



**2008**  
**Management Discussion & Analysis**  
**for the year and three months ended December 31, 2008**

## To Our Unit Holders

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Management and trustees of Gamehost Income Fund (the "Fund", "Gamehost") present results of the Fund for the twelve months ended December 31, 2008 (the "Period") and three months ended December 31, 2008 (the "Quarter").

### Global Warming, Not

The economic globe is cooling and its winds are now blowing across Alberta as well. Revenues for the Period totaled \$55.6 million down 3.6% from \$57.6 million in 2007. Entering the Quarter we were nicely airing out from the impact of a provincial non-smoking storm at traditional casinos in Alberta. With the opening of our new Stampede Casino in June 2008 the year over year decline in total revenues of the Fund had been reduced to 3.4% from an earlier high of 5.5%. Then in November the wind turned. For the Quarter, revenues totaled \$14.3 million down 4.0% from \$14.9 million in 2007.

The high cost of startup of the new Stampede casino was a factor in lower Period margins. Earnings before interest, taxes, depreciation and amortization ("EBITDA") for the Period totaled \$24.9 million down 12.0% from \$28.4 million recorded the previous year. EBITDA for the Quarter totaled \$6.0 million down 17.7% from \$7.3 million recorded in Q4 2007. Year over year EBITDA margins were lower by 4.3% to 44.9% for the Period and lower by 7.0% to 42% for the Quarter. Margin deterioration for the Period was exacerbated by a challenging December. In a month where we ramp up staffing to accommodate the Christmas festive season the entire province was hit with a harsh extended cold snap and the usual foot traffic did not materialize. This was compounded by some untimely losses on table games. Both of these issues resulted in undue pressure on margins that should be isolated to the Quarter.

### Dust Bunnies

It's like seeing a Stephen King flick after watching a life time of Disney. When period after period you report record revenues and growing cash flow as we have done since inception it's understandable that results of the Fund for 2008 might at first glance appear unnerving. The beauty about something frightening is it gets you checking under the bed. What we've discovered is that we still have room to improve on the cost front. After an extended period of being highly focused on growth, we are shifting more management attention to cost efficiency. We will find further ways to rid the Fund of unnecessary costs wherever they are hiding.

### Steady as She Goes

In December the Fund declared a special distribution of \$0.1674 per unit in addition to regular monthly distributions totaling \$0.8597 per unit for the Period for a total combined distribution per unit of \$1.0271. This compares to total per unit distributions of \$1.1567 for the 2007 calendar year or an 11% reduction in total distributions. The Fund's payout ratio on Standardized Distributable Cash totaled 99.1% for the Year compared with 94.2% for 2007. A special distribution of the Fund was declared December 16<sup>th</sup> based on management's projection of results to the end of December. A disappointing final two weeks resulted in a higher than projected payout ratio. Since inception Gamehost has averaged a 94.9% payout ratio on Standardized Distributable Cash. The Fund's current rate of regular monthly distribution is set at \$0.0733 per unit. Given our current view of the economic horizon there is nothing to indicate the Fund's ability to sustain distributions at this level will be impaired.

## Around the Province

Our Ft. McMurray property, Boomtown Casino, enjoys ideal operating conditions and again posted record revenues and earnings for the Period. Continued growth in 2009 will be challenging, however, with announced deferrals of some major oil sands projects in the area.

Difficulties in Grande Prairie began in 2007 and continued into 2008. The forestry sector continues to suffer the effects of a fall out in USA residential construction activity. Canadian residential construction is now also slowing. Forestry products from the Grande Prairie area depend on these markets. The introduction of non-smoking legislation on January 1, 2008 had an immediate adverse impact on our Great Northern Casino. On a broader scale, a provincial royalty review in 2008 resulted in increased royalty rates on oil & gas producers. This hit the natural gas industry when they were already suffering from low commodity prices. With oil prices now also tumbling on falling world demand Grande Prairie is feeling pressure on a number of fronts. Revenues were lower by some 15% from a year earlier with a 20% reduction in earnings. On a positive note, while still early into the 2009 operating year, Grande Prairie is seeing a moderate increase over a bottom reached in 2008. In addition to these early revenue results the property has made significant progress in trimming operating costs. Our Service Plus hotel in Grande Prairie has shown remarkable resilience given an additional 600 guest rooms added to the trading area during the year on top of reduced demand.

In addition to the same economic issues facing our properties elsewhere in the province, Calgary has two more: competition and competition that still offers smoking. We would otherwise have little to say about non-smoking except that the legislation does not apply to First Nations casinos. Clearly, when given a choice, a significant segment of the gaming public will choose a gaming venue that offers smoking over one that doesn't. This unfair advantage has hurt all traditional casino operators in Calgary not to mention the charitable groups supported by traditional casino operators. This is most apparent in year over year results for slot play at Deerfoot Inn & Casino which fell 30% from 2007. Total results at our Deerfoot Inn & Casino were assisted by strong hotel operations but still fell 14% for the Year from 2007. With two new casinos operating in Calgary over the number in 2007 a down turn in the economy was inopportune. Following the opening of a First Nations casino at the outset of 2008 the Fund, through a 20% participation in a joint venture, opened the new Stampede Casino in June of 2008. Gains at the new Stampede Casino have come slower than expected and are hard won. Early results into 2009 show promise. New marketing programs including a joint loyalty club with the Deerfoot Joint Venture are providing traction at both properties.

## Seen our Hat?

With so many corporate leaders lining up at government offices with their hats in hand we thought for a moment we'd lost ours. But, it was right on our head where it belonged. We are likely in for a period of prolonged economic stagnation. We are in an enviable financial position, however, with a strong balance sheet, excellent cash flow and the best management team. Through this uncertain period, it is our intention to manage to win not manage to survive.

Thank you for your continued support,

March 17, 2009

On behalf of all management and trustees, sincerely,



David J. Will  
President and Chief Executive Officer  
Gamehost Management Inc.



Darcy J. Will  
Vice President

## Management's Discussion and Analysis for the twelve and three months ended December 31, 2008

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This Management's Discussion and Analysis ("MD&A") of the business, operating results, liquidity and capital resources and other financial information of Gamehost Income Fund (the Fund") is dated March 17, 2009.

Annual Consolidated Financial Statements of the Fund for the twelve months ended December 31, 2008 (the "Period") and three months ended December 31, 2008 (the "Quarter") have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and include the operating results of the Fund, its subsidiaries and a proportionate share of its joint ventures.

Certain prior year figures have been reclassified to conform to the current year presentation. All figures are reported in Canadian dollars.

This MD&A focuses on year over year comparative results for the Period and for the Quarter when significant. Readers are directed to prior MD&A for specific discussion of results of previous quarters. Earlier financial statements, management discussion and other disclosures of the Fund can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

### Caution to the Reader

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#### Use of Non-GAAP Financial Measures

This MD&A makes reference to financial measures that do not have any standardized meaning prescribed by GAAP. Specifically, the MD&A may reference earnings before interest, taxes, depreciation and amortization ("EBITDA") or "standardized distributable cash" which are both non-GAAP financial measures.

EBITDA is a commonly used measure of financial performance by the broader financial community. Management believes that EBITDA provides information to the reader on the Fund's performance in generating cash from normal operations before any financing costs associated with generating those earnings. The Fund's means of financing can change over time at the discretion of management. As such, EBITDA can assist the reader in assessing not only the Fund's performance in generating cash, but also the Fund's ability to meet current or future financing obligations. There is no standardized meaning prescribed by GAAP for EBITDA. Comparing EBITDA of the Fund to EBITDA reported by other issuers may be misleading. EBITDA should not be relied upon as a sole measure of performance. A reconciliation between EBITDA and net earnings as defined by GAAP can be found on page 18 of this MD&A.

This MD&A is in all material respects in accordance with the recommendations provided in Canadian Institute of Chartered Accountants (CICA) publication *Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities: Guidance on Preparation and Disclosure*. A reconciliation of standardized distributable cash to cash from operating activities as reported on the Consolidated Statements of Cash Flow can be found on page 25 of this MD&A.

Industry specific terms relating to the operations of the Fund are used throughout this MD&A. They are defined when they first appear and capitalized throughout this MD&A.

## **Forward Looking Statements**

This MD&A may contain forward-looking statements. Forward-looking statements may contain words such as “anticipates”, “believes”, “could”, “expects”, “indicates”, “plans” or other similar expressions that suggest future outcomes or events. Forward looking statements have risks and uncertainties of varying significance. Management attempts to minimize the use of forward looking statements. Any use of forward looking statements reflect reasonable assumptions made on the basis of management’s current beliefs with information known by management at the time of writing. Factors that may affect results include, but are not limited to, governmental legislation and regulation at the national, provincial or municipal level, general or local business and economic conditions, the good standing of business, gaming and liquor licenses, competition, consumer preferences and disposable incomes, demographic shifts and weather patterns. Any number of these factors, and others, could cause actual results to differ from forward-looking statements. Additional information about the inherent risks in forward looking statements and any management assumptions of risk can be found in the Business Risks and Opportunities section at the end of this MD&A.

## **Internal Control over Financial Reporting (ICFR) and Disclosure Controls & Procedures (DC&P)**

Management is responsible for establishing and maintaining adequate ICFR for the Fund including adequate DC&P. ICFR includes policies and procedures that (1) pertain to the maintenance of records that reasonably, accurately and fairly represent transactions of the Fund, (2) provide reasonable assurance that transactions are recorded as required to permit the preparation of Financial Statements in accordance with Canadian GAAP and that receipts and expenditures are made with appropriate authorization of the Fund’s management and directors and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Fund’s assets that could have a material effect on the Financial Statements.

There has been no change in the Fund’s ICFR that occurred during the Quarter that has materially affected, or is reasonably likely to materially affect, the Fund’s ICFR. The effectiveness of ICFR has been evaluated and management has concluded that the Fund’s ICFR is effective. There is no "material weakness" relating to the design of the Fund’s ICFR (a "material weakness" is defined to mean a deficiency or combination of deficiencies in ICFR such that there is a reasonable possibility that a material misstatement of the reporting issuer’s annual or interim financial statements will not be prevented or detected on a timely basis).

The effectiveness of DC&P has been evaluated. Management has concluded that the Fund’s DC&P are operating effectively.

## Organizational Structure

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### The Fund

Gamehost Income Fund (the "Fund") is an unincorporated open-ended limited purpose trust established under the laws of the Province of Alberta and is governed by a trust agreement dated April 9, 2003 (the "Fund Agreement").

### The Trust

Gamehost Trust (the "Trust") is an unincorporated open-ended limited purpose trust established under the laws of the Province of Alberta and is governed by a trust agreement dated April 10, 2003 (the "Trust Agreement"). All of the issued and outstanding units of the Trust are owned by the Fund. The trustees of the Trust are the trustees of the Fund.

### The Limited Partnership

Gamehost Limited Partnership (the "Limited Partnership") is a limited partnership formed under the laws of the Province of Alberta. The Limited Partnership owns the assets and business operations of the Fund. The Limited Partnership began operations of the Fund effective June 1, 2003.

### The Manager

The general partner of the Limited Partnership is Gamehost Management Inc. (the "Manager"). Pursuant to a management agreement (the "Management Agreement") between the Fund and the Manager, the administration and management of the Fund was delegated to the Manager.

