

**COMMISSION OF INQUIRY INTO MONEY LAUNDERING IN BRITISH COLUMBIA**

**The Honourable Mr. Austin F. Cullen, Commissioner**

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**AFFIDAVIT NO. 1 of WALTER SOO**

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I, Walter Soo, of Richmond, British Columbia, SWEAR THAT:

1. I am a former employee of Great Canadian Gaming Corporation (“**GCGC**”) and, as such, I have personal knowledge of the facts and matters deposed to in this affidavit, save and except where based on information and belief, and where so stated, I believe them to be true.

**Affiant Experience**

2. I was born and raised in Vancouver, British Columbia by my mother. My father died when I was approximately age three. Presently my mother is 98 years of age.
3. I have limited ability to converse in Cantonese Chinese and no ability to communicate in Mandarin Chinese.
4. I was an employee of GCGC for 36 years from 1983 to 2019.
5. I was first hired by GCGC as a roulette dealer in 1983 to work at the Pacific National Exhibition and at charity casinos. This was not initially a full-time role and I also held other employment unrelated to the gaming industry.
6. By 1984, the frequency of work as a dealer had increased such that I was working approximately full-time hours as a dealer in addition to my other employment.
7. In 1987, I was offered a position as the Casino Manager of the GCGC casino in Richmond which I opened in June 1987.

8. I remained as the manager of the Richmond Casino for six months before I accepted a new position as the Casino Manager of the Guildford Casino which I opened in Surrey, British Columbia.
9. I remained at the Guildford Casino for two years before I transferred back to the Richmond Casino in 1990.
10. In 1991, I became the Casino Manager of GCGC's Holiday Inn casino in Vancouver.
11. In 1992, I accepted a position in GCGC's corporate office as Director of Operations.
12. In 2001, I became GCGC's Vice-President, Gaming Development.
13. In 2005, I became GCGC's Vice-President, Player Development.
14. Attached to this Affidavit and marked as **Exhibit 'A'** (DOC-00002602) is a GCGC "Announcement to All Staff" from then-GCGC Chairman and Chief Executive Officer Ross J. McLeod announcing my appointment as Vice President, Player Development.
15. In 2015, I was promoted to Executive Vice-President, Player and Gaming Development.

#### **Observations of the Development of the Gaming Industry in British Columbia**

16. Over the course of my tenure with GCGC, I observed and participated in the growth and development of the gaming industry in British Columbia. The following description of the development of British Columbia's gaming industry is based on my observations during my 36 years of working in gaming in the Province.
17. When I first began working as a roulette dealer in 1983, gaming in British Columbia was limited to charity casinos and fairs and exhibitions. Maximum bet limits were \$5.00.
18. Charity casinos were intended to raise funds for charities. Charities could apply for a one to three-day casino license and those awarded licenses would contract with casino supply companies like GCGC who would provide a 'turnkey' operation to set up and jointly run the casino with charity volunteers. The casino supply company

would provide all of the equipment and venue required to operate a casino for the duration of the license.

19. Prior to 1986, there were no permanent casino venues in British Columbia and charity casinos would operate in temporary rented space, often hotel ballrooms.
20. The casino supply companies would also provide staff for the casino, including dealers like me.
21. Under this model, the charities that held the license received 50% of the gross gaming revenue generated by the casino, the gaming supply company would receive 40% and the government received 10%. The charity bore no risk of financial loss under this model.
22. The Richmond Casino was the first GCGC permanent free-standing casino in British Columbia. When the Richmond Casino opened in 1987, casinos in the Province remained limited to fairs and exhibitions and charity casinos. The Richmond Casino provided a permanent base for charities to hold their licensed events.
23. In 1996, gaming in British Columbia shifted from the charitable model to a provincial government/crown corporation-run model and the British Columbia Lottery Corporation (“**BCLC**”) took on responsibility for the conduct and management of gaming. Service providers such as GCGC entered into Casino Operating Services Agreements with BCLC that, among other things, determined the distribution of revenue between BCLC and the service provider.
24. BCLC received 75% of gross gaming revenue for slot machines with service providers receiving 25%. BCLC received 61% of gross gaming revenue for table games, while service providers received 39% of revenue. Development capital and operating expenditures were the responsibility of the service providers.
25. The first three municipalities in the Greater Vancouver Regional District to introduce casino expansion and the operation of slot machines following the shift in British Columbia’s gaming model were Surrey, New Westminster and Burnaby. Municipalities that hosted casinos received 10% of net casino revenue.

26. Over time, additional municipalities in British Columbia introduced casino expansion and the operation of slot machines.
27. By 2004, as casino expansion in British Columbia continued, Mr. Ross McLeod, GCGC Chairman and Chief Executive Officer, grew concerned about increased competition and market saturation for gaming revenue in the Greater Vancouver Regional District.
28. GCGC was aware that Vancouver, Burnaby, New Westminster, Surrey and Langley had new casino expansion development projects coming to market.
29. I was in agreement with Mr. McLeod that the new casino developments would result in significantly more gaming capacity supplied by our competitor service providers in the Greater Vancouver Regional District.
30. Mr. McLeod believed an international premium players program was necessary to sustain and grow our Greater Vancouver Regional District market share, in addition to supporting the return on capital investment to build a full casino resort complex.
31. I was in agreement with Mr. McLeod that incremental gaming revenue captured from markets outside of British Columbia would mitigate our potential market share loss and capital investment risk.
32. Mr. McLeod appointed me to oversee the implementation of a new international premium players program in February, 2004.
33. Attached to this Affidavit and marked as **Exhibit 'B'** (DOC-00002603) is a memorandum dated February 11, 2004 from Mr. McLeod announcing that I had been appointed to oversee the implementation of a new player development program for GCGC.

### **Development of Premium Table Game Offerings in GCGC Casinos**

#### **International Premium Table Games Program**

34. The River Rock Casino opened in June, 2004, followed by the River Rock Resort in August, 2005. The overall complex was named the River Rock Casino Resort ("RRCR"). Mr. McLeod believed the development of a destination resort met the

objectives of the 1996 provincial government's announcement to have destination casinos which attract wealthy tourists to British Columbia to game.

35. From 2004 to 2005, I oversaw the development of a research and proposal document for an international premium table games program at the RRRCR. The document was presented to BCLC in May 2005.
36. In developing this research and proposal document, I recommended that GCGC and BCLC engage Macomber International, Inc. ("**MI**") from Las Vegas, Nevada, to consult about the development of an international premium table games program. BCLC approved GCGC's engagement with these consultants.
37. Attached to this Affidavit and marked as **Exhibit 'C'** (DOC-00000015) is a true copy of a report prepared by MI dated April 2005.
38. The objective of this document was for an independent group of consultants to deliver a study on current trends for global premium table games and a proposal to grow incremental gaming revenue by attracting affluent international tourists and gamers to British Columbia.
39. I was primarily interested in the North American domestic market segment which comprised of players from other Canadian provinces and from the United States, but was also interested in attracting international players from the United Kingdom, Australia and Pacific Rim, and South East Asia.
40. In the consultant's proposal, I identified a number of elements not in place at the time at RRRCR that were necessary to support an international premium table games program. These included a better understanding of the hotel, hospitality, entertainment, and food and beverage amenity offerings required to support such a program.
41. I also identified that our casino product offering was inadequate to stimulate and satisfy the demand of international players, as the most important issue to resolve to support this program was a solution to the problem of how international players would be able to arrange their bankrolls with which they would game ahead of their visit.

42. At the time, British Columbia service providers were only permitted to accept cash and I did not believe that it was realistic to expect players from outside of British Columbia or outside of Canada to be willing to travel to the RRRCR with large quantities of cash, or for non-Canadian players to be willing to set up Canadian bank accounts with Canadian funds through which they could then access funds to arrange their gaming bankrolls with GCGC.
43. MI advised that if bet limits were to be increased and if RRRCR was to be competitive in the global premium gaming market to attract domestic and international premium players, it would be necessary to offer non-cash alternatives to permit players to set up their bankrolls ahead of their visit.
44. MI also advised there was intense global competition for highly desirable and mobile premium table game players and the associated financial cost required to attract these demanding players would require GCGC and BCLC to participate in the direct international program expenditures prior to the revenue distribution of 61% to BCLC and 39% to GCGC.
45. International premium table game players are attracted by the casino's offer of an array of non-gaming incentive complimentary items known as "comps". Such items may include hotel rooms, transportation, entertainment and food and beverage.
46. Destination casinos aggressively compete against each other by progressively increasing their incentive offers to attract domestic and international premium players.
47. Some of these casinos may also compete by offering more favourable financial terms for the player to arrange their bankroll. These include the offer of casino credit, repayment terms for credit, and acceptance of other non-cash funding alternatives such as electronic wire transfers, internet banking and a wide variety of bank instruments.
48. Compared to British Columbia casinos, destination casinos on the Las Vegas Strip are able to offer greater gaming and non-gaming product stimulus incentive packages to domestic and international premium players. The State of Nevada

receives 6.75% of gross gaming revenue in gaming tax from its Las Vegas Strip destination casinos, compared to our provincial government receiving 65% to 68% of RRCR's combined total of table games and slots gross gaming revenue.

49. In a letter dated February 6, 2006, BCLC declined to proceed with the development of an international premium table games program. Attached to this Affidavit and marked as **Exhibit 'D'** (DOC-00001524) is a letter dated February 6, 2016 from BCLC Vice-President, Casino Gaming Brian Lynch to GCGC Executive Vice-President Brian Egli.

#### Player Development Program Review on Strategic Alliances

50. By 2006, Paragon Gaming's Edgewater Casino in Vancouver and Gateway Casinos' Cascades Casino in Langley had opened.
51. Gateway Casinos' Starlight Casino was scheduled to open in late 2007 and was located in New Westminster in close proximity to its border with the City of Richmond. GCGC was aware that potential development plans for the Starlight Casino property could include the addition of a new hotel and entertainment complex.
52. GCGC also knew that Gateway Casinos had plans to redevelop and relocate the Burnaby Casino to relaunch with an attached hotel in 2008 as the Burnaby Grand Villa Casino.
53. From 2004 to 2007, RRCR's table games revenue remained stagnant and Mr. McLeod became increasingly concerned that RRCR's gross gaming revenue would erode with the opening of the new Starlight Casino and Burnaby Grand Villa Casino. Another concern was the opening of our River Rock Resort in 2005 did not appear to grow or enhance River Rock Casino's table games revenue. Due to these factors, Mr. McLeod directed me to again pursue the implementation of a domestic and international premium table games program.
54. The necessity to offer premium players casino credit and the necessity to revise our casino revenue share distribution with the government was again included in a proposal I developed in response to Mr. McLeod's direction.

55. The proposal also included a recommendation to develop key strategic business alliances with local, national and international entities that could potentially produce enhanced synergistic value through cross-promotional activities.
56. I had developed business relationships with airlines, fine dining establishments, premium leisure and retail companies, international travel agencies and Las Vegas casinos. In particular, there was strong interest to cross refer premium players by the management executives of Caesars Palace Las Vegas property, Harrah's Lake Tahoe property and MGM International Marketing corporate office. Richmond had become an important feeder hub for these entities and they expressed that many of their Asian premium players residing in their American feeder cities had strong interest to visit and game in Richmond. However, the Las Vegas entities all noted the difficulty of attracting premium players to RRRCR given RRRCR's inability to offer casino credit and non-cash alternatives.
57. I completed this proposal and delivered it to Mr. McLeod in 2006 but I never heard anything further from Mr. McLeod until in 2007 Mr. McLeod directed me to present it to Mr. Brian Egli, GCGC Executive Vice-President, Gaming Operations whom I reported to at that time, and to Mr. Vincent Trudel, GCGC Chief Operating Officer.
58. I never heard anything further about this proposal after presenting it to Mr. Egli and Mr. Trudel however some of the recommendations such as game play features, gaming space enhancements, player incentives, customer relationship management enhancements, and player database information technologies identified in the proposal were implemented.
59. Attached to this Affidavit and marked as **Exhibit 'E'** (DOC-00000017) is a draft of the report I presented to Mr. Egli and Mr. Trudel dated 4 September 2007.

#### Enhanced VIP Offerings at the RRRCR

60. In 2010, the Vancouver Winter Olympics event period overlapped with the Chinese New Year Golden Holidays period. Chinese New Year is typically a popular time for Asian gamblers to visit casinos and therefore a lucrative time of year for the casino



industry. However, I was concerned that the Olympics may disrupt RRCR's Chinese New Year business in 2010.

61. I recalled in 2007 Las Vegas hosted the 2007 NBA All-Star game. The day of the game coincided with Chinese New Year Day in 2007. Las Vegas was overwhelmed by a large and unexpected rowdy crowd that converged onto the city over the weekend, resulting in over 400 arrests for offences that mainly comprised of disturbance. The disruptive behaviour of party-seekers intertwined with Asian guests on casino properties traumatized many Asian premium players.
62. I was concerned that a similar situation could occur at RRCR with Olympic party guests intertwining with our premium players and brought this concern to Mr. Peter Goudron, then-GCGC Senior Vice-President, Operations-West whom I reported to at the time, and also to the RRCR site management. My recommendation to implement some enhancements to premium table games which may nullify the potential risk was accepted for implementation by Mr. Goudron and the RRCR site management team.
63. My recommendation was to repurpose the RRCR's third floor poker room to develop an exclusive premium table games area. Normally, the areas above the main floor of a casino would be considered less desirable gaming space. Typically, the most valuable space in a casino is believed to be high profile areas with ease of access and convenience resulting in high traffic flow.
64. However, I believed that by devoting the third floor space to high limit players, creating an exclusive, restricted access gaming area which segregates premium table game players from mass market games and Olympic party guests, this normally undesirable space had the potential to be the most profitable in the casino.
65. Once these changes were implemented, high limit play increased significantly and RRCR's premium table games revenue experienced sustained and significant growth for several years. Between 2011-2015, further enhancements, such as new products and amenities, were added to RRCR's premium table game offerings.

71. The project was titled "Casino Cash and Payment Business Process Enhancements" and its objective was to identify and implement methods to reduce reliance on cash in British Columbia casinos. I did not play a central role for GCGC in the formation of cash alternatives as Ms. Oliver participated in these discussions, but at the working group meetings I was asked how players might react to different alternatives.
72. Attached to this Affidavit and marked as **Exhibit 'F'** (DOC-00002605); **Exhibit 'G'** (DOC-00002596); **Exhibit 'H'** (DOC-00002604); **Exhibit 'I'** (DOC-00002598) are true copies of agendas for meetings of this working group.
73. Many options were unpopular with premium players. Local players who spent limited time in Canada or players who were visitors to Canada were not interested in cash alternatives that required them to open Canadian bank accounts in order to utilize these alternatives. International offices of major Canadian chartered banks were also not permitted as sources for player fund transfers to British Columbia casinos due to AML due diligence practices in those offices, which may differ from Canadian laws.
74. PGF accounts were initially unpopular with premium players as they also needed to be funded in Canadian currency through Canadian financial institutions.

#### 2015 River Rock Table Revenue Projection & Assumptions Memoranda

75. Attached to this Affidavit and marked as **Exhibit 'J'** (GCGC\_PROD\_0018488) is memorandum dated 14 October 2014 from me to several GCGC employees.
76. Attached to this Affidavit and marked as **Exhibit 'K'** (GCGC\_PROD\_0018546) is an earlier version of this memorandum dated 1 October 2014.
77. 2014 was RRCR's most successful year for table games revenue. These memoranda were produced as part of RRCR's business and budget planning for 2015.
78. There were plans at this time to relocate and upgrade the RRCR security and surveillance room from its location on the third floor of the casino, behind the VVIP Salon Prive room, to the fourth floor. Mr. Goudron raised with me the possibility of

66. These enhancements were typically introduced on a trial basis during Chinese New Year when many of our RRRCR premium players returned from Asia to reunite with their families. If player acceptance of these enhancements were high, they would become permanent RRRCR premium table game offerings.
67. This growth in RRRCR's premium table games business did not require marketing efforts or advertising to attract premium players to the RRRCR. There was existing latent demand for premium table game enhancements and players interested in high limit play were already attending the RRRCR. I believed there were opportunities to improve the business by focusing on changes to meet the unsatisfied or dissatisfied demand of our existing RRRCR premium players without marketing to attract new players to the RRRCR.

#### VIP Play and Cash Alternatives

68. When the enhancements described above were implemented commencing in 2010, British Columbia service providers were still restricted to accepting only cash from players for casino buy-ins and I continued to raise concerns to Mr. McLeod about the need to approve non-cash alternatives that would allow GCGC to pursue implementation of an international premium table games program.
69. By 2011 and 2012, cash alternative initiatives such as Patron Gaming Fund ("PGFs") accounts, debit and credit cards, casino cheques, bank instruments, internet banking, wire transfers, electronic funds transfers and hold cheques were being discussed and proposed.
70. In 2011 and 2012, I was invited to participate in a working group committee coordinated by BCLC. Rob Kroeker was seconded from the Province of British Columbia, Ministry of Justice, Civil Forfeiture Office and led many of the discussions on behalf of BCLC. The workshop participants included BCLC security and compliance senior executives, senior management from casino service provider companies and GPEB on occasion. GCGC's participants included Peter Goudron, Pat Ennis, then-GCGC Director of Surveillance, Erin Oliver, GCGC Director, Cage Operations and me.

expanding the third-floor VVIP space to occupy the space to be vacated by the security and surveillance room.

79. These memoranda provided the budget, revenue projections and rationale for this project. The revenue projections were based on the actual table game results from the 2014 first three quarters (January 1 to September 30) which were extrapolated and increased due to the additional supply of premium table games capacity for 2015. The target date for completion of the project was Chinese New Year 2015.

