 of gross gaming revenues, an additional 35% of the next \$10.0 in gross gaming revenues and an additional 25% of gross gaming revenues in excess of \$60.0 (adjusted for inflation each year after March 31, 2010), and 100% of non-gaming revenues.

### ***Service Provider Agreement with Grey Rock Entertainment Centre***

Grey Rock Entertainment Centre ("Grey Rock"), located in Edmunston, NB, approximately 426 kilometres north west of Moncton, New Brunswick, opened in March 2015 with 100 slot machines and ten electronic table game positions. The Company has entered into a service provider agreement with Grey Rock to provide certain management services to Grey Rock in exchange for 5% of Grey Rock's gross gaming revenue (excluding bingo revenues) until March 2020, and thereafter \$250,000 (two hundred fifty thousand dollars) per year, adjusted annually for inflation. The Company has no ownership interest in Grey Rock.

### ***New Brunswick***

The CSPA under which the Company operates in the Province of New Brunswick has a term that extends until December 31, 2030. The CSPA provides the Company with the exclusive right to operate a casino within 80 kilometres of Casino New Brunswick for the entire term of the CSPA and an exclusive right to operate a casino within all of New Brunswick until December 31, 2024. The CSPA also provides the Company with a right of first negotiation on any new casino to be developed in New Brunswick between December 31, 2024 and the expiry of the CSPA term on December 31, 2030. Additionally, the CSPA prescribes certain limitations on the number of video lottery terminals and the number of large video lottery terminal sites within 80 kilometres of Casino New Brunswick.

NBLGC has the right to terminate the CSPA in a number of circumstances, including if:

- the Company discontinues or threatens to discontinue operations of the casinos other than by reason of an event or circumstance constituting force majeure, as defined in the CSPA;
- the Company or one of the Company's officers or directors is convicted of a criminal offence which, in the opinion of NBLGC, prejudices the integrity or reputation of the casino, gaming at the casino or NBLGC's authority to conduct or manage lottery schemes, provided that the Company may remedy this by terminating its interest with such person;
- one of the Company's officers or directors intentionally makes a material misrepresentation on any document submitted to NBLGC;
- the Company becomes bankrupt or insolvent or any material assets of Casino New Brunswick are seized or distrained;
- the Company commits a material breach of the agreement;
- the Company fails to carry out a written directive of NBLGC;

- the Company refuses or fails to terminate its relationship with any owner, employee, agent, or other party which person has an active management role in decision making having been requested to do so by the NBLGC based on NBLGC's reasonable determination that such relationship prejudices the integrity or the reputation of the casino, gaming at the casino or NBLGC's authority to conduct or manage lottery schemes;
- the Company fails to maintain its registration in New Brunswick; or
- the Company undergoes a change of control that is not consented to by NBLGC.

The CSPA, or the rights under that agreement, may not be transferred, assigned or otherwise disposed of without the consent of the NBLGC. The CSPA can be terminated by the NBLGC if any transfer, assignment or disposition is completed without the consent of the NBLGC.

### ***Competitive Conditions in New Brunswick***

The gaming industry in New Brunswick is managed and conducted by NBLGC. NBLGC's three lines of business are video lottery, traditional (or ticket) lottery and casino gaming. Casino New Brunswick's closest casino gaming competition comes from Red Shores Racetrack & Casino at Charlottetown Driving Park Entertainment Centre and Red Shores at Summerside, located in Prince Edward Island. Both Red Shores Racetrack & Casino at Charlottetown Driving Entertainment Centre and Red Shores at Summerside are located in Charlottetown, Prince Edward Island and are situated approximately 176 kilometres and 144 kilometres, respectively, east of Moncton, New Brunswick. Red Shores Racetrack & Casino at Charlottetown Driving Park Entertainment Centre is a standardbred racetrack with a range of 200 to 240 slot machines and eight table games (including four poker tables). Red Shores at Summerside is a standardbred racetrack with 40 slot machines and one table game.

VLTs are limited to a maximum of 400 within 80 kilometres of Casino New Brunswick and a maximum of 2,000 in the Province of New Brunswick.

### ***Nova Scotia***

The Company operates the only two full service casinos in the Province of Nova Scotia. The two properties generated revenues of \$45.9 for the year ended December 31, 2017, representing 7% of the Company's consolidated revenues for that period. For the year ended December 31, 2016, the properties generated revenues of \$40.5, representing 7% of the Company's consolidated revenues for that period.

### ***Description of Gaming Facilities in Nova Scotia***

***Casino Nova Scotia Halifax.*** Casino Nova Scotia Halifax is a 110,000 square foot casino and meeting facility, which includes separate high limit and poker rooms. As at December 31, 2017, the casino offered 571 slot machines and 27 gaming tables (including eight poker tables). The property also features a variety of licensed food and beverage venues, a 700 seat show room and meeting facilities. Parking is provided through a 550 stall multi-level parking garage. The casino operates between 18 to 24 hours per day, seven days per week. Casino Nova Scotia Halifax is located on the waterfront in downtown Halifax, near both major hotels and tourist attractions.

Refer to the "Major Developments – Labour Relations" section of the MD&A for a description of the two collective agreements between the union and Casino Nova Scotia Halifax.

***Casino Nova Scotia Sydney.*** Casino Nova Scotia Sydney is a 30,000 square foot casino. As at December 31, 2017, the casino offered 273 slot machines and seven gaming tables (including four poker tables). This property also features a variety of licensed food and beverage venues. Surface parking is available adjacent to the property. The casino operates from 16 to 24 hours per day seven days per week. Casino Nova Scotia Sydney is located in downtown Sydney and is connected to a multi-purpose arena.

In 2016, the Company completed a \$0.9 revitalization of the property.

### ***Operational Services Agreement with NSPLCC***

The Company's Nova Scotia-based gaming operations are conducted pursuant to an AROC with NSPLCC that covers both of its facilities. Under the AROC, the Company has been contracted to operate the casinos in Halifax and Sydney, Nova Scotia, and to supply certain services to NSPLCC. As per the required duties under the agreement, the Company supplies gaming equipment and supplies, provides security and surveillance for the facilities and supplies gaming personnel. NSPLCC has the right to review the Company's Nova Scotia operations, approve annual budgets and, on termination of the AROC, to repurchase all equipment, land and buildings purchased by the Company and used in these operations.

In June 2014, the Company exercised its option renewal right and extended the term of the AROC with NSPLCC, effective July 1, 2015 to a 10-year extension. Under the 10-year extension, the Company committed to make substantial capital investments totalling \$10.0, subject to a renovation plan and schedule approved by the NSPLCC. As of December 31, 2017, the Company has spent \$0.9 related to these capital investments. Once \$10.0 in capital investments have been made, the Company will be entitled to receive a growth incentive fee if total gaming revenues exceeds a baseline revenue by 5% or more.

The Company is entitled to receive an operator's fee equal to 52.24% of total revenue, plus an additional 47.76% of non-gaming revenues, after deduction of the capital reserve contribution and the marketing fund contribution. For the capital reserve contribution's fiscal year ending March 31, 2018, the annual capital reserve contribution is \$4.7 (\$4.5 annually adjusted for inflation) and the annual marketing fund contribution is \$1.5. The annual MFC is reduced by any approved gaming promotional allowance greater than \$0.9. The Company is also entitled to receive an additional operator's fee equal to the annual marketing fund contribution if the Company spends more than \$6.7 in qualifying marketing initiatives in an operating year or has increased total gaming revenue by \$3.0 over the preceding operating year. The Company has an agreement to pay to NSPLCC \$1.0 annually, adjusted for inflation, as a contribution toward the prevention and treatment of problem gambling in Nova Scotia. Any receivable from NSPLCC earns interest income on that balance at the Canadian bank prime lending rate less 0.5%.

After contribution to the CR Accounts and payment of the Company's operating fee, the balance from revenues earned by Casino Nova Scotia Halifax and Casino Nova Scotia Sydney are retained by NSPLCC. The funds deposited into the CR Accounts are to be utilized to undertake capital expenditures, refurbishing, maintaining, upgrading and enhancing the casino facilities. The Company is required under the AROC to annually consult with NSPLCC and prepare a detailed capital replacement and maintenance plan for maintenance, refurbishment, upgrading, enhancing and replacing of the casinos and casino assets. The expenditures the Company incurs in implementing the plan are reimbursed from NSPLCC's CR Accounts.

The Company has a right of first opportunity to negotiate with NSPLCC with respect to any proposal to pursue the development and operation of a racino (slot machines operated by NSPLCC in connection with a presently existing racetrack) during the initial 10 year term or a "New Casino" as defined in the agreement during the initial term or any renewal term. NSPLCC has the right to terminate the AROC under a number of circumstances where the Company is unable to satisfy the terms of the agreement.

The AROC, or the rights under that agreement, may not be transferred, assigned or otherwise disposed of without the consent of the NSPLCC. The AROC can be terminated by the NSPLCC if any transfer, assignment or disposition is completed without the consent of the NSPLCC.