### Units

An unlimited number of Fund Units and Special Voting Units may be created and issued pursuant to the Fund Agreement. The Limited Partnership is authorized to issue unlimited numbers of both Fund Units and Class B Limited Partnership units ("B Units"). There are 10,773,153 Fund Units and 10,334,400 B Units of the Limited Partnership issued and outstanding. B Units are exchangeable, on a one-for-one basis, for Fund Units. Holders of Fund Units and holders of B Units have equal voting rights. Two additional units of the Fund were issued for every unit outstanding on April 21, 2008 (effectively a 3 for 1 split). Otherwise, there has been no change in the number of units issued or outstanding during the Period.

## Overview of the Fund

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The Fund's activities are currently confined to the Province of Alberta, Canada. Operations include the Boomtown Casino in Ft. McMurray, the Great Northern Casino in Grande Prairie and Service Plus Inns & Suites ("Service Plus"), a limited service hotel, also located in Grande Prairie. As a complement to the hotel, the Fund owns a retail complex (the "Strip Mall") that leases space to separate pub and full service restaurant operations. The Fund is a 40% joint venture partner in Deerfoot Inn & Casino Inc. (the "Deerfoot Joint Venture") in Calgary and a 20% joint venture partner in Calgary West Hospitality Inc. (the "Stampede Joint Venture") which opened in Calgary on June 19, 2008

Gaming operations of the Fund are controlled by the Alberta Gaming and Liquor Commission. Operations include Fund owned table games and the government owned slot machines and lottery ticket outlets. Hotel operations of the Fund include full and limited service hotels and banquet and convention services. Food, beverage and entertainment are offered at each of the Fund's casino locations.

Management believes in a combined entertainment and hospitality model. Our model targets the entertainment seeker and social occasional gamer. Clean, inviting venues that deliver live entertainment, lounging and dining, rest and relaxation together with gaming are situated in community based locales.

It is the intent and practice of the Fund to distribute taxable income of the Fund to unit holders by way of regular monthly cash distributions.

## Selected Annual Information

Selected Annual Information	December 31 (twelve months)				
	2008	2007	2006	2005	2004
Revenue	<b>55,565.0</b>	57,619.9	49,293.6	31,085.5	25,426.4
Net earnings <sup>1</sup>	<b>21,455.0</b>	19,271.6	21,178.6	15,340.3	12,726.5
Net earnings/unit <sup>1,2</sup>	<b>\$1.0165</b>	\$0.9130	\$1.0033	\$0.7267	\$0.6030
Total assets	<b>102,212.2</b>	92,284.6	91,682.3	92,403.4	76,500.6
Total long term liabilities	<b>1,853.6</b>	2,234.8	-	-	-
Cash distributions declared/unit <sup>2</sup>	<b>\$1.0271</b>	\$1.1567	\$0.9267	\$0.6767	\$0.5733

(in thousands of dollars unless stated otherwise)

<sup>1</sup> Before earning allocation to minority unit holders. There were no discontinued operations or extraordinary items.

<sup>2</sup> Basic and fully diluted

Over the selected annual periods organic growth has played a major role in the ongoing success of the Fund. All business segments of the Fund including food & beverage, hotel and gaming operations have made significant contributions. The Fund is a 40% joint venture owner of Deerfoot Inn & Casino which opened in November of 2005. In early 2006, the Fund completed an expansion of Boomtown Casino effectively doubling its size. In June of 2008 the Fund entered into a second joint venture with a 20% interest in the new Stampede Casino. Together with organic growth, these expansions allowed the Fund's interest in slot machines to increase from 499 machines to 1,209 machines and gaming tables to increase from 32 tables to 53 tables. Hotel rooms increased from 123 to 198 over the same period and food, beverage and entertainment services grew in relation to these expansions. The Fund's success has been assisted by a strong Alberta economy, a growing population and higher than average disposable incomes.

Unless otherwise stated, all figures and results presented in this MD&A include only the Fund's 40% and 20% interests in the assets, liabilities, equity and operating results of the Deerfoot Joint Venture and the Stampede Joint Venture respectively.

## Overall Financial Results and Condition of the Fund

At the end of the Period the Fund had \$102.2 million in total assets \$9.9 million greater than at the start of the year. Cash and cash equivalent balances of \$12.9 million are marginally lower from \$13.1 million at the start of the year. For the Period, the Fund's payout ratio on Standardized Distributable Cash was 99.1% compared to 94.2% for 2007. The Fund paid regular monthly cash distributions of \$0.0733 per unit throughout the Quarter and in December 2008 declared a special distribution payable in January 2009 of \$0.1674 per unit.

A provincial wide smoking ban in the province was implemented on January 1, 2008. The initial adverse impact of the smoking ban has diminished over the Period. Competition and consumer pessimism have replaced non-smoking as threats to short term growth.

In the Grande Prairie area the Fund operates the Great Northern Casino, Service Plus Inns & Suites hotels and a multi-tenant strip mall. A major downturn in USA home building is affecting the local forestry and forest products industry. The area is also a significant oil and natural gas producing region. Volatility in this sector directly affects our Grande Prairie operations.

Boomtown casino in Ft. McMurray enjoyed a highly successful year supported by oil sands development in the region. Until most recently, the community appeared isolated from the impact of a slowing global economy.

Joint venture operations in Calgary encountered headwinds from a competitive market place. The mid year opening of the Stampede Joint Venture also incurred substantial opening costs that were expensed to operating costs.

The impending Federal government tax on distributions from income trusts, effective January 2011, will impact the Fund adversely. Management believes that current regular monthly distributions are sustainable. Changes in cash flow will be monitored closely during the current period of uncertainty. Dependant on the Fund's response to the tax there may be one time costs incurred prior to the effective date of the tax. These costs, if any, can not be estimated with any degree of certainty.

## Quarterly Performance Summary

Quarterly Performance	2008				2007			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total revenue	14,309	14,378	13,545	13,333	14,912	14,280	14,345	14,083
Expenses	8,218	8,149	7,221	7,033	7,605	7,347	7,239	7,079
EBITDA <sup>1 2</sup>	6,091	6,229	6,324	6,300	7,307	6,933	7,106	7,004
EBITDA %	42.6%	43.3%	46.7%	47.2%	49.0%	48.5%	49.5%	49.7%
Net earnings before minority interest	5,212	5,186	5,586	5,471	6,558	259	6,268	6,186
Net earnings % before minority interest	36.4%	36.1%	41.2%	41.0%	44.0%	1.8%	43.7%	43.9%
Net earnings per unit <sup>3</sup>	\$0.247	\$0.246	\$0.265	\$0.259	\$0.311	\$0.012	\$0.297	\$0.293

(in thousands of dollars unless stated otherwise)

<sup>1</sup> EBITDA is not a defined measure under Canadian GAAP. See Caution to Reader under MD&A

<sup>2</sup> Before earnings allocation to minority unit holders. There were no extraordinary items or discontinued operations

<sup>3</sup> Basic and fully diluted, all classes

Costs associated with a typically high volume holiday season in November and December were not matched by anticipated revenues. An extended period of below average temperatures in December across Alberta resulted in lower than expected foot traffic at Fund properties.

## Revenues

### Total Revenue

Total Revenue	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2008	2007	+(-)	2008	2007	+(-)	Q3 2008	+(-)
Total Revenue	55,565.0	57,619.9	(3.6%)	14,309.1	14,911.7	(4.0%)	14,378.1	(0.5%)

(in thousands of dollars unless stated otherwise)

Overall business volume was generally lower at same store properties during the Period. This was especially true through an extended winter cold snap in the Quarter. Incremental results provided by the new Stampede Joint Venture beginning June 2008 have softened the year over year declines.

### Hotel Rooming Revenue

Hotel Rooming includes both guest and meeting room sales at hotels. Occupancy and Average Daily Rate ("ADR") are calculated on guest room sales only.

Hotel - Rooming	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2008	2007	+(-)	2008	2007	+(-)	Q3 2008	+(-)
Rooming	8,388.9	8,627.6	(2.8%)	2,064.2	2,078.4	(0.7%)	2,265.0	(8.9%)
Occupancy	77.2%	78.8%	(1.6%)	78.4%	75.9%	2.5%	79.9%	(1.4%)
ADR	\$149.91	\$148.17	1.2%	\$147.46	\$146.92	0.4%	\$156.59	(5.8%)

(in thousands of dollars unless stated otherwise)

Strong year over year occupancies at the Deerfoot Joint Venture were offset by a decline in occupancy at Service Plus. Room rates at the full service Deerfoot Joint Venture are substantially higher than those for the limited service Service Plus property. A moderate overall decline in occupancy but an increase in ADR result from the combined results. Sharp drops in occupancy are cyclical in the hotel industry following the pre-Christmas season. Expectedly, Q4 rooming revenues are lower than the previous quarter.

Occupancy levels at the Deerfoot Joint Venture were up 1.9% to 78.0% in the Period over the same period in 2007. The high growth, minimal competition, southeast quadrant of the City of Calgary continues to accrue benefits to the property. The Deerfoot Joint Venture produced a Period ADR of \$171.65, 3.7% higher than the previous year.

Service Plus posted remarkable results given significant added rooming capacity in the Grande Prairie market and a slowing in the regions economic activity. Occupancy declined 5.0% year over year to 74.7% for the Period. The superior location and management of Service Plus are credited with minimizing deterioration of ADR in the oversupplied market. ADR fell marginally by 1.9% to \$137.26 during the Period compared to the previous year.

### Table Game Revenue

Table play and table revenue sharing is regulated in Alberta by the Alberta Gaming and Liquor Commission. In general terms, 'Drop' is the total amount of money anted and bet by players at most table games. 'Hold' is the amount won from the drop at each table. Hold as a percentage of the drop will fluctuate. The hold is shared in varying percentages between charities and the casino operator dependant on the size and location of the casino. The operator's percentage of the hold is the 'Net'.

The game of Poker has a 'Pot' rather than a drop. The pot is the total amount anted and bet by players at a poker table. 'Rake' is the total amount of the pot that is retained by the table and is usually a flat fee for each hand played. Rake is shared in varying percentages between the charity and casino operator

dependant on agreements with the Alberta Gaming and Liquor Commission. The operator's percentage of the rake is the 'Net'. Financial statements of the Fund report only the net of the hold or rake.

Table Revenue	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2008	2007	+(-)	2008	2007	+(-)	Q3 2008	+(-)
General and High Limit	6,504.6	6,723.8	(3.3%)	1,509.4	1,680.7	(10.2%)	1,936.4	(22.0%)
Poker	1,380.6	1,126.6	22.5%	383.8	315.1	21.8%	361.1	6.3%
Caribbean Stud	110.7	205.0	(46.0%)	21.4	49.7	(57.0%)	23.2	(7.7%)
	7,995.9	8,055.4	(0.7%)	1,914.6	2,045.5	(6.4%)	2,320.7	(17.5%)

(in thousands of dollars unless stated otherwise)

Table Drop and Hold	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2008	2007	+(-)	2008	2007	+(-)	Q3 2008	+(-)
Drop	70,468.9	59,952.2	17.5%	20,039.0	15,359.6	30.5%	20,061.8	(0.1%)
Hold %	17.1%	18.6%	(1.5%)	15.9%	17.5%	(1.6%)	17.2%	(1.4%)

(in thousands of dollars unless stated otherwise)

Tables (# of)	end of Period			vs. previous quarter	
	2008	2007	+(-)	Q3 2008	+(-)
All Others	40.2	35.4	5.2	40.2	0.6
Poker	11.2	9.2	2.0	11.2	0.0
Caribbean Stud	1.0	1.4	(40.0%)	1.0	0.0
	53.0	46.0	7.0	52.4	0.6

Net table revenues ended largely flat for the year after tracking significant growth for the Period well into the Quarter. The final weeks produced a number of large table losses eliminating any growth for the year.