#### Loan Sharking, VIP Play and Large Cash Transactions

80. Over the course of the enhancements of GCGC's premium table game offerings, I have generally been aware of the extent to which premium table game players have used large quantities of cash to buy in. I have never had any involvement or management responsibilities with player financial transactions, casino cage operations, AML diligence and compliance and security related to these matters.
81. I have never discussed with any players the origin of cash used for buy ins. I have never had any involvement in making arrangements for any players to obtain cash for buy-ins at any casino.
82. I have never been involved in discussions with GCGC upper management about the origins of cash used by any players to buy in at GCGC casinos.
83. I have seen information about loan sharking in GCGC casino management reports and the media. I have never observed activity that I have identified as loan sharking on the casino floor but I was aware that significant quantities of cash were being used for buy ins.
84. The volume of cash used by premium table game players is a safety concern. It is highly visible when players buy in or get paid out in cash and there is a risk that they could become targets of crime.

#### BCLC VIP Player Interviews

85. I have never participated in BCLC interviews of premium table game players.

86. In late 2014, I was instructed by Terrance Doyle, then-GCGC Executive Vice-President, BC Operations and Development, to join him in a meeting with Brad Desmarais, then-BCLC Vice-President of Corporate Security and Compliance, regarding Mr. Desmarais' desire to interview premium table games player Kesi Wei on behalf of BCLC.
87. I was asked to provide advice about how Mr. Wei would react to this interview, how to approach and interview Mr. Wei without offending or intimidating him. I believe I was asked to assist because of my past casino experience dealing with table game players and my understanding of the Asian players' social and cultural gaming state of mind. I also believe there was extra precaution taken because I had no relationship with Mr. Wei and would be neutral in my judgement and approach. Mr. Wei was the first interview in the process of more player interviews to follow and BCLC wanted to ensure the message delivery was respectful yet clear. I advised them to communicate with Mr. Wei with warm hospitality and acknowledge his success as a business person. Therefore he should understand our concerns and the need for him to use his PGF account to fund his bankroll as his cash will not be accepted unless he can provide bona fide proof to verify his source of funds.
88. I was also asked to provide to BCLC background information regarding his status in Canada and any other information relevant to his occupation, business holdings, wealth and assets. I was asked to coordinate the meeting for BCLC and Mr. Wei. I obtained background and contact information on Mr. Wei from the RRRCR VIP Guest Relations staff but withheld the reason for my inquiry. I then asked my staff member Carol Zheng, GCGC Manager, Asian Player Development to contact Mr. Wei to confirm a time for the meeting.
89. I also met with the RRRCR casino management team to follow up and they recommended using former Director of RRRCR's VIP Guest Relations program Lisa Gao as a translator for these interviews. I was against this as I had observed Ms. Gao translating on previous occasions and believed she did not always translate literally or accurately. I suggested to use a neutral translator who did not have a relationship with the players and recommended Ms. Zheng. Ms. Zheng is proficient

in Mandarin and Cantonese Chinese and English. She has an Advanced Level Chinese Teacher Certificate from China's Ministry of Education and a Master of Science degree in International Economics, Banking and Finance, from Cardiff University in Cardiff, Wales. I understood from Ms. Zheng that she acted as a translator for the interview with Mr. Wei, but then was not requested to assist for subsequent interviews.

90. After several discussions to formulate the plan and steps to interview Mr. Wei I was not approached about player interviews again.
91. Attached to this Affidavit and marked as **Exhibit 'L'** (DOC-00002591); **Exhibit 'M'** (DOC-00002592); **Exhibit 'N'** (DOC-00002593); **Exhibit 'O'** (DOC-00002594); **Exhibit 'P'** (DOC-00002595); **Exhibit 'Q'** (DOC-00002597); **Exhibit 'R'** (DOC-00002601) are emails related to arranging an interview with Mr. Wei.
92. The premium table game player interviews had an impact on RRCR table games revenue. In 2014, RRCR table games revenue was approximately \$271 million. In 2015, following the introduction of the BCLC player interviews, revenue fell to approximately \$227 million. Prior to the commencement of the player interviews, I had projected RRCR table games revenue for 2015 to be approximately \$320 million.
93. Attached to this Affidavit and marked as **Exhibit 'S'** (GCGC\_PROD\_0050505) are emails related to these player interviews on which I was copied during the initial player interviews commencement stage.

### **Recruitment of VIP Players**

#### **Casino VIP Junket Operators**

94. Casino VIP junket operators are commonly used to attract VIP players to casinos in Asia.
95. Typically, junket operators will make arrangements for VIP players in advance of their visit to a casino and will use a portion of their commission fees to cover player expenses such as transportation, accommodations and food and beverage. Because arrangements for the players are made between the junket agents and the

casino property, the casinos at which these players play may have little to no information about the player and their source of funds.

96. Junket operators are paid a commission fee based on the actual amount that VIPs wager and may extend credit to players.
97. I was always strongly opposed to GCGC partnering with VIP junket operators because this type of program would never satisfy our AML diligence requirements for customer identification and verified source of funds.

#### 2014 Emails Regarding Junket Operators

98. Attached to this Affidavit and marked as **Exhibit 'T'** (GCGC\_PROD\_0018585) and **Exhibit 'U'** (GCGC\_PROD\_0018586) are emails related to a suggestion by former GCGC employee Richard Slack that GCGC should work with junket operators to recruit VIPs to GCGC properties.
99. Mr. Slack was hired to work under me as Director of Player Development in 2010. Prior to joining GCGC, Mr. Slack had worked in the gaming industry in Atlantic City, Las Vegas, California, the Philippines and Macau. Mr. Slack had experience working with junket operators from his time in the gaming industry in Asia.
100. I was not in favour of hiring Mr. Slack, but was encouraged to do so by Mr. Goudron. Mr. Slack worked under me until 2013, at which point he was transferred to become the Director of Table Games at the RRCR.
101. I recall that Mr. Slack spoke favourably of working with junket operators when he was interviewed prior to his hiring in 2010. Mr. Slack repeatedly recommended that GCGC begin working with junket operators throughout his tenure with GCGC.
102. The emails identified as Exhibit 'T' and Exhibit 'U' were prompted by a budget presentation into which Mr. Slack had inserted a reference for RRCR to work with junket operators.
103. When I noticed this reference, I expressed concern about GCGC working with junket operators, including to Mr. Doyle through these emails.

104. Mr. Doyle accepted my advice and agreed that GCGC should not be working with junket operators as this would not comply with AML due diligence requirements.

#### Independent Agents

105. Unlike junket operators, I have always maintained that the recruitment of premium table game players through qualified, licensed and registered independent agents would be very valuable to GCGC's business.

106. Independent agents would be responsible for sourcing and recruiting premium table game players to GCGC casinos. They would be required to be certified, licensed and registered with BCLC and GPEB if working for British Columbia casinos and would be required to provide the regulator stringent identification disclosure and background information about themselves and their clients. Clients would be required to arrange their bankrolls directly with the casinos to ensure compliance with British Columbia's AML diligence requirements.

#### 16 June 2013 Memorandum

107. Attached to this Affidavit and marked as **Exhibit 'V'** (BCLC0008095) is memorandum dated 16 June 2013 from Peter Goudron, Alasdair Douglas and me to then-GCGC Chief Executive Officer Rod Baker.

108. This memorandum was prepared in response to a request from Mr. Baker, who asked Mr. Goudron, Mr. Douglas, then-GCGC's Vice-President, Marketing and me to generate ideas to capture incremental revenue from international play. We were tasked with preparing a discussion paper which Mr. Baker was going to discuss with BCLC leadership.

109. Mr. Baker seemed pleased with this memorandum, but I never heard anything further about this proposal and none of the ideas identified in the memorandum were ever implemented.

#### Strategic Alliances with Las Vegas Casinos

110. For many years during my tenure with GCGC, I supported building strategic alliances with Las Vegas casinos. I believed the domestic and international player



programs administered by Las Vegas casinos were a good model and fit for GCGC to adopt.

111. My hope was to develop cross-promotional programs with Las Vegas casinos such that they would connect their players with GCGC if those players were traveling to British Columbia. In exchange, GCGC would refer GCGC players to our alliance casinos when those players traveled to Las Vegas.
112. These efforts never produced any significant results because British Columbia casino service providers were not permitted to offer casino credit and non-cash alternatives. Domestic and international players would not be willing to transport cash in order to fund their bankrolls to play in British Columbia.

### **Role in GCGC's Premium Table Games**

113. My roles with GCGC never involved customer relationship management and I never played a role akin to that of a VIP host for any player.
114. Since my promotion to Director of Operations in 1992, I have made a point of spending time in GCGC's casinos to capture the pulse and vibe of the business, even though I worked in GCGC's corporate office. When visiting casinos, the VIP Guest Relations staff would on occasion introduce me to premium table game players because high value players appreciated the recognition from GCGC senior executives.
115. I have never had responsibility for the operational management of any GCGC premium table games. This responsibility falls under each site's management team. This means, for example, that the RRRCR premium table games are the responsibility of RRRCR casino management.
116. I had no role in the development of VIP customer relationship management programs at GCGC casinos. The shortage of trained and qualified staff available to manage relationships with premium table game players was one of the gaps in GCGC's offerings that I identified in 2004 and again in 2010. Service experience was an area GCGC needed to enhance to make premium table games more

effective and productive. The RRRCR hosting program was initially launched by GCGC's marketing department and later transferred to site management.

Lisa Gao

117. Former Director of RRRCR's VIP Guest Relations Department Lisa Gao never reported to me. Ms. Gao initially reported directly to the RRRCR Casino General Manager and subsequently to the RRRCR Executive Director. I had no role in hiring, appraising, disciplining or terminating Ms. Gao.
118. I knew Ms. Gao during her tenure with GCGC and had concerns about her close relationship with some RRRCR premium table game players.
119. I learned of Ms. Gao's deregistration and termination through conversation with RRRCR casino management several weeks after it occurred. I played no role in the GPEB investigation leading to Ms. Gao's deregistration and have never seen the report arising from that investigation.

Paul Jin

120. I have no relationship and have never had a relationship with Paul Jin.
121. I had no awareness of Mr. Jin's activities in and around British Columbia casinos but I recall some time in 2014 I was asked by Mr. Ennis to join a meeting between Mr. Ennis and Ross Alderson of BCLC.
122. Mr. Jin was mentioned at the end of the meeting. I understood from the discussion that Mr. Jin was barred from the RRRCR. I recall asking Mr. Ennis after the meeting who Mr. Jin was.
123. I played no role in deciding whether Mr. Jin should be permitted to attend the RRRCR. Details about Mr. Jin's casino activities were not known to me. It was not part of my role at GCGC to participate in decision-making regarding the barring of players or any individuals from casinos.

## Involvement in GCGC Endeavours Outside of British Columbia

### GCGC Expansion to Ontario

124. Beginning in early 2017, I was asked by Terrance Doyle to work with GCGC's Ontario Request for Proposal ("**RFP**") project team. The Ontario Lottery and Gaming Corporation ("**OLG**") had issued several RFP gaming bundles to pre-qualified proponents and GCGC had interest to be selected as the service provider to run day-to-day gaming operations for the gaming facilities in these bundles. GCGC had plans to redevelop existing gaming facilities and opportunity to secure and develop new gaming facilities.
125. GCGC submitted RFP bids in 2017 and the Greater Toronto Area ("**GTA**") bundle to operate three gaming facilities was awarded to GCGC in August 2017. The West GTA bundle to operate four gaming facilities was awarded to GCGC in December 2017.
126. I was advised by Mr. Doyle in late 2017 that he would like me to spend approximately 90% of my work with our Ontario business integration project teams and with the Ontario gaming facilities management teams once GCGC took over operating control of the GTA and West GTA bundles in the first half of 2018.
127. GCGC took control of gaming operations for the GTA gaming facilities in January 2018 and the West GTA gaming facilities in May 2018.
128. In 2018 Ontario's gaming management teams were more experienced in slot operations than table game operations. When GCGC took over gaming operations, there were only two sites in the GTA and West GTA bundles that operated table games. GCGC's development plans were to launch table games in several sites that did not offer table games. GCGC's Ontario gaming site management teams needed the support of GCGC's business integration project team to start up new table game operations and to redevelop and enhance the performance of existing table games.

129. I never held any decision-making authority over GCGC's Ontario properties and could only encourage the business integration and gaming management teams to follow my advice and guidance.

#### China Sea Discovery

130. In 2000 and into 2001 I was directed by Ross McLeod to assist GCGC and its partners involved with a cruise ship venture based in Hong Kong. The cruise ship was acquired by GCGC and partners in 2000 and retrofitted. A casino was constructed on board the ship and began operating in January 2001. I departed the project in April 2001.

131. I was GCGC's Director of Operations at the time and was tasked with the set-up of the casino on board the ship. My responsibility was to develop the casino for launch and integrate a GCGC management team brought from British Columbia to operate the casino after it opened. This necessitated my spending a limited amount of time in Hong Kong and China on board the ship. Most of my functions with respect to the cruise ship were performed from my offices in British Columbia.

132. I was not involved in the decision to acquire the cruise ship nor the decision to proceed with the venture. I was not supportive of the project as GCGC had no gaming expertise in Asia, did not understand the target market in Asia and had no experience operating a casino on-board a vessel. I believed the project was overreaching for GCGC.

133. I was given a directive to work on the project by Mr. McLeod and I was responsible to implement the start-up and launch of the casino before my role was transferred to others.

134. The cruise ship business plan involved boarding passengers in Hong Kong and running overnight excursions to the international high seas. It had difficulty attracting passengers in the two months it was based in Hong Kong and seldom sailed. The ship repositioned to China to run short excursions to Vietnam and once again could not attract passengers and seldom sailed.

135. The venture lost money and failed because it was unable to attract passengers and did not produce the business required to offset the operating expenditures. GCGC did not attract, nor ever attempted to attract, any players to its British Columbia casinos from the cruise ship venture.

#### Other Travel to Asia

136. Aside from the China Sea Discovery venture, my travel to Asia for business purposes was limited to attendance at the G2E Asia conference in Macau.

137. I attended this conference 4-5 times to observe the Macau casinos' gaming product and service offering, along with the latest trends in hospitality and non-gaming amenities.

138. I never traveled to Asia for the purpose of recruiting players to GCGC casinos and never engaged in the recruitment of players while in Macau.

#### 2003 Travel to Lithuania

139. In 2003, GCGC entered into a partnership with a group in Europe.

140. I was directed by Mr. McLeod to travel to Lithuania to develop a new start-up casino. I fulfilled my duties to set-up and launch the casino and the management of the casino was transferred to others.

#### **Media Reporting Regarding Money Laundering at the RRRCR**

141. Media reporting about issues related to money laundering at the RRRCR intensified in or around September 2017.

142. At that time, GCGC had just been awarded a contract by the OLG to operate casinos in the GTA. There was concern within GCGC's senior executive group that this media coverage might jeopardize this contract.

143. Around this time, I noticed that Mr. Doyle and Mr. Baker began to distance themselves from me. My belief that they were distancing from me was based on the difficulty I had scheduling meetings with them and because they took little interest in my work. I was concerned that they were distancing themselves from me because they wanted to distance themselves from discussions about GCGC's

premium table gaming in light of the negative media coverage of the RRRCR large cash transactions.

144. I vehemently disagree with how I have been portrayed in the media and believe that the media coverage of me has been inaccurate and unfair. I believe that this inaccurate and unfair media coverage led to my termination from GCGC and my termination as Vice-Chairman, Board of Directors of the SUCCESS Foundation.
145. While I was employed by GCGC, GCGC's Corporate Ethics and Conduct policy prevented me from speaking with the media. I was not permitted to defend myself against how I was depicted in the media.

#### **Relationship with Peter German**

146. My only relationship with Dr. Peter German is that we serve together as members on the Board of the Richmond Oval.
147. After Dr. German was engaged by the Government of British Columbia to conduct a review of money laundering in British Columbia casinos, I advised Mr. Doyle and Mr. Baker that I served on the Richmond Oval Board with Dr. German. Neither Mr. Doyle nor Mr. Baker expressed any concern about this relationship.
148. At the first meeting of the Richmond Oval Board following Dr. German's engagement, Dr. German approached me and we agreed that at Richmond Oval Board meetings we would focus on Richmond Oval business and we would not discuss Dr. German's review during Board meetings.
149. I have never communicated or met with Dr. German outside of Richmond Oval Board meetings.
150. I have never asked Dr. German not to interview me.
151. Attached to this affidavit and marked as **Exhibit 'W'** (GCGC\_PROD\_0018255) is a true copy of an exchange of emails between Mr. Doyle and me regarding my interactions with Dr. German.


**Termination from GCGC**

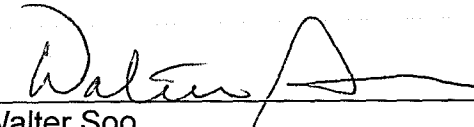
152. I was terminated without cause from my position with GCGC on August 29<sup>th</sup>, 2019.  
I was not given any warning of this termination.

153. My wife and I had scheduled part of our annual holiday to the United States  
beginning August 30<sup>th</sup>, 2019

154. I was not provided with an explanation for my termination and have not identified  
any incident prior to my termination as a reason for my termination.

155. I have commenced BCSC Action No. S1914347 Vancouver Registry.

SWORN BEFORE ME at )  
VANCOUVER, British Columbia, this 1<sup>st</sup> )  
day of February, 2021 )  
 )  
 )  
A commissioner for taking affidavits )  
for British Columbia )

  
Walter Soo



December 22, 2005

## ANNOUNCEMENT TO ALL STAFF

I am pleased to announce the appointment of **Walter Soo** to the position of **Vice President, Player Development**. In his new role within the Operations Department, Walter report directly to Brian Egli, Senior VP, Operations.

Please join me in congratulating Walter on his new role.


This is Exhibit "A" referred to in the  
Affidavit of Walter Soo  
sworn (or affirmed) before me at  
Vancouver, B.C.  
this 1<sup>st</sup> day of February 2021.

  
A Commissioner for Taking Affidavits  
within British Columbia

Ross J. McLeod  
Chairman & Chief Executive Officer





This is Exhibit "B" referred to in the  
Affidavit of WALTER SOO  
sworn (or affirmed) before me at  
Vancouver, B.C.  
this 15<sup>th</sup> day of February 2004.  
  