### ***Competitive Conditions in Nova Scotia***

The gaming industry in Nova Scotia is highly regulated and is conducted and managed by NSPLCC. While table games and slot machines are permitted only at Casino Nova Scotia Halifax and Casino Nova

Scotia Sydney, there is competition from VLTs, which are permitted in approved, licensed liquor establishments, and on First Nations' reserves. The Company's competition in Nova Scotia includes the Membertou Entertainment Complex and VLT facilities throughout the Province. The Membertou Entertainment Complex is a 33,000 square foot facility that features classic and electronic bingo and VLTs and a hotel, and is located three kilometres south of Casino Nova Scotia Sydney.

## **Washington State**

### ***Description of Gaming Facilities in Washington State***

The Company operates four card rooms in Washington State located in Tukwila, Lakewood (Tacoma), Everett and Des Moines (which opened on May 18, 2017). The Company's Washington State operations generated revenues of \$41.2 for the year ended December 31, 2017, representing 7% of its consolidated revenues. For the year ended December 31, 2016, the Company's Washington properties generated revenues of \$40.4, representing 7% of its consolidated revenues for that period. The four Washington State facilities contain a total of 60 gaming tables and ancillary food and beverage offerings such as restaurants, night clubs and banquet facilities. Surface parking is available at each facility. Its card rooms operate between 20 to 24 hours per day.

The Company's Washington State subsidiaries are issued annual gaming licenses by the WSGC. The gaming licenses permit the Company to operate a maximum of 15 card tables at each of its facilities in Washington State. The established practice in Washington State is that, in the absence of violations or wrongdoings by the licensee, gaming licenses are renewed automatically by the WSGC. Revenues from the Company's gaming operations in Washington State are net of city or county gaming taxes at various rates ranging from 10% to 11% for card games, 5% on pull-tabs and 2% on amusement games.

### ***Competitive Conditions in Washington State***

The gaming industry in Washington State is highly competitive and does not feature the same significant barriers to entry for commercial casinos as British Columbia, Ontario, New Brunswick and Nova Scotia. As a result, there are numerous card rooms located close to those operated by the Company in Washington State.

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

Additionally, tribal casinos are not subject to the same taxation level as non-tribal casinos, which place the Company at a competitive disadvantage in supporting marketing and overhead expenses.

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

## Property Ownership Summary

The following table summarizes ownership information regarding each of the Company's principal operating facilities as of December 31, 2017:

<b>Facility and Location</b>	<b>Approximate Square Footage of Facility <sup>(1)</sup></b>	<b>Ownership Interest</b>	<b>Expiry Date of Lease</b>
River Rock Casino Resort Richmond, BC	600,000 (90,000 casino <sup>(2)</sup> )	Leased (portion of land is owned)	2041
Hard Rock Casino Vancouver Coquitlam, BC	184,000 (85,000 casino <sup>(2)</sup> )	Owned	n/a
View Royal Casino View Royal, BC	42,000	Owned	n/a
Casino Nanaimo Nanaimo, BC	24,000	Owned	n/a
Chances Dawson Creek Dawson Creek, BC	16,000	Owned	n/a
Chances Maple Ridge Maple Ridge, BC	27,500	Owned	n/a
Chances Chilliwack Chilliwack, BC	27,500	Owned	n/a
Elements Casino Surrey, BC	115,000 87,000 (casino <sup>(2)</sup> )	Leased	2024 <sup>(3)</sup>
Hastings Racecourse and Slot Facility Vancouver, BC	204,000 34,000 (casino <sup>(2)</sup> )	Leased	2019
Bingo Esquimalt Esquimalt, BC	8,000	Leased	2021
Georgian Downs Innisfil, Ontario	147,000 87,000 (casino <sup>(2)</sup> )	Owned	n/a
Flamboro Downs Flamborough, Ontario	146,000 80,000 (casino <sup>(2)</sup> )	Owned	n/a
Shorelines Casino Thousand Islands Gananoque, Ontario	57,000	Owned	n/a
Shorelines Slots at Kawartha Downs Fraserville, Ontario	38,000	Leased	2018 <sup>(4)</sup>
Shorelines Casino Belleville <sup>(5)</sup> Belleville, Ontario	48,000	Owned	n/a
Casino New Brunswick Moncton, New Brunswick	235,000 (59,000 casino <sup>(2)</sup> )	Owned	n/a
Casino Nova Scotia Halifax	110,000	Owned	n/a

<b>Facility and Location</b>	<b>Approximate Square Footage of Facility <sup>(1)</sup></b>	<b>Ownership Interest</b>	<b>Expiry Date of Lease</b>
Halifax, Nova Scotia			
Casino Nova Scotia Sydney Sydney, Nova Scotia	30,000	Leased	2025
Great American Casino (Tukwila) Tukwila, Washington	16,000	Owned	n/a
Great American Casino (Lakewood) Lakewood, Washington	30,000	Owned	n/a
Great American Casino (Everett) Everett, Washington	11,000	Owned	n/a
Great American Casino (Des Moines) <sup>(6)</sup> Des Moines, Washington	9,200	Leased	2026

(1) Excludes any parking garage square footage.

(2) Where the facility contains significant non-casino operations, casino square footage as disclosed includes all space required from an operational perspective including security and surveillance, cage and money room, staff rooms, food and beverage areas, vestibules and common areas, etc.

(3) Lease provides for an additional 10-year renewal at the Company's option until 2034.

(4) Shorelines Slots at Kawartha Downs issued a letter of intent to terminate its lease in 2018 as this gaming facility will be replaced by Shorelines Casino Peterborough upon its completion in the second half of 2018. The Company will own the Shorelines Casino Peterborough facility and land.

(5) Launched by OGELP on January 11, 2017.

(6) Launched by GAGC on May 18, 2017.

## **Specialized Skills & Knowledge**

Success in the gaming industry requires a high level of specialized skills and gaming knowledge obtained from experience. The officers and directors of the Company include business professionals who possess specialized education and extensive gaming, horse racing, entertainment, and property development backgrounds.

## **Other Business Developments**

### ***Unions and Labour Relations at Properties***

The Company employs unionized employees at eight of its properties. As at December 31, 2017, the Company had approximately 2,000 unionized employees at certain of its facilities out of a total of approximately 5,700 employees Company-wide. During 2017, collective bargaining agreements with River Rock, Flamboro Downs, and Shorelines Casino Thousand Islands, and Shorelines Slots at Kawartha Downs were ratified. Georgian Downs and Casino Nova Scotia Halifax commenced bargaining in 2018.

Hard Rock Casino Vancouver continues to bargain with the BCGEU as at the date of this AIF. A strike vote occurred in February 2018. The two BCGEU certified units include: Gaming & Culinary employees; and Security employees. The current number of hourly employees at Hard Rock Casino Vancouver that will be represented by these units is approximately 76% of the total 558 hourly wage employees at the property.

Hastings Racecourse commenced bargaining in January 2017 with the Canadian Office and Professional Employees Union, Local 378 (doing business as MoveUP). Since this time the employer has received



Strike Notice from MoveUP and MoveUp has received Lockout Notice from the employer. The parties returned to the bargaining table on January 23, 2018; however, the parties have not been able to come to an agreement at the date of this AIF.

For a summary of the collective bargaining units in place and the status of negotiations as at the date of this AIF, see “Major Developments – Labour Relations” section of the MD&A.

### ***BCLC Source of Funds Procedures***

Players in British Columbia have historically relied on cash as the primary method for purchasing gaming chips. Late in the third quarter of 2015, BCLC introduced cash conditions on select high value table games players in British Columbia casinos. These conditions included a requirement for the players to demonstrate the source of their funds. Revenues at River Rock have been negatively affected since the provincial requirement was introduced. The new requirement has mainly impacted the high volume VIP play from which River Rock has benefited over recent years. The requirement to demonstrate the source of funds has resulted in lower buy-ins, reduced average bets, and shorter durations of play. These dynamics led to the average hold rate declining to 20% in 2015, 17% in 2016, and 15% in 2017.

On January 10, 2018, BCLC enacted new procedures regarding buy-ins of \$10,000 (ten thousand dollars) or more at all BC casinos and for all players. All cash, bank drafts and certified cheques of \$10,000 (ten thousand dollars) or more, in one or more transactions over a 24-hour period, require a bank receipt. The original receipt must be from the same day of the transaction and display the financial institution, branch number, and account number. This information is required prior to a customer’s buy-in and is subject to daily BCLC review.

### ***Canada Revenue Agency Disputes and Audit***

CRA has conducted audits of the Company’s and its subsidiaries’ FDC filing positions of its B.C. operations for the 2009 to 2014 years. CRA has taken the position that FDC was received by the Company and its subsidiaries as service fee income and should be included in taxable income when received, while the Company’s position is to treat the reimbursement related to property, plant and equipment as a reduction in the capital cost of the asset. The Company strongly disagrees with the CRA’s current position of FDC, and is in the process of preparing notices of objection to CRA’s Appeals Division.