Caribbean Stud tables have been removed from a number of our facilities on waning popularity.

Table activity, on the other hand, has been a particular bright spot for the Fund over the Period. While the opening of the Stampede Joint Venture has been a significant factor in the growth, Boomtown also recorded substantial growth in table activity. For Boomtown, this is a marked change from the past few years when retaining dealers and opening tables were issues.

Boomtown Casino reported table drop of \$20.7 million and \$6.2 million for the Period and Quarter respectively for year over year increases of 25% and 47% respectively. Net hold percentage also rose to 17% and 16% for the Period and Quarter representing year over year increases of 0.4% and 0.7% respectively.

Great Northern Casino reported table drop of \$14.0 million and \$3.9 million for the Period and Quarter respectively for year over year declines of 1% for the Period and an increase of 9% for the Quarter. Net hold percentage declined 2.5% and 5.8% to 18% and 16% for the Period and Quarter respectively.

Deerfoot Joint Venture reported table drop of \$65.4 million and \$15.3 million for the Period and Quarter respectively for year over year declines of 17.4% for the Period and 29.9% for the Quarter. A First Nations casino, open since the start of the 2008 calendar year, is having an unfavourable impact on year over year results. The reduction in table drop could also be partially attributable to the opening of the Stampede Joint Venture. Net hold percentage declined 1.4% and 2.1% to 17% and 15% respectively for the Period and Quarter.

On partial year results, Stampede Joint Venture reported table drop of \$47.8 million and \$19.5 million for the Period and Quarter with net hold percentage of 15.3% and 16.0% for the Period and Quarter respectively.

## Slot and Video Lottery Terminal Revenue

In Alberta, slot machine odds are regulated by the Alberta Gaming and Liquor Commission (the "AGLC"). The revenue sharing arrangement for amounts won by the slot machines is also set by the AGLC. Under the current arrangement casino operators, charities and the provincial government share the machine win on a 15/15/70 split respectively. Slot machine revenue, therefore, is determined by the above arrangements as well as the number of hours each machine operates and how much money is played on a machine ('Cash Play') during hours of operation.

Slot Revenue	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2008	2007	+(-)	2008	2007	+(-)	Q3 2008	+(-)
Revenue	<b>21,714.1</b>	23,289.6	(6.8%)	<b>5,448.6</b>	5,897.4	(7.6%)	5,544.7	(1.7%)

(in thousands of dollars unless stated otherwise)

Slot Statistics	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2008	2007	+(-)	2008	2007	+(-)	Q3 2008	+(-)
Cash Play	<b>1,893.0</b>	1,992.3	(5.0%)	<b>468.5</b>	500.7	(6.4%)	494.4	(5.2%)
Machines <sup>1</sup>	<b>1,208.8</b>	1,069.6	139.2	<b>1,208.8</b>	1,069.6	139.2	1,205.6	3.2

(in millions of dollars unless stated otherwise)

<sup>1</sup> At the end of the Period or Quarter

There are some telling signs of the times in overall slot numbers for the Period. With an additional 136 slot machines contributing to slot results for the Fund during the Period compared to 2007, slot drop has declined. This is consistent with provincial statistics for slot play. Earlier in the year slot declines were indicative of the impact of non-smoking on gaming activity industry wide. The adverse affects of non-smoking on gaming activity are proven to diminish over time. However, its impact on our Calgary properties remains a concern due to the local presence of a First Nations casino that is exempt from the provincial non-smoking law. Across the rest of the province, the unfavourable impact on gaming activity from non-smoking has been replaced by wider economic concerns.

Boomtown Casino continues to be a bright spot on our landscape. Cash play rose by 8.7% and 9.5% for the Period and Quarter over the prior year. However, growth will be difficult to sustain into 2009 as capital budgets of major oil sands operators are being revised downward.

Great Northern Casino reported declines in cash play of 15.7% and 14.9% for the Period and Quarter over the prior year. Early signs in 2009 indicate a bottom has been reached, but economic uncertainty continues.

Deerfoot Joint Venture reported declines in cash play of 23.5% and 34.3% for the Period and Quarter over the prior year. The competitive nature of the urban Calgary market will compound the effects of an uncertain economy into 2009.

There are no year over year comparative results for the Stampede Joint Venture which opened June 19, 2008. The property added 120 slot machines (the Fund's 20% proportionate share) to the total slot machine count for the Fund. Growth in cash play has been slower than anticipated since the facility opened. However, current marketing efforts are encouraging. Loyalty clubs at both the Deerfoot and Stampede Joint Ventures were recently consolidated and have boosted foot traffic at both facilities.

## Food & Beverage (“F&B”) Revenue

Food service operating arrangements differ by property from 100% owner operations to combinations of owner and 3<sup>rd</sup> party operating agreements. Only beverage service is consistently delivered directly by the Fund. Where food operations are run by a 3<sup>rd</sup> party, the Fund earns a commission on those sales.

F&B Revenue	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2008	2007	+(-)	2008	2007	+(-)	Q3 2008	+(-)
Food & mix	4,053.1	3,967.9	2.1%	1,286.6	1,208.3	6.5%	910.3	41.3%
Liquor	8,302.0	8,523.1	(2.6%)	2,346.4	2,343.0	0.1%	2,014.3	16.5%
	12,355.1	12,491.0	(1.1%)	3,633.0	3,551.3	2.3%	2,924.6	24.2%

(in thousands of dollars unless stated otherwise)

F&B operations benefited from the banquet and party season during the Quarter. The addition of the Stampede Joint Venture explains good year over year food results.

Boomtown F&B had positive revenue growth overall. Year over year revenues for the Period were up 5% and 9% for the Period and Quarter respectively. Most of the gains were recorded in liquor sales which result in much higher margins than the small commission based food & mix sales.

Great Northern Casino had F&B revenues followed the downward trend seen in slot play albeit to a lesser extent. Results for the Period compared to 2007 were lower by 10.9%. General Management of the facility was replaced during the year following a retirement. New management has a marked focus on re-establishing the property as “the place to be” for entertainment and fun in Grande Prairie. Recent results suggest the customer is responding.

Deerfoot Joint Venture overall F&B sales were down 12% and 16% year over year for the Period and Quarter. Liquor sales were off 20% and 26% respectively year over year for the Period and Quarter while food sales remained close to even with prior year results. A strong Christmas banquet season is credited with on par food sales. Otherwise, lower foot traffic and reduced individual consumption explains a sharper drop in alcoholic beverages.

Stampede Joint Venture F&B revenues are highly correlated to the number of events hosted on the surrounding exhibition grounds. Flames hockey games at the neighbouring Saddledome are especially beneficial. A long run in the 2009 NHL playoffs will boost Q1 2009 revenues. Management leased one of the three restaurants on premises to a 3<sup>rd</sup> party operator. The Asian themed restaurant can be more effectively operated by this arrangement which is similar to those agreements in place at the Funds’ northern casinos.

## Lease and Rental Revenue

Lease and rental revenue is derived predominantly from three leases in the Strip Mall as well as lease and rental revenues generated within the casinos from 3<sup>rd</sup> party providers of on-premise food services.

Lease & Rental	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2008	2007	+(-)	2008	2007	+(-)	Q3 2008	+(-)
Total	328.3	316.6	3.7%	85.0	77.6	9.5%	79.6	6.8%

(in thousands of dollars unless stated otherwise)

Leases were successfully renegotiated with two tenants occupying 88% of available space in the Strip Mall during the Quarter. The resulting new rates represent a 29% increase to the previous rates. The lease on the remaining 22% of space in the Strip Mall expired in Q1 2009 and was vacated by the former tenant. Efforts are ongoing to fill this space.

## Other Revenue

Other revenue includes the more significant items of automated teller (ATM) fees, ticket sales, interest on bank balances, cigarette sales, equipment rentals, movie rentals and other room charges to hotel guests.

Other	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2008	2007	+(-)	2008	2007	+(-)	Q3 2008	+(-)
<b>Total</b>	<b>4,782.7</b>	4,839.8	(1.2%)	<b>1,163.7</b>	1,261.7	(7.8%)	1,243.5	(6.4%)

(in thousands of dollars unless stated otherwise)

ATM revenues represent the largest portion of other revenues. ATM revenues are directly correlated to gaming activity which has been reported lower earlier in this MD&A. Provincial non-smoking legislation also resulted in a 96% reduction in revenues from cigarette sales. These results were partially offset by incremental revenues from the new Stampede Joint Venture which did not operate in 2007.

## Expenses

### Total Expenses

Total Expenses	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2008	2007	+(-)	2008	2007	+(-)	Q3 2008	+(-)
<b>Total</b>	<b>34,109.9</b>	38,348.3	(11.1%)	<b>9,097.3</b>	8,353.5	8.9%	9,192.0	(1.0%)
<b>% of Revenues</b>	<b>61.4%</b>	66.6%	(5.2%)	<b>63.6%</b>	56.0%	7.6%	63.9%	(0.4%)

(in thousands of dollars unless stated otherwise)

Management has been diligent about reducing costs in step with declining revenues. Year over year comparatives reflect these initiatives. The opening of the Stampede Joint Venture incurred significant planned pre-opening expenses which reduced the benefits of cost cutting measures elsewhere. Optimization of costs for the Stampede Joint Venture and initiatives to reduce corporate overheads are ongoing.

### Cost of Sales

Cost of sales, in general, will fluctuate in direct correlation to changes in associated revenues. Other cost of sales are made up of mostly service charges in the hotel for such items as long distance telephone, movie rentals, laundry etc. Their corresponding revenues are included in Other Revenue. Cost of sales as a percentage of corresponding revenues will fluctuate moderately for Food & Mix and Liquor categories depending on the sales mix of individual products. More significant variations in the cost of sales percentage will be experienced for sales falling into the Other category due to the dissimilar nature of the products included.

Cost of Sales	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2008	2007	+(-)	2008	2007	+(-)	Q3 2008	+(-)
<b>Food &amp; Mix</b>	<b>1,952.4</b>	1,885.3	3.6%	<b>590.9</b>	556.2	6.3%	466.2	26.8%
<b>Liquor</b>	<b>1,827.5</b>	1,855.4	(1.5%)	<b>513.9</b>	491.4	4.6%	452.8	13.5%
<b>Other</b>	<b>162.9</b>	326.1	(50.0%)	<b>41.9</b>	78.9	(46.9%)	44.9	(6.6%)
<b>Total</b>	<b>3,942.9</b>	4,066.8	(3.0%)	<b>1,146.8</b>	1,126.5	1.8%	963.9	19.0%

(in thousands of dollars unless stated otherwise)

Cost of Sales %	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2008	2007	+(-)	2008	2007	+(-)	Q3 2008	+(-)
<b>Food &amp; Mix</b>	<b>48.2%</b>	47.5%	0.7%	<b>45.9%</b>	46.0%	(0.1%)	51.2%	(3.0%)
<b>Liquor</b>	<b>22.0%</b>	21.8%	0.2%	<b>21.9%</b>	21.0%	0.9%	22.5%	(0.5%)
<b>Other</b>	<b>54.7%</b>	64.7%	(10.0%)	<b>54.1%</b>	65.9%	(11.9%)	51.4%	3.3%

(in thousands of dollars unless stated otherwise)

Increases in cost of sales percentages in the most significant categories of Food & mix and Liquor reflect inefficiencies in the start-up of the Stampede Joint Venture. Efficiency gains at the Stampede Joint Venture are already apparent in comparative figures to the previous quarter. Further improvements can be expected in ensuing quarters. The elimination of low margin cigarette sales has resulted in a large improvement to the cost of sales percentage for other cost of sales.