A Commissioner for Taking Affidavits  
within British Columbia

## MEMORANDUM

Date: February 11, 2004

To:	Tony Martin	Dale Peterson	Howard Blank
	Tom Bell	Carl Bolton	Joanna Brierley
Cc:	Brian Egli	Sally Hart	Grace Chow
	Peter Goudron	Kevin Vanderkley	Doug Morrison
	Grace Soo	Gary Ward	Pat Ennis
	Cindy Bugden	Rob MacIntyre	Roy Moulder
	Al Watt	Tyrone Waite	Donna McCaskill
	Wayne Oliver		

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I am please to announce that Walter Soo has been appointed to oversee the implementation of a new player development program for our company.

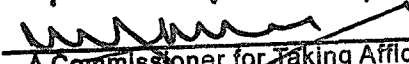
The upcoming expansion positions our company well to cater to the local and international premium player market. Walter's experience and vision will enable him to work with government and operational issues to develop an infrastructure and delivery mechanism that enhances and elevates our level of guest services.

I ask that all related parties provide Walter with the full co-operation and support to execute this initiative.

Thank you in advance for your co-operation.

*[original signed by Ross J. McLeod]*

Ross J. McLeod  
Chairman/CEO

This is Exhibit " C " referred to in the  
 Affidavit of Walter Soo  
 sworn (or affirmed) before me at  
Vancouver B.C.  
 this 1<sup>st</sup> day of February 2001.  
  
 A Commissioner for Taking Affidavits  
 within British Columbia

**AN ANALYSIS OF  
 PREMIUM TABLE GAME INCENTIVE PROGRAMS  
 AND  
 A RECOMMENDATION FOR THE INITIALIZATION  
 OF A PROGRAM AT THE RIVER ROCK CASINO**

Prepared for  
 Great Canadian Gaming Corporation

Proprietary and Confidential

Prepared by:  
 Macomber International  
 Las Vegas, NV  
 April 2005

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**Macomber International, Inc. ("MI") has made a best effort to secure accurate information but in many instances such data may be based upon secondary information, personal opinion, and/or anecdotal information. Accordingly, MI makes no warranty, real or implied, regarding the data contained in this report. This report also contains projections of future events based upon certain assumptions. As it is impossible to predict future outcomes with absolute accuracy, these projections should be treated only as estimates of potential future results. Actual results may differ due to unforeseen events.**

## 1. Executive Summary

GCGC retained Macomber International, Inc. ("MI") to analyze the feasibility of a Premium Table Game Player ("PTGP") program; review the practices, programs, competition, size, and profitability of the select portions of the international PTGP marketplace; identify critical success factors for a PTGP program; and develop specific recommendations for the conceptualization and implementation of a successful PTGP Incentive Program at River Rock Casino.

### Market Definition

The Premium Table Game Player market consists of a finite group of affluent gamblers with the financial means to wager substantial sums of money on games of chance. They are serviced by casinos in a number of markets, including Asia, Australia, and Las Vegas. The game preferences for these players are table games, Blackjack, Roulette but internationally, the primary game is Baccarat.

A Premium Table Game Player is defined for the purposes of this report as an avid, experienced table game player with the ability and inclination to consistently make bets of US\$500 and greater. This means the player is capable of losing to the casino, on any given visit, US\$25,000 or more. A Premium Table Game Baccarat Player is dominated by players of Asian descent, place of origin, or influence.<sup>1</sup>

The primary target market for River Rock's PTGP program is financially successful and upwardly mobile Asian gamers whose game of choice is Baccarat. These players may be found among (i) those Asians traveling from or to countries in the Pacific Rim (primarily Hong Kong, Taiwan and The People's Republic of China) and (ii) those Asians who reside in the Greater Vancouver Area. These two categories may be further subcategorized into the following target market sub-segments:

- 1) Asians travelers who are passing through or visiting Vancouver: Businesspersons, tourists, families, and other Asian travelers (and their party) who are traveling eastbound or westbound *through* Vancouver to other points on the North American continent (generally by air) OR *to* Vancouver as their destination. Currently, the primary reason for their trip does not include gaming, but the contention is that if a PTGP gaming "product" was created that aligned with their needs, wants, and expectations that gaming could either be a secondary activity or a primary reason for their visit.
- 2) Part-time Asian Vancouver residents who have the income and the inclination but who currently do not gamble at River Rock (or who play below their means) because

<sup>1</sup> Cultures and people of other persuasion also play Baccarat including those from the Middle East, parts of Europe, and Latin America as well as Caucasians anywhere but, the majority of the world Baccarat revenue is generated by those of Asian descent.

the game and services they expect is not available. These gamers currently play in Las Vegas, other North American locations, Asia, and/or wherever else they can get the game conditions they seek.

- 3) Permanent Asian Vancouver residents who, like their part-time resident counterpart are either not playing, playing below their means, and/or taking their gaming budget to a venue where they can get the game they desire.

The above are current market segments that form the basis for the demand projections used in this report. However, there are several other market segments that have the potential to contribute or become major market segments in the future.

Perhaps the best example is potential new visitors from Mainland China. Until recently, Mainland Chinese have been unable to travel to Vancouver as a vacation destination due to restrictive exit visa policies. But, a January 21, 2005 announcement by the Government of the Peoples Republic of China that designates Canada as an officially approved travel destination, coupled with a new "open skies" policy that will allow increased non-stop flights between Mainland China and Vancouver, and a variety of proactive efforts by British Columbia and Vancouver to take advantage of this growth market bode well for the Greater Vancouver Area to capture its fair share if not greater than fair share of this huge, potential international market.

Another potential future market segment is the mobile, experienced Asian player (and their party), who are playing elsewhere but would make a trip to Vancouver with gaming as the primary reason for their trip if their preferred game conditions were available.

And lastly, while Chinese Asians were identified as the primary ethnic driver because of their known proclivity to gamble and high regard for Vancouver as an Asian-friendly location, there are other Asians in this group (e.g., Taiwanese, Koreans, and Japanese) who gamble at this level and a certain amount of non-Asians who play Baccarat as well (e.g., Latin Americans, Middle Easterners, Europeans, and to a far lesser extent, "Westerners"/Caucasians).

### **Definition of a Premium Table Game Player Incentive Program**

A PTGP Program comprises two primary elements: the "product" and incentives. First, product marketing must stimulate natural demand by making the game of choice and critical support activities available that align with the marketplace by meeting or exceeding the needs, wants, and expectations of targeted market segments. Then, the PTGP program needs a suite of demand stimulation driven marketing programs to fill underutilized capacity not otherwise filled by natural demand for the product by stimulating latent demand; i.e., generating off-peak demand from players who currently play only during peak periods and/or capturing a greater than fair share of the PTGP market from its competitors. Components of a PTGP Incentive Program may include one or more of the following:

- PRODUCT:
  - The offering of a “squeeze game” (i.e., where the players are allowed to handle the cards) on a “big,” sit down Baccarat game that seats 14 players.
  - Casino credit.
  - Higher table game limits and table game spreads.
  - Multi-lingual and culturally sensitive Hosts and other operations and marketing staff.
  - An upgraded playing area whose design, décor, and finish is Asian friendly, culturally sensitive (i.e., the design has been overseen by a highly regarded *Feng Shui* Master), and whose stature befits the income of the gamers who will play there.
  
- DEMAND STIMULATION:
  - Complimentary privileges including dining, accommodations, show tickets, limousine service, and tickets to special events.
  - Methodologies to determine player worth to which incentives can be indexed: e.g., incentives indexed to cash chip turnover, dead chip (or non-negotiable chip) turnover, player loss, and/or front money deposit (cash or credit).
  - Owner operated satellite marketing offices located in feeder markets (e.g., Hong Kong, Taipei, Singapore, Bangkok, or Kuala Lumpur) and/or third party marketing agents or (commonly referred to as “junket representatives”) who identify and bring players to the casino for a commission.

### **Target International Feeder Markets**

Besides the demand from the Greater Vancouver Area, target Asian feeder markets include players residing in countries in which premium Asian gamblers reside. These feeder markets are located primarily in the Pacific Rim and comprise nine distinct target geographical areas, including:

- Hong Kong, SAR
- People’s Republic of China
- Taiwan
- Singapore
- Malaysia
- Thailand
- Indonesia
- Japan
- South Korea



These nations represent sources of business. Section 5 details estimated gaming revenues currently derived from each of these markets as well as population, language, religion, customs, government policies towards gaming and movement of cash, visa requirements, and the specific venues that these markets are attracted to.

### **Competition**

As various state and national governments struggle to find new sources of revenue, they have come to recognize gaming as both a source of tax revenue as well as a primary source of tourism. The international gaming market is on the cusp of a new wave of expansion.

Each of these competitive venues has within its customer mix, a premium table game player segment. Principal competitors in the PTGP market are as follows:

- Macau – Currently 17 casinos operated by two current primary licensees with a limited number of sub-concessions granted and a third primary licensee whose first casino is under construction. High limit action takes place primarily in private VIP Rooms operated by third-parties although the two new U.S. operators may choose to operate their own private gaming areas.
- Asian based cruise ships (“cruises to nowhere” or longer that depart and return to Asian ports)
- Malaysia – Genting Highlands Casino
- Philippines – Subic Bay & Cebu Casinos (popular with the Taiwanese)
- Other Asian casinos – legal, quasi-legal, and illegal casinos in Indonesia, Korea, Laos, Vietnam, Singapore, Japan, Tinian, and just about every other Asian country
- Major Australian Casinos
- Major Las Vegas Strip casinos and, to a much lesser extent, some Atlantic City casinos and other U.S. casinos (e.g., Foxwoods in Connecticut)
- A limited number of Canadian Casinos with limited programs (e.g., Ontario and Quebec)

Section 6 details the strengths and weaknesses of the primary competition.

### **Estimated Market Demand for Premium Table Game Play in British Columbia**

The MI Team believes that British Columbia has significant potential to develop an International Premium Table Game Player market from the three primary market segments previously introduced:

Asians Who Are Visiting or Passing Through Vancouver

In 2004 an estimated 1.9 million international people deplaned at Vancouver International Airport. Of those, 1.2 million travelers came from Asia. Of these adults, it is assumed that 5 percent have the financial means to gamble at a premium level. While they have the means, they may not have the inclination. It is assumed therefore that 5 percent to 20 percent of those Asians with the financial means would have the inclination to gamble and would do so if the games and amenities they preferred were available. Given their intention to gamble it is projected they will make 1.5 trips to the casino during their visit and will lose approximately \$2,500 per visit. These travelers have the potential of generating \$5.4 million to \$21.9 million in additional gaming revenue.

"Part-Time" Asian Greater Vancouver Area Residents

There are approximately 30,000 part-time Asian residents in the Vancouver region, according to recent census figures. Of those, 72 percent are assumed to be adults. It is further assumed that 10 percent of these part-time adult Asian residents have the financial means to gamble at the premium level and 20 percent to 40 percent of these wealthy part-time residents would actually partake in gaming at the premium level. It is further assumed that they would gamble 2 days per year at a loss per day of \$3,500. Part time residents have the potential of generating \$2.9 million to \$5.9 million in additional gaming revenue on an annual basis.

Resident Greater Vancouver Area Premium Players Who Are Playing Elsewhere Or Would Play If The Game And Playing Conditions Were Available In Vancouver

There are an estimated 252,000 Asians who are of legal gambling age residing in Vancouver. Of these permanent adult Chinese residents, 2 percent or 5,040 are projected to have the financial means to wager an average bet of \$500 or more. It is projected that 20 percent to 40 percent of these residents would play in a Vancouver casino if the proper conditions were available. Further, it is assumed they would make a minimum of four trips per year or from 4,032 to 8,064 gaming days per year. Using a win per visitor trip assumption of \$1,500, these assumptions yield a projected potential gaming revenue from Premium Asian Resident Greater Vancouver Area Baccarat Players currently going elsewhere or not playing at all of \$6 million to \$12 million.

Total Potential Premium Greater Vancouver Area Asian Baccarat Market

It is, in effect, "new money" that heretofore has not existed and/or been captured. Summing the projected annual gaming demand from the three primary target market segments yields total potential annual gaming revenue that ranges from \$14.5 million to \$39.9 million as summarized below:

Table 1

Incremental Garr	
Segment	Low range
Current residents	\$6,048,000
Visitors	\$5,475,158
Part time residents	\$2,935,296
	\$14,458,454

Note that the majority of the above revenue is "incremental" to the Greater Vancouver Area market. It is, in effect, "new money" that heretofore has not existed and/or been captured.

The above projections do not take into account: (i) potential increased visitation from Mainland China, non-Chinese Asians or non-Asians in each of the three primary market segments, (ii) new travelers for whom gaming would be the primary reason for a trip to Vancouver, and/or (iii) other market segments that could become viable once a game of preference is offered (e.g., trans-border visitors from the Pacific Northwest).

In risk parlance – particularly given the opening of international travel to Mainland Chinese and the Greater Vancouver Area’s ability to capture that market – the situational dynamics of world, Asian, British Columbian, and Vancouver events cause a “right skewed” risk profile for the implementation of a PTGP Program, i.e., the upside potential far exceeds the downside risk of lower than projected results. Indeed, the World Tourism Organization estimates that by 2020, there will be 100 million tourists traveling annually. Given that the events that catalyze this upside potential are recent, demand momentum is just beginning to build, and the actions of the Government of the People’s Republic of China have been unpredictable in the past (i.e., there have been reversals ranging from minor to cataclysmic), a certain amount of caution may still be in order. But, the population of Mainland China is so big, its economy is growing so fast, and liberalized travel policies are generating so many new tourists that even relatively small changes in capture rates could double or triple the above projections. Regardless, as the Greater Vancouver Area’s Asian visitor and resident population numbers increase, the pattern of just how much and how fast this upside potential will be realized will become apparent. Given the current demand and in anticipation of this upside potential, under these circumstances it would behoove any stakeholder to have a Business Plan that includes an initial strategy to immediately capture this demand but, as importantly, also has pre-planned expansion capabilities embedded within it so that as pre-determined trigger points are achieved, programs can expand as quickly as the marketplace is proven to be reliable and expanding.

**Economic of Premium Table Game Player Programs**

The PTGP market is a niche market albeit generating \$US10.6 billion worldwide, a big niche, that is ethnically and culturally focused, mobile, demanding, and highly competitive. The potential to reap high rewards from developing such a program exists even if accompanied by high costs, volatility, risk, and lower profit margins than other gaming business units. But, there are some idiosyncrasies to catering to this market that need to be understood.

Since these players are highly desirable and extremely mobile, casinos operate in an intensely competitive world marketing environment where incentives and cost of doing business sometimes seem to border on the irrational. Problematically, these casinos must compete under different tax situations that range from 5 percent to 39 percent (or more). Fortunately, those venues with the highest tax rates are closest to their feeder markets allowing them to spend less money on marketing while those furthest away tend to have the lower tax rates and can spend more on marketing to lure players. But, the intense competition homogenizes the financial results across venues – marketing dollars are spent up to an amount that still yields a minimum target financial return. The result is a fairly predictable potential profit margin of 30 percent for the low end of the PTGP market in reduced competitive conditions but 15 percent profit margins among higher end players who are more demanding and operate in more competitive conditions. It should be said that a number of PTGP programs operate under the philosophy that this business is a marginal addition to already existing capital, operating, and marketing infrastructure. As such, the lower margins from higher revenue per unit still yields attractive returns on a marginal operating costs and fixed investment. In all, if the owner/operator is in a situation wherein they can attract sufficient volume to make going after this market segment attractive relative to the implied volatility and cost structure, then the PTGP player can be a very lucrative and rewarding market to pursue.

### **Proposed Program for River Rock Casino Resort**

#### Goals

- Position the River Rock Hotel and Casino as the preferred place to gamble among premium Baccarat player segments (primarily Asian) that can be attracted to Vancouver.
- Achieve premium table game revenues of \$12 million in the first year of operation.

#### Strategies

- Create a Premium Table Games Player Program that capitalizes on the River Rock Casino's unique Vancouver facility and location. Offer a convenience-based, Asian friendly, culturally sensitive gaming experience that may be less competitive than what is available from Las Vegas, Australian, and Asian casinos but capitalizes on Vancouver's rich Asian culture and location as a western business hub for Chinese business travelers and as an integrated Asian/Western blended lifestyle experience for Chinese recreational travelers. Offer games and amenities that meet the minimum needs of the target markets.
- Recognizing that profit before distribution is positive but after distribution is negative, discuss with BCLC ways to turn a program that has the potential to generate significant new, marginal benefits into profitability so that it can be implemented to the benefit of all stakeholders, i.e., British Columbia, the Greater Vancouver Area, BCLC, and River Rock.

Target Markets

- Initial, primary target market segments:
  - Current Asian travelers going eastbound or westbound through Vancouver or to Vancouver as their final destination.
  - Part-time or full time Asian Vancouver residents who, because the game they prefer to play is not offered are either: not playing, playing below their means, and/or taking their gaming budget to gaming venues outside Vancouver that do offer the game conditions they seek.
- Potential future markets and markets excluded from the demand projections include:
  - Mainland Chinese who can now travel to Vancouver due to exit visa restrictions to be liberalized.
  - Non-Chinese Asians within the initial primary target market segments.
  - Non-Asians within the initial primary target market segments.
  - Trans-border visitors from the U.S. who live in the Pacific Northwest.
  - New travelers who come to Vancouver with gaming as their primary reason for their trip because of the new game offer.

Tactics

- In order to successfully compete in the PTGP market, it will be necessary to first align the gaming product (i.e., the game and how it is delivered) as well as other non-gaming services (e.g., valet parking, availability of restaurants, hotel rooms, and other activities/services commensurate with this level and source of play) at the River Rock Casino with the aforementioned target market segments.
- Then, once available and operating, River Rock will need to add demand stimulation programs to fill underutilized capacity and to maximize the penetration of the marketplace.