CRA also commenced an audit over a payment GDL received from OLG in 2013, as a result of the termination of the Slots at Racetracks Program, in which CRA is treating the payments as income, while GDL’s position is that the payment should be treated as a reimbursement of property, plant and equipment costs it incurred to expand the facility. GDL is in the process of preparing notices of objection to CRA’s Appeals Division.

For more information, refer to the “Capital Resources – Canada Revenue Agency Disputes and Audit” section of the MD&A.

### ***BCLC Litigation***

On March 26, 2015, the Company commenced a legal action against BCLC in relation to a dispute over the collection of marketing contributions by BCLC from the Company since 2009. The Company takes the position that BCLC is not entitled to collect the marketing contributions and has commenced legal action against BCLC. For more information, refer to the “Liquidity and Capital Resources - Litigation” section of the MD&A.

## **Regulation and Licensing**

### ***Overview***

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

### ***Gaming***

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

Provincial gaming legislation permits the registration of private entities to provide gaming-related services or to act as agents, service providers or service suppliers to provincial Crown Corporations to conduct and manage gaming in the province. Pursuant to certain agreements the Company has entered into with provincial Crown Corporations in British Columbia, Ontario, New Brunswick and Nova Scotia, the Company provides facilities and other services to those agencies in connection with their conduct and management of gaming. The Company shares in the revenues earned by those Crown Corporations from services the Company provides at those properties. In addition, the Company earns lease revenues from the Crown Corporation in Ontario for leasing facilities at Georgian Downs and Flamboro Downs in which OLG conducts and manages gaming operations.

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

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

### ***Pari-mutuel Wagering***

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

The CPMA is financed through a federal levy of 0.8% collected from each pari-mutuel bet placed on horse races across Canada. The Pari-Mutuel Betting Supervision Regulations, authorized under the Criminal Code, prescribe the mandate and the activities of the CPMA. The CPMA supervises the pari-

mutuel betting systems; conduct of race meets and the approval of dates and places for races; photo finishing, video patrol and drug control and testing of horses, trainers and jockeys; calculation of payables on bets; and provision, equipment and maintenance of accommodation, services and other facilities for the supervision and operation of the pari-mutuel systems.

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

Horse racing activities in Ontario are regulated by the AGCO which grants licenses to race and prescribes terms and conditions for registration of Flamboro Downs and Georgian Downs in Ontario.

Horse racing activities in British Columbia are regulated by GPEB which grants licenses to race and prescribes terms and conditions for registration of Hastings Racecourse and Fraser Downs Racetrack.

### ***Registration and Reporting Requirements***

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

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

Gaming Regulators may from time to time require changes to the Company's practice in complying with the various disclosures and reporting requirements. If the Company fails to comply with any existing or future disclosure requirements, Gaming Regulators may take action against the Company which could ultimately include cancellation of gaming registration.

### ***British Columbia, Ontario, New Brunswick and Nova Scotia***

***Gaming Laws.*** Gaming activity is subject to the Criminal Code, the provincial gaming control legislation and regulations promulgated thereunder. Gaming Regulators oversee the implementation and enforcement of the gaming control legislation and the Company's gaming operations.

***Gaming Registration.*** The Company and its subsidiaries that own or operate gaming facilities are approved and registered by Gaming Regulators. This registration authorizes the Company's subsidiaries to provide certain gaming services such as providing facilities, gaming employees, and security and surveillance services. The Gaming Regulators issue registration certificates to the Company that are renewable but not transferable or assignable.

***Corporate Registration Requirements.*** The terms and conditions of registration require, among other things, that the Company submits to, and co-operates in background investigations, obeys standard operating rules of play, identifies the Company's creditors and submits detailed financial and operating

reports to the Gaming Regulators. The Company is required to deliver advance notice to, and obtain the approval from, the Gaming Regulators of a change in its directors, officers, associates or interest holders. An “associate or interest holder” may include security holders, beneficial interest holders, contingent interest holders, interested parties and suppliers of credit, and goods or services above a certain threshold. The Company is also required to deliver advance notice to, and obtain the approval from, the Gaming Regulators of the direct or indirect acquisition or disposition by a person or group of persons, acting in concert, in one or more transactions, of a certain threshold level of voting shares; or one or more securities issued by the Company (other than voting shares), if the amount paid up under the securities is equal to or greater than a certain threshold level of our aggregate paid up capital. In addition, pursuant to gaming legislation and Operational Service Agreements there are restrictions placed on the acquisition, ownership and disposition of the Company’s shares as described in the “Restrictions on Ownership of Securities” section of this AIF. An applicant seeking registration or approval must submit detailed personal and financial information to the Gaming Regulators, which may be subject to an investigation by them and must pay or cause to be paid all the costs of any investigation. Gaming Regulators may deny registration or approval to any applicant and may deny the acquisition or disposition of the Company’s shares or securities above a certain threshold. All of the Company’s directors, officers, associates and key employees have been or may be required to be found suitable and require registration by a gaming regulator. Gaming Regulators may deny an application for registration or approval for any reason which they deem appropriate.

Substantially all of the Company’s material loans, leases, sales of securities and similar financing transactions must be reported to, or approved by, Gaming Regulators.

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

**Horse Racing Licenses.** The Company’s horse racing subsidiaries have been issued, as applicable, licenses by GPEB in British Columbia and the AGCO in Ontario for the operation of horse racing tracks. These licenses are issued every three years by GPEB and annually by the AGCO. These licenses are subject to several conditions including legislative compliance, financial reporting, adherence to facilities and equipment standards and security. In addition to requiring a license, horse racing regulators require that racetrack operators apply for race dates each year. The Company’s horse racing licenses may not be transferred or assigned. If there is a material violation of one of the Company’s horse racing licenses, one or more horse racing licenses may be suspended and its gaming operations may be materially affected.

**Consequences of Violating Gaming Laws.** Gaming Regulators may refuse to issue or renew, or may suspend or terminate, the Company’s registration if the Company, or a director, officer, employee or associate of the Company (i) is considered to be a detriment to the integrity or lawful conduct or management of gaming; (ii) no longer meets a registration requirement; (iii) has breached or is in breach

of a condition of registration or an operational agreement with a lottery corporation; (iv) has made a material misrepresentation, omission or misstatement in an application for registration or in reply to an enquiry by a person conducting an audit, investigation or inspection under the gaming control legislation; (v) has been refused a similar registration in another jurisdiction; (vi) has held a similar registration, or license in that province or another jurisdiction which has been suspended or cancelled; or (vii) has been convicted of an offence, inside or outside of Canada, that calls into question the Company's honesty or integrity or the honesty or integrity of a director, officer, employee or associate of the Company.

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

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

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

### **Washington State**

**Gambling Laws.** In Washington State, gaming is subject to the Revised Code of Washington and the Washington Administrative Code ("the Code") and the rules promulgated thereunder, as well as various local ordinances and state laws. The Company's gaming operations are subject to the regulatory control of the WSGC.

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

**License Requirements.** The terms and conditions of the Company's licenses require that detailed financial and operating reports along with any other information required are submitted to the WSGC. Substantially all of the Company's material loans, leases, sales of securities and similar financing transactions must be reported to, or approved by, the WSGC.

**Individual Licensing Requirements.** No person may own 10% or more of any class of shares of the Company's Washington subsidiaries licensed by the WSGC or own 5% or more of the Company's shares without first obtaining approval from the WSGC. The WSGC may investigate any individual who has a material relationship to or material involvement with the Company to determine whether the individual is suitable or should be licensed as a substantial interest holder of the Company. Certain directors, officers and key employees of the Company have been or may be required to be licensed or found suitable by the WSGC. The WSGC may require additional applications and may also deny an application for license for any reason which they deem appropriate. An application for licensing requires submission of detailed personal and financial information and may be followed by a thorough investigation. An applicant for registration or an applicant for a finding of suitability must pay or must cause to be paid all the costs of the

investigation. Changes in licensing positions must be reported to the WSGC and, in addition to their authority to deny an application for license, the WSGC has the jurisdiction to disapprove a change in a corporate position.

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

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

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

## **Anti-money Laundering in the Gaming Sector**

### ***Canada***

Certain industries in Canada, like the gaming sector, are subject to the federal PCMLTFA. Other sectors regulated under the PCMLTFA include banks, credit unions, securities dealers, accountants, real estate brokers, dealers in precious metals and stones, and money service businesses. The PCMLTFA provides for the creation of FinTRAC, which fulfills the role of Canada's financial intelligence unit. FinTRAC is

given responsibility for regulating those sectors of the economy subject to the PCMLTFA and in particular for making sure regulated entities have appropriate and effective anti-money laundering regimes in place.