## Human Resources

General administrative salaries and bonuses, Trustee and management fees, benefit costs, payroll taxes and other miscellaneous human resource costs are all combined under this heading.

Human Resources	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2008	2007	+(-)	2008	2007	+(-)	Q3 2008	+(-)
<b>Operations</b>	<b>13,161.1</b>	12,747.4	3.2%	<b>3,556.7</b>	3,315.5	7.3%	3,503.6	1.5%
<i>% of Revenues</i>	23.7%	22.1%	1.6%	24.9%	22.2%	2.6%	24.4%	0.5%
<b>General &amp; admin</b>	<b>561.4</b>	568.9	(1.3%)	<b>139.9</b>	139.5	0.3%	138.7	0.9%
<i>% of Revenues</i>	1.0%	1.0%	0.0%	1.0%	0.9%	0.0%	1.0%	0.0%
<b>Management fees</b>	<b>1,135.6</b>	1,311.1	(13.4%)	<b>285.0</b>	333.6	(14.6%)	253.2	12.6%
<i>% of Revenues</i>	2.0%	2.3%	(0.2%)	2.0%	2.2%	(0.2%)	1.8%	0.2%
<b>Total</b>	<b>14,778.4</b>	14,627.4	1.0%	<b>3,901.9</b>	3,788.6	3.0%	3,895.6	0.2%
<b>% of Revenues</b>	<b>26.6%</b>	25.4%	1.2%	<b>27.3%</b>	25.4%	1.9%	27.1%	0.2%

(in thousands of dollars unless stated otherwise)

Higher operational labour due to the start-up of the Stampede Joint Venture is reflected in all comparable periods. Significant progress has been made and continues to be made to streamline the front line labour efficiency of this new operation. At all other properties labour is being scaled back in proportion to declines in revenue.

Management fees are based on a percentage of revenue and EBITDA. These fees are down on lower revenue and EBITDA.

## Marketing and Promotions

Marketing and promotions include all donations, sponsorships and complimentary services offered at properties in addition to sales and advertising expenses. Staff promotions including discounted meal vouchers are also included under this heading.

Marketing	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2008	2007	+(-)	2008	2007	+(-)	Q3 2008	+(-)
<b>Total</b>	<b>2,702.7</b>	2,209.8	22.3%	<b>721.1</b>	600.3	20.1%	756.9	(4.7%)
<b>% of Revenues</b>	<b>4.9%</b>	3.8%	1.0%	<b>5.0%</b>	4.0%	1.0%	5.3%	(0.2%)

(in thousands of dollars unless stated otherwise)

The Period saw substantial marketing campaigns for promotion of the new Stampede Joint Venture as well as campaigns at all properties geared to New Year's celebrations during the Quarter.

During the Quarter and into 2009, management shifted marketing dollars away from mass media advertising to focus on targeted promotions to our known customer base. The economic slowdown is currently making mass media advertising more attractive again. A return in measure to this type of promotion will be made to attract new customers.

Loyalty programs in place at both the Deefoot and Stampede Joint Ventures have been married and cross marketing campaigns are underway to promote non-competing events. Having two properties in Calgary gives the Fund a competitive advantage over other Calgary casinos in that customers can collect and redeem loyalty points at both locations.

## Operating Costs

Some of the more significant expenditures classed as operating costs include entertainment, premises leases, repairs & maintenance, utilities and operating supplies.

Operating	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2008	2007	+(-)	2008	2007	+(-)	Q3 2008	+(-)
<b>Total</b>	<b>7,048.6</b>	6,349.3	11.0%	<b>1,876.8</b>	1,599.4	17.3%	2,010.8	(6.7%)
<b>% of Revenues</b>	<b>12.7%</b>	11.0%	1.7%	<b>13.1%</b>	10.7%	2.4%	14.0%	(0.9%)

(in thousands of dollars unless stated otherwise)

With the opening of the Stampede Joint Venture increased operational spending is expected. Most significant of these expenses are utilities, general operating supplies and land lease costs. Operating expenses as a percentage of revenue will improve as the Stampede Casino gains economies of scale.

The focus at all other properties has been to reduce discretionary operational spending in line with revenue expectations. These efforts have been effective, but overshadowed by the increases at the Stampede Joint Venture.

## General and Administrative

General and administrative expenditures include professional fees, insurance, property and business taxes, corporate travel and other less significant expenses.

General & Administration	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2008	2007	+(-)	2008	2007	+(-)	Q3 2008	+(-)
<b>Total</b>	<b>2,149.1</b>	2,016.3	6.6%	<b>571.7</b>	489.8	16.7%	522.2	9.5%
<b>% of Revenues</b>	<b>3.9%</b>	3.5%	0.4%	<b>4.0%</b>	3.3%	0.7%	3.6%	0.4%

(in thousands of dollars unless stated otherwise)

Additional property and business taxes for the Stampede Joint Venture and increased fees associated with the Funds graduation to the TSX from the TSX Venture Exchange account for overall year over year increases in general and administrative expenses for the Period and Quarter. Substantial reductions in insurance costs and corporate travel costs partially offset other increases.

## Interest

Interest is incurred on debt facilities held by Gamehost Limited Partnership and joint ventures of the Fund.

Interest	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2008	2007	+(-)	2008	2007	+(-)	Q3 2008	+(-)
<b>Total</b>	<b>1,432.8</b>	1,099.7	30.3%	<b>390.4</b>	267.3	46.1%	380.8	2.5%
<b>% of Revenues</b>	<b>2.6%</b>	1.9%	0.7%	<b>2.7%</b>	1.8%	0.9%	2.6%	0.1%

(in thousands of dollars unless stated otherwise)

Falling interest rates continue to benefit the Fund given most debt is tied to variable bank rates. A comparison of interest expenses for the Period and Quarter to those of the prior year and prior quarter include additional debt facilities placed for the new Stampede Joint Venture resulting in higher overall interest costs.

The Limited Partnership of the Fund paid down its \$6.0 million revolving credit facility by \$2.0 million during the Period to \$4.0 million at the end of the year further reducing interest expenses. Outstanding against an

additional \$9.0 million in debt facilities is \$8.4 million. The Limited Partnership is making regular monthly blended interest and principal payments of \$103,345 providing ongoing reductions to interest costs.

The Fund's portion of the total original debt facilities of the Deerfoot Joint Venture total \$9.6 million which includes \$800,000 in available revolving debt. The Deerfoot Joint Venture has reduced the outstanding portion of the revolver to zero. The Fund's portion of the outstanding non-revolving portion of the Deerfoot Joint Venture debt is \$6.9 million. The Fund's portion of monthly principal payments on this debt is \$100,000 providing ongoing reductions to interest costs.

During the Quarter the original construction debt facilities for the Stampede Joint Venture were converted to a committed 5 year term facility with scheduled amortization over 15 years. The Fund's portion of the total original term debt totals \$7.0 million. The term debt was issued in the form of bankers acceptances including a 3 year interest rate swap on approximately half of the total amount. The Fund's portion of the outstanding balance of the term facility is \$6.9 million at the end of the Period. The Fund's portion of scheduled principal reduction on the term debt is \$39,000 monthly. The Stampede Joint Venture is in default of certain financial ratio covenants with the lender. All scheduled principal and interest payments are current. Management is involved in discussions with the lender for a mutually agreeable resolution.

## Future Tax

Bill C-52, which passed into Law in June 2007, will effectively tax the distributions of certain income trusts including the Fund effective January 1, 2011. As a result of the new tax legislation, any future tax assets or liabilities that are not expected to reverse themselves by the time the tax comes into effect are charged to income during the Period. Future tax expenses are a non-cash charge.

Future Tax	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2008	2007	+(-)	2008	2007	+(-)	Q3 2008	+(-)
Total	<b>(434.1)</b>	2,234.8	(119.4%)	<b>(380.0)</b>	(101.4)	274.8%	43.1	(981.9%)
% of Revenues	<b>(3.6%)</b>	3.9%	(7.4%)	<b>(2.7%)</b>	(0.7%)	(2.0%)	0.3%	(3.0%)

(in thousands of dollars unless stated otherwise)

Final asset allocations were completed during the Quarter for the Funds joint venture interest in the Stampede Joint Venture resulting in changes to future tax liabilities.

## Losses on Derivatives

The Funds portion of additional future interest expenses resulting from interest rate swaps is recorded as a non cash charge to income.

Fair Valuation Adjustments	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2008	2007	+(-)	2008	2007	+(-)	Q3 2008	+(-)
Total	<b>189.5</b>	0.0	100.0%	<b>189.5</b>	0.0	100.0%	0.0	100.0%
% of Revenues	<b>0.3%</b>	0.0%	0.3%	<b>1.3%</b>	0.0%	1.3%	0.0%	1.3%

(in thousands of dollars unless stated otherwise)

During the Quarter, the Stampede Joint Venture entered into a 3 year interest rate swap on a portion of its term debt facilities. The swapped facility incurs interest of 3.23% per annum versus the term facilities variable rate of 1.16% as at December 31, 2008. Should variable rates remain at their December 31, 2008 levels, the Fund would incur additional interest costs over the term of the swap arrangement in the amount reported.

## Net Earnings and Reconciliation of EBITA to Net Earnings

EBITDA to Net Earnings	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2008	2007	+(-)	2008	2007	+(-)	Q3 2008	+(-)
EBITDA	<b>24,943.4</b>	28,350.3	(12.0%)	<b>6,090.7</b>	7,307.1	(16.6%)	6,228.7	(2.2%)
Less:								
Amortization on property, plant and equipment	<b>2,300.2</b>	2,244.1	2.5%	<b>679.0</b>	583.0	16.5%	618.7	9.7%
Amortization of licenses	-	3,500.0	(100.0%)	-	-	0.0%	-	0.0%
Interest charges	<b>1,432.8</b>	1,099.7	30.3%	<b>390.4</b>	267.3	46.1%	380.8	2.5%
Future income tax expense	<b>(434.1)</b>	2,234.8	(119.4%)	<b>(380.0)</b>	(101.4)	274.8%	43.1	(981.9%)
Fair valuation adjustments	<b>189.5</b>	-	100.0%	<b>189.5</b>	-	100.0%	-	100.0%
Allocation to minority interest	<b>10,504.5</b>	9,435.5	11.3%	<b>2,551.7</b>	3,210.9	(20.5%)	2,539.1	0.5%
Net Earnings	<b>10,950.5</b>	9,836.2	11.3%	<b>2,660.1</b>	3,347.2	(20.5%)	2,647.0	0.5%
% of Revenues	<b>19.7%</b>	17.1%	2.6%	<b>18.6%</b>	22.4%	(3.9%)	18.4%	0.2%
Net earnings per unit <sup>2</sup>	<b>\$1.016</b>	\$0.913	\$0.103	<b>\$0.247</b>	\$0.311	(\$0.064)	\$0.246	\$0.001

(in thousands of dollars unless stated otherwise)

<sup>2</sup> Basic and fully diluted

## Facilities

Capital Leases are recorded on the balance sheet at would be purchase cost. Only scheduled payments over the term of the lease involve the use of cash.