A review of the game presentation, operational infrastructure, marketing infrastructure, and incentive programs suggests the following as key elements of a start-up PTGP program at River Rock.

Game Presentation

A "squeeze" Baccarat game is a requirement of a successful International Premium Baccarat Player Program because Asian players want to touch and feel the cards. For some, this is part of the ritual and "fun" of the game while for others, their handling of the cards makes them feel that they can influence their luck. Regardless, at least one squeeze game on a big, 14-seat Baccarat game is virtually mandatory to attract the Premium Baccarat Player.

### Credit

Players at this level are bringing large sums of money to gamble, i.e., even at the lower end of the range this amounts to \$25,000 to \$50,000. The extension of credit is: a convenience for players; a way to provide for their personal security; a way to dramatically reduce the opportunities for illegal third party lenders from providing credit to players; an implicit extension of trust between the casino and the player when "face" is important to the Asian community); and a means to provide incentives either by the provision of increasingly liberal terms and/or offering discounts on the credit taken/owed if the play so warrants. In all, credit is an inextricable part of a PTGP Program.

### Table Limits

A critical part of the thrill of the game for the market at this level is the chance to win or lose large sums of money. More subtly, there is also a stature that goes along with being able to bet such sums. MI researched table game limits in a number of jurisdictions and found table minimums range from \$50 to \$20,000 and table maximums range from \$15,000 to \$230,000. It is recommended that River Rock begin with a \$12,000 (US\$10,000) table maximum.

### Incentives

It is difficult to project an incentive program for River Rock without knowing what the cost of doing business will be. Nevertheless, if the River Rock PTGP is to be internationally competitive, it will need to offer some mix of complimentary and other incentive-based programs in order to compete for the mobile Asian Premium Table Game Player. Incentives may vary from simply providing perquisites to offering discounts, to offering full complimentaries among a variety of services to offering gifts to offering invitations to "invitation only" promotions and special events. Incentives may also include discounts on loss, more liberal credit terms, and even discounts on credit if play so warrants. These incentives may be offered by the casino and, if there is a cost-benefit, through third party marketing representatives who will require their profit be directly or indirectly added to the cost of the incentive package. For those programs operated through a third-party operator, the incentives include commissions from which the third-party operator may have to pay for his organizational infrastructure and/or some or all of the player incentives already mentioned.

While a conservative strategy, it is far easier to increase the level of incentives given to players than to reduce them once offered. Accordingly, MI recommends River Rock begin with a minimally determined range and rate of incentives needed to earn the first year target revenue then ramp up program incentives as conditions and results so dictate.

### The Environment

Conservatively, MI believes that River Rock can begin the implementation of a PTGP program by upgrading the existing high limit room ensuring that it is Asian friendly and culturally sensitive (i.e., have a highly regarded *Feng Shui* Master oversee the redecoration). This should be done to "signal" the new higher limits that are to be offered in addition to matching the feel of the room to the expectations of a new higher level player. MI believes this can be done with new carpet, wall covering, fixtures, furniture, uniforms, and other

cosmetic changes along with providing a sitting area and, if not available already, private restrooms with upgraded fixtures.

Once the program gains traction and if volume so warrants, River Rock should consider moving the high limit games to a new, purpose built *ultra* VIP salon with the availability of private gaming rooms within.

#### Staffing and Support

Training of Premium Table Game staff is essential. In addition to training in service standards, all employees must be trained in understanding culture, customs and norms so as not to inadvertently offend Asian players and to provide them with the high-end service and home comforts they are accustomed to. Also, all (or most) premium table game staff and management should be multi-lingual.

#### Controls

River Rock and BCLC will have to enhance their controls in order to monitor cash, credit play and commissions. Rules regarding bet limits must be established. New procedures will need to be implemented to ensure cash chip tracking systems are accurate and provide for the introduction of non-negotiable chip systems if employed.

In this regard, the River Rock Casino is equipped with the ENDX Casino Management System. An initial review by the MI Team revealed that the system appears to have the capability of tracking all aspects of individual Baccarat player activity, including calculating bet differentials and chip turnover.

#### Projected Results

It is projected that the River Rock Casino could generate \$12.4 million (USD\$10 million) in Premium Player Baccarat revenue in the first year of operation. After consideration for "cannibalization" has been taken into account, the increase in revenue entirely attributable to new play is projected to be \$9.6 million. At a 1.28 percent statistical advantage, the projected revenue implies an annual turnover of \$966,000,000.

Since the scope of this engagement did not provide for a detailed feasibility study and rigorous financial projections, it was initially assumed that all operations and marketing labor would be incremental and that marketing expenses would be less than what exists in order to compete for the mobile PTGP player but not greatly so. It was further assumed that the marketing effort would be split between casino-driven programs and third-party representative programs, the latter being more expensive because of the need to cover their profit and the higher level of incentives typically needed to cater to the type of players they attract. These plus other expenses leads to a profit before distribution of \$4.0 million and a margin of 32 percent. In order to be conservative, modest growth rates were assumed and, in Year 5, gaming revenue was projected to grow to \$15 million yielding a profit before distribution of \$5.1 million at a 33 percent margin. Given the current distribution structure and rate paid to the BCLC, after distribution the projections lead to a substantial loss.

Notwithstanding the projected loss after distribution, the program has merit as a unique opportunity to generate new, marginal revenues and profits for both BCLC and GCGC and therefore, MI believes that a way should be found to make this program work. One way, consistent with actions taken by other jurisdictions (e.g., Australia) that recognize the marginal benefits of such programs, is to reduce the taxes or fees charged to the revenues generated only by the PTGP program. Hence, it is suggested that for the PTGP program only that distribution be calculated after direct program expenses are deducted from revenue, i.e., GCGC is allowed to recover direct PTGP only costs before distribution is calculated.

Furthermore, in consultation with GCGC, they felt their labor margins could be reduced from MI's original projections because much of the labor is already in place servicing the current high limit play at River Rock. Similarly, discussions with the BCLC indicated that they felt if 25 percent of gaming revenues were spent on marketing that the revenue projections could still be achieved. This reduced level of marketing expense could imply the elimination of third-party representatives, but at the revenues projected, they may not be necessary. To extract the maximum potential from the global marketplace, the use of third party representatives could be reintroduced at some point. If these three changes are made the following projections result:

*Table 2*  
**FIVE YEAR PROFIT WITH DISTRIBUTION CALCULATED  
 FROM PROFIT BEFORE DISTRIBUTION LINE  
 WITH MARKETING AND LABOR COST ADJUSTMENTS**

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>PROFIT BEFORE DISTRIBUTION</b>	\$7,416,124	\$8,208,722	\$8,831,613	\$9,228,836	\$9,452,134
<i>% Gaming Revenue</i>	60.0%	60.4%	60.7%	61.0%	61.2%
<b>DISTRIBUTION</b>	4,449,674	4,925,233	5,298,968	5,537,302	5,671,280
<i>% Gaming Revenue</i>	36.0%	36.2%	36.4%	36.6%	36.7%
<b>PROFIT AFTER DISTRIBUTION</b>	\$2,966,449	\$3,283,489	\$3,532,645	\$3,691,535	\$3,780,853
<i>% Gaming Revenue</i>	24.0%	24.2%	24.3%	24.4%	24.5%

It should be noted that River Rock is relatively new and is about to open a new hotel expansion, the non-gaming facilities of which should be quite up to the task of serving players attracted by this initial program. With respect to gaming, since it is assumed that this program would start with only cosmetic changes to the high limit room and only minor changes are needed to existing hardware, software, and other support systems, it is further assumed that any capital expenditures would be covered through normal capital expenditure spending levels. Consequently, no material level of investment was projected to accompany



the initial execution of this program meaning that all free cash flow generated by this project would be total marginal return. Downstream, to achieve the maximum potential from the marketplace, additional capital investment may be necessary.

At this profit level, the program begins to generate profits that are compatible with a private company's needs and expectations. Note, however, that GCGC still must deduct certain overhead, ownership, income tax and other expenses from this departmental profit line. Moreover, this scheme still places the financial risk of player win-loss on GCGC which could be considerable at any point in time. Consequently, the profit margins above are deemed reasonable.

Under the revised program shown in results above the benefits to the BCLC and British Columbia in Year One are approximately 30 new jobs, \$12.4 million more revenue, \$4.9 million in expenditures into the marketplace (e.g., labor, payments to third party marketers, and the like), the multiplier effect of the aforementioned jobs and community expenditures, and \$4.5 million in additional distribution to the BCLC. This program is viable to a private company. There also would be the addition income tax benefits to British Columbia and Canada.

Besides the potential quantitative benefits, however, another important benefit would be the added cache that such a program would mean in the international Asian community and what effect that could have on tourism, visitation, and new business for Vancouver overall. The impact would not only be immediate but would build with time due to market growth and the multiplier effect. Given the economic power of the international Asian community, this factor should not be underestimated.

Just as mentioned for tourism in general for the Greater Vancouver Area, gaming among all casino operators in British Columbia and for River Rock in the specific, has the potential to benefit greatly if the potential from the liberalized and expanding travel from Mainland China begins continues to unfold. And, as was suggested for tourism stakeholders in general, River Rock, too, should develop a program that immediately positions the property to take advantage of this growth but also embeds within say a Five Year Business Plan the capability to expand as quickly as demand expands. This would entail having certain trigger points embedded within the River Rock Five Year Business and Master Plan that, once achieved, immediately cause an expansion of the PTGP Program in terms of capital expenditures (i.e., expanded capacity and support facilities), improved "product" (e.g., higher table limits), and a more diversified incentivization program (e.g., a tiered incentive program that allows players with greater earning potential to receive increasingly greater incentives). It is not outside the range of reason that the upside of a River Rock PTGP Program could be several times even the projections contained in this report for an initial introduction program.

\* \* \*

The program may be summarized as follows:

- There is a large, over US\$10 billion mature global market for Premium Table Game Players.
- There is a significant amount of Asian through traffic and Asian resident population in Vancouver that will support the proposed PTGP program.
- River Rock's geographical placement strongly positions it to meet and capture these markets.
- There is a rapidly emerging potential market from the People's Republic of China of which Canada in general and Vancouver in the specific is well positioned to benefit.
- The introduction of large Baccarat, higher bet limits and improved player house rules, along with globally competitive incentives for the Players and Feeder Agents will provide River Rock with a unique opportunity to capture a fair share of the existing and emerging market.
- Gaming revenues derived from the implementation of a PTGP Program on a net-net basis are not projected to cannibalize the existing local market and individual market share. Any move up of existing players into the higher bet limits will be more than offset by the generation of new pass-through and local players and/or recapture of gaming budget of current players now being taken to high end U.S. casinos and other gaming venues.
- On the expense side, the corollary is also true, i.e., any increase in capital and/or operating or marketing expenses directly associated with the introduction of this program and/or the possible (but not certain) overflow of certain incentives into existing market segments (e.g., offering of credit and/or complimentaries) will result in marginal net increases in profits.
- Premium Player business benefits from the marginal economics, i.e., it requires proportionately less capital infrastructure expenditures and marginal variable operating costs.
- The existing revenue distribution will provide considerable financial risk for GCGC to implement a Premium Player Program. In fact, initial projections without any adjustment to the distribution structure leads to a loss and only if certain operating costs can be reduced lead to a risk/reward that would make the program feasible for GCGC to consider.
- Consequently, the proposal is for GCGC and BCLC to cover the direct Program costs prior to revenue distribution which will lead to significant benefits to all stakeholders that can not otherwise be achieved.

## 2. Project Overview

Great Canadian Gaming Corporation ("GCGC") is nearing completion of a new hotel at its recently completed River Rock Casino in Richmond, British Columbia ("River Rock"). With the completion of this new facility, GCGC will be able to substantially expand its market reach, from a purely local and regional gaming operator, to one that can attract and retain new and profitable gaming segments for the benefit of both British Columbia through the British Columbia Lottery Commission ("BCLC") and the stockholders of GCGC. GCGC's leadership has identified the Premium Table Game Player ("PTGP") as one potential source of such new revenue.

GCGC retained Macomber International, Inc. ("MI") to analyze the feasibility of a PTGP program; review the practices, programs, competition, size, and profitability of the select portions of the international PTGP marketplace; identify critical success factors for a PTGP program; and develop specific recommendations for the conceptualization and implementation of a successful PTGP Incentive Program at River Rock Casino.

### 2.1. Objectives

- Survey pre-selected worldwide venues in the global premium table game player market.
- Determine the critical success factors that make up a PTGP Incentive Program.
- Make a best-estimate of the worldwide premium table game player market in terms of gaming revenue.
- Develop an implementation plan for GCGC and its partner, BCLC that would allow it to successfully enter this market.
- Project financial performance for a PTGP Program at River Rock for its initial years of operation.

### 2.2 The Consulting Team

MI assembled a team of consultants ("MI Team") that provided the diversity of experience and skill set necessary to complete this engagement. The MI Team comprised the following individuals:

**Dean M. Macomber, Macomber International, Inc., Las Vegas, NV**

Mr. Macomber has over 30-years of diverse executive level experience in: operations, ranging from Dealer to President; in analysis and evaluation, ranging from corporate staff positions to consultant for a public accounting firm to President of his own consulting company; geographically, ranging from Las Vegas, Nevada to Quebec and Ontario, Canada, to Europe and Asia; with various stages in the business cycle, ranging from project concept to development to pre-opening to post-opening fine tuning to improvement and growth; and, with varying types of operations, ranging from small, locals' oriented casinos to international, destination mega-resorts. Mr. Macomber has developed and executed complete and integrated complimentary and incentive programs at new, start-up casinos (e.g., as a pre-opening task for the Casino de Montreal, Quebec, Canada); has worked on developing performance improvement programs for incentive programs that are already well established; and has been responsible for strategically and tactically revamping or expanding incentive programs to achieve new goals or respond to a shifting marketplace.

**Andrew Klebanow, Klebanow Consulting, Las Vegas, NV**

Mr. Klebanow is Principal of Klebanow Consulting, a firm that specializes in developing Marketing and Business Plans, Market Research, Property Analysis, Service Quality Measurement Programs, and Player Rewards Program Design exclusive to the gaming industry. Prior to forming his own business in 2001, Mr. Klebanow held various marketing positions at the property and corporate level, including the position of Vice President of Marketing. He has also been a General Manager. Mr. Klebanow has been responsible for repositioning programs, re-branding of player reward programs, and the development of numerous strategic, tactical, and implementation plans encompassing all aspects of marketing. Mr. Klebanow has worked in the gaming industry since 1977 and in the fields of marketing and business planning since 1991. He earned a Bachelor of Arts degree at New York University and Masters Degree in Marketing from Cornell University's School of Hotel Administration.

**Jim Kilby, Boyd Professor of Gaming, University Of Nevada, Las Vegas**

Mr. Kilby has been in the gaming industry since 1969. Since entering the industry as a dealer he has held positions of floorman, casino analyst, casino administrator, Assistant Casino Manager, Sr. V.P. of Casino Operations, and V.P. of International Marketing. As V.P. of International Marketing, he was responsible for the development, implementation, and administration of a revamped international premium table game player program at a major Las Vegas casino. He has served as consultant to the world's largest casino operators. He is also the author of "Casino Operations and Management," a text/reference book on casino management. Mr. Kilby is currently the Boyd Professor of Gaming at the University of Nevada Las Vegas, teaching a variety of courses in casino management.

## 2.3 Methodology

### Initial Meeting – Project Administration

The engagement began with a meeting between MI Team members and the marketing and business development leadership of GCGC to discuss and agree upon the details and specifics of the engagement: e.g., goals, process, tasks, communication, deliverables, and schedule. GCGC representatives included Walter Soo, Vice President of Business Development and Cindy Bugden, Vice President of Marketing.

### Site Visit

In order to better understand the environment in which the PTGP Incentive Programs would take place, the MI Team toured the River Rock project, direct competitors in the Greater Vancouver area and properties along the western interstate corridor in Washington State. The MI Team also met with Michael Piper, Casino Division Regional Manager for the British Columbia Lottery Corporation.

### Survey of Premium Table Game Programs In Other Markets

The MI Team surveyed PTGP incentive programs in other venues (“target venues”) in order to determine their “product offer” (e.g., how the game is delivered), support (“hard elements” such as facilities as well as “soft elements” such as organization), key success factors, and performance benchmarks. A determination was also made regarding how directly or indirectly competitive such venues and programs would be to the potential future program to be installed at River Rock. The target venues surveyed included:

- British Columbia,
- Alberta,
- Saskatchewan,
- Ontario, and
- Quebec, Canada;
- The state of Washington;
- Las Vegas, Nevada;
- Australia; and
- Asia.

Note that the scope of this engagement limited the data survey to a “best effort” basis. While some of the information sought is in the public domain, geographical distance precluded visits to all but the British Columbia, Washington, and Las Vegas markets. The actual or perceived sensitive nature of the information sought kept many casinos, gaming companies, and regulators from responding to our inquiries. Nevertheless, the MI Team has substantial experience with this rather unique market segment and where actual information

is missing, Team experience, confidential input from the Team's network (that cannot be directly cited), and anecdotal information was used to complete this report.

### **Quantify Other Premium Table Game Player Incentive Programs and Markets**

The MI Team then proceeded to estimate the size of the market in each of the above target venues. Thereafter, the MI Team synthesized the premium table game player programs into several approach categories, prepared pro forma and other economic data that illustrates the investment, operating cost, and cost-benefit structure of each.

### **Strategy Formulation and Implementation of a Premium Table Game Player Incentive Program for River Rock**

The MI Team finally developed a recommended course of action for the implementation of a PTGP Incentive Program to be executed at the River Rock Casino. This plan included a goal set, strategic approach, and the tactical execution programs necessary to implement, sustain, and grow a successful program tailored to the dynamics of the British Columbia marketplace in general and, in the specific, the River Rock Casino. The recommendation also discusses the capital costs necessary, if any, to initiate such a program as well as project an illustrative example of the potential operating costs and profitability for the proposed program for the first five years of operation.<sup>2</sup>

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<sup>2</sup> The scope of work defined by the GCGC in this engagement only provides for illustrative financial projections. A rigorous feasibility study would be needed based upon a much more defined program in order to provide more accurate and program specific projections.