Similar to banks and other regulated entities, casinos in Canada operate under and are required to comply with strict anti-money laundering, customer identification and reporting requirements set out within the PCMLTFA. FinTRAC has designated provincial lottery corporations as the gaming reporting entity and the Company assists provincial lottery corporations with their FinTRAC reporting obligations.

Pursuant to the PCMLTFA, cash transactions of \$10,000 (ten thousand dollars) or more, casino disbursements of \$10,000 (ten thousand dollars) or more and electronic funds transfers of \$10,000 (ten thousand dollars) or more occurring within a 24-hour timeframe or within a gaming day must be reported to FinTRAC. Additionally, casinos must report suspicious transactions, conducted or attempted, of any amount to FinTRAC. Moreover, suspicious transactions are reported to provincial Gaming Regulators and police agencies which have the authority and responsibility for the investigation of money laundering and other related criminal offences.

The Company's anti-money laundering efforts are subject to independent external review through audits completed by FinTRAC, provincial Gaming Regulators and the Crown Agents responsible for the conduct and management of gaming in a province. The combination of a strong anti-money laundering program and verification of compliance with anti-money laundering laws through independent auditing help to ensure the Company's operations are protected from being used to launder illicit funds and help to protect the communities in which the Company operates.

For more information on anti-money laundering, the PCMLTFA and FinTRAC see: <http://www.fintrac-canafe.gc.ca>

### ***Washington State***

The gaming industry in the US mandates anti-money laundering regulations that are documented within the BSA (as amended by the USA Patriot Act). Other sectors regulated under the BSA are not limited to the following: financial institutions; insurance and real estate agencies; pawnbrokers; dealers in precious metals, stones or jewels; travel agencies; and currency exchange services. The financial intelligence unit, FinCEN has been assigned many responsibilities under the BSA including being assigned as the administrator of the Act. FinCEN has delegated its gaming sector examination authorities to the IRS.

Similar to Canada the gaming sector is required to meet strict anti-money laundering, customer identification and reporting requirements set out with the BSA. Pursuant to the BSA and the regulations thereunder, all cash transactions exceeding US\$10,000 (ten thousand dollars) must be reported to the IRS. Additionally, transactions that have been identified as suspicious where the funds involved with the incident exceed US\$5,000 (five thousand dollars) must also be reported to the IRS. Within 72 hours of the incident the Washington State Gaming Agent is notified of all suspicious activities.

GAGC's anti-money laundering efforts are subject to monthly compliance department reviews and every two years the Company initiates a review of GAGC's anti-money laundering compliance through the engagement of an independent auditor with relevant expertise.

## **RISK FACTORS**

In addition to those risks described elsewhere within this document, the occurrence of any of the events described in this section could have a material adverse effect on the Company's business, financial position, results of operations and cash flows. Readers should consider carefully the risks described below.

### **Management of Expanding Operations**

As a result of acquisitions and property developments, significant demands may be placed on the Company's managerial, operational and financial personnel and systems. In particular, there may be demands on the Company's operational and accounting information systems and controls and other accounting systems, resulting from growth with our operations. Systems, procedures and controls may be inadequate to support the expansion of the Company's operations resulting from growth. While Great Canadian takes action to maintain internal systems and controls, future operating results could be affected by the ability of its officers and key employees to manage changing business conditions, expansion opportunities, and acquisitions, and to upgrade, implement and/or improve operational and financial controls and reporting systems.

The Company conducts thorough due diligence before completing an acquisition. However, it is possible that the Company might make an acquisition that subsequently does not perform in line with management's financial and strategic objectives or that anticipated cost reductions or synergies will be realized. The ability to successfully complete an acquisition may also be subject to regulatory approvals and the Company may not be able to determine when, or if, the necessary approvals will be granted. Changes in the competitive and economic environment as well as other factors may lower revenues, while higher than anticipated integration costs and failure to realize expected cost savings could also adversely affect the Company's earnings after an acquisition. Integration costs may increase as a result of increased regulatory costs related to an acquisition, unanticipated costs that were not identified in the due diligence process or more significant demands on management time than anticipated, as well as unexpected delays in implementing certain plans that in turn lead to delays in achieving full integration. The Company's post-acquisition performance may also be contingent on retaining the customers and key employees of acquired companies, and there can be no assurance that the Company would succeed in doing so.

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

Although the vendors of some past acquisitions have agreed to indemnify the Company for certain losses, vendors may not have sufficient funds available to satisfy the indemnities if called upon to do so.

### **Operational Services Agreements and Licenses**

#### *Canada*

The Company's provincial gaming operations are conducted pursuant to Operational Services Agreements with BCLC, NBLGC, NSPLCC and OLG. Although the agreements are renewable, there is no guarantee that the Company will satisfy the conditions required for renewal. Additionally, when the renewal term expires, the Company may not be able to enter into new agreements that are the same as those historically, which may result in decreased revenues, increased operating costs or closure of an



operation. See the “Business of the Company” section of this AIF for additional information on the terms and risks associated with the Company’s Operational Services Agreements.

Under the Operational Services Agreements, BCLC, NBLGC, NSPLCC and OLG have the ability to suspend or terminate the Company’s right to provide services under the agreements for certain specified reasons. If the Company operates gaming in a manner inconsistent with the Criminal Code or anti-money laundering legislation, violates provincial gaming laws or prejudices the integrity of gaming, the provincial lottery corporations may terminate one or more of the Company’s Operational Services Agreements. If one or more of the Company’s Operational Services Agreements are terminated, this will seriously impact the business.

### *Washington*

The Company’s Washington State card room operations are conducted pursuant to house-banked card room licenses, which must be renewed annually with the WSGC. Although the Company’s previous renewals have been granted automatically, there is a risk that that this practice may not continue. It is possible that 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.

### **Reassessment of Tax Filings by Tax Authorities**

Changes in enacted tax rates, legislation or regulations, and the Company’s interpretations of income tax legislation may result in material tax adjustments.

The Company’s operations are conducted in countries with complex tax laws and regulations that can require significant interpretation. The Company is required to calculate and pay income taxes in accordance with the applicable tax law in each relevant tax jurisdiction in which it operates. However, no tax legislation can clearly articulate the tax consequences of every possible transaction. Accordingly, the application of the tax rules to complex transactions is sometimes open to interpretation, both by the Company and by the tax authorities. As such, the Company and tax authorities could disagree on tax filing positions and any reassessment of the Company’s tax filings could result in material adjustments of tax expense, income taxes payable and deferred income taxes. Please refer to the “Capital Resources - Canada Revenue Agency Disputes and Audit” section of the MD&A for more information.

### **Competition**

#### *Gaming Industry*

The gaming industry is competitive. The Company competes with numerous gaming establishments of varying quality and size in market areas where its properties are located. The Company also competes with other non-gaming resorts and tourist destinations, and other entertainment businesses and could compete with any new forms of gaming that may be legalized in the future. The casino, entertainment, food and beverage, hotel and horse racing businesses are characterized by competitors that vary considerably in size, quality of facilities, number of operations, brand identities, marketing and growth strategies, financial strength and capabilities, level of amenities, management talent and geographic diversity. In most markets, the Company competes directly with other facilities operating in the immediate and surrounding market areas and in some markets it faces competition from nearby markets.

In recent years, competition in existing Canadian gaming markets has intensified. The Company, like many other casino operators, has invested in enhancing its existing facilities. The enhancements and the aggressive marketing strategies of many of the Company’s competitors have increased competition in many markets in which the Company competes, and this intense competition can be expected to continue.

Additional changes in OLG's operating model, such as the expansion of its business lines, could increase competition and negatively impact the Company's Ontario operations, as described in the "Business of the Company – Ontario" section of this AIF.

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

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

#### *Horse Racing*

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

#### *Non-Gaming*

Each of the Company's businesses competes in its local hospitality and food and beverage markets for both business and leisure guests. During the fall and winter season, River Rock's two hotels compete primarily with hotels in the local Richmond, British Columbia area; however, during the spring and summer season, its competition include the hotels in downtown Vancouver. The Company's casino and food and beverage offerings compete more broadly for guests' discretionary entertainment dollars.

#### *Online Gambling*

The Company faces competition from gambling conducted over the internet, both domestically and internationally. Web-based casinos and certain provincial gaming corporations offer a variety of online games, including slot machines, roulette, poker, and blackjack, which closely resemble those available within the Company's properties. Web-enabled technologies allow individuals to gamble using credit cards and online payment services. As both the sophistication and availability of online gaming improves, it is possible that these offerings will develop into a greater form of competition. The Company is unable to assess the impact of internet gambling on its current or future operations, and to date, online gaming has created no discernible impact upon the Company's business. Pursuant to the Criminal Code, only the provinces have the jurisdiction to regulate and conduct gambling over the internet in Canada.

#### **Unions and Labour Relations**

The Company has eight properties where certain employees are represented by unions at December 31, 2017. Refer to the "Other Business Developments – Unions and Labour Relations at Properties" section of this AIF for information of the status of the union activities at those properties. Should additional employees at the Company's facilities become unionized, it may incur increased costs for human resources with a corresponding reduction in profitability and potential impact to operations.