Capital Expenditures	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2008	2007	+(-)	2008	2007	+(-)	Q3 2008	+(-)
Capital Leases	<b>93.2</b>	-	100.0%	<b>93.2</b>	-	100.0%	0	100.0%
Maintenance	<b>360.1</b>	418.2	(13.9%)	<b>153.5</b>	235.5	(34.8%)	11.6	1,226.0%
Expansion	<b>12,191.5</b>	480.5	2437.2%	<b>(91.7)</b>	0.0	(100.0%)	839.1	(110.9%)
	<b>12,644.8</b>	898.7	1,296.6%	<b>2,163.0</b>	235.5	(73.7%)	850.7	(92.7%)

(in thousands of dollars unless stated otherwise)

The Stampede Joint Venture entered into a number of capital lease arrangements for equipment.

In addition to routine capital maintenance spending during the Period, capital expansion expenditures include the Fund's Contributing Interest Responsibility in the Stampede Joint Venture. The Stampede Joint Venture opened on June 19, 2008, but various project related expenses were completed during the Quarter. Capital expansion spending is 100% financed.

All capital maintenance spending was paid out of cash generated from operations. In concert with efforts to reduce operating expenses, discretionary capital maintenance expenditures are also being closely scrutinized.

## Financial Condition

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### Liquidity

Cash provided by operating activities for the Period totaled \$23.5 million for the Fund, a decrease of \$4.2 million or 15% compared to \$27.4 million in 2007. At the end of the Period cash and cash equivalent balances totaled \$12.9 million. Factors affecting the Fund's ability to generate cash in the near and longer terms were listed in the section 'Forward Looking Statements'. These factors are discussed in more specific terms in the section 'Business Risks and Outlook'. Management does not believe any of these factors will have an adverse affect on the Fund's ability to sustain current regular monthly cash distributions with cash flow from operations.

The change in tax status for income trusts brought about by the passing of Bill C-52 will reduce the amount of cash available for distribution to unit holders effective January 1, 2011. From that date forward distributions from the Fund will be subject to a 31.5% tax at the Fund level. From a unit holder perspective, distributions from the Fund following implementation of the new tax will no longer be treated as income but will receive the more favourable dividend status for tax purposes.

The Fund's cash and cash equivalent balances are made up of cash and traditional bank balances only. The Fund has no exposure to asset backed commercial paper ("ABCP").

Working capital, by definition, is current assets minus current liabilities. Term debt of the Limited Partnership and the Deerfoot Joint Venture include demand clauses without any event of default. Consequently, term loans are presented as current liabilities for financial reporting purposes. The Fund's lender does not consider the loans to be repayable within 12 months. Financial ratio covenants on term debt of the Stampede Joint Venture are in default. Accordingly, these otherwise long term commitments are considered current. Management is in discussions with the lender to reach a mutually agreeable resolution.

Internal working capital requirements for the Fund consists of cash floats for the operation of gaming tables, slot machines, VLT's, ATM machines, POS terminals, progressive jackpots and petty cash as well as one months operating expenses, one months debt service and one months regular distribution to the holders of Fund Units less amounts due to related parties. Float amounts are set by management and will fluctuate based on activity levels in the casinos. The Alberta Gaming and Liquor Commission requires all casinos to maintain a Minimum Continuing Net Working Capital Position ("MCNWCP"). MCNWCP allows for the removal of 50% of distributions to unit holders of the Fund. At the end of the Period the Fund has a \$9.7 million surplus to this requirement.

The Fund has a 40% Participating Interest in the operating activities of the Deerfoot Joint Venture. During the Period and Quarter the Fund received \$5.96 million and \$0.4 million respectively in cash distributions from the Deerfoot Joint Venture.

The Fund has a 20% Participating Interest in the operating activities of the Stampede Joint Venture which opened on June 19, 2008. The Stampede Joint Venture incurred significant pre-opening initial promotional expenses which were charged to operating expenses of the Fund. The Stampede Joint Venture made no cash distributions during the Period or Quarter.

### Commitments

The Fund has a 47.75% Contributing Interest Responsibility to the Deerfoot Joint Venture for any capital requirements. All current capital requirements of the Deerfoot Joint Venture have been satisfied. There were no requests for capital made by the Deerfoot Joint Venture during the Quarter.

The Fund, through its wholly owned subsidiary 1363840 Alberta Ltd (the "Subsidiary"), has a 23.1%

Contributing Interest Responsibility to the Stampede Joint Venture for any capital requirements. During the Period \$5.4 million was contributed to honour this responsibility including \$323,489 for an additional cash call from the Stampede Joint Venture during the Quarter. Further cash calls are likely but can not be reasonably estimated. Growth is materializing and costs are being optimized to monthly revenue levels. All known capital requirements of the Stampede Joint Venture have been satisfied to date.

On June 1, 2003 the Fund entered into a management services agreement with Gamehost Management Inc. The management agreement stipulates that Gamehost Management Inc. is entitled to a percentage of any earnings before interest, taxes, depreciation and amortization of the Fund.

The Fund entered into a management services agreement with 1068802 Alberta Ltd. The management agreement stipulates a fixed rate for site operational management for the Fund's Chief Operating Officer.

On April 26, 2005 the Deerfoot Joint Venture entered into a management services agreement with 1016312 Alberta Ltd. The management agreement stipulates that 1016312 Alberta Ltd is entitled to a percentage of the gross revenues plus a percentage of any earnings before interest, taxes, depreciation and amortization of the Deerfoot Joint Venture.

The Stampede Joint Venture intends to enter into a management services agreement with 1016312 Alberta Ltd. Terms of the agreement have not yet been finalized, but are expected to be similar to those of the Deerfoot Joint Venture.

The Fund has certain commitments for equipment, services and premises rent including the Funds Participating Interest Responsibility in commitments of joint ventures. At December 31, 2008 these commitments were;

<u>Operating Leases and service contracts</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Thereafter</u>
	2,383,289	2,182,938	2,193,433	1,699,365	1,564,408	34,710,000

## **Distributable Cash from Operations**

Distributable cash from operations is not a defined term under Canadian GAAP, and its application and interpretation vary widely from issuer to issuer. The Fund originally defined a calculation of distributable cash in its information circular dated April 22, 2003. In this document, distributable cash is calculated as net income determined in accordance with Canadian GAAP, subject to certain adjustments as set out in the Declaration of Trust, including:

- a) adding the following items: amortization on property, plant & equipment, future income tax expense and losses on dispositions of assets; and
- b) Deducting the following items: future income tax credits, gains on dispositions of assets and capital maintenance expenditures.

Other adjustments may be made to distributable cash as determined by a majority of the Trustees in their discretion.

The Canadian Institute of Chartered Accountants (CICA) Canadian Performance Reporting Board (CPRB) issued guidance on the adoption of a standardized measure for distributable cash ("Standardized Distributable Cash". The guidance compliments National Policy 41-201 regarding the disclosure of distributable cash. The Fund adopted this guidance shortly after it was issued in July 2007.

Distribution policy and practice

It is the intention of the Fund trustees to distribute sufficient income from the Fund so that the Fund will not have any liability for tax under Part I of the Income Tax Act. The Fund's mandate is to make consistent monthly cash payments to unit holders based on management's projections of the year's distributable cash.

The Fund is conservative in the monthly payout ratio of cash distributions to distributable cash from operations throughout the year. This allows the Fund to absorb smaller capital expenditures during the year without additional financing, provides for a reserve in the event funds are required for other purposes during the year and allows for the reduction of revolving loan balances and their associated interest costs. These practices may result in the build up of surplus cash for distribution. In mid December each year management makes earning projections to determine the taxable position of the Fund at December 31. Based on this projection, management will calculate a special distribution recommendation for the approval of trustees to eliminate any potential for taxes in the Fund. The Fund anticipates using all available tax shields each year. Trustees evaluate the special distribution recommendation with special consideration of other factors such as strategic plans of the Fund and Fund unit trading performance. The existence of surplus cash at the end of the year does not make certain that a special distribution will be declared.

Productive capacity

The Fund's assets are in land, land improvements, buildings, leasehold improvements, and furniture fixtures and equipment. Current productive capacity of the Fund consists of 10,530 square feet of retail space for lease, 123 guest rooms and 1 meeting room at Service Plus, the Fund's 40% Participating Interest in 188 guest rooms, 10 meeting/banquet rooms, 1 showroom, 3 restaurants and lounge at the Deerfoot Joint Venture, the Fund's 20% interest in 1 banquet room, 1 showroom and 3 restaurants at the Stampede Joint Venture and ancillary amenities for all facilities. Also included in productive capacity are the Fund's interests in four gaming licenses, one each for Boomtown Casino, Great Northern Casino the Deerfoot Joint Venture and the Stampede Joint Venture. Together these licenses provide a revenue stream for the Fund from an equivalent 1,209 slot machines and 53 table games. The table below summarizes changes in productive capacity since inception of the Fund.

Year	Event	Gaming/ Entertainment Sq ft	Banquet/ Convention Sq ft	Guest Rooms	F&B Seating	Electronic Gaming Devices	Tables	Lease Retail Sq ft
	Inception of Fund	31,864	-	123	165	420	32	10,530
2003	Great Northern Casino Expansion	9,800	1,200		45	59		
	AGLC adds slot machines					20		
2004	AGLC adds slot machines					83		
2005	Deerfoot Joint Venture opening	24,000	8,000	75	140	252	13	
2006	Boomtown Casino Expansion	11,000			40	193		
	AGLC adds slot machines					20		
2007	Deerfoot Joint Venture renovation	480			(20)	23		
2008	AGLC adds slot machines					16		
	Stampede Joint Venture	19,200	480		60	120	8	
	AGLC adds slot machines					3		
	Current	96,344	9,680	198	430	1,209	53	10,530

Productive capacity maintenance

Productive capacity maintenance costs for rooming and food and beverage facilities of the Fund are minimal. Maintaining the shine on our properties so that they continue to attract guests is largely one of regular refurbishment such as paint or new carpets and beds. For the most part, maintenance costs are treated as operational expenses at the time they are incurred and as such are already included in the

periodic cash provided by (used for) operating activities as reported in financial statements. Management may, however, undertake smaller capital projects to be paid from cash generated from operating activities. Examples of these costs include, but are not limited to such things as converting to keyless entry on guest room access doors or the installation of digital security. These capital costs, when funded from operating cash flow, would fall into the category of productive capacity maintenance for the purpose of determining distributable cash from operations.

Liquor sales require the Fund to hold a valid liquor license issued by the Alberta Gaming and Liquor Commission. Productive capacity maintenance of liquor sales is most significantly related to keeping this license in good standing, and requires the Fund to provide letters of guarantee in favour of Alberta Gaming and Liquor Commission in the event of default of payment for the supply of liquor.

Gaming operations of the Fund require minimal capital outlay by the Fund. Slot machines, VLT's and lottery ticket terminals are owned and maintained by the Alberta Gaming and Liquor Commission. Tables are owned and maintained by the by the Fund. Productive capacity maintenance of both tables and slot machines is more significantly measured in terms of maintenance of the Fund's charitable gaming operator licenses issued by the Alberta Gaming and Liquor Commission. Holders of these licenses must adhere to a strict set of terms and conditions. Furthermore, the three year licenses are subject to annual due diligence audits by the Alberta Liquor and Gaming Commission. Maintaining these licenses requires a nominal fee to cover the cost of Alberta Gaming and Liquor Commission's due diligence investigation which is expensed. The Fund's charitable gaming operator licenses have consistently received favourable results from these audits.