### 3. Overview of Premium Table Game Incentive Programs

#### 3.1 Developing a New Product Marketing Program

Casinos may appear to the casual observer to be one business. But, in fact, they market multiple products to multiple customer segments. They cater to slot players and table game players. They offer slots in multiple denominations from 1¢ to \$100 and various table games each with varied bet limits. These gaming products are supported by a variety of non-gaming amenities, from snack bars to fine dining restaurants, soda in paper cups to fine wine, retail, overnight accommodations, recreation, and relaxation amenities.

##### Product Marketing Versus Demand Marketing

Structurally, developing a PTGP program depends first upon successfully conceptualizing the experience (i.e., product marketing or getting the product “right”) and then filling in any capacity not filled by product marketing with demand stimulation programs.

Product Marketing follows the classical marketing axiom:

*Offer a good or service that satisfies a customer need, want, or expectation at a price that creates a value and at a cost that yields a target financial return.*

In other words, the goal of a casino operator is not to design a program or offer services that the operator wants but to align its gaming products (experiences) with the marketplace. Given the size and complexity of the marketplace as well as the size of a modern casino, this alignment must take place among multiple independent and overlapping market segments that, in total, sum to comprise a total market for a given business activity. By first identifying the market segment or segments, then their wants and needs, a casino operator can layer up and aggregate these inputs into one “product” and/or property development plan. A property or program development that is properly aligned with the marketplace will extract the greatest natural demand from it.

Once the property is open and/or the program is operating, demand stimulation marketing then takes over to fill any unutilized or under-utilized capacity that the “product” does not otherwise fill on its own merits. Demand stimulation marketing comprises programs to: (1) extract latent demand from the marketplace, (2) motivate off-peak demand from current players, and/or (3) to take market share from competitors.

How many customers a casino can accommodate is determined by both a casino’s capacity and the raw number of gamers that it can attract over the gaming day. But, the number of visitors is but only one aspect of demand. The second dimension is the monetary capacity of the casino. Monetary demand means revenue. Monetary demand is a function of the number of visitors already discussed (quantity) *and* their gaming budgets (quality). For example, two players may be playing at the same blackjack table, but one is making \$5 average bets and the other is making \$10 average bets. If they play the same way for the

same amount of time, then all things being equal the \$10 player is worth two times the value of the \$5 player. The expense of catering to each player must also be factored into the evaluation since, in the final analysis, it is the profit per player that matters most, not revenue.

Most casinos just opening will attempt to fill the physical, visitor capacity first. Then, as they become more knowledgeable of their customer base, fill in underutilized capacity with "physical" driven demand stimulation programs as well as work to improve the monetary demand or gaming quality of their players. River Rock is faced with just such a dilemma. It operates at or near capacity for much of the gaming day. Therefore, in order to grow revenue, it must attract new market segments that have higher daily spending levels than current customers. It is this strategy that is at the heart of a PTGP program.

### **3.2 Market Definition**

The Premium Table Game Player market consists of a finite group of affluent gamblers with the financial means to wager substantial sums of money on games of chance. They are serviced by casinos in a number of markets, including the Asia, Australia and Las Vegas. As the name implies, the game preference for these gamers are table games, Blackjack, Roulette but internationally, the primary game is Baccarat.

A Premium Table Game Player is defined as an avid, experienced table game player with the ability and inclination to consistently make bets of US\$500 and greater. This means the player is capable of losing to the casino, on any given visit, US\$25,000 or more.

A Premium Table Game Baccarat Player is typically of Asian descent, place of origin, or influence. The Premium Table Game Baccarat market is dominated by Asians.

The primary target market for River Rock's PTGP program is financially successful and upwardly mobile Asian gamers whose game of choice is Baccarat.

### **3.3 What Is A Premium Table Game Player Incentive Program?**

A PTGP program will extract a certain amount of demand from the marketplace based upon the product availability and offering alone. But, to maximize the potential of the marketplace, the introduction of the product must be accompanied by a suite of marketing programs designed to stimulate latent demand, generate off-peak demand, and/or capture a greater than fair share of the PTGP market from its competitors all within the current market catchment area and/or identify new market segments outside the current boundary.



### **3.3.1. Internal, Casino-driven Programs**

Internal programs are those marketing programs generated by the casino's marketing department. Casinos employ a number of incentive programs to draw players to their casinos.

#### Host Programs

Hosts are casino marketing representatives who are tasked with identifying prospective customers, inducing those customers to visit the property, providing them with personalized service and access to various casino marketing programs with the goal of developing loyal, repeat customers. Hosts are salaried employees of the gaming operations and maintain offices on property. The larger PTGP programs will also open satellite, off-site marketing offices in key feeder markets in order to identify/secure new players where they live as well as provide certain services (e.g., make room reservations or service credit), marketing (e.g., telemarketing), and host functions (e.g., invitations to dinners or special events held in or near their place of residence) for existing players. Hosts that serve the Premium Baccarat Player market segment are often multi-lingual in order to better serve and make their Asian players more comfortable.

#### Incentives – General

Incentives are used in PTGP programs like any "volume discount" program found in other businesses and are similar to "frequent flyer" programs used in the airline industry to reward higher volume, promote loyalty, and motivate "additional trips." Incentives may be as innocuous as simple recognition and or little or no cost perquisites like the right to use preferred parking areas, free valet parking, the use of "line passes" to restaurants, or the right to upgraded hotel rooms if they are available.

#### Incentives – Complimentaries

The most prevalent incentive programs for players at this level are direct incentives delivered in the form of complimentary rooms and suites, dining, show tickets, limousine service as well as airfare reimbursement at a discount or as a 100 percent "comp." These incentives may range from a \$50 meal to first class air fare tickets. Every casino that participates in the Premium Table Game Player segment offers this most fundamental of incentives. While in theory the issuance of a complimentary is purely at the discretion of the casino, competitive conditions/practices and the mobile nature of players who qualify for complimentaries causes many of these players to view complimentaries as an "entitlement."

#### Incentives - Invitations to Special Events

Casinos conduct special events for their premium players such as player appreciation dinners, holiday celebrations (e.g., Chinese New Years), receptions, and other private, invitation only parties and activities (e.g., star entertainment shows for "players only."). In addition to these events, casinos also give gifts, shopping sprees at area malls, and cash drawings to foster loyalty among premium player segments.

#### Incentive Programs Based Upon Cash Chip Turnover

"Cash chip" is a label used to describe incentive-based programs that use "cash chips" as a means to track and evaluate play to either meet the requirements of a fixed incentive program or to determine the discretionary value of the incentive to be given. Essentially, casinos know the mathematics and statistics of the games they offer and, when matched with the player's bet pattern, time played, and some other play characteristics, the value of the player may be determined and an appropriate incentive determined based upon competitive practices and target profit margins.

Under this type of tracking program, it is necessary for the casino to "bet track" because the casino returns the incentive on the aggregate amount wagered. However, since there is no practical physical way to track cash chips won or lost, bet tracking means the casino must either (1) make an estimate of the player's average bet and time played which, when multiplied by a predetermined decisions per hour will estimate the amount of money wagered (referred to as cash chip turnover) or (2), for players who wager large amounts of money (but who are much fewer in number making this second alternative feasible) actually write down the amount of each bet made. For example, the "big," shoe game of Baccarat where players are allowed to handle the cards is typically dealt at a rate of 50 decisions per player. A player who wagers \$1 per hand will therefore, on average, wager \$50 per hour. Under the first scenario, a casino supervisor will observe the player, enter \$1 and 1 hour in the computer software program used to track rated casino play and the computer will multiply the \$1 bet by 50 decisions per hour (already pre-loaded into the casino) to yield \$50 in cash chip turnover which will then be multiplied by a pre-loaded casinos statistical advantage for this wager of say 1.3 percent. This will yield an estimated theoretical win per hour for this player of \$0.65. The casino will then base the incentive it will give the player based upon this win rate, e.g., if the comp rate is 20 percent of theoretical win, the player would be entitled to receive \$0.13 in complimentary per hour for every \$1 wagered. Note that the amount comped varies from venue to venue, casino to casino and the earning power variables differ by game and by player.

This is attractive to those players who do not like the inconvenience of continually re-purchasing dead chips (see the description of Dead Chip Turnover programs below).

#### Incentive Programs Based Upon Dead Chip Turnover

"Dead chip" is a label used to describe incentive-based programs that use "dead chips" as a means to track and evaluate play to either meet the requirements of a fixed incentive program or to determine the discretionary value of the incentive to be given. In this regard, dead chips are primarily used to track and reward play brought to the casino by third party representatives. However, dead chips may also be used to track individual players so the casino can reward them directly (see the External Programs section that follows).

A "dead chip" is a chip that can only be wagered, it cannot be redeemed for cash. The dead chip is played like any ordinary chip with the exception being that when the player wins, the dead chip is paid with a "normal" negotiable or cash chip. When the player's dead chip wager loses, it is taken just like a negotiable, cash chip. Since the player can not exchange their dead chips for cash and only receives incentives based upon the volume of dead chips

they purchase and play, it behooves the player to play their dead chips. Because of the normal win-loss cycle, for any given player session, a player will normally "lose" all of their dead chips from their initial buy in, have cash chips from what they have won in this first "round," and will need to purchase additional dead chips if they want to continue to play and continue to qualify for additional incentives. This process is referred to as "rolling" and, as a consequence, dead chip programs are sometimes called "dead chip rolling" programs to describe the rolling nature of the buy-in, play, buy-in again cycle that is associated with dead chip programs. On any given visit, players may roll their chips (or the amount of money they brought to gamble) several times before they lose all of their money or, as a net winner or loser, decide to stop playing.

The player enters into a contract where the casino agrees to pay an incentive on the total "dead chips" purchased. This program effectively returns a percentage of the player's aggregate value of dead chips wagered (referred to as "turnover") in cash and comps. For instance, a bank bettor in Baccarat must wager a \$1 dead chip on average 2.24 times before it is eventually lost. Based upon the casino's statistical advantage for that bet, those 2.24 wagers will create a casino win of about 2.6¢ or 2.6 percent of the \$1 bet. An individual player can receive a portion of this 2.6 loss in cash and/or comps. A dead chip program allows a player to win or lose and receive a cash incentive.

#### Discount on Loss

Another common marketing tool is a "discount on loss" program in which the casino reimburses the player a percentage of their theoretical loss. Normally the casino's discount on loss has certain additional minimum criteria to qualify for the discount: e.g., (1) the amount of front money deposited, (2) the average bet, (3) the number of shoes, or rounds, completed, and the ratio of actual loss to front money deposited. The player would receive a schedule that shows the exact discount, airfare, and complimentaries to which he is entitled to, based on the amount of front money deposited, number of shoes completed and, in some cases, the amount of the actual loss.

### **3.3.2. External, Third Party Programs**

#### Third Party Agents

External programs rely on third party agents or "junket reps" who maintain a list of gaming clients and who can deliver those gaming clients to a host casino. Asian players are accustomed to being invited to the casino through these third party agents, particularly if the casino is in another country. Agents offer a variety of services to Asian players, most notably, the ability to provide credit and/or cash in the country where the casino is located. Agents also help players overcome language barriers, arrange for transportation, accommodations as well as other player incentives. Often a group of players will travel in a group.

#### Dead Chip – Third Party Agents

Dead chip programs are a staple of marketing programs that involve third party agents. Third Party Agents receive a larger commission than an individual player. When a group

arrives, casino management may not know the agreement between the agent and his/her players. The casino will return a percentage of the group's dead chip purchases to the agent. The agent is responsible for paying all comps and player airfares from his commission. The agent then distributes the appropriate share to the individual players. An individual player will never receive the same commission as an agent. It is not uncommon for a group to generate over \$100,000,000 at the larger Asian casinos in dead chip purchases during a single trip.

#### Cash Chip Turnover

Same as the Cash Chip Turnover program for individual players except in this instance, the program is used by third party representatives.

### **3.3.3. Other Critical Features of PTGP Incentive Programs**

In addition to the aforementioned benefits, casinos that compete in the Premium Table Game Baccarat Player market all offer the following game attributes, services, or amenities:

#### "Squeeze" Games

Casinos that offer "squeeze" games permit players to touch or squeeze the cards after they are dealt. A squeeze game is of particular importance to the Asian player. These players feel luckier if they have a sense of control. And, to many Baccarat players, the ability to handle the cards is an important element of the gaming experience because this element of suspense and anticipation heightens the excitement level.

#### Credit

It is a physically daunting task, and often an illegal one, for a player to carry with them, large amounts of cash from one country to another. Casinos that participate in PTGP Incentive Programs afford their customers casino credit. In addition, Third Party Agents will also arrange for money to be moved from a player's place of residence to the casino venue or, in some parts of the world, offer the credit themselves.

#### Higher Table Game Minimums and Table Game Spreads

Another feature of PTGP programs are higher table game minimum and maximum bets. In general, table game minimums exceed \$200 a hand and can be as high as \$300,000 per hand. A detailed Table Limit Survey can be found in Tables 3-6.

#### Private Gaming Salons

Another important feature of PTGP programs are private gaming salons. These rooms offer gaming patrons a higher degree of exclusivity, better service, a greater degree of security and a certain level of anonymity. Many players, particularly those at the uppermost end of the Premium Player Market, seek the prestige of a private room and/or the privacy it provides.

## 4. River Rock Casino Resort Proposal

In order to compete in the Premium Table Game Player market that targets primarily Asian gamers, River Rock will have to introduce new products and services. A more detailed description of these products and services can be found in Section 8. The so-called "Product Mix" is introduced at this point to give the reader an introduction to the basic elements of a sound PTGP incentive program. In other words, in order to compete, River Rock must first understand who its customers will be and then get the product right so as to properly serve those customers.

### 4.1 The Customer

The primary target market for River Rock's PTGP program is the financially successful and upwardly mobile Asian gamer whose game of choice is Baccarat. In turn, the broader Asian target market segment may be subcategorized into (i) those Asians traveling from or to countries in the Pacific Rim (primarily Hong Kong, Taiwan and The People's Republic of China) and (ii) those Asians who reside in the Greater Vancouver Area. These two categories may be further subcategorized into the following target market segments:

- 1) Asians travelers who are passing through or visiting Vancouver: Businesspersons, tourists, families, and other Asian travelers (and their party) who are traveling eastbound or westbound *through* Vancouver to other points on the North American continent (generally by air) OR *to* Vancouver as their destination.
- 2) Part-time Asian Vancouver residents who have the income and the inclination but who currently do not gamble at River Rock (or who play below their means) because the game and services they expect is not available. These gamers currently play in Las Vegas, other North American locations, Asia, and/or wherever else they can get the game conditions they seek.
- 3) Permanent Asian Vancouver residents who, like their part-time resident counterpart are either not playing, playing below their means, and/or taking their gaming budget to a venue where they can get the game they desire.

The above are current market segments that form the basis for the demand projections used in this report. However, there are several other market segments that have the potential to contribute or become major market segments in the future.

Perhaps the best example is potential new visitors from Mainland China. Until recently, Mainland Chinese have been unable to travel to Vancouver as a vacation destination due to restrictive exit visa policies. But, a recent agreement between China and the Peoples Republic of China stipulates that exit visas will become more readily available as will increased non-stop flights between Mainland China and Vancouver.

Another potential future market segment is the mobile, experienced Asian player (and their party), who are playing elsewhere but would make a trip to Vancouver with gaming as the primary reason for their trip if their preferred game conditions were available.

And lastly, while Chinese Asians were identified as the primary ethnic driver because of their known proclivity to gamble and high regard for Vancouver as an Asian-friendly location, there are other Asians in this group (e.g., Taiwanese, Koreans, and Japanese) who gamble at this level and a certain amount of non-Asians who play Baccarat as well (e.g., Latin Americans, Middle Easterners, Europeans, and to a far lesser extent, "Westerners"/Caucasians).

## 4.2 The Product Mix

### 4.2.1. The Game

The primary product that appeals to the PTGP market is Baccarat and, as importantly, a Baccarat game where the players are allowed to touch or handle the cards for the reasons mentioned in the preceding section.

While a PTGP Baccarat game can be played on a 9-seat midi-Baccarat table, the preferable game is the larger, more traditional, and prestigious 14-seat table.

### 4.2.2. The Environment

The current high limit room is separated from the main casino floor and already offers a limited number of tables at the highest limits currently offered by River Rock. The room currently serves local residents, primarily of Asian descent, with two blackjack games and six baccarat games (none of which are the big, 14-seat table). With a minimal amount of capital expenditure, this room could be upgraded not only to signal a change to higher limits and the offering of a squeeze game on a big baccarat table but also to acknowledge the needs, wants, and expectations of a higher level of player. Such changes may include new carpet, wall covering, ceiling/wall fixtures, furniture, and uniforms for the employees. If a private restroom is not available, one should be provided with upgraded facilities. If room allows, a small sitting area would be desirable as well. Finally, this entire effort should be designed around the tastes and preferences of the Asian culture in terms of colors, lighting levels, and the like. In this context the room design should be overseen by a *Feng Shui* designer revered in the Richmond/Vancouver market.

However, as the PTGP program becomes more popular and volume grows, at some level PTGP players will find such an environment uncomfortably crowded. Also, ultimately this uncontrolled environment will not allow River Rock staff to provide the higher levels of attention and service that these players deserve and, in some cases, demand. Finally, premium players may feel threatened as others are allowed to watch their high betting

behavior. For these and other competitive reasons, a private salon may become necessary to conduct a PTGP incentive program that can grow beyond its introductory level of play.

During the MI Team's site visit, an unused space on the upper level, behind the Poker Room, was identified that could serve as an ideal Premium Table Game Salon. The room is easily accessible from the Hotel Tower as well as a kitchen that would be called upon to provide meals to premium table game players while they are gaming. While smoking is not permitted inside the building, an outdoor area would need to be constructed adjacent to the room to permit Asian players to take periodic breaks to smoke.

