

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**

**SECOND REPORT OF DELOITTE & TOUCHE INC., MONITOR**

**JUNE 17, 2009**

**Deloitte.**

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

June 17, 2009

# Table of contents

- 1. Introduction .....2
- 2. Background .....2
- 3. US Proceedings .....2
- 4. Restructuring Process.....3
- 5. The Plan.....3
- 6. Monitor's Recommendation .....3

Appendix A – US Order Extending Interim Relief and Rescheduling Hearing

# 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.

## 2. Background

Evergreen Gaming Corporation 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 a 100,000 square foot casino in Calgary, Alberta, the Frank Sisson Silver Dollar Casino ("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. 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 Credit Corp. ("Fortress") by not making monthly payments from November 2008 to the date of this Second Report. On April 1, 2009 Fortress made demand in the amount of approximately \$30 million and served Notices 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 and May 20, 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 ("First Report") on May 14, 2009. A copy of the Order granted on May 20, 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 or relationship with key stakeholders. The Company has continued normal operations 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 Company has worked on its restructuring efforts since the granting of the Initial Order in order that they present the Plan to its creditors. Management has been engaged in negotiations for a sale of the Silver Dollar Casino and has continued discussions with various parties for alternative financing options.

## 5. The Plan

The Company, through its counsel, submitted a letter to Fortress' counsel outlining four possible options that would allow the Company to emerge from the CCAA process and continue as a viable business. The proposal was submitted directly to Fortress as their support will be required in order for any Plan to be successful.

## 6. Monitor's Recommendation

The Petitioners' and Fortress are currently engaged in settlement discussions. The Company has filed a Notice of Motion requesting a 7 day extension, and it is our understanding that Fortress has consented to this extension. Given that both parties are acting in good faith, the Monitor is recommending the Court grant the Petitioners' an additional 7 day extension to June 24, 2009 to finalize the current negotiations.

All of which is respectfully submitted this 17<sup>th</sup> day of June, 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.



**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)  
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 Proceeding<sup>1</sup> commenced by the Debtors in British Columbia, Canada on April 15, 2009. The Emergency Motion seeks entry of an order granting interim relief under

<sup>1</sup> 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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Perkins Cole LLP  
1201 Third Avenue, Suite 4800  
Seattle, WA 98101-3099  
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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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10 An emergency hearing was held on April 16, 2009 and appearances were made and  
11 noted on the record. The Court set the Application for hearing on May 20, 2009 at 1:30 p.m.  
12 and on April 17, 2009, entered an interim order (the "First Interim Order") granting the  
13 relief requested in the Emergency Motion on an interim basis. The parties subsequently  
14 stipulated to the extension of the First Interim Order through May 4, 2009.  
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20 A subsequent hearing was held on May 4, 2009 and appearances were made and  
21 noted on the record, at which time the Court entered a final order (the "Final Interim Order")  
22 granting the relief requested in the Emergency Motion through May 20, 2009.  
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26 Fortress, the Debtors, Old 99 Property Group LLC and the Monitor now HEREBY  
27 STIPULATE FURTHER AS FOLLOWS:  
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30 1. The hearing on the Application is continued to 1:30 p.m. June 24, 2009.  
31 Objections, if any, to the Application shall be filed and served no later than 4:30 p.m. June  
32 17, 2009;  
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36 2. The effective term of the Final Interim Order is extended through June 24,  
37 2009, or as may be subsequently extended by this Court;  
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40 3. The Final Interim Order is modified to add the following:

41 a. The reports referenced in paragraphs 13, 14, and 16 of the Final  
42 Interim Order shall be delivered to Fortress on or before May 22, 2009.  
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STIPULATED ORDER EXTENDING INTERIM  
RELIEF AND RESCHEDULING HEARING - 2

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b. Riverside Casino, Inc. ("Riverside") and Mountlake Gaming, Inc. ("Mountlake Gaming"), Riverside's parent, are non-debtor affiliates of the Debtors herein. During the term of this extension, the Debtors shall make no transfers of cash collateral to or for the benefit of Riverside or Mountlake Gaming without the express written consent of the Monitor and Fortress.

c. Prior to Debtors making any transfers of cash collateral to or for the benefit of the Tukwila Land Company LLC, the landlord for Little Nevada, Inc., the parties shall confer. Fortress may object and seek relief in this Court to prevent any such transfer on two (2) business days notice and no funds shall be transferred pending this Court's ruling on any such Fortress objection.

d. The Debtors shall give Fortress and the Monitor not less than three (3) business days notice of the intent to transfer any funds from cash collateral of the Chapter 15 Debtors to or for the benefit of parties who are non-Debtor affiliates or insiders of the Debtors.<sup>2</sup> Fortress may object and seek relief in this Court to prevent such transfer on two (2) business days notice and no funds shall be transferred pending this Court's ruling on any such Fortress objection.

e. Fortress has asserted that it is entitled to adequate protection payments in the amount of any excess cash not necessary to fund the Debtor's operations. Fortress reserves the right to move to compel such

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<sup>2</sup> This provision is not intended to preclude the payment of budgeted payroll for services provided to the Chapter 15 Debtors nor is intended to preclude the payment of budgeted ordinary course expenses related to maintenance, machinery and gambling equipment of the Chapter 15 Debtors.

STIPULATED ORDER EXTENDING INTERIM  
RELIEF AND RESCHEDULING HEARING - 3

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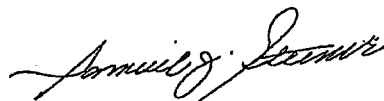
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adequate protection payments which motion may be made on seven (7) business days notice.

4. Except as expressly modified herein, the relief granted and the adequate protection provisions established under the Final Interim Order shall continue in full force and effect as provided therein.

SO ORDERED this 20th day of May, 2009.



Honorable Samuel J. Steiner  
United States Bankruptcy Court Judge

Stipulated and Approved as to form.

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STIPULATED ORDER EXTENDING INTERIM  
RELIEF AND RESCHEDULING HEARING - 4

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