Annual capitalized costs for productive capacity maintenance should approximate \$320,000 per year for the Fund based on a historical review of these costs and current condition of facilities. Most often these will be paid for out of cash generated from operations.

#### Discretionary and other items

From time to time, at their discretion, management or trustees may elect to use or reserve cash for other purposes. Capital expansions paid from operating cash flow, changes to float balances based on operational needs, debt repayment and any other discretionary uses for cash as determined management and trustees may reduce the availability of cash for distribution to unit holders.

#### Long-term unfunded contractual obligations

The Fund has a fifteen year premises lease for Boomtown Casino and a fifty year land lease with Calgary Stampede and Exhibition through the Stampede Joint Venture. The Stampede Joint Venture has also entered into a number of capital leases over three years. There are no other long-term unfunded contractual obligations. The Fund does not have a pension plan or stock based compensation plan. The benign nature of the Fund's operations does not require that reserves be set up for environmental cleanup, asset retirement or other real or potential liabilities.

#### Debt Strategy

The current strategy of the Fund is to minimize debt and to keep structured debt repayment as flexible as possible. Current debt instruments will be maintained or eliminated to the extent they allow for repayment. Debt maintenance includes regular amortized monthly principal payments and intermittent payments/advances on revolving debt instruments. Surplus cash is routinely used to reduce revolving balances for the purpose of minimizing interest expenses throughout the year. Amounts are re-advanced to meet special distribution obligations if and when they are declared by trustees of the Fund.

Larger scale expansions or acquisitions would be funded by debt or equity to the extent that the mix of debt to equity would be accretive to distributions of the Fund. The Fund's investment in the Stampede Joint Venture is financed entirely by debt.

The Fund intends to repay existing non-revolving debt obligations over a period of time which will allow it to continue to pay distributions in the manner described in our Distribution policy and practice. Current debt facilities allow for scheduled amortization periods between 10 and 15 years in meeting distribution objectives.

#### Financing restrictions on distributions caused by debt covenants

The Limited Partnership has a demand term loan secured by assets owned by the Fund. The loan has two segments, the first requires blended principal and interest payments and is scheduled to term out over 10 years and the second is advanced on a revolving basis. This loan has no financial ratio debt covenants.

Debt facilities of the Deerfoot Joint Venture require the maintenance of certain financial ratio covenants:

1. Debt to equity ratio not greater than 3.00:1.00
2. Debt service coverage of not less than 1.25:1.00

Loan facilities of the Stampede Joint Venture require the maintenance of certain financial ratio covenants:

1. Total Funded Debt to EBITDA of less than or equal to 3.75:1, reducing as follows:
  - a. 12 months post Substantial Completion of less than or equal to 3.60:1;
  - b. 24 months post Substantial Completion of less than or equal to 3.00:1;
  - c. 36 months post Substantial Completion of less than or equal to 2.50:1;
2. Fixed Charge Coverage Ratio of not less than 1.25:1 at all times;
3. EBITDAR (EBITDA plus premises rent) Coverage Ratio of not less than 1.50:1 at all times, increasing as follows:
  - a. 24 months post Substantial Completion and thereafter of not less than 1.75:1;and
4. Minimum Equity of \$21 million plus 50% of annual net income to be maintained at all times.

Loan covenants also require the Fund to comply with Minimum Continuing Net Working Capital positions ("MCNWCP") as stipulated by the Alberta Gaming and Liquor Commission for the purpose of operating table games and Alberta Gaming and Liquor Commission slot machines.

#### Working Capital

Working capital, by definition, is current assets minus current liabilities. The Fund's term debt includes a demand clause in the event certain performance covenants are not met. GAAP requires the presentation of the term loans as current liability for financial reporting purposes due to the demand clause. The Fund's lender does not consider the loans to be repayable within 12 months.

Internal working capital requirements for the Fund consists of cash floats for the operation of gaming tables, slot machines, VLT's, lottery ticket terminals, ATM machines, TITO Kiosks, POS terminals, progressive jackpots and petty cash. Float amounts are set by management and will fluctuate based on activity levels in the casinos. Management works to minimize float balances on premises to a maximum 4% of combined slot cash play and table drop activity levels with cash surplus to this held in bank accounts.

In addition to cash floats on premises, the Fund maintains one month's operating expenses, one month's debt service and one month's regular distribution to the holders of Fund Units less amounts due to related parties. Un-used portions of revolving debt are considered working capital in the Funds determination of internal working capital. Working capital will typically be at its lowest level immediately following payment of any special year end distribution in January of each year.

Inventory levels and receivable targets vary by operation. Minimum targets include turning combined liquor and food inventories three times per month. Receivables are limited to hotel and banquet operations. Operations are expected to maintain a days sales outstanding (DSO) of not greater than 45 days. The Funds objective is to maintain the highest relationship with suppliers and remits all payables within stated terms, typically 30 days, but will take advantage of all early payment discounts offered.

The Fund is required to maintain a Minimum Continuing Net Working Capital position (“MCNWCP”) as stipulated by the Alberta Gaming and Liquor Commission for the purpose of operating table games and Alberta Gaming and Liquor Commission slot machines. All of the Fund’s working capital, including amounts from hotel and food and beverage activities and available revolving loan amounts, are available for use in the calculation of MCNWCP. The Fund’s internal working capital requirements typically exceed that of MCNWCP.

Standardized Distributable Cash

Standardized Distributable Cash is defined as periodic cash flows from operating activities as reported in the GAAP financial statements, including the effect of changes in non-cash working capital and any operating cash flows provided from or used in discontinued operations , less adjustments for: GAAP reported capital expenditures that have not been financed; and restrictions on distributions arising from compliance with financial covenants restrictive at the date of calculation of Standardized Distributable Cash and limitation arising from the existence of a minority interest in a subsidiary.

Standardized Distributable Cash	Q4 (twelve months)		Q4 (three months)		Since Inception
	2008	2007	2008	2007	
Cash from operating activities (see Statements of Cash Flows)	\$ 23,763	\$ 27,389	\$ 6,522	\$ 7,064	\$ 110,571
Less adjustment for:					
Capital expenditures	306	890	100	212	4,822
Financing restrictions caused by debt covenants	1,587	594	616	145	2,584
Standardized Distributable Cash	\$ 21,869	\$ 25,906	\$ 5,807	\$ 6,708	\$ 103,165
Standardized Distributable Cash/unit <sup>1</sup>	\$ 1.0361	\$ 1.2273	\$ 0.825	\$ 0.953	\$ 4.8876
Cash distributions	\$ 21,680	\$ 24,414	\$ 8,175	\$ 12,102	\$ 97,702
Cash distributions/unit <sup>1</sup>	\$ 1.0271	\$ 1.1567	\$ 0.3873	\$ 0.5733	\$ 4.6288
Payout ratio	99.1%	94.2%	140.8%	180.4%	94.7%

<sup>1</sup> Weighted average and fully diluted  
(in thousands of dollars unless stated otherwise)

The Fund adjusts Standardized Distributable Cash for entity specific needs when and if required. The introduction of TITO and related automated cashier kiosks required increased float levels at the time of implementation. These funds were supplied from operating cash flow and are not available for distribution to unit holders.

Adjusted Distribution Base (formerly Distributable Cash from Operations)	Q4 (twelve months)		Q4 (three months)		Since Inception
	2008	2007	2008	2007	
Standardized Distributable Cash	\$ 21,869	\$ 25,906	\$ 5,807	\$ 6,708	\$ 103,165
Less adjustment for:					
Change in floats	490	2,280	(350)	1,520	1,930
Adjusted Distribution Base	\$ 21,379	\$ 23,626	\$ 6,157	\$ 5,188	\$ 101,235
Adjusted Distribution Base/unit <sup>1</sup>	\$ 1.0219	\$ 1.1193	\$ 0.2917	\$ 0.2458	\$ 4.7961
Cash distributions	\$ 21,680	\$ 24,414	\$ 8,175	\$ 12,102	\$ 97,702
Cash distributions/unit <sup>1</sup>	\$ 1.0271	\$ 1.1567	\$ 0.3873	\$ 0.5733	\$ 4.6288
Payout ratio	101.4%	103.3%	132.8%	233.3%	96.5%

<sup>1</sup> Weighted average and fully diluted  
(in thousands of dollars unless stated otherwise)

## Distributions

### 2008 Distribution Summary

Month	Date Declared	Record Date	Payment Date	Distribution per Unit
January	17-Jan-08	31-Jan-08	15-Feb-08	\$0.0667
February	12-Feb-08	29-Feb-08	14-Mar-08	\$0.0667
March	24-Mar-08	2-Apr-08	15-Apr-08	\$0.0667
April	17-Apr-08	30-Apr-08	15-May-08	\$0.0733
May	16-May-08	31-May-08	13-Jun-08	\$0.0733
June	13-Jun-08	30-Jun-08	15-Jul-08	\$0.0733
July	7-Jul-08	31-Jul-08	15-Aug-08	\$0.0733
August	11-Aug-08	31-Aug-08	15-Sep-08	\$0.0733
September	10-Sep-08	30-Sep-08	15-Oct-08	\$0.0733
October	15-Oct-08	31-Oct-08	14-Nov-08	\$0.0733
November	13-Nov-08	30-Nov-08	15-Dec-08	\$0.0733
December	17-Dec-08	31-Dec-08	15-Jan-09	\$0.2407
Total				\$1.0271

### 2009 Distribution Summary

Month	Date Declared	Record Date	Payment Date	Distribution per Unit
January	15-Jan-09	31-Jan-09	13-Feb-09	\$0.0733
February	10-Feb-09	28-Feb-09	13-Mar-09	\$0.0733

## Tax attributes of cash distributions to unit holders

Unit holders, can expect their distributions to be mostly taxable as income. A small percentage of the unit holder's distributions may be return of capital for tax purposes. Any return of capital reported represents the excess of distributions from the Fund over that required to eliminate the taxable position of the Fund.

Return of capital is considered a partial return of the unit holder's original investment and reduces the cost base of their investment. Tax implications manifest on the return of capital portion when a unit holder sells their investment in the Fund and capital gains or losses are realized on the sale of the investment.

<b>Tax Attributes</b>	<b>Income</b>	<b>Return of Capital</b>	<b>Total</b>
<b>2008</b>	93.17%	6.83%	100.00%
<b>2007</b>	98.04%	1.96%	100.00%
<b>2006</b>	97.25%	2.75%	100.00%
<b>2005</b>	89.61%	10.39%	100.00%
<b>2004</b>	95.25%	4.75%	100.00%
<b>2003</b>	73.12%	26.88%	100.00%

### Tax on Income Trusts

On June 12, 2007 Bill C-52 formalizing the Government of Canada's proposal to tax the distributions of income trusts became law. The new tax effectively treats income trusts as corporations for tax purposes beginning January 1, 2011. Distributions, under the rules, will first be taxed at the Fund level at a current rate of 31.5%. The net amount would then be distributable to unit holders and treated as dividends for tax purposes. As a result of the new tax, the Fund was required to recognize the future tax assets and liabilities expected to arise when the new tax becomes applicable. Future tax as a result of the new tax law was reported for the first time in Q3 2007. Future income tax assets and liabilities are based on temporary differences between the tax treatment of assets and liabilities of the Fund and the accounting treatment of these same assets and liabilities reported on the Fund's financial statements to the extent that these differences will exist at 2011. Based on its assets and liabilities at December 31, 2008 and the expected tax rate of 31.5% for 2011, the Fund has estimated a future tax liability of \$1.8 million.