#### **4.2.3. Staffing and Support**

Training of Premium Table Game staff is essential. In addition to training in service standards, all employees must be trained in understanding culture, customs and norms so as not to inadvertently offend Asian players and to provide them with the high-end service and home comforts they are accustomed to. Also, all premium table game staff and management would have to be multi-lingual.

#### **4.2.4. Availability of Credit**

While each element of the product mix is important, the availability of credit is one of the critical factors when building a premium table game player program. International currency laws as well as heightened suspicions in this post 9/11 era precludes gamers from traveling with large sums of cash. It is simply inappropriate to expect an international traveler to carry in excess of \$25,000 in cash for gambling purposes. The gamer not only exposes himself to possible confrontations with customs authorities, he is exposing himself to theft or currency confiscation. Therefore, BCLC and River Rock must establish some form of credit that will allow premium table game players to access a sufficient amount of money to gamble with during their visits. Credit issuance also significantly reduces the potential for criminal activities such as loan sharking or money laundering to occur.

#### **4.2.5. Table Game Minimums and Limits**

Table game minimums and limits serve a number of purposes. Higher minimums form an artificial barrier that effectively segregates lower level players from those playing at the highest level, thereby reducing crowding and awkward situations. Higher limits allow premium table game players to play at a level that they find invigorating. It also encourages a higher level of expertise from players who feel more comfortable playing with others "who know what they are doing" and extracts a higher level of professionalism from the table game personnel involved.

With regard to table game limits, perhaps the biggest challenge to River Rock will be to establish a bet range that simultaneously satisfies the market but also satisfies River Rock's

tolerance for risk. Section 6 surveys the world's PTGP programs and details the range of table game minimums and limits offered. Section 7.11 also explains some of the dynamics of risk from a business point of view. At the outset, the MI Team proposes table game minimums of US\$200 and a maximum limit of US\$10,000 per player position. These table limits are expressed in US dollars because, as an international market, limits are often expressed in this denomination to reduce comparison confusion.

#### 4.2.6. Incentives

As detailed in Section 3, casinos can offer a variety of incentives in order to attract premium table game players to their properties. The MI Team is extremely reluctant to recommend implementing the entire suite of benefits that other casinos make available when the program is first introduced. Essentially, River Rock will be introducing this program into a "closed" Greater Vancouver market where no other casino is currently offering this anything similar. The closest gaming area offering anything close to the program contemplated is Nevada. Consequently, there is no initial local or regional competitive reason to be initially aggressive with incentives. However, as will be seen in future sections, the proposal is for this program to compete for the international PTGP player. Since these players will have become used to receiving incentives where they now play, some incentive level will be needed to placate their expectations. MI, however, does not believe River Rock has to "match" the other programs; rather, River Rock need only initially offer a level that meets the minimum expectation of the player and gives them some "face" that they received something for their level of play. Then, once River Rock attracts players and is able to establish a dialogue and relation with them, it can continually determine what additional incentives are necessary to increase play. It is better to increase incentives as conditions so dictate than to find out your initial offering was too liberal and then cut back. It is perhaps only human nature, but experience in other venues would indicate that players have vociferous, adverse reactions to benefits received that are taken away, but react positively as new incentives are provided. It is therefore advised that the casino begin by offering only the minimum number of incentives in order to compete in the PTGP market then add incentives and/or the rate of incentivization as conditions so dictate. Such incentives would include the following:

##### Preferred Treatment

Preferred treatment is a catch-all phrase to describe the higher levels of service that premium table game players expect when they gamble. These expectations include a staff fluent in their customers' native language; preferred parking or valet service; preferred seating at the property's restaurants; preferred rooms in its hotel; possible limousine service throughout the customer's visit to Vancouver; and the availability of a concierge service, either through staff or a "personal" assigned concierge.

##### Complimentaries

Complimentaries are an essential element of any PTGP incentive program. These include complimentary food in the gaming area; complimentary dining in all of River Rock's restaurants as well as complimentary dining in restaurants in Vancouver and Richmond;



complimentary lodging in River Rock's best rooms or suites; and/or any number of other services or amenities that could be comped.

#### Third-Party Agents

Third party agents are an important cog in the marketing efforts of any international PTGP program. These "junket reps" have long-standing relationships with players. As such, River Rock would not have to go through the expense of establishing field offices in host countries. River Rock and BCLC would have to establish a licensing procedure for reps, a commission structure, and a system to accurately measure the player's worth.

#### **4.2.7. Controls**

##### Internal Control Procedures

River Rock and BCLC will have to enhance their controls in order to monitor cash, credit play and commissions. Rules regarding bet limits must be established. An example of this is the "differential" system which limits the casino's exposure on any given bet. New procedures will need to be implemented to ensure cash chip tracking systems are accurate and provide for the introduction of non-negotiable chip systems if employed.

##### System Controls

The River Rock Casino is equipped with the ENDX Casino Management System. While the system has a table game player tracking module, it is not currently being used to track individual play. An initial review by the MI Team revealed that the system appears to have the capability of tracking all aspects of individual Baccarat player activity, including calculating bet differentials and chip turnover.

The ENDX system is further capable of utilizing new RFD chip technology to track the amounts of each wager without human inputs. However, if BCLC and River Rock were to utilize this feature it would require an upgrade of the existing system as well as additional purchases of chips and associated hardware. While the MI Team embraces the notion of introducing new technologies to ensure accuracy and improve operational efficiencies, the introduction of RFD technology is not necessary at this time. Therefore the MI Team did not include these system enhancements in its financial projections.

## 5. Analysis of Target Feeder Markets

The target feeder markets, that is, the countries in which premium Asian gamblers reside are primarily in the Pacific Rim. The Pacific Rim is comprised of nine distinct target markets, including:

- Hong Kong, SAR
- People's Republic of China
- Taiwan
- Singapore
- Malaysia
- Thailand
- Indonesia
- Japan
- South Korea

These nations represent sources of business. The summaries on the following pages detail population, language, religion, customs, government policies towards gaming and movement of cash, visa requirements, and the preferred gaming venues.

### 5.1 Hong Kong & Macau

- Currency: Hong Kong dollar, pegged to the USD. US\$1.00 = HK\$7.80.
- Population: Hong Kong: 6,855,000; Macau: 445,300.
- Religion: Christian, Buddhism, Taoism.
- Language: Chinese and English are the official languages. Cantonese is the most widely spoken dialect though the use of Mandarin is growing.
- Hong Kong drives this combined market because of its size and the wealth of its residents. This wealth generates a large number of premium players and, to a lesser degree, junket groups. However, the increasing popularity and "sprucing up" of Macau, has given rise to increasing visits from grind players from Hong Kong. The relaxation of travel restrictions from China has led to a veritable explosion of players from China to the old and the new Macau casinos at all player levels, particularly those from Guangzhou Province and Southern China.
- Main competition for the Hong Kong market are the major Macau, Las Vegas and Australian casinos at the high end and Macau, Philippines and local casino cruise ships at the lower end. As casino capacity expands with the addition of the Macau Venetian,

MGM/Mirage and Wynn Macau, these new entrants are expected to compete more aggressively for premium play and greatly expand lower-end gaming activity.

- Horseracing and football betting are popular forms of gambling and enjoyed by the majority of the adult population.
- Advertising casinos is illegal. Advertising casinos by way of travel supplements is acceptable.
- Outward and inward remittance of funds is unlimited with no reporting responsibilities.
- Gambling debts are enforceable under Hong Kong law. They are un-enforceable under Macau and China law but new gaming regulations are in the process of being drafted that will apply to Macau.
- Canadian Visa issuance: Canada does not require a visa from residents of Hong Kong. Macau passport holders must obtain a visa prior to visiting Canada.
- Visa restrictions between Mainland China and Macau are expected to ease, allowing more tourism traffic to Macau.
- Target market demographic: wealthy Chinese.

## 5.2 China (People's Republic of China)

- Currency: pegged to the USD. US\$1.00 = 8.276 CNY
- Population: 1.3 billion, growing at approximately 14 million annually.
- Religion: Buddhism & Taoism 95%, Muslim 3%, other 2%.
- Language: Mandarin is the official language. Cantonese is generally spoken in Southern China. Only a small minority is fluent in English.
- Even though the wealthy and powerful Chinese have been able to visit casinos for some time, the mainstream China market is in its infancy when it comes to casino gambling. With travel restrictions being eased first to Macau and now, ostensibly, to locations outside the Special Administration Regions, a growing number of PRC Chinese are becoming able to travel the world marketplace. This has huge implications for tourism in Asia as well as the western coast of North America. Besides the mass market, Hong Kong based junketeers are source for new "upper end" business to North American casinos. China has two currencies, and the Hong Kong and other Asian based junket operators who generally have business interests in China have historically been able to accept their customers' gaming funds in the local Chinese currency within China (a service that major Western casinos are unable to legally provide). The junket operator

then extends to the player the equivalent funds in the foreign currency of the respective casino. It is illegal to export large amounts of Chinese or foreign currency out of China without detailed reporting. This too is changing however, as China has joined the World Trade Organization, thus liberalizing funds transfers, aided by the opening of Mainland Chinese banks in Macau. The junket operators also provide credit to their players, something that is not practical for US casino operators to do. Due to the general inability of Mainland Chinese to speak the English language, most movement and growth will be via junket groups at the upper end of the marketplace and through tour and travel/group wholesalers at the mass market level.

- Main competition for this market is Macau, Philippines, Korea, local casino cruise ships, Australian casinos and the major Las Vegas properties. The more affluent legitimate business people who are able to obtain visas prefer to visit the Las Vegas and Australian casinos. The Asian casinos, with the exception of Star Cruise casinos, are seen as being low class. The lower end of the market is flocking to Macau in great numbers. Macau will become an emerging destination for these players.
- Advertising casinos and gambling of any form is illegal in China.
- Outward and inward remittance of funds requires detailed reporting.
- Canadian Visa issuance: Has generally been difficult unless proof of bona-fide legitimate business dealings and solid financial standing can be provided. On January 21, 2005, the Government of the People's Republic of China agreed to recognize Canada as an officially approved travel destination. Approved Destination Status granted by the Chinese Government allows Chinese residents to travel to Canada using a tourist exit visa. Previously, only a few Chinese visitors traveling on business could obtain exit visas to Canada. In 2004, Canada received 77,000 overnight visitors from China and the World Tourism Organization estimates that by 2020, there will be 100 million Chinese tourists annually.
- Target market demographic: wealthy Chinese with ability to prove sources of wealth.

### 5.3 Taiwan (Republic of China)

- Currency: New Taiwan Dollar. US\$1.00 = TWD\$31.86.
- Population: 22,800,000.
- Religion: Mixture of Buddhism, Taoism, Confucianism – 93%, Christian 4.5%, Other 2.5%.
- Language: Mandarin is the official language. However Hokkien (Taiwanese) is widely spoken, with many of the older generation speaking Japanese. English is spoken by a small minority.

- Taiwan consists predominantly of junket groups and, to lesser extent, individual premium players. The Taiwan customer is extremely incentive/deal conscious and will invariably join a junket in order to derive more attractive incentives. Many of the target customers also have doubtful credit histories with casinos, further placing a reliance on the junket operator for the extension of credit as part of the deal.
- Main competitors for this market are the major Las Vegas and Australian casinos at the high-end and Macau, Philippines, Korea and the local casino cruise ships at the lower end. Many key Taiwanese customers are reluctant to return to Las Vegas due to large outstanding credit obligations.
- Advertising casinos and gambling of any form is illegal in Taiwan.
- Outward and inward remittance of funds by individuals is limited to US\$5 million in a twelve-month period. Financial transaction reporting is required. Foreign companies can open TWD\$ bank accounts if a Taiwanese National is the principal or joint signatory.
- Gambling debts are enforceable under Taiwan law. The use of promissory notes increases the chances of collecting monetary obligations.
- Canadian Visa issuance: Taiwan residents are required to obtain a visa to enter Canada.
- Target market demographic: wealthy Chinese

#### **5.4 Singapore & Brunei (Negara Brunei Darussalam)**

- Currency - Singapore: Singapore Dollar. US\$1.00 = SGD\$1.63.
- Currency - Brunei: Brunei Ringgit. US\$1.00 = R1.72.
- Population - Singapore: 4,353,900; 76.4 Chinese.
- Population - Brunei: 365,000; 20% Chinese.
- Religion - Singapore: Christian, Buddhism, Muslim, Taoist, Confucian, Hindu.
- Religion - Brunei: Muslim 63%, Buddhism 14%.
- Singapore prides itself on being able to offer a secure, racially harmonious environment to its multi-cultural population. It is openly promoted by the Singapore government that the Chinese must remain the dominant race in the population. This policy is readily accepted by the Malay and Indian minorities.

- Indigenous Malays dominate Brunei's population with life evolving around the Islam religion. The small Chinese population holds prominent positions in the business community, are very affluent and represent a valuable segment of casino customers.
- The attractive incentives being offered by the local cruise ship casinos, the close geographic location and convenience of the cruise ports and the numerous on-board junket operators willing to extend credit is resulting in a large migration of customers to junket groups.
- Main competition for these markets comes from the casino cruise ships, Genting Highlands Casino and the major Australian and Las Vegas casinos. Most key customers and junket groups visit the major Las Vegas casinos at least twice a year. These visits usually coincide with the Christmas and/or Chinese New Year holiday periods and for major heavyweight boxing bouts.
- In Singapore slot machines are offered in clubs and lotto, football and horse race betting are available through government run betting shops. Illegal but tolerated, casinos exist on the island of Batam, only 1 hour away by ferry boat from Singapore. The Singaporean government has recently issued a Request for Concept that, if accepted, could lead to the issuance of up to two casino licenses. It is expected that the two casinos would be large, mega-facilities serving a US\$1 billion to US\$1.5 billion market.
- In Brunei, gambling of any nature is prohibited with Muslims being forbidden to gamble by their religion. Despite this, there are a number of Brunei Muslims who enjoy casino gambling.
- Language: In Singapore, the first language is English. However Mandarin, Bahasa and some Chinese dialects are widely spoken. The official language in Brunei is Bahasa. The majority of the Chinese population speaks English and some Chinese dialects.
- Advertising any form of gambling is illegal in Brunei. Limited advertising of casinos is permitted in conjunction with sporting events in Singapore.
- Outward and inward remittance of funds is unlimited and does not require reporting.
- Gambling debts are not enforceable under Brunei law. The law is unclear in Singapore.
- Canadian Visa issuance: Both Singapore and Brunei residents are not required to obtain a visa before entering Canada.
- Target market demographic: wealthy Chinese and Malays.

## 5.5 Malaysia

- Currency: Malaysian Ringgit. Pegged to the USD. US\$1.00 = MYR3.80.
- Population: 23,500,000; Malay 58%, Chinese 26%, other 16%.
- Religion: official religion is Islam.
- The market is very mature having had the Genting Casino at its disposal for the last twenty plus years. Most of the target customer base are fluent in English and travel to casinos alone or with groups of friends. There is currently an increased migration to junket groups due to the difficulty in getting funds out of the country and junket operators' willingness to offer credit and a superior incentive deal to those offered to individual players by the casino.
- Main competition for this market comes from Genting Highlands Casino, Star Cruise, Philippines and the major Las Vegas and Australian casinos. Most key customers visit the major Las Vegas casinos at least twice a year. These visits usually coincide with the Christmas and Chinese New Year vacation periods and for heavy weight boxing bouts.
- Lotto is available through non-government organizations. Horse racing is a popular pastime.
- Malays (the indigenous people – Muslims) are forbidden from gambling and entering the casino area at Genting Highlands. Despite this, there are a number of high caliber Malay players who frequent the Australian and Las Vegas casinos.
- The official language is Bahasa Malaysia. However, English and Chinese dialects are widely spoken.
- Advertising any form of gambling is illegal.
- Outward and inward remittance of funds is strictly regulated. Reporting is required for amounts of MYR\$10,000 (US\$2,600) and over.
- Gambling debts are not enforceable under Malaysian law.
- Canadian Visa issuance: Malaysian residents are required to obtain a visa in order to enter Canada.
- Target market demographic: wealthy Chinese and Malays.

## 5.6 Thailand

- Currency: Thai Baht. US\$1.00 = TB 38.56.
- Population: 65,000,000; Thai 75%, Chinese 14%, Other 11%.
- Religion: Buddhism 95%, Muslim 3.8%, Christian 0.5%, Other 0.7%.
- The market consists primarily of junket players and, to a very small degree, individual premium players.
- Gamers play primarily in the major Australian casinos, Genting Highlands Casino, the newly established Cambodian casinos and Star Cruise Line Casinos.
- The official language is Thai. Chinese is spoken by the majority of Chinese Thais. Very few Thais speak English.
- Advertising gambling of any form is illegal. Horse race betting is permitted.
- Outward and inward remittance of funds requires detailed reporting. Most customers find the associated red tape inconvenient and as a consequence channel their business through junket operators. The major junket operators leave funds off-shore permanently allowing for easy and legal transfer of funds.
- Target market demographic: wealthy Chinese and Thais.

## 5.7 Indonesia

- Currency: Indonesian Rupiah. US\$1.00 = 9,147.63 IDR
- Population: 238,400,000; 3% Chinese, 97% indigenous Indonesians. The 3% Chinese control in excess of 90% of Indonesia's business.
- Religion: Official religion Islam. 88%, Christian 5%, Other 7%
- The market consists predominantly of junket players. This is due to the attractive incentives and credit offered by junket operators.
- Besides the illegal but tolerated casinos on the island of Batam near Singapore, there are allegedly a small, limited number illegal but tolerated casinos in Jakarta as well. Main competition comes from the major Australian and Las Vegas casinos and local casino cruise ships. Most key customers and junket groups visit the major Las Vegas casinos at least once a year. This visit usually coincides with the Christmas and Chinese New Year vacation periods.