When a collective agreement expires, labour disruption, including work stoppage may occur as part of the union's or the Company's bargaining tactics. Such stoppages may have a material adverse effect on the Company's results from operations due to disruption of the Company's business.

### **Management of Capital Projects**

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

### **Financing and Capital Structure**

The management of the Company's capital projects and the realization of business development opportunities are dependent upon the availability of financing, which is subject to ongoing risk. The Company is subject to certain risks with respect to its financing and capital structure, such as liquidity risk, market risk, and credit risk, and must also comply with financial covenants related to its long-term debt. In the event that the Company is unable to obtain suitable financing, it may be unable to manage its capital projects in a cost-effective manner or to capitalize on business development opportunities. Please refer to the Annual Financial Statements for more information on these risks and financial covenants.

### **Construction Considerations**

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

Construction and development costs may be higher than expected and the Company may not have the funds required to pay the excess costs. Some of its major construction projects may entail other significant risks such as shortages of material or labour, unanticipated cost increases or work stoppages.

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

### **Horse Racing**

#### *Agreements*

The Company's pari-mutuel betting permits to hold horse races at its facilities must be renewed on an annual basis, as described in the "Regulatory and Licensing – Pari-mutuel Wagering" section of this AIF, and is subject to each of the Company's racetracks having a written agreement with the respective horsemen's association (BCSA, HBPA, or OHHA). If any agreements with the horsemen's associations lapse without being renewed, the Company's horse racing permit or permits from the CPMA and horse racing licenses from AGCO and GPEB would not be renewed or would otherwise be subject to cancellation. As a result, the Company would be unable to conduct live races or pari-mutuel wagering at its racetracks. This would result in an adverse effect on the Company's horse racing and gaming business.

### *Revenue Declines*

If the Company's lease agreements with OLG lapse without being renewed or if the Georgian Downs or Flamboro Downs slots facilities are moved from their current locations in connection with the modernization of gaming in Ontario, it will result in decreases in revenues and earnings at these properties and may result in further long-lived asset impairments and closure by the Company of these facilities.

Horse racing revenues at Great Canadian's horse racetrack casinos make a meaningful contribution to meeting the operating costs of these facilities. Accordingly, any decline in horse racing wagering and horse racing related revenues, such as that currently being experienced in the areas in which the Company operates, may have a negative result on the Company's financial results. If the decline in horse racing wagering and revenues persists, the Company may need to consider restructuring the Company's horse racing operations.

In addition, the Company is party to the Horse Racing Agreement which provides the BCHRIMC with the authority to oversee and direct the flow of BC horse racing industry finances. The BCHRIMC is responsible for allocating the revenue generated from horse racing and wagering on horse racing in British Columbia between HEI, Orangeville and the other parties to the Horse Racing Agreement. Reductions in the revenues allocated to HEI and Orangeville could have a significant negative impact on the Company's profitability.

The Company is part of the Standardbred Alliance, in which Georgian Downs and Flamboro Downs receives provincial funding for their racing purses pursuant to a five-year racing plan, as discussed in "Business of the Company – Ontario" section of this AIF. If the Government of Ontario discontinues transition funding to the Standardbred Alliance at the end of the five-year racing plan, there may be further declines in horse racing revenues and impairment of long-lived assets.

### **Government Regulations**

#### *Government Restrictions*

The conduct of gaming is within the authority of the provincial government, to the extent permitted by the Criminal Code. Under this legislative framework, the provincial government determines the location and size of gaming facilities and may also determine the types and numbers of games that may be offered.

Government may also pass legislation or adopt policies that have the effect of restricting gaming, or expanding it to permit the involvement of private casino operators or others therein. Other possible restrictions could include the hours of operation, betting limits and the amount payable to operators for providing casino or racino operational services. Expansion of gaming to permit the involvement of other private casino operators could increase competition in the Company's markets. Such legislation or policies could significantly harm the Company's business and results of operation.

#### *Regulatory Regime*

The Company's gaming operations are contingent upon maintaining all regulatory licenses, permits, approvals, registrations, and findings of suitability. Any change in regulatory fees, laws, regulations, or licenses applicable to the Company's business, or any violation of gaming laws by the Company, or a failure to maintain its regulatory approvals, could require the Company to make substantial expenditures and/or could otherwise negatively affect its gaming operations and profitability.

New or amended procedures or fees required by provincial gaming corporations or regulators could have a material adverse effect on the Company, including adverse effects on its business, financial condition and results of operations.

### *High Level of Regulation*

There is a high level of government regulation within the casino industry in Canada and in Washington State. For example, each province has established a regulatory body to oversee gaming activities, products and providers of gaming services.

The Company is subject to a variety of regulations in the jurisdictions in which it operates. If additional gaming regulations are adopted in jurisdictions in which the Company operates, such regulation could impose restrictions and/or could otherwise have a material adverse effect on the Company, including adverse effects on its business, financial condition and results of operations.

### *Anti-money Laundering*

The Company's obligations are subject to strict anti-money laundering policies and procedures which are prescribed by government regulators and crown corporations. The policies and procedures with respect to anti-money laundering are subject to change from time to time and such changes could adversely impact the Company's revenues as such prescribed changes may have the effect of restricting or making more difficult cash deposits or VIP play. Additionally, the ongoing compliance required by the Company to adhere to new policies and procedures with respect to anti-money laundering could have a material incremental cost to the Company. Refer to the "Anti-money Laundering in the Gaming Sector" section of this AIF for more information.

### **Renewal of Site Operating Leases**

Some of the Company's properties operate out of premises that are leased under negotiated terms. When each lease terminates, there is a risk that the landlords may not renew these leases on terms that are commercially reasonable or acceptable to the Company. This may result in increased operating costs, additional relocation costs or closure of an operation.

Some of the Company's properties are leased to third parties under negotiated terms. When each lease terminates, there is a risk that the landlords may not renew these leases on terms that are commercially reasonable or acceptable to the Company. This may result in decreased revenues or closure of an property.

To the extent that owners of leased properties have mortgaged or otherwise encumbered these properties, enforcement action undertaken against a landlord by a lender may limit the access of the Company to a facility or materially shorten the term of a lease.

### **Dependence on Key Personnel**

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

### **First Nations' Claims**

Significant portions of British Columbia and Ontario are subject to unresolved claims of First Nations rights or title. The governments of Canada, British Columbia, and Ontario are engaged in treaty negotiations with First Nations groups throughout British Columbia and Ontario. The Company is not in a position to assess which treaties, if any, may be made or how they might affect its operations. The treaties may result in increased First Nations involvement in management of lands on which the Company conducts operations. Such claims could have a material adverse effect on the Company's operations.

## **Negative Perceptions Linked to the Gaming Industry**

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

## **Sensitivity to General Economic Conditions**

The gaming and hospitality industry are subject to cyclical variations in the general economy and to uncertainty regarding future economic prospects. The Company's revenues are impacted by the health of the economy in Canada and Washington State, and in the regional markets in which the Company operates. As such, the Company's financial results are sensitive to consumer confidence, consumers' disposable income, levels of unemployment, real estate values, and foreign exchange rates, among other factors.

The Company's gaming volumes and financial results are subject to numerous uncertainties due to global economic uncertainty. Weakening global economic conditions may reduce visitation and spending at the Company's properties by both its local and international guests. Further unforeseen events, such as an extended period of recession, high unemployment rates, further erosion of consumer confidence, adverse tourism trends, further decreases in levels of travel, leisure and consumer spending, pandemics or natural disaster or a combination of these or other factors, may negatively affect the Company's future operating results and cash flows.

## **Technology**

### *Technology Dependence*

The Company's operations are highly dependent on information technology systems, some of which are controlled by the Company and some of which are controlled by its provincial partners. There is an ongoing risk that systems may malfunction or fail, or suffer from a cyber attack or other act of sabotage that could severely disrupt operations or result in privacy breaches including customer information. The risks surrounding information technology also include recovering system availability from a disaster, scalability of systems as business expands, and technology obsolescence. The Company's core technology systems include gaming systems, security and surveillance systems, and finance, human resources, and marketing systems.

### *Cybersecurity and Data Loss Risk*

The efficient operation of the Company's business is dependent on physical processes that include human interaction, computer hardware and software systems, including physical and internet communications internally at the Company and also between the Company and third parties. Information systems and communication networks are vulnerable to security incidents, collectively referred to here as "cybersecurity incident". A cybersecurity incident is considered to be any material adverse event that threatens the confidentiality, integrity or availability of the Company's information resources, arising from an intentional attack or an unintentional event such as malicious software, attempts to gain unauthorized access to data or information systems (electronically or otherwise) and other electronic or physical security breaches or incidents that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption, loss of degradation of data (including personal information). The Company's primary risks that could directly result from the occurrence of a cybersecurity incident include: (a) operational interruption, (b) damage to its reputation, (c) loss or restrictions to its gaming licenses, or other damages in business relationships including with third parties

and government regulators, (d) the disclosure of confidential information including personally identifiable information, (e) potential liability to third parties, (f) loss of revenue, and (g) additional regulatory scrutiny and fines, as well as litigation and other costs and expenses.

Because the Company often has access to sensitive information including from its gaming regulators, the Company has significant data privacy and protection obligations, and takes them seriously. In connection with that, the Company has implemented processes, procedures and controls to help mitigate these risks. Access to personal data is controlled through physical security and IT security mechanisms. For information stored with or processed by third parties, the Company undertakes due diligence prior to working with them and uses contractual means to ensure compliance to standards set by the Company. Additionally, the Company monitors and assesses risks surrounding collection, usage, storage, protection, and retention/destruction practices of personal data, including by conducting privacy impact assessments for key processes.

These measures, as well as its increased awareness of a risk of a cybersecurity incident, do not guarantee that its financial results will not be negatively impacted by cybersecurity incidents.

### **Other Risk Factors**

Other risk factors include: significance of River Rock Casino, access to properties, fluctuations in market share price, future capital needs, ability to utilize or add slot machines, volatility inherent in the Company's casino games; dependence on British Columbia properties for cash flow; changes to Canadian immigration and visitation policies; natural disasters; or insurance coverage that may not be adequate to cover all possible losses.

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

## **DESCRIPTION OF CAPITAL STRUCTURE**

### **Credit Facilities/Lending and Credit Ratings**

As at December 31, 2017 and December 31, 2016, the Company's long-term debt facilities consist of \$450.0 Senior Unsecured Notes, a \$350.0 Senior Secured Revolving Credit Facility, and a \$60.0 OGELP Non-recourse Revolving Credit Facility entered in 2016.

The Company has received credit ratings from both Moody's and Standard & Poor's with respect to its debt. These ratings reflect the general credit worthiness of an issuer or a particular debt issue. Credit ratings do not constitute a recommendation to purchase, sell or hold a particular security. For more information on each agency's rating methodology and specific ratings visit [www.moodys.com](http://www.moodys.com) and [www.standardandpoors.com](http://www.standardandpoors.com). For additional information on the Company's credit facilities, long-term debt and its credit ratings, refer to the Annual Financial Statements.

### **Common Shares**

Each common share carries the right for the holder to attend and vote at all general meetings of shareholders, to receive dividends, if, as and when declared by the directors, and to participate on any liquidation, dissolution or winding up of the Company. The Company has not declared any dividend on its common shares to date and has no formal dividend policy. Please refer to the Annual Financial Statements for share information.

## **Normal Course Issuer Bid**

On March 15, 2017, the Company commenced a new normal course issuer bid to purchase up to 3,995,203 of its common shares until March 14, 2018. During the year ended December 31, 2017, the Company purchased for cancellation 859,450 common shares at a weighted-average price per share of \$23.66. Please refer to the “Liquidity and Capital Resources – Normal Course Issuer Bid” section of the MD&A for more information.

## **Restrictions on Ownership of Securities**

Shareholders of the Company are subject to certain restrictions imposed under the gaming control legislation and the Company’s Articles.

Constraints and conditions on ownership of the Company’s common shares are imposed by the Code Title 9, Chapter 9.46 (Washington State), the Gaming Control Act (British Columbia), the Gaming Control Act, 1992 (Ontario), the Gaming Control Act (New Brunswick) and the Gaming Control Act (Nova Scotia) and the terms of the Company’s licenses with the AGCO. Depending upon the jurisdiction, persons owning or intending to acquire ownership of the Company’s securities are required to obtain the prior approval of gaming authorities, make enterprise and other financial disclosure to gaming authorities, or obtain gaming registration as the case may be, where certain ownership thresholds are met.

Restrictions on equity and debt securities include:

- any person holding a 5% or greater interest in the Company must be registered with the WSGC and must provide the WSGC with full disclosure of personal and financial information;
- obtaining prior approval from GPEB for the acquisition of a 5% or greater interest in the Company;
- any person intending to hold 5% or greater interest in the Company (on a diluted or undiluted basis) must provide the AGCO with full disclosure of personal, corporate, and financial information, and may be required to be registered with the AGCO;
- the Company must file a disclosure form with the Director of Registration of the AGFTD within 15 days of: a person acquiring a beneficial interest in the business of the operator of a casino; a person exercising control, either directly or indirectly, over the business of the operator of a casino; or a person providing financing, whether directly or indirectly, to the business of the operator of a casino; and
- the Company must file a disclosure form with the NBGCB within 5 days of obtaining 5% or more of voting or non-voting shares of a gaming supplier.

The above is intended only as summary of the applicable statutory restrictions. Persons seeking to acquire a material interest in the Company’s debt or equity securities should seek independent legal advice as to their obligations to obtain any required regulatory approval.

Operational Services Agreements with the BCLC, OLG, NBLGC and NSPLCC impose requirements on the Company to ensure that the approval of those entities are obtained before a person’s ownership of the Company’s common shares (or that of certain subsidiaries) exceeds set thresholds. For purposes of the BCLC, OLG, and NSPLCC Operational Services Agreements, this threshold is an interest equal to or greater than 10% of the Company’s common shares.

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



notice to, and the prior approval of, the Company to acquire more than 5% of the outstanding common shares of the Company. Copies of the Articles are filed on SEDAR at [www.sedar.com](http://www.sedar.com).

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

## MARKET FOR SECURITIES

### Trading Price and Volume

The following table sets out certain trading information for the Company's common shares on the TSX at the year ended December 31, 2017:

<b>Year 2017</b>				
<b>Month</b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Close (\$)</b>	<b>Volume</b>
January	25.61	24.32	25.43	1,653,900
February	26.16	23.30	23.35	2,017,800
March	25.00	22.50	24.63	3,662,400
April	25.38	23.74	24.37	2,018,000
May	25.42	23.60	24.01	3,925,300
June	24.29	22.95	23.88	2,449,700
July	24.41	23.20	24.26	1,315,500
August	33.94	24.16	33.91	4,837,000
September	35.34	31.39	32.10	5,503,300
October	32.79	29.76	30.66	2,849,900
November	31.90	28.99	30.31	2,780,700
December	35.00	28.89	33.79	3,708,200

## DIRECTORS AND OFFICERS

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

The names of the directors, executive officers, and selected senior management of the Company as at ended December 31, 2017, their place of residence, and their respective principal occupations within the five preceding years are indicated in the table below:

Name and Place of Residence	Age	Current Position with Company	Principal Occupation	Director Since
<b>Directors</b>				
<b>PETER G. MEREDITH</b> <sup>(1,2,5)</sup> British Columbia, Canada	74	Chairman	Chairman of Cordoba Minerals Corp. (a Toronto-based mineral exploration company focused on the exploration and acquisition of copper and gold projects in Colombia listed on the TSX-V) since April 2016; Director of Peregrine Diamonds Ltd. (a diamond exploration and development company focused on Canada's North listed on the TSX) since March 2013; Director of Ivanhoe Mines Ltd. (formerly Ivanplats Limited, a Canadian mining development and exploration company listed on the TSX) since May 1998; Member of Chartered Professional Accountants of British Columbia and Ontario; Member of the Institute of Chartered Accountants of British Columbia since 1982; Member of the Chartered Accountants of Ontario since 1968.	June 9, 2000
<b>ROD N. BAKER</b> Ontario, Canada	52	Chief Executive Officer, President, Corporate Secretary, and Director	Chief Executive Officer of the Company since October 2011; President of the Company since January 2010; President, Ridgeline Corporation (involved in financial services and merchant banking) from May 1995 to January 2018.	June 23, 2010
<b>NEIL W. BAKER</b> <sup>(3)</sup> Ontario, Canada	81	Director	Senior Partner of Gordon Investment Partners (involved in financial services and merchant banking) since November 1987; Owner of Ridgeline Corporation (involved in merchant banking) since May 1995.	November 10, 2011

Name and Place of Residence	Age	Current Position with Company	Principal Occupation	Director Since
<b>Directors</b>				
<b>LARRY W. CAMPBELL</b> <sup>(3,4)</sup> British Columbia, Canada	70	Director	Senator, Government of Canada since August 2005; Chair, Senate Standing Committee on Internal Economy, Budgets and Administration since November 2017; President, Mortis Consulting Ltd., since March 1997; Board member of Asantae Holdings International Inc. (involved in producing and marketing nutritional products) from July 2010 to March 2014.	June 20, 2008
<b>MARK A. DAVIS</b> <sup>(2,3,4)</sup> Ontario, Canada	59	Director	President and Chief Executive Officer of Chemtrade Logistics Income Fund since its initial public offering in May 2001 (a publicly traded Canadian income trust involved in providing industrial chemicals and services to customers in North America and around the world; listed on the TSX:CHE.UN); Lawyer called to the bar in 1984.	June 20, 2013
<b>THOMAS W. GAFFNEY</b> <sup>(3,5)</sup> British Columbia, Canada	68	Director	President, Thomas Gaffney Architect Inc. since July 1986; Registered Professional member of the Architectural Institute of British Columbia; member of the Institute of Corporate Directors.	June 30, 2006