	<b>Net Value (tax basis)</b>	<b>Net Value (accounting basis)</b>	<b>Temporary Differences</b>
Plant and equipment	34,563,075	40,279,524	5,716,449

## **Capital Resources**

### Limited Partnership

The Limited Partnership has a \$15.0 million demand term loan secured by its land and buildings with the Canadian Western Bank ("CWB"). Interest on this loan is 1.0% above the CWB Prime Lending Rate. The Fund is making blended monthly principal and interest payments on a \$9.0 million segment of the loan amortized over 10 years. \$6.0 million of this loan is available on a revolving basis.

### Deerfoot Joint Venture

The Fund has a 40% Participating Interest Responsibility in the debt facilities of the Deerfoot Joint Venture. The Deerfoot Joint Venture has a demand term loan secured by its land and buildings. Interest on the loan floats at 1.0% above the CWB Prime Lending Rate. The Fund's portion of this loan includes monthly principal payments of approximating \$78,800 which have been accelerated to \$100,000. The combined total authorized facility of \$9.6 million is amortized over 15 years. The loan includes a \$0.8 million revolver.

### Stampede Joint Venture

The Fund has a 20% Participating Interest Responsibility in the debt facilities of the Stampede Joint Venture. The Stampede Joint Venture converted a demand construction loan with Bank of Montreal ("BMO") to banker's acceptances (BA) during the Period. The BA's currently mature on 30 day and 60 day intervals. Each BA stipulates a 2.25% stamping fee plus variable interest at BMO's Cost of Funds (COF)

rate. The Fund's portion of the combined BA is \$7.0 million.

One of the BA's, representing \$3.6 million is tied to a 3 year interest rate swap at 3.23% to the COF rate. An additional risk management facility of \$0.6 million is in place to facilitate interest rate hedging related risks associated with the swap agreement.

The Stampede Joint Venture has also secured a revolving operating line at BMO prime, \$1.4 million being the Fund's proportionate responsibility.

Credit Facilities		
	December 31, 2008	December 31, 2007
Authorized Maximum Loan amounts		
Demand loan	9,000,000	9,000,000
Revolving loan	6,000,000	n/a
Deerfoot Joint Venture - demand loan	8,800,000	8,639,701
Deerfoot Joint Venture - demand revolving loan	800,000	800,000
Stampede Joint Venture – revolving	1,400,000	n/a
Stampede Joint Venture – risk management	600,000	n/a
Stampede Joint Venture – BA's	3,400,000	n/a
Stampede Joint Venture – BA w/swap agreement	3,600,000	n/a
	33,600,000	18,439,701
Outstanding balance		
Demand loan	8,384,641	5,300,000
Revolving loan	4,000,000	n/a
Deerfoot Joint Venture - demand loan	6,948,283	7,803,526
Stampede Joint Venture – revolving	1,367,004	n/a
Stampede Joint Venture – risk management	n/a	n/a
Stampede Joint Venture – BA's	3,303,600	n/a
Stampede Joint Venture – BA w/swap agreement	3,579,800	n/a
	27,583,328	13,103,526
Advances (payments) during the calendar year		
Demand loan	3,084,641	3,300,000
Revolving loan	4,000,000	-
Deerfoot Joint Venture - demand loan	(855,244)	(593,631)
Stampede Joint Venture – revolving	1,367,004	-
Stampede Joint Venture – risk management	-	-
Stampede Joint Venture – BA's	3,303,600	
Stampede Joint Venture – BA w/swap agreement	3,579,800	
	14,479,801	2,706,369
Interest rate		
Demand loan	4.00% (P + 1.00%)	7.00% (P + 1.00%)
Revolving loan	4.00% (P + 1.00%)	n/a
Deerfoot Joint Venture - demand loan	4.00% (P + 1.00%)	7.00% (P + 1.00%)
Stampede Joint Venture – revolving	3.00% (P))	n/a
Stampede Joint Venture – risk management		n/a
Stampede Joint Venture – BA's	4.00% (COF + 2.25%)	n/a
Stampede Joint Venture – BA w/swap agreement	5.48% (3.23% + 2.25%)	n/a

The Fund provided an \$11.46 million unsecured limited liability guarantee to the Deerfoot Joint Venture to indemnify it in the event the Deerfoot Joint Venture does not perform its contractual obligations. The maximum potential liability under this guarantee is \$8.0 million. The Fund has not recorded a liability with respect to this guarantee, as the Fund does not expect to make any payments in excess of what is recorded on the Financial Statements for the aforementioned items. The Fund has not charged a fee to the Deerfoot Joint Venture in regards to this guarantee. No specific assets have been provided as security.

The Fund's investment in the Stampede Joint Venture is made through 1363840 Alberta Ltd (the "Subsidiary"). The Subsidiary was created for the sole purpose of investing in the Stampede Joint Venture. The Subsidiary pledged its participating interest, being 20%, in the Stampede Joint Venture as collateral. At December 31, 2008, the maximum potential liability under this guarantee was \$5.4 million being the funds contributed under the Subsidiary's contributing interest responsibility.

The Stampede Joint Venture did not meet all of the financial ratio covenants contained in the term loan agreement. These loans are technically in default. Discussions are ongoing with the lender to resolve deficiencies.

The Fund provided an additional \$5.0 million unsecured limited liability guarantee to the lender to the Stampede Joint Venture to indemnify it in the event the Stampede Joint Venture does not perform its contractual obligations. The Fund has not recorded a liability with respect to this guarantee, as the Fund does not expect to make any payments in excess of what is recorded on the Financial Statements for the aforementioned items. The Fund has not charged a fee to the Stampede Joint Venture in regards to this guarantee.

The Limited Partnership may cause to be issued unlimited numbers of units or other securities provided they do not rank ahead of minority Class B Units or Fund Units as to cash distributions, voting rights and other rights protected by the Limited Partnership Agreement.

The Fund has struck a special committee to evaluate options and develop a strategic plan in response to the government's Bill C-52. The bill effectively provides for the taxation of income trusts beginning January 2011. The new tax has not had any impact on the Funds access to financing.

## **Financial Instruments**

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### Fair value

The fair value of cash and cash equivalents, restricted cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, capital leases, demand loan, due to/from related parties and unit holders distributions payable approximate their carrying value due to the short-term maturities of these instruments.

The fair value of the Class B Partnership units has not been determined as it is not practical to estimate the fair value of these financial instruments with sufficient reliability.

### Foreign Exchange Risk

The Fund operates in Canada. The functional and reporting currency of the Fund is in Canadian dollars. The Fund is exposed, in its normal course of operations, to exchange rate risk from foreign exchange rate fluctuations. Foreign exchange risk arises because a Canadian dollar payable transaction denominated in foreign currencies may vary due to changes in exchange rates at the time the transactions are settled. Any differences in the settled amounts are recorded as part of cost of sales or expenses. Transactions in foreign currencies, mostly USA dollars, are not material. The Fund does not actively manage exposure to foreign exchange risk.

### Interest Rate Risk

The Fund's interest rate risk arises primarily from its variable rate debt in the aggregate amount of \$24.3 million. The Stampede Joint Venture has hedged a portion of its interest rate risk (see note 13). A plus or minus 1% change in interest rates would impact annual earnings by \$243,000 on all floating rate debt.

### Credit Risk

Credit risk arises from cash and cash equivalents held with banks and credit exposure to customers. The Fund, in the normal course of operations, monitors the financial condition of its customers. The Fund does not have significant exposure to any individual customer or counterparty.

Carrying amounts of accounts receivable are reduced on an account specific basis when appropriate. The Fund does not currently carry an allowance for doubtful accounts. Carrying amounts of accounts receivable are reduced by direct write-off to earnings in the period of loss recognition. At December 31, 2008, all aged receivables are current within stated credit terms and customer historical payment practices.

### Liquidity Risk

Liquidity risk arises from excess financial obligations over available financial assets due at any point in time. The Fund's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet ongoing liquidity requirements. The Fund achieves this by maintaining a conservative payout ratio on regular monthly distributable cash from operations and maintaining sufficient availability from committed debt facilities. The Funds payout ratio on Standardized Distributable Cash since inception is 94.5% and current availability on committed credit facilities is \$2.8 million.

There is a likelihood of additional cash calls to the Fund by the Stampede Joint Venture though amounts can not be estimated with any reliability. There is also the possibility of increased interest costs due to the Stampede Joint Venture being in breach of their lenders financial ratio and reporting covenants. Amounts can not be estimated with any reliability at present.

### Industry risk

Service Plus in Grande Prairie derives 80% of its business from the energy sector. As a result the Fund is exposed to industry risk at this operation.

It is management's opinion that the Fund is not exposed to significant other industry risk at the present time.

## **Related Party Transactions**

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Related party transactions are measured at the exchange amount which is the amount agreed to by related parties. Related party balances are non-interest bearing with no specific terms of repayment.

The Fund had related party transactions with the persons of David Will and Darcy Will and/or companies owned or controlled by David Will and/or Darcy Will collectively (the "Wills"). Both David Will and Darcy Will are trustees of the Fund. Together, the Wills control 44.0% of the outstanding units of all unit classes of the Fund. Transactions with the Wills include the following:

- The Fund recorded \$922,582 (\$1,061,093 – 2007) of management services expenses during the year which are included in Human resources expenses. Management fees stipulated in management services agreements are based on a percentage of revenues and/or earnings before interest, taxes depreciation and amortization. At the end of the year \$16,469 (\$2,577 - 2007) remained in due to/from accounts. As Chief Executive Officer and Vice President, David Will and Darcy Will, respectively do not take any salary for their management of the Fund, but are compensated through management services agreements.

- At the end of the Period \$11,681 (\$nil – 2007) remained in due to/from accounts for excess contributions to the Stampede Joint Venture over their contributing interest responsibility.
- The Fund recorded \$54,533 (\$314,961 – 2007) of charter aircraft rental expenses during the year which are included in Operating expenses. \$nil (\$52,945 – 2007) remains in accounts payable at the end of the year. Travel to the Fund's operational centers of Grande Prairie and Ft. McMurray is made more efficient via charter air services than can be accomplished through commercial carriers.
- The Fund recorded \$49,000 (\$45,500 – 2007) in trustee fees during the year which are included in Human resources expenses. At the end of the year \$1,525 (\$3,250 – 2007) remained in accounts payable.

The Fund recorded \$112,373 (\$79,641 – 2007) in trustee fees during the year paid to other trustees or companies controlled by other trustees of the Fund which are included under Human resources expenses. At the end of the year \$8,972 (\$16,000 – 2007) remained in accounts payable.

The Fund recorded \$30,230 (\$41,643 – 2007) in professional and administrative fees during the year paid to companies controlled by other trustees of the Fund. At the end of the year \$2,625 (\$6,750 – 2007) remained in accounts payable.

The Fund recorded \$210,138 (\$230,000 – 2007) of management services expenses during the year to other officers which are included under Human resources expenses. The Fund entered into a management services contract with the Chief Operating Officer of the Fund. Formerly the Chief Operating Office was compensated by salary.

The Fund has recorded its Participating Interest Responsibility in related party transactions of all joint ventures in these Financial Statements and the above note.

## Outstanding Share Data

### Fund Units

The Fund is authorized to issue an unlimited number of Fund Units. During the Period, the trust units of the Fund were split 3 for 1 and began trading on a split basis on April 21, 2008. There were no other changes in the number of issued or outstanding Fund Units during the Period. The weighted average of equivalent units outstanding for the Quarter is equal to the units issued. The Fund did not have any options, warrants, rights or convertible instruments that would be potentially dilutive during the Quarter.

Fund Units	December 31, 2008		December 31, 2007	
	Units	\$'s	Units	\$'s
Balance at beginning of period	10,773,153	\$ 32,133,482	10,773,153	\$ 34,758,310
Net earnings		10,950,508		9,836,119
Distributions to Fund Unit holders		(11,065,104)		(12,460,947)
Balance at end of period	10,773,153	\$ 32,018,886	10,773,153	\$ 32,133,482

## Minority Interest Class B Partnership Units

The Limited Partnership is authorized to issue an unlimited number of Class B Limited Partnership Units (“B Units”). During the Quarter, the B Units of the Fund were split 3 for 1. There were no other changes in the number of B Units issued or outstanding during the Quarter. B Units of the Fund are convertible into Trust Units on a one for one basis at the discretion of the holder.

	December 31, 2008		December 31, 2007	
	Units	\$'s	Units	\$'s
Balance at beginning of period	10,334,400	\$ 33,065,390	10,334,400	\$ 35,583,320
Minority interest earnings allocation		10,504,534		9,435,528
Distributions to minority interest unit holders		(10,614,461)		(11,953,458)
Balance at end of period	10,334,400	\$ 32,955,463	10,334,400	\$ 33,065,390

## **Business Risks, Opportunities and Outlook**

### **Economic Outlook**

Alberta, Canada, the USA and most if not all of the rest of the world's economies are now in recession. The only discussion currently debated is how deep and how long a retraction we are facing. We certainly are in no better position to make projections than the host of experts in the economics field. Prudence requires that we plan for the worst.

Most definitely, the impact of the recessions grip is now being felt through the doorways of the Fund's facilities. Customers are exercising greater caution in the spending of their entertainment dollars.

Fort McMurray, which until recently, had looked like it was 'decoupled' from the changes taking place in the rest of the world is now slowing. Billions' of dollars in capital projects for the oil sands have been deferred or scaled back to a phased implementation. That is not to say there is still not massive investment ongoing and slated for the short term. These are projects with multi-year lead times. A recession could come and go by the time one of these projects is on stream. Furthermore, current bitumen production levels require significant continued capital maintenance and operational spending which are the foundations of the community and surrounding area.

Grande Prairie is a community with three main pillars of economic support, agriculture, conventional oil & natural gas and forestry. Agriculture is resilient due to the persevering mentality of the farmer through commodity price cycles. The agriculture community benefited greatly from high grain prices over the past few years driven by rising demand in developing countries. The long term outlook is positive even with short term volatility in commodity prices. Natural gas pricing has been under pressure for some time and of late oil as well. With respect to natural gas, investment in new production and maintenance of existing production is less dependant on global demand. Homes and businesses require heating gas. Since the collapse of the USA housing industry in 2007 the Forestry sector has been under pressure from falling exports. Until recently, Canadian construction activity remained buoyant. Domestic support is now also diminishing and layoffs are being announced.

Calgary's economy is more diversified than other Alberta communities but still beginning to suffer the effects of slowing activity. Indeed this is being seen in the previously red hot construction sector with many projects

being cancelled and construction workers receiving layoff notices. The effects of cancelled and deferred oil and gas projects in the province will eventually manifest in layoffs in Calgary's professional community. With the addition of two new casinos in the Calgary area in the previous 18 months the community is over serviced for a recessionary climate.

The Stampede Joint Venture is in default of financial ratio covenants. All scheduled principal and interest payments are current. Reality dictates that achieving the covenant targets in the near term is unreasonable. Terms of the loan were set when economic activity was robust. Discussions are ongoing with the lender to resolve deficiencies.

The good news is that overall we are high margin operators with significant capacity to absorb a reduction in business volume. Furthermore, there are actions we can and are taking to create value for our customers and preserve value for our unit holders in the short term.

The longer term outlook remains bullish. Since inception of the Fund in 2003 management's main focus has been on growth. Management's ability to execute a growth strategy is evident in revenue numbers through 2007. The current operating environment requires a shift in focus. We are no less confident in our ability to execute a cost efficiency strategy than a strategy of growth. The long term benefits from this shift in focus are significant. The Fund currently and historically produces the highest margins in the North American public company gaming sector. When we emerge from this recession we will do so with improved efficiency and higher margins as a result of this 'recessionary opportunity'.

The Alberta and Canadian gaming industry has very high barriers to entry. Very few growth opportunities at attractive investment levels existed during the pre-recessionary period we just exited. Other gaming operators are in less fortunate financial positions from that of Gamehost Income Fund to weather a protracted downturn. Acquisition opportunities have most certainly improved.

## **Government Regulation**

Natural resources are regulated by provincial governments. The Alberta Government's recent changes to royalty rates in the energy sector have prompted a shift in oil and gas activity from Alberta into Northwestern British Columbia and Saskatchewan which is a detriment to downstream businesses such as ours. The Alberta Government has bowed to pressure to reverse, to some extent, their decision in light of the current world economic outlook.

Provincial and municipal non-smoking legislation and bylaws represents one area of government regulation that has had a direct adverse impact on, specifically, operators of traditional casinos like those belonging to the Fund.

The Federal Government has jurisdiction over provincial governments regarding First Nations lands. The Federal Government defers governmental authority to either provincial governments or First Nations Bands at their discretion. The Federal Government, to date, has chosen not to become involved in the smoking-in-public-places debate on First Nations lands. Presently, all First Nations casinos in Alberta permit smoking and enjoy a competitive edge over traditional casino operators.

The Alberta and Canadian gaming industries are highly regulated by provincial governments. Revenue sharing agreements between governments and operators are subject to change by unilateral government action. Revenue sharing and operator agreements are not the same from province to province. Neither are they the same for First Nations casino operators and traditional casino operators. In both instances, traditional casino operators in Alberta versus their provincial counterparts and versus competing Alberta First Nations operators receive less favourable compensation.

## **Public Interest**

Special interest groups routinely lobby government on a host of matters. Gaming is a subject of high public interest both for and against. Lobbying efforts can be effective in influencing government action. Next to the Alberta Government Department of Treasury, provincial charitable groups are the main benefactor to the gaming industry. An un-level playing field between traditional casino operators and First Nations casino operators also creates compensation issues for charitable groups supported by traditional casino operators.

## **Alberta Charitable Casino Operators Association**

The Fund continues to support the efforts of the Alberta Charitable Casino Operators Association (ACCOA). ACCOA is lobbying the Alberta government to consider the elimination of an un-unlevel playing field between traditional casino operators and First Nations casino operators. Among other things, ACCOA is proposing modifications to traditional casino operator agreements that would have the Alberta Government provide compensation for mutually beneficial marketing efforts and funds for facility enhancement similar to those provided by their provincial counterparts.

## **Taxation**

On June 12, 2007 Bill C-52 formalizing the Government of Canada's proposal to tax the distributions of certain specified investment flow through entities (SIFT). The Fund qualifies as a SIFT for the purpose the new tax. The new tax effectively treats income trusts as corporations for tax purposes beginning January 1, 2011. Distributions, under the rules, will first be taxed at the Fund level at a current rate of 31.5% and then taxed as dividends in the hands of the unit holders. Furthermore, the bill set certain limitations on the growth of existing trusts. Draft legislation to simplify conversion of a SIFT to a corporation was recently issued by the Federal Government. The draft legislation generally comes without consequence to a unit holder on a conversion transaction. Unit holders are encouraged to consult professional resources regarding potential implications for their own account. Management continues to evaluate option. The uncertain economic climate is clouding the strategic options being studied.

## **Competition**

During 2008 approximately 600 new hotel rooms were added in the City of Grande Prairie. Our Service Plus operation in Grande Prairie continues to retain an overweight share of the total market place. Superior location and management should ensure a continuance of these favourable results.

The opening of the Fund's own Stampede Joint Venture in June 2008 in the core of Calgary and the December 2007 opening of a First Nations casino on the western edge of Calgary have both created some headwind for the Deerfoot Joint Venture's gaming operations. With these two new facilities management believes we are at a saturation point for gaming in the City of Calgary and possibly the province or at least certainly so with the current state of the economy. The Fund's two Calgary properties are, longer term, in the most advantageous locations of Calgary being the high growth southeast quadrant and the cities beltline to downtown which is transforming to high density living and corporate office space.

Management is not aware of any further gaming applications that could have a material effect on the Fund's operations.

The current economic conditions are creating serious financial issues for at least three casino operators in the City of Calgary and surrounding area. How these issues play out in the longer term could have either a beneficial or consequential impact on the Fund.

In March 2009 a limited service hotel will open one block to the north of the Fund's Deerfoot Joint Venture. The competing hotel will offer more budget conscious patrons with guest room options in the underserved area. The new hotel is expected to be a net benefit to the Deerfoot Joint Venture by allowing the Deerfoot Joint Venture to attract larger conventions and by increasing foot traffic through the facilities casino and

eating establishments. Conversely, the new hotel is may have an adverse impact on the Deerfoot Joint Ventures' hotel operations.

## International Financial Reporting Standards (IFRS)

All publically accountable enterprises will be required to report under IFRS for fiscal periods beginning on or after January 1, 2011. The Fund does not intend to provide comparative Canadian GAAP information for post-changeover data. A detailed IFRS conversion plan is being developed to achieve full compliance with the new reporting standards effective January 1, 2011.

Management will endeavor to prepare readers of the Fund's disclosures for what may be in certain cases be significant changes in the reporting of the Funds financial results. To this end, future MD&A will provide high level status reports outlining progress towards full conversion in the form outlined below. Furthermore, as decisions regarding policy change are made and their impact quantified, specifics will be disclosed in the body of the MD&A at those points in the MD&A where it is relevant. Effort will be made to provide the IFRS relevance to the presented Canadian GAAP beginning in 2009 as is becomes known. A detailed conversion plan will include that beginning Q1 2010, the Fund will provide comparative IFRS qualitative and quantitative information to the reported Canadian GAAP information. Thus, effective the first interim reporting period under IFRS, comparative year over year information will be readily available.

Any communications about the Funds' conversion plan for IFRS reflects the expectations of changeover decisions based on careful consideration of available information. Notwithstanding, circumstances may occur that require the Fund to change accounting policies between the time of communicating these expectations and the changeover date.

### International Financial Reporting Standards (IFRS) - Conversion Plan

Plan Component	Target Completion/Milestones	Status
Financial statement presentation	Senior management and audit committee approval by Dec 31, 2009.	Raise awareness to audit committee by Feb 25, 2009.
Board and staff readiness	Define requirements then training and/or expertise in place by conversion commencement Q1 2010	Training scheduled for Q1 2009
Information technology compliance	Determine system requirements, procurement, testing and monitoring completion Q3 2010	Scope to be assessed following Q1 2009 training.
Business policy assessment	For completion by Q2 2010	
Control environment	For completion by Q4 2010	

## Additional Information

All required public disclosures including material documents, press releases and financial statements of the Fund can be found on SEDAR at [www.sedar.com](http://www.sedar.com). Additional information about the Fund can be found at [www.gamehost.ca](http://www.gamehost.ca).