- The official language is Bahasa Indonesia. English and Chinese are spoken by a majority of Chinese Indonesians. English is spoken by the majority of affluent indigenous Indonesians.
- Chinese Indonesians are the principal demographic target group.
- Advertising any form of gambling is illegal.
- Gambling of any form is illegal. Despite this, a large number of illegal casinos operate without intervention from the law. Corruption is rife.
- Outward and inward remittance of funds is permitted.
- Gambling debts are not enforceable under Indonesian law.
- Canadian Visa issuance: Thai residents are required to obtain a visa prior to entering Canada.

## 5.8 Japan

- Currency: Japanese Yen; \$US1.00 = 105.6 JPN
- Population: 127,300,000
- Religion: Buddhism and Shinto: 84%, Other: 16% (Christian 0.7%).
- The Market: Although casinos are not legal in Japan, the country has a deep-rooted gaming culture. Gambling is limited to race tracks and pachinko parlors although these two gaming opportunities are known to generate huge gaming revenues for the operators. Gaming revenue generated by Japanese travelers outside of their country is significant, but relative to other Asian countries not large.
- Canadian Visa Issuance: Japanese residents do not need visas to enter Canada.

## 5.9 South Korea

- Currency: South Korean Won; \$US1.00 = 1,038 KRW
- Population: 48,600,000
- Religion: Christian: 26%, Buddhist: 26%, No affiliation: 46%
- The Market: South Korea has a small but burgeoning gaming market. The country has fourteen small casinos that rely on table games for the majority of their gaming revenue.

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Locals may only play at one of the casinos and it is located in a remote location. The government is considering international operators as possible future developers of destination style casinos.

- Canadian Visa Issuance: South Korean residents do not need visas to enter Canada.

## 6. Analysis of the Competition

As various state and national governments struggle to find new sources of revenue, they have come to recognize gaming as both a source of tax revenue as well as a primary source of tourism. The international gaming market is on the cusp of a new wave of expansion. Macau is leading the way, having allowed new operators to enter the market in the past two years. In the next few years, this former Portuguese colony is expected to see an explosion in new casino construction. Singapore will soon be evaluating bids for up to two new casinos and Thailand, Guam, Japan, and other Pacific Rim nations (including allegedly, Mainland China) are at various stages of evaluating the pros and cons of allowing new casinos to open or the expansion of existing casino operations.

Each of these competitive venues has within its customer mix, a premium table game player segment. Principal competitors in the PTGP market are as follows:

- Macau – Sands Macau, Private VIP Rooms
- Major Australian Casinos
- Star Cruise Line and other Asian based “cruise to nowhere” operators
- Malaysia - Genting Highlands Casino
- Philippines – Subic Bay & Cebu Casinos (Popular with the Taiwanese)
- Major Las Vegas casinos
- Canadian Casinos

All amounts in the following pages are expressed or are in US Dollars.

### 6.1 Macau – Special Administrative Region of China

#### 6.1.1. Overview

Located 40 miles west of Hong Kong, the two islands of Macau offer the only legal gambling in China. Gaming revenue is estimated at roughly \$5.1 billion for 2004, up from \$2.2 billion ten years ago. Visitation to Macau has climbed to an estimated 14.8 million people from 7.8 million in 1994.

Macau is currently experiencing explosive growth in gaming construction, led in large part by a government that wants to legitimize and properly regulate gaming. Given that the

government imposes a 39% tax rate, it stands to benefit from a pro-gaming stance and has recently acted accordingly.

### 6.1.2. Recent Market Developments

- Macau recently enacted legislation to allow casino operators to offer credit.
- Macau is currently attempting to ease currency restrictions for the Chinese to convert currency back and forth between the Chinese Yuan (RMB) and Macau Patacas. Mainland residents traveling and gambling in Macau can currently exchange up to 20,000 RMB per day into Macau Patacas, roughly \$2,500.
- Macau government is also trying to ease travel restrictions from some provinces in Mainland China to Macau for citizens from urban areas.
- The Macau market currently contains approximately 1,100 tables and 2,600 slots. New properties include Sands Macau, Galaxy Waldo and Stanley Ho's New Century Hotel and Greek Mythology Casino.
- By 2007 gaming capacity will grow to 4,500 tables and 12,000 slots.
- There are currently 8,900 hotel rooms in Macau. That will grow to 22,000 by 2008.
- Betting limits on Baccarat (US\$260,000) are possibly the highest in the world.
- Until recently, most premium gaming was conducted in private VIP rooms and were lightly regulated. These rooms will soon be replaced by multi-national gaming operators.
- Macau is forecast to generate \$13 billion in gaming revenue by 2008.<sup>3</sup>

### 6.1.3. Sands Macau

- The Sands ("LVS"), owner of the Venetian in Las Vegas, is the first of three US operators to open a casino in Macau in March 2004. The Sands is one of three concessionaires granted an exclusive option to own/operate casinos in Macau, along with Stanley Ho and Wynn Resorts.
- LVS originally partnered with Galaxy but Galaxy's desire to pursue the junket market would have threatened LVS's gaming licenses in the United States.
- Sands Macau was built for \$265 million. It currently has 368 tables and 847 slots. It is expected to generate \$318 million in EBITDA in 2005.<sup>4</sup>

<sup>3</sup> Susquehanna Financial Group

<sup>4</sup> Susquehanna Financial Group.

- 90% of LVS business is derived from mass market gamblers who gamble with cash.
- LVS is cautiously entering the junket market, working only with junket operators who are licensed in Macau.

#### **6.1.4. Other Current Macau Casinos**

##### Lisboa Casino

The Lisboa is one of Macau's older properties and is reputed to be one of the most profitable casinos in the world.

##### Galaxy Casino

The Galaxy Casino – Waldo opened in July 2004, targeting high-end gamers. It has 31 tables and 83 slots.

##### Stanley Ho's Operations

Until recently, Stanley Ho was the exclusive operator of casinos in Macau, totaling fourteen properties. With the opening of the Sands Macau and the Galaxy Casino that monopoly has come to an end. However, Ho will continue to be a player in the market and is currently building two additional properties.

#### **6.1.5. Casinos Under Development**

##### Venetian Macau

LVS is building the 3,000-room Venetian Macau on the Cotai Strip for \$1.8 billion. The property is expected to open in 2007 with a casino and 1,500 rooms. In addition the property will offer 1 million square feet of retail space as well as 1.7 million square feet of convention space.

##### The Cotai Strip

LVS is the master concessionaire for a new gaming district called the Cotai Strip. It will be a cluster of six casinos. As master concessionaire, LVS will be able to sell sub-concession agreements, enter into joint venture projects or operate casinos in third-party hotels.

LVS has already entered into an agreement with a Hong Kong developer to build and operate a 2,000 room hotel and casino. Other major hotel operators (Starwood, Four Seasons, Marriott, Hard Rock International and Intercontinental) have indicated they too will develop properties on the Cotai Strip.

##### Galaxy Star World Casino Hotel

The \$250 million Galaxy Star World will feature 200 tables and 300 slots.

##### Wynn Macau

Currently under construction, the Wynn Macau will have 440 rooms, 140 suites and 20 ultra-premium suites, 250 tables, 500 slots, 7 restaurants and a 28,000 square foot ballroom. It is scheduled to open in 2006.

#### MGM Mirage/Ho Casino

This casino will be called the MGM Grand. It is a joint venture between MGM/Mirage and Stanley Ho's daughter, Pansey Ho. It is scheduled to open in 2006.

#### The Grand Lisboa Casino

The Grand Lisboa Hotel Casino is being developed next to the Lisboa Casino by Stanley Ho. The \$250 million project will contain 800 rooms.

### **6.1.6. Summary of Macau Market Trends**

Macau is undergoing an explosive growth in gaming capacity and demand, primarily fueled by visitors from Mainland China. The easing of travel restrictions between Macau and the mainland has unleashed an unprecedented demand for gaming entertainment. Despite the increased capacity, Macau will continue to be hard pressed to meet anticipated demand for some time to come. Further, as Mainland Chinese become exposed to western style casinos and are given even greater freedom to travel, they will begin to seek out new gaming venues. While Australia and Las Vegas will be the main beneficiaries, other gaming markets that can cater to Chinese gamers will also benefit. Vancouver in particular, with its ability to provide an environment that is congenial to Chinese, could benefit from this new demand.

## **6.2 Major Australian Casinos**

### **6.2.1. Crown Casino – Melbourne, Victoria**

- Biggest and most luxurious in Australia.
- Offers true 6 Star luxury accommodations with 33 butler serviced villas. All rooms and suites fitted with spa baths, fax machines, full mini-bars. No expense spared.
- Offers a large private VIP gaming room to local members and invited guests. Private and luxurious gaming salons are available to junket groups and individual players who deposit \$2 million or more.
- Excellent service culture with Asian hosts employed from the target markets.
- Aggressive betting limits available on all games. (See Tables 3-6.)
- Commission based and discount on loss programs available.

- Dining: choice of forty food & beverage outlets; six offering Asian cuisines.
- Entertainment: regular appearances by Western & Asian "Star" performers.
- VIP casino guests can play at Crown's exclusive private golf course, "The Capital". This course compares favorably with the best courses in Las Vegas.
- No less than six player targeted golf tournaments per annum.
- Private G-IV business jet transfers available to players willing to deposit \$1.5 million or more.
- Extensive Asian office marketing network.
- Entrepreneurial State Gaming Authority.
- Very proactive and innovative management team.
- Direct flights from target markets with the exception of Taiwan. Average non-stop flying time from major Asian cities is eight hours.
- Credit & check cashing facilities available – payment period up to ninety days.
- Temporary junket licenses available to those junket operators licensed in other Australian jurisdictions or able to provide an official police clearance issued from their country of origin.
- The political and financial strength of Kerry Packer and his company PBL as the owners.

#### **6.2.2. Conrad Jupiter's Casino, Gold Coast**

- 70 table games and 1,300 slots.
- Dedicated Asian hosting staff and excellent personalized service.
- Betting limits on Baccarat are \$50,000 and are 50% lower than those available at Crown.
- Offers five restaurants, only one of which can be considered fine dining and one that is Chinese.
- Commission based and discount on loss incentive programs available.

- Flexible State Gaming Authority.
- Reactive, conservative management team.
- Direct flights from target markets with the exception of China. Average non-stop flying time from Asian cities is 8 hours.
- No credit available, only check cashing facilities. 30 day hold period.
- Temporary junket licenses available to Junket operators who are licensed in other Australian jurisdictions or able to provide an original Police clearance issued from their country of origin.

### **6.2.3. Conrad Treasury Casino, Brisbane**

- 80 tables and 1,300 slots.
- Offers five restaurants, only two of which can be considered upscale.
- Offers private gaming salons.
- Dedicated Asian hosting staff and excellent personalized service.
- Betting limits on Baccarat at \$50,000 are 50% lower than those available at Crown.
- Commission based and discount on loss incentive programs available.
- Private jet transfers are arranged for players with \$3 million or more in front money.
- Extensive Asian office marketing network.
- Flexible State Gaming Authority.
- Reactive, conservative management team.
- Direct flights from target markets with the exception of China. Average non-stop flying time from Asian cities is approximately 8 hours.
- No credit available, only check cashing facilities. 30 day hold period.
- Temporary junket licenses available to Junket operators who are licensed in other Australian jurisdictions or able to provide an original Police clearance issued from their country of origin.



#### 6.2.4. Star City – Sydney, New South Wales

- Large tourist class casino.
- Offers private VIP gaming room and private salons.
- Despite a large team of Asian hosts, they have a poor reputation for service.
- Nightly live entertainment is available. Asian and Western super star entertainers appear at least twice a year.
- Conservative betting limits on all games, averaging only 50% of the limits available at the Crown Casino.
- Only non-negotiable chip commission incentive programs available. No cash chip or discount on loss programs.
- Limited food & beverage outlets. Only one average Chinese restaurant.
- Excellent public golf courses are within one hours drive.
- Private jet transfers from Asia are arranged for players with \$3 million or more in front money.
- Extensive Asian office marketing network.
- Strict and conservative State Gaming Authority.
- Direct flights from all target markets. Average non-stop flying time from major Asian cities is 8 ½ hours.
- No credit available, only check cashing facilities. 30 day hold period.
- Temporary junket licenses available to Junket operators who are licensed in other Australian jurisdictions or able to provide an original Police clearance from their country of origin.
- Former Chairman was extremely risk averse. Consequently, management team was not committed to the Far East market and associate high-end business. It is unclear whether the new CEO (in office two years) will change the company's strategy to this market segment.

**6.2.5. Burswood International Casino Resort – Perth, Western Australia**

- Large resort hotel located on the banks of the Swan River.
- Private VIP gaming room and private salons.
- Large force of Asian hosts offering an excellent level of service.
- Extensive entertainment program in multiple venues on property.
- Aggressive betting limits on all games.
- Only commission based incentive programs available. No discount on loss.
- Limited food & beverage outlets. One excellent Chinese restaurant.
- Public golf course attached to the resort. Excellent public and private courses are within one hours drive.
- Private jet transfers are arranged for >\$5 million players.
- Extensive Asian office marketing network.
- Strict and conservative State Gaming Authority.
- Reactive and conservative management team.
- Direct flights from all target markets with the exception of Taiwan and China. Average non-stop flying time from major Asian cities is 6 ½ hours.
- No credit available. Only check cashing facilities. 30 Day hold period.
- Temporary junket licenses are issued to junket operators who are licensed in other Australian jurisdictions or able to provide an original Police clearance from their country of origin.
- Recently acquired by PBL/Crown Casino which may signal increased aggressiveness in catering to this market segment.

### 6.3 Star Cruise Line – Malaysian Based, owned by Genting

- Operates a large fleet of luxurious casino cruise ships out of Singapore, Thailand, Hong Kong, Malaysia, Taiwan and Japan. They are officially the third biggest cruise line in the world.
- Operates under the guise of a regular cruise ship line, with high-end gaming being a major segment of their business.
- Private VIP rooms and private salons are available on all vessels.
- Exceptionally good service culture, with hosts and marketing executives employed from all target markets.
- Regular appearances on board by Asian super star entertainers.
- Aggressive betting limits available on all games.
- Only commission based incentive programs available. No discount on loss.
- Extensive range of food & beverage available on the larger ships. Quality of Asian food is only average due to inability to cook with gas on cruise vessels.
- Many cruises incorporate golf outings into the trip itinerary. Star Cruise hold regular golf tournaments at numerous exotic Asian destinations.
- Extensive Asian office marketing network.
- Star Cruise casinos operate in international waters and therefore are self regulated. No gaming taxes are paid to any country or state.
- Management is proactive, innovative, professional and aggressive.
- Advantage of being located at the target market doorstep. Inexpensive, convenient and luxurious.
- No credit available. Only check cashing facilities. 30 day hold period.
- Junket licenses are issued at the discretion of the management.

#### **6.4 Genting Highlands Casino – Pahang, Malaysia**

- Large Hotel Casino Resort (soon to have 10,000 guest rooms) offering three classifications of accommodations and service. Budget traveler to premium player. Many family attractions are incorporated into the resort.
- VIP private gaming room and private salons available.
- Poor service culture. Not highly regarded by the target market.
- Aggressive betting limits available on all games. Genting offer an exceptionally high limit on Roulette.
- Only commission based incentive programs available. No discount on loss.
- Large choice of food & beverage outlets. Excellent Asian & European food available. Nightly variety cabaret show.
- Highly regulated by the Malaysian Government. Their gaming license is renewed on a monthly basis.
- 18-hole tournament golf course within a 15 minute drive.
- Helicopter service available from Kuala Lumpur airport or larger Malaysian cities.
- Extensive Asian office marketing network – Not VIP or junket market targeted.
- Conservative management. Muslim aligned government makes it difficult to be anything but conservative.
- Located within a five hour flight from all target markets.
- No credit. Only check cashing facilities.
- Junket licenses are easily obtained.

#### **6.5 Waterfront Cebu City Hotel and Casino, Cebu City, Philippines**

- 568 room hotel and casino offering a variety of accommodations including premium suites.
- Three upscale dining rooms including two that offer Asian cuisine.

- Club Waterfront is the property's VIP International gaming room offering Baccarat, Mini-Baccarat, Roulette and Blackjack.
- Poor service culture. Most junket operators coordinate their own guests' requirements.
- Betting limits are very conservative. US\$50,000 maximum differential bet on Baccarat.
- Only commission based incentive programs available. No discount on loss.
- Excellent golf courses are within a one hour drive.
- Due to lack of scheduled airline flights the junket operators and casino operators charter weekly flights from China, Taiwan, Kuala Lumpur and Kuching (East Malaysia).
- Marketing and representation is channeled through key junket operators.
- Live entertainment is limited to local singers appearing in their cocktail lounges.
- Management has a reputation for being inconsistent in regard to policy. Not proactive or aggressive.
- Credit is made available to junket operators who in-turn extend it to their players. The junket operator is responsible for the collection and payment of all credit.
- Junket licenses are easily obtained.
- Cebu City is within 3.5 hours flight of all target markets.

## 6.6 Las Vegas

A total of fourteen casinos on the Las Vegas Strip currently offer Baccarat, generating \$472 million in gaming win for the twelve month period ending November 30, 2004. However, the number of properties actively competing in the PTGP market is less. They include:

- MGM Grand Hotel and Casino
- Bellagio Hotel and Casino
- The Mirage Hotel and Casino
- The Rio Suite Hotel and Casino
- The Venetian
- The Las Vegas Hilton (Colony Resorts)
- Caesars Palace

Each of these properties maintains a dedicated host staff as well as branch offices in key Asian markets. Some have made major commitments to hotel, food, beverage, and other support facilities that are designed to create a competitive advantage by their facilities alone (e.g., the MGM Mansions and the Mirage Villas).

The level of amenities that these casinos collectively offer is such that few other markets can compete, solely in terms of physical amenities. However, to enjoy these amenities Asian gamers must endure long flight times. Thus, while these properties each have a share of the PTGP market, visits from those players is limited to only a few times a year.