Name and Place of Residence	Age	Current Position with Company	Principal Occupation	Director Since
<b>Directors</b>				
<b>KAREN KEILTY</b> <sup>(2,3,4)</sup> British Columbia, Canada	58	Director	Commissioner, BC Utilities Commission since June 2014; Director, Quest Guardian Properties Ltd., a subsidiary of Quest University, since February 2018; Public Guardian and Trustee of British Columbia, Member of Audit Advisory Committee since August 2017; Member of Executive Committee, Canada's Energy and Utility Regulators from September 2015 to September 2017; Director, STMC High School from September 2013 to September 2016; Director, Quest University from July 2014 to May 2016; Director, Social Venture Partners (a non-profit organization) from June 2012 to June 2015; Partner, Audit and Advisory, Deloitte LLP from 1994 to May 2014; Fellow of Chartered Accountants of British Columbia; and Fellow and Member of the Institute of Chartered Professional Accountants of British Columbia since 1986 and US CPA (Illinois); Institute of Corporate Directors (ICD.D) since September 2015.	December 16, 2014

- (1) Chairman is considered a de facto member of all committees.
- (2) Member of the Audit Committee.
- (3) Member of the Corporate Compliance & Security Committee.
- (4) Member of the Corporate Governance Committee.
- (5) Member of the Compensation Committee.

<b>Name and Place of Residence</b>	<b>Age</b>	<b>Current Position with Company</b>	<b>Principal Occupation</b>
<b>Officers &amp; Senior Management</b>			
<b>ROD N. BAKER</b> Ontario, Canada	52	Chief Executive Officer, President, Corporate Secretary, and Director	Reference details above under subheading "Directors".
<b>TERRANCE M. DOYLE</b> British Columbia, Canada	44	Chief Operating Officer	Chief Operating Officer of the Company since August 2015; Executive Vice President, Operations and Development from July 2015 to August 2015; Executive Vice President, BC Operations and Development from June, 2014 to July 2015; Vice President, Property Development & Operations Services from May 2010 to July 2015.
<b>RADEK KIELAR</b> British Columbia, Canada	57	Controller & Interim Vice President, Finance	Controller & Interim Vice President, Finance of the Company since April 2017; Director, Financial Planning, Analysis & Commercial Finance for the Company from May 2016 to March 2017; Director, Accounting and Assistant Controller for the Company from December 2005 to April 2016.
<b>CRAIG DEMARTA</b> Ontario, Canada	61	Vice President, Operations East	Vice President of Operations – East of the Company since December 2016; General Manager - Ontario for the Company from December 2005 to December 2016.
<b>RAJ MUTTI</b> British Columbia, Canada	36	Vice President, Operations West	Vice President, Operations – West of the Company since January 2017; Executive Director, Regional Operations of the Company from November 2015 to December 2016; Executive Director Hard Rock Casino Vancouver of the Company from August 2013 to November 2015; Regional General Manager, Racing of the Company from November 2010 to August 2013.

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

<b>Name</b>	<b>Company</b>	<b>Official Title</b>	<b>Principal Business of Company</b>
Neil W. Baker	Ridgeline Corporation	Owner	A financial services company involved in merchant banking
Larry W. Campbell	The Senate of Canada	Senator	As the Upper House of Parliament, the Senate is tasked with examining all legislation, as well as conducting in-depth studies of any and all issues concerning Canada and its citizens
Mark A. Davis	Chemtrade Logistics Income Fund	Chief Executive Officer	A TSX listed company that provides industrial chemicals and services to customers in North America and globally
Thomas W. Gaffney	Thomas Gaffney Architect Inc.	President	A professional architectural firm providing planning, design and development management services to the real estate and construction industries
Karen Keilty	BC Utilities Commission	Commissioner	An independent regulatory agency of the Provincial Government of B.C., operating under and administering the Utilities Commission Act, whose primary responsibility is the regulation of British Columbia's natural gas and electricity utilities
Peter G. Meredith	Ivanhoe Mines Ltd.	Director	A TSX listed mining development company

### **Shareholdings of Management**

To the knowledge of the Company, based on information obtained from SEDI (the System for Electronic Disclosure by Insiders database), at year ended December 31, 2017, the directors and officers of the Company as a group own, or exercise control or direction over a total of 3,154,799 common shares of the Company, representing 5% of the outstanding common shares.

### **Audit Committee**

This Committee is responsible for reviewing and reporting on the Company's financial information, audit process and system of corporate internal controls and risk management, as well as reviewing compliance with related applicable legal and regulatory requirements. In respect of the financial statements for the December 31, 2017 fiscal year end and for the subsequent interim quarterly period ending March 31, 2018, the Audit Committee was comprised of the following three independent Board members: Karen

Keilty, FCPA, FCA (Chair), Mark Davis and Peter G. Meredith, CPA, CA. Ms. Keilty, Mr. Davis and Meredith are financially literate.

The Audit Committee's policy with respect to the engagement of non-audit services is described in the Company's Audit Committee Charter, a copy of which is attached hereto as Appendix I. Any non-audit services are documented by the Company's management and presented for consideration and pre-approved by the Audit Committee.

In addition to each member's general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as such a committee member is as follows:

<b>Name of Audit Committee Member</b>	<b>Relevant Experience and Qualifications</b>
Karen Keilty (Chair)	<ul style="list-style-type: none"> <li>• Member of the Institute of Chartered Professional Accountants of British Columbia since 1987</li> <li>• President, Institute of Chartered Accountants of British Columbia from June 2009 to June 2010</li> <li>• Fellow of CPABC and Fellow of the Institute of Chartered Accountants of British Columbia and US CPA (Illinois)</li> <li>• 30 years' audit and accounting experience</li> <li>• Deloitte LLP Partner, Audit and Advisory, from 1994 to 2014</li> <li>• Chair of the Company's Audit Committee since May 2016</li> <li>• Member of the Institute of Corporate Directors (ICD.D) since September 2015</li> </ul>
Mark A. Davis	<ul style="list-style-type: none"> <li>• President and Chief Executive Officer of Chemtrade Logistics Income Fund</li> <li>• Trustee of Chemtrade Logistics Income Fund since May 2013</li> <li>• Lawyer called to the bar in 1984</li> <li>• Partner at Borden &amp; Elliot LLP in Toronto, Ontario from 1992 to 1996</li> <li>• Chairman of the Board of Trustees of ACS Media Income Fund from 2003 to 2006 <ul style="list-style-type: none"> <li>• Audit Committee Member</li> </ul> </li> <li>• Trustee of ACS Media Income Fund from May 2003 to November 2006</li> <li>• Trustee of Osprey Media Publishing Inc. (also known as Osprey Media Holdings Inc. and Osprey Media Income Fund) from February 2005 to August 2007 <ul style="list-style-type: none"> <li>• Member of Special Committee</li> </ul> </li> <li>• Trustee of EnerCare Inc. (also known as Trustee of Consumers' Waterheater Income Fund) from December 2002 to 2004</li> <li>• Member of the Institute of Corporate Directors</li> <li>• Member of the Company's Audit Committee since May 2016</li> </ul>

Name of Audit Committee Member	Relevant Experience and Qualifications
Peter G. Meredith	<ul style="list-style-type: none"> <li>• Member of the Institute of Chartered Professional Accountants of Ontario since 1968</li> <li>• Member of the Institute of Chartered Professional Accountants of British Columbia since 1982</li> <li>• 48 years' experience as a Chartered Accountant and Certified Management Accountant</li> <li>• Deloitte &amp; Touche LLP for 30 years (20 years as Partner) – Resigned in 1996 as a Senior Partner and Board Member</li> <li>• Chief Financial Officer of Ivanhoe Mines Ltd. from May 2004 to May 2006</li> <li>• Chief Financial Officer of Ivanhoe Capital Corporation from June 2001 to March 2009</li> <li>• Deputy Chairman, Ivanhoe Mines Ltd. from May 2006 to April 2012</li> <li>• Chairman, SouthGobi Resources Ltd. from October 2009 to September 2012</li> <li>• Chair, Audit Committee of Entrée Gold Inc. (a mineral exploration company listed on the TSX and NYSE AMEX) from 2005 to 2013</li> <li>• Member of Audit Committee of TSX listed companies: Peregrine Diamonds Ltd. and Trevali Mining Corp. from 2013 to 2016</li> <li>• Member of the Company's Audit Committee since June 2000</li> </ul>

***Pre-Approval Policies and Procedures***

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

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

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

***External Auditor Service Fees (in thousands of dollars)***

*Audit Fees*

Audit fees were paid for professional services rendered by the auditors for the audit of the Company's financial statements or services provided in connection with statutory and regulatory filings or engagements and the review of the Company's interim financial statements. Deloitte LLP's audit fees billed during the Company's 2017 fiscal year were \$873 (2016: \$871), in thousands of dollars.

*Audit-Related Fees*

Audit-related fees were paid for assurance and related services that are reasonably related to the performance of the audit or review of the Annual Financial Statements, but which are not reported under the audit fee item above. Deloitte LLP billed an aggregate of \$25 in the Company's 2017 fiscal year (2016: \$39), for services provided to the Company not reported under "Audit Fees" above, in thousands of dollars.



## *Tax Fees*

Tax-related fees were paid for professional services related to tax compliance, tax advice and tax planning. Deloitte LLP billed an aggregate of \$8 in the Company's 2017 fiscal year (2016: \$2) for these services, in thousands of dollars.

## **Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

To the best of the Company's knowledge, having made due inquiry, the Company confirms that, as at December 31, 2017:

- (i) no director or executive officer of the Company is, or was within the last 10 years, a director or officer of a company (including the Company) that:
  - (a) was subject to an order (including a cease trade order or an order similar to a cease trade or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days), that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, except:
    - (i) Mr. Larry Campbell was a director of CY Oriental Holdings Ltd. at the time its shares were suspended from trading on the TSX Venture Exchange and were delisted due to the inability of CY Oriental Holdings Ltd. to meet continued listing requirements. Effective April 8, 2009, Mr. Campbell resigned from the Board of Directors of CY Oriental Holdings Ltd.;
    - (ii) Mr. Peter Meredith served as a director of Ivanhoe Energy Inc. ("Ivanhoe Energy") from December 2007 to December 2014. Cease trade orders were issued against Ivanhoe Energy in Alberta (July 15, 2015), Quebec (May 7, 2015), Manitoba (May 6, 2015), Ontario (May 4, 2015) and British Columbia (April 14, 2015) in respect of the company failing to file its audited financial statements and associated filings for the year ending December 31, 2014, which cease trade orders remain in effect as at the date of this Annual Information Form.
  - (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or
  - (c) within a year of the person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, except:
    - (i) Mr. Neil Baker was a director of Northstar Aerospace (Canada) Inc., a TSX listed company, until June 14, 2012, at which time he resigned. On August 24, 2012, the Ontario Supreme Court of Justice declared Northstar Aerospace (Canada) Inc. bankrupt and all of the assets of the company were sold;
    - (ii) Mr. Peter Meredith served as a director of Ivanhoe Energy from December 2007 to December 2014. On February 20, 2015, Ivanhoe Energy filed a Notice of Intention to Make a Proposal under subsection 50.4(1) of the Bankruptcy and Insolvency Act (Canada). On June 2, 2015, having failed to file a proposal, Ivanhoe Energy was assigned into bankruptcy. Ivanhoe Energy was dissolved on May 16, 2017.
- (ii) in the last 10 years, no director or executive officer of the Company has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or has become subject to or

instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer; and

- (iii) no director or executive officer of the Company has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Conflicts of Interest**

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

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

### **Material Legal Proceedings**

From time to time, the Company is involved in litigation arising in the ordinary course of its business. The Company does not believe that the ultimate settlement or resolution of such litigation will have a material adverse effect on its financial position or results of operations of the company. Please refer to the “Other Business Developments - Canada Revenue Agency Disputes and Audit” and the “Other Business Developments – BCLC Litigation” sections of this AIF for additional discussion.

### **Regulatory Actions**

From time to time in the ordinary course of business, the Company is involved in regulatory proceedings or are assessed administrative fines, none of which have historically been material or significant.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

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

## **TRANSFER AGENT AND REGISTRAR**

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

## **MATERIAL CONTRACTS**

There are no material contracts, other than contracts entered into in the ordinary course of business, which the Company or any of its subsidiaries or their predecessors has entered into within the last financial year, has entered into before the last financial year but are still in effect, or that are proposed to be entered into.

## **INTERESTS OF EXPERTS**

Deloitte LLP is the auditor of the Company and is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

## **ADDITIONAL INFORMATION**

### **Other Additional Information**

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

Additional financial information is provided in the Company's Annual Financial Statements for its year ended December 31, 2017, and the Management Discussion and Analysis of the Company for its year ended December 31, 2017. Any interim unaudited financial statements of the Company subsequent to December 31, 2017, are available on the Company's website at [www.gcgaming.com](http://www.gcgaming.com), or on SEDAR at [www.sedar.com](http://www.sedar.com).

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

Great Canadian Gaming Corporation  
95 Schooner Street  
Coquitlam, British Columbia, Canada V3K 7A8  
Telephone: (604) 303-1000 / Facsimile: (604) 516-7155

or on the Company's website at [www.gcgaming.com](http://www.gcgaming.com)

# APPENDIX I

## AUDIT COMMITTEE CHARTER

### I. PURPOSE

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

- reviewing, considering and reporting on the Corporation's financial information for disclosure purposes, its system of internal control as established by management and the Board, and the audit process;
- identifying the principal risks faced by the Corporation and confirming that management has implemented appropriate systems to manage and minimize identified risks;
- reviewing and considering the Corporation's adherence to accounting principles and compliance with applicable disclosure requirements;
- reviewing, considering, reporting and recommending on all matters relating to finance for the Corporation, including: capital structure; equity and debt financings; share re-purchase activities; cash management, banking activities and relationships; investments, foreign exchange activities, swaps and hedging transactions; and financial policies including Discretionary Authorities.
- reviewing regular progress reports on major capital projects and report on same to the Board.

### II. COMPOSITION AND TERM OF OFFICE

- A. Members of the Audit Committee are appointed by the Board at the first meeting of Directors following each annual general meeting for a term of one year. In making the appointments, the Board requires that all appointees are Independent Directors who have Financial Literacy<sup>1</sup> and that at least one appointee has an Accounting Designation. The Board shall interpret these qualifications in its business judgment and shall conclude whether a Director meets these qualifications.
- B. The Chair of the Audit Committee shall be appointed by the Board.
- C. The CFO will act as the management liaison for the Audit Committee.
- D. The Audit Committee will meet not less than four times each fiscal year.
- E. The quorum for the Audit Committee is a majority of its members.

<sup>1</sup> Financial Literacy means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

### **III. RESPONSIBILITIES**

The Audit Committee has the following responsibilities:

#### **FINANCIAL REPORTING**

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

#### **FINANCE**

- A. Review the Corporation's policies at least annually with respect to financial risk assessment and financial risk management.
- B. Review with management the Corporation's capital structure, dividend policy and share repurchase programs at least annually, and make recommendations to the Board for approval, as required.
- C. Review with management the Corporation's treasury activities. In this regard, the Committee shall review the Corporation's principal commercial and investment banking relationships, on at least an annual basis, including its banking and treasury authorizations, and material terms of the Corporation's credit facilities in light of the Corporation's operating strategy, risk exposures, financial policies and changes in the applicable law or accounting requirements.

#### **IV. OTHER PROCEDURES**

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

#### **V. EXTERNAL AUDITORS**

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

- (vii) Annually assess the effectiveness of the external auditors so that a recommendation can be made to the Board on whether or not the external audit firm should be reappointed at the annual general meeting of shareholders.

## **VI. INTERNAL AUDIT**

- A. The Director, Internal Audit & Risk Management, has an independent relationship with the Audit Committee with unrestricted access to its members. The Director, Internal Audit & Risk Management, and the Vice President, Corporate Security & Compliance, will meet at least quarterly with the Audit Committee. Matters discussed will include the annual audit plan, internal audit reports, the quality of the Corporation's accounting policies and principles, the adequacy and effectiveness of the Corporation's internal control and management information systems and if requested by the Audit Committee, in-camera sessions with the Director, Internal Audit & Risk Management will be held quarterly or as determined by the Audit Committee.
- B. The Audit Committee will approve the appointment of the Director, Internal Audit & Risk Management.
- C. The Audit Committee will:
  - (i) Provide oversight to and approve the internal audit mandate.
  - (ii) Review internal audit plans for the year.
  - (iii) Review any difficulties which may arise during the course of the internal audit and the ongoing relationship with management and other departments.

## **VII. OTHER**

The Audit Committee will:

- A. Establish procedures for receipt, retention and treatment of complaints and concerns regarding accounting matters, internal accounting controls and auditing matters or related questionable practices, including anonymous submissions by employees. (Refer to Whistle Blower Policy located at Tab 12)
- B. Have the resources and authority necessary to reasonably discharge its duties, including the authority to retain independent financial, legal or other advisors.
- C. Record, draft and circulate, on a timely basis, to members, minutes for each meeting of the Audit Committee.
- D. Review and, as needed, amend the Audit Committee Charter annually, and recommend it for approval by the Board.
- E. Review the Corporation's Director & Officer Liability insurance policies and other corporate insurance policies, including the credit quality of its insurance carriers and reinsurers in advance of the renewal of such policies.