



No. S092767

Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, as amended**

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, R.S.B.C 2002 c. 57

AND

**IN THE MATTER OF EVERGREEN GAMING CORPORATION AND WASHINGTON
GAMING, INC. AND THEIR SUBSIDIARIES**

THIRD REPORT OF DELOITTE & TOUCHE INC., MONITOR

JULY 2, 2009

Deloitte.

Evergreen Gaming
Corporation and
Washington Gaming,
Inc.,
and their subsidiaries
Third Report of
Deloitte & Touche
Inc., Monitor

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1. Introduction

On April 15, 2009, Evergreen Gaming Corporation and Washington Gaming, Inc. and their subsidiaries (collectively, the "Company" or the "Petitioners") filed a Petition in the Vancouver Registry of the Supreme Court of British Columbia (the "Court"), Action Number S092767 (the "CCAA Proceedings") and obtained protection from their creditors under the *Companies' Creditors Arrangement Act* ("CCAA") pursuant to the Order of this Honourable Court (the "Initial Order"). The Initial Order which was granted stayed creditors from taking or continuing any proceedings against the Company, thus permitting the Company to remain in control of its assets and to continue carrying on business during the restructuring period.

On May 15, 2009, a further Court Order was granted which continued to stay creditors from taking or continuing any proceedings against the Company until June 18, 2009. This further Court Order was to allow the Company sufficient time to prepare its Plan of Arrangement ("Plan") to its creditors. A further extension was granted on June 18, 2009 for a one week period expiring on June 24, 2009.

On June 24, 2009 an additional extension was granted to the Company which further continued to stay creditors from taking or continuing any proceedings against the Company until July 3, 2009. The Order stipulates that the Petitioners will not seek to extend the stay against the Fortress Credit Corporation ("Fortress") beyond July 3, 2009.

On this same date, upon application by Fortress, an additional Order was granted by the Supreme Court of British Columbia which appointed Grant Thornton Limited ("GTL") as Interim Receiver, Receiver and Manager over EGC Holdings Ltd., EGC Properties Ltd. and Frank Sisson's Silver Dollar Ltd. ("Silver Dollar Casino").

2. Background

Evergreen Gaming Corporation ("Evergreen") is a company incorporated under the laws of British Columbia and is publicly listed on the TSX Venture Exchange (TSX-TNA.V).

The Company is headquartered in Richmond, British Columbia and operates ten casinos in the Seattle-Puget Sound area of Washington State and operated a casino in Calgary, Alberta, the Silver Dollar Casino. EGC Properties Ltd., a wholly owned subsidiary of EGC Holdings Ltd., which is wholly owned by Evergreen, owns three blocks of land in Calgary on which the Silver Dollar Casino is located.

Mr. Norman Osatuik, the President of Evergreen and Mr. Cory Coyle, the President of Washington Gaming, Inc. ("WGI") manage the day to day operations of the Company.

Prior to the Initial Order the Company had been meeting its current operating obligations at each of its casinos and had been keeping its payables current. However, the Company failed to meet its obligations under the Credit Facility Agreement with Fortress by not making monthly payments from November 2008 to the date of this Third Report. On April 1, 2009 Fortress made demand in the amount of approximately \$30 million and served its Notice of Intention to Enforce Security on the Company, necessitating the filing for protection under the CCAA proceedings.

3. US Proceedings

On April 16, 2009 the monitor filed Chapter 15 petitions under the United States Bankruptcy code on behalf of the Company in the United States Bankruptcy Court for the Western District of Washington ("US Court"). An Interim Order was granted by the US Court on April 17, 2009 providing an automatic stay against creditors.

In addition to the US Order noted above, further Orders were granted providing for a stay against all creditors, subject to certain stipulations, on May 4, 2009, May 20, 2009 and June 24, 2009. Copies of the Orders granted on April 16, 2009 and May 4, 2009 were included as appendices to the Monitors First Report to the Court on May 14, 2009. A copy of the Order granted on May 20, 2009 was included as an appendix to the Monitors Second Report to the Court. A copy of the Order granted on June 24, 2009 is attached as **Appendix A**.

4. Restructuring Process

Since the Initial Order was obtained there have been no changes to the Company's operations within the US or relationship with key stakeholders. The Company has continued normal operations in the US and continues to meet its daily post filing operational expenses, with the exception of interest payments on long term debt, from cash generated by the business.

The operations within Calgary, Alberta were placed into Receivership by Order of the Supreme Court of British Columbia on June 24, 2009. The Company is no longer involved with the daily management of these operations.

The Company has worked on its restructuring efforts since the granting of the Initial Order to present a Plan to its creditors. Management presented a letter to Fortress through its counsel outlining a number of possible restructuring options prior to the Court date on June 18, 2009. These options were rejected by Fortress.

5. The Plan

The Company has reached a settlement agreement with Fortress whereby Fortress will gain control of the Washington subsidiaries currently controlled by the Company with the sole exception of Mountlake Gaming, Inc. and its wholly owned casino Riverside Casino Inc. which will remain under the control of Evergreen and Washington Gaming Inc.

The settlement agreement preserves a core asset namely Riverside Casino Inc. and allows Evergreen and WGI the opportunity to continue running the Riverside casino and allow it to present a plan of arrangement to its unsecured creditor class. It is currently the expectation of management that the unsecured creditor group of these entities will be offered approximately 5 cents on the dollar for each claim.

6. Monitor's Recommendation

The Petitioners and Fortress have reached a settlement agreement that appears to benefit all stakeholders including the unsecured creditor group. In the absence of the settlement agreement, it is likely that in a liquidation of the Company only Fortress would effect a recovery and the remaining stakeholders of Evergreen and WGI would likely receive nothing.

Deloitte will be the Monitor going forward with respect to Evergreen and WGI and will be seeking recognition as a Foreign Representative in the United States on July 6, 2009 as outlined under the Settlement agreement.

The Monitor believes this agreement was negotiated in good faith by the Company and Fortress and, therefore, recommends to this Honourable Court that an extension until August 17, 2009 be ordered to allow time to propose its Plan, notify all creditors and hold a creditors meeting to vote on the Plan. The Monitor is of the view that the Company continues to act in good faith with due diligence.

All of which is respectfully submitted this 2nd day of July, 2009.

Deloitte & Touche Inc.

In its capacity as Court Appointed Monitor of
Evergreen Gaming Corporation and
Washington Gaming, Inc., and their subsidiaries
and not in its personal capacity.

Deloitte & Touche Inc.

Jervis Rodrigues, CA-CIRP
Senior Vice-President

Appendix A –
US Order Extending Interim Relief
and Rescheduling Hearing

THE HONORABLE SAMUEL J. STEINER

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UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

In re

DELOITTE & TOUCHE, INC.
as Foreign Representative of
EVERGREEN GAMING CORP., et al.
Debtors in a Foreign Proceeding,

Chapter 15

Case No. 09-13567 (SJS)

SECOND STIPULATED ORDER
(1) EXTENDING INTERIM ORDER
GRANTING FOREIGN
REPRESENTATIVE'S EMERGENCY
REQUEST FOR RELIEF UNDER 11 U.S.C.
§§ 1519, 105 AND 362(a)
AND
(2) CONTINUING HEARING ON
APPLICATION FOR RECOGNITION OF
FOREIGN MAIN PROCEEDING

THIS MATTER came before the Court upon the Emergency Motion of the Foreign Representative for Interim Relief Under 11 U.S.C. §§1519, 105(a), 361, and 362 (the "Emergency Motion") filed by Deloitte & Touche, Inc., the court-appointed Monitor in the CCAA Proceeding¹ commenced by the Debtors in British Columbia, Canada on April 15, 2009. The Emergency Motion seeks entry of an order granting interim relief under

¹ Capitalized Terms not defined herein shall have the same meaning as in the Emergency Motion.

STIPULATED ORDER EXTENDING INTERIM
RELIEF AND RESCHEDULING HEARING – 1

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1 11 U.S.C. §§ 105, 362 and 1519 staying actions of creditors affecting the Debtors' assets
2 located in the United States. The Monitor filed Chapter 15 petitions in this Court and an
3 Application for Recognition of Foreign Main Proceeding (the "Application") seeking
4 recognition of the CCAA Proceeding as a foreign main proceeding, as that term is defined in
5 §1502(4).
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11 An emergency hearing was held on April 16, 2009 and appearances were made and
12 noted on the record. The Court set the Application for hearing on May 20, 2009 at 1:30 p.m.
13 and on April 17, 2009, entered an interim order (the "First Interim Order") granting the
14 relief requested in the Emergency Motion on an interim basis. The parties subsequently
15 stipulated to the extension of the First Interim Order through May 4, 2009.
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21 A subsequent hearing was held on May 4, 2009 and appearances were made and
22 noted on the record, at which time the Court entered a final order (the "Final Interim Order")
23 granting the relief requested in the Emergency Motion through May 20, 2009.
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27 On May 20, 2009, the parties presented a Stipulated Order (1) Extending Interim
28 Order Granting Foreign Representative's Emergency Request for Relief Under 11 U.S.C.
29 §§1519, 105(a) 361 And 362, And (2) Continuing Hearing On Application For Recognition
30 Of Foreign Main Proceeding (the "May 20, 2009 Stipulated Order"), which modified and
31 extended the term of the Final Interim Order through June 24, 2009 or as subsequently
32 extended by the Court, and continued the hearing on the Application to 1:30 p.m. June 24,
33 2009.
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40 Fortress, the Debtors, Old 99 Property Group LLC and the Monitor now HEREBY
41 STIPULATE FURTHER AS FOLLOWS:
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STIPULATED ORDER EXTENDING INTERIM
RELIEF AND RESCHEDULING HEARING - 2

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