While the use of third-party junket representatives is prevalent in Macau and other parts of Asia and the Pacific Rim, most Las Vegas casinos compete for the mobile Asian player through their own marketing operations, both on and off site. The companies that are more committed to the PTGP market all have satellite marketing offices in Asia, e.g., one or more offices in Hong Kong, Taipei, Seoul, Singapore, Bangkok, and Kuala Lumpur. Additionally, Las Vegas top executives make three or four trips to Asia each year to make personal contact with the top players.

With The Venetian and Wynn Resorts already in Macau and MGM-Grand and other casinos actively looking for casinos in Asia, it is expected that the marketing pipeline will open between Asia and Las Vegas with Asia being the feeder and breeder market and Las Vegas remaining for some time to come as the gaming mecca.

## **6.7 Atlantic City**

Trump's Taj Majal is currently a primary player in the PTGP market. While Caesars Atlantic City also has the breadth of amenities to cater to this market, the upcoming sale of the property to Harrah's Entertainment makes the MI Team wonder if they will commit to this market in the future. However, Atlantic City is on the "wrong coast" to cater to the mobile Asian player and, as such, caters more to resident Asians in the mid and east coast.

## **6.8 Connecticut**

In the past three years both Foxwoods and Mohegan Sun have entered the PTGP market. Given their commitment to expanding their respective businesses, both casinos will continue to be players in the PTGP market. However, given their remote east coast location, it is difficult to gauge their overall market share.

## 6.9 Canadian Casinos

Several Canadian casinos were polled in order to better understand their level of participation in the Premium Table Games Player market.

### 6.9.1. Alberta

- Alberta casinos operate under the charitable gaming model. Because of the revenue sharing formula, gaming operators are loath to provide any meaningful complimentary programs.
- No Alberta casino currently offers a premium table game program.
- No Alberta casino offers hotel accommodations as part of their amenity mix.
- ABS, the province's largest gaming operators, has been approved to operate large Baccarat games but have opted not to do so because of perceived game volatility. Mini-Baccarat is offered with \$1,000 bet limits. The game is dealt with a single deck and player handling of cards is permitted.

### 6.9.2. Saskatchewan

- The two destination casinos (Casino Regina and Casino Moose Jaw) do not offer a premium player program. While Baccarat is available, neither casino has the breadth of amenities to cater to a premium table game segment. Both casinos are operated by the Saskatchewan Gaming Authority.
- The four First Nation casinos are operated through a partnership between The Federation of Saskatchewan Indian Nations and The Saskatchewan Gaming Authority. None of the casinos offers Baccarat.

### 6.9.3. Ontario - Casino Windsor

- Casino Windsor offers Baccarat with a bet minimum of CA \$100-\$200 and a maximum bet of CA \$10,000.
- Baccarat is offered in a designated high-limit betting area but is not off-limits to the general public.
- Patrons are allowed to turn their cards. However, the dealer always controls the shoe.
- Casino Windsor primarily targets local and regional Asian players.

- While credit is available, it is not used as a marketing tool.
- The property occasionally brings in Asian entertainment which targets local and regional Asian players.
- Comps are based on the average theoretical win over the past six visits.

#### **6.9.4. Ontario - Casino Rama**

- Casino Rama offers table game minimums ranging from \$25 to \$100 with a maximum posted limit of \$5,000. A \$10,000 max bet is available for some high-end players.
- "Squeeze" games are available on the Big Baccarat table only.
- Credit is available but is not used as an incentive to attract players.
- The casino's high-limit area is separate from the general casino floor.

#### **6.9.5. Ontario - Casino Niagara**

- Casino Niagara Fallsview has in place a premium table game player program. In addition to offering a big Baccarat game, the casino offers credit and substantial table game limits. Table game spreads are \$100-\$5,000 and \$200-\$10,000. A player who deposits \$200,000 can play up to \$20,000 per hand.
- Casino Niagara Fallsview offers three dining options including a fine dining room and Asian Noodle restaurant. The property also features a 368-room hotel that includes premium suites.
- Credit is available.

#### **6.9.6 Quebec – Casino de Montreal, Lac Leamy and Charlevoix**

- The three casinos are operated by a subsidiary of the Lotto Quebec Corporation.
- Baccarat table minimums and limits are \$20 and \$1,000 respectively.
- The casinos do not offer credit.
- Despite numerous five star dining facilities, the casinos do not service premium table game players with any traditional incentive programs.



### 6.9.6. Washington State

- Gaming is available at tribal gaming casinos, which offer table games and slots as well as state licensed card rooms. Card rooms are low-end gaming rooms offering a maximum bet of \$200.
- Tribal gaming operations are limited to no more than 75 tables and 2,000 slots. The maximum bet limit is \$500. While tribal casinos offer complimentary privileges, only one casino currently offers a hotel as part of its amenity mix.
- There is no premium table game program at any casino in Washington state. While there are sizable local Asian populations in and around Seattle, their gaming activity is not inordinately high and does not warrant high stakes gaming parlors.

## 6.10 Summary Findings of Worldwide Table Game Policies

*Due to the confidential nature of the data within these tables, specific casinos were not identified.*

*Table 3*  
Pacific Rim Market Table Game Survey

Property	CA Dollars		US Dollars		Min:Max Bet spread	Restrictions or Requirements
	Min	Max	Min	Max		
<b>Asia Casino #1</b>						
Public Area	\$120	\$19,000	\$97	\$15,403	158	
	\$240	\$25,000	\$195	\$20,268	104	
	\$600	\$38,500	\$486	\$31,212	64	
	\$1,200	\$64,300	\$973	\$52,129	54	
	\$2,400	\$100,000	\$1,946	\$81,071	42	
	\$3,600	\$128,500	\$2,919	\$104,176	36	
	\$4,800	\$154,200	\$3,891	\$125,011	32	
Private Rooms only	\$13,000	\$193,000	\$10,539	\$156,467	15	
	\$13,000	\$280,000	\$10,539	\$226,998	22	
	\$19,000	\$193,000	\$15,403	\$156,467	10	
	\$25,000	\$280,000	\$20,268	\$226,998	11	
<b>Asia Casino #2</b>						
Public Area	\$60	\$30,000	\$49	\$24,321	500	
	\$60	\$43,500	\$49	\$35,266	725	
	\$60	\$60,000	\$49	\$48,642	1,000	
	\$60	\$90,000	\$49	\$72,964	1,500	
Junket/Invite only	\$60	\$120,000	\$49	\$97,285	2,000	
<b>Asia Casino #3</b>						
VIP Rooms	\$260	\$26,000	\$211	\$21,078	100	
	\$520	\$52,000	\$422	\$42,157	100	
	\$1,300	\$79,000	\$1,054	\$64,046	61	
	\$5,300	\$105,000	\$4,297	\$85,124	20	
	\$13,100	\$132,000	\$10,620	\$107,013	10	

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Table 4

Australan Market Table Limit Survey						
	CA Dollars		US Dollars		Min:Max Bet spread	Restrictions or Requirements
	Min	Max	Min	Max		
<b>Australla Casino #1</b>						
<b>Public Area</b>						
	\$60	\$67,000	\$49	\$54,317	1,117	
	\$60	\$120,000	\$49	\$97,285	2,000	
	\$180	\$180,000	\$146	\$145,927	1,000	
<b>Junket/invite only</b>						
	\$180	\$180,000	\$146	\$145,927	1,000	
<b>Australia Casino #2</b>						
<b>VIP Room</b>						
	\$60	\$100,000	\$49	\$81,071	1,667	
<b>Australla Casino #3</b>						
<b>Public Area</b>						
	\$50	\$50,000	\$41	\$40,535	1,000	

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Table 5

US Market Table Limit Survey						
	CA Dollars		US Dollars		Min:Max Bet spread	Restrictions or Requirements
	Min	Max	Min	Max		
<b>Las Vegas Casino #1</b>						
Public Area	Free hands	\$15,000	Free hands	\$12,161	n.a.	
Restrictions	Free hands	\$100,000	Free hands	\$81,071	n.a.	Requires US\$2M to US\$5M deposit
	Free hands	\$160,000	Free hands	\$129,713	n.a.	Requires US\$5M deposit
<b>Las Vegas Casino #2</b>						
Public Area	\$100	\$15,000	\$81	\$12,161	150	
Restrictions	\$100	\$50,000	\$81	\$40,535	500	Requires US\$1M to US\$2M deposit.
	\$100	\$100,000	\$81	\$81,071	1,000	Requires US\$2M to US\$3M deposit
	\$100	\$160,000	\$81	\$129,713	1,600	Requires US\$3M or more deposit
<b>Las Vegas Casino #3</b>						
Public Area	\$100	\$15,000	\$81	\$12,161	150	
Restrictions	\$200	\$25,000	\$162	\$20,268	125	Requires US\$500K to US\$1M deposit
	\$200	\$50,000	\$162	\$40,535	250	Requires US\$1M to US\$2M deposit
	\$200	\$100,000	\$162	\$81,071	500	Requires US\$2M to US\$3M deposit
	\$200	\$160,000	\$162	\$129,713	800	Requires more than US\$3M deposit
<b>Las Vegas Casino #4</b>						
Public Area	\$100	\$15,000	\$81	\$12,161	150	
Restrictions	\$100	\$50,000	\$81	\$40,535	500	Requires US\$1M to US\$2M deposit
	\$100	\$100,000	\$81	\$81,071	1,000	Requires US\$2M to US\$3M deposit
	\$100	\$160,000	\$81	\$129,713	1,600	Invitation only
<b>Connecticut Casino</b>						
Public Area	\$100	\$15,000	\$81	\$12,161	150	
Restrictions	\$100	\$50,000	\$81	\$40,535	500	Private salon
	\$100	\$75,000	\$81	\$60,803	750	Private salon
	\$500	\$100,000	\$405	\$81,071	200	Private salon - No Longer Available
	\$500	\$150,000	\$405	\$121,606	300	Junket groups only
<b>Atlantic City Casino</b>						
Public Area	\$100	\$10,000	\$81	\$8,107	100	
Restrictions	\$1,000	\$50,000	\$811	\$40,535	50	Requires US\$1M to US\$3M deposit
	negotiable	\$100,000	negotiable	\$81,071	n.a.	Requires US\$3M or more deposit
	negotiable	\$150,000	negotiable	\$121,606	n.a.	Invitation only

Note: "Free hands" refers to allowing a player to make a low minimum bet and/or sit out a bet as long as they meet other criteria.

Table 6

Canadian Market Table Limit Survey					
	CA Dollars		Min:Max		Restrictions or Requirements
	Min	Max	Min	Max	
Casino #1	\$100	\$10,000			
Casino #2	\$200	\$20,000			Up to \$20,000 bet with \$200K deposit
Casino #3	\$100	\$5,000			\$10,000 with permission

## 7.0. Economics of the Premium Player Programs

### 7.1. Size Of The International Market

The International Premium Table Games Player Baccarat market is large, estimated at US\$10.6 billion. By country, the revenue generated by the International Premium Baccarat Player is projected as follows<sup>5</sup>:

Table 7

Worldwide Premium Table Game Market		
<i>All revenue in US dollars</i>	Total Gaming Revenue	Baccarat Gaming Revenue
Macau	\$5,290,000,000	\$4,100,000,000
China	\$450,000,000	\$300,000,000
Taiwan	\$550,000,000	\$400,000,000
South Korea	\$1,145,000,000	\$700,000,000
Japan	\$490,000,000	\$24,500,000
Philippines	\$575,000,000	\$300,000,000
Malaysia	\$670,000,000	\$400,000,000
Indonesia	\$495,000,000	\$400,000,000
Singapore	\$0	\$0
Thailand/Laos/Cambodia	\$745,000,000	\$500,000,000
Asian Cruise Ships	\$1,485,000,000	\$1,000,000,000
Other Asia	\$1,190,000,000	\$900,000,000
Australia	\$4,910,000,000	\$500,000,000
<b>Subtotal Pacific Rim</b>	<b>\$17,995,000,000</b>	<b>\$9,524,500,000</b>
<b>USA</b>		
Las Vegas Strip	\$5,238,000,000	\$633,664,000
Atlantic City	\$4,807,000,000	\$129,000,000
Connecticut	\$2,200,000,000	\$42,000,000
US Other Markets (exc Indian)	\$13,749,000,000	\$0
Indian Gaming (exc. CT)	\$14,600,000,000	\$0
<b>Subtotal USA</b>	<b>\$40,594,000,000</b>	<b>\$804,664,000</b>
<b>Canada (in US dollars)</b>		
British Columbia	\$502,770,000	\$80,059,000
Alberta	\$512,436,000	\$24,000,000
Saskatchewan	\$128,880,000	\$5,602,000
Manitoba	\$142,463,000	\$4,802,000
Ontario	\$2,690,000,000	\$132,070,000
Quebec	\$597,917,000	\$40,017,000
Nova Scotia	\$80,035,000	\$1,602,000
Yukon	\$1,602,000	\$0
<b>Subtotal Canada</b>	<b>\$4,656,103,000</b>	<b>\$288,152,000</b>
<b>Total</b>	<b>\$63,245,103,000</b>	<b>\$10,617,316,000</b>

<sup>5</sup> Gaming revenue in general is difficult to find in many gaming venues. Baccarat gaming revenue is not broken out in some gaming venues where data is available. Consequently, the above projections of world-gaming revenue and Baccarat revenue should be considered estimates. Asian gaming revenues include illegal-gaming. Source: Macomber International, Inc., ABN AMRO, The Innovation Group, Bear Stearns.



## 7.2. Composition Of The International Market

The International Premium Table Games Player market segment is dominated by players of Asian origin, descent, and influence. More specifically, the market is dominated by the Chinese or those closely related to the Chinese (the combined market will be hereinafter referred to collectively as the "Chinese" or the "Chinese Market").<sup>6</sup> For a variety of cultural, philosophical, and just plain lifestyle reasons, it is a well understood axiom in the gaming industry that the Chinese Market has the highest natural proclivity to gamble than any other comparable demographic or psychographic market segment. This gaming potential is a function of: (1) sheer numbers, (2) propensity at all income levels to spend a higher proportion of disposable income on gaming than other market segments, and (3) a "greater than average" component of wealthy within the demographic classification that, in turn, creates a large, high-end niche market segment.

Historically, primary feeder markets, have been determined by *both* where the Chinese live *and* where they are allowed/able to travel. Thus, while obviously the greatest number of Chinese live in the People's Republic of China ("Mainland China"), travel outside of the country has been severely restricted until relatively recently. Yet, during the centuries and decades leading up to current day, the Chinese have managed to leave Mainland China and relocate part or all of their family to other countries and/or areas becoming ethnic and/or commercially dominant forces in their place of residence: e.g., Hong Kong, Taiwan, South Korea, Malaysia, Indonesia, Thailand, Singapore, and the like. This pattern continued into the second half of the 20<sup>th</sup> Century as the travel pattern extended further into Western countries such as the United Kingdom, Australia, Canada, and the United States.<sup>7</sup> The family-centric culture combined with the centuries old practice of doing business through long-standing and earned relationships keeps the Chinese community linked to its Mainland China/Asian origins.

Offshore Chinese (i.e., those not living in Mainland China) represent a gaming market that is large, enjoys gambling, and for the upper income strata, have family and business interests throughout Asia, Canada, United States, and around the world and the wealth to travel for business, tourism, or gaming reasons.

Gaming consumption historically has taken place, as may be logically predicted, in gaming venues closest to the feeder markets. For those Chinese who emigrated to areas outside of the Mother Country, this has meant either illegal games in their host country or, for those who could afford it, travel to legal casinos in Macau (legal since 1962), South Korea (gaming was restricted to non-South Korean residents until several years ago when the first and still only locals' casino was opened), Kuala Lumpur (Genting Highlands operates a country gaming monopoly located on the top of a hill where Muslims are prohibited from playing), cruise ships (which leave from various Asian ports and where the onboard casino

<sup>6</sup> While the Chinese are avid Baccarat players as can be Korean and Taiwanese players, the Japanese are far less so.

<sup>7</sup> There are large Chinese communities of say 300,000 or more in Sydney, Vancouver, Toronto, New York and San Francisco, to name a few.

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is allowed to operate in international waters), and in various marginal, legal to quasi-legal to illegal opportunistic locations like Laos, Cambodia, Myanmar, Vietnam, Mongolia, and North Korea.

For those offshore Chinese with greater wealth and freedom to travel for business and/or personal reasons, the potential gaming venues they might visit expands to locations further away. These destinations include Tinian and Christmas Island (both of which have had a sporadic history of casino openings and closures), the Philippines, and Australia (primarily monopoly/oligopoly casinos operating in Melbourne, the Gold Coast, Perth, Sydney, and Darwin). Those with greater wealth and the freedom to travel have become accustomed to going to Las Vegas casinos and, to a lesser extent, other casinos around the world while they travel for business and/or for pleasure.

Mainland Chinese were, for all intents and purposes, restricted to illegal casinos within their country and/or gambling at non-casino games such as *Mah Jong*. The exceptions were those wealthy and/or politically well connected who could wrangle an exit visa for travel to Macau or beyond. As the economy grew and business caused more Mainland Chinese businessmen to travel (or at least gave a spurious reason for a trip), more Mainland Chinese were able to visit Macau, other Pacific Rim and, for some, even U.S. casinos. But, the flow of potential gaming dollars was still severely restricted.

For the Mainland Chinese gambler, all of this changed at the turn of the Millennium. Mainland China by this point had demonstrated phenomenal economic growth catalyzed by a market-driven economy that has been carefully allowed to develop within a government that is fundamentally communistic, socialistic, paternalistic, and autocratic. The economic growth, in turn, was accompanied by some relaxation on travel within and, more importantly for gaming purposes, outside of the country. For the masses of Mainland Chinese, this ease of travel has primarily meant an easing of travel to the Special Administrative Regions of China, namely Hong Kong and Macau ("SARs"). SARs are semi-autonomous geo-political areas that are under Beijing control, but enjoy special status that allows them to exist and develop in ways different than their mainland counterparts. Nevertheless, they are considered "China" by the central government, and therefore travel to the SARs is encouraged.

This has led to a veritable explosion of visitation to Macau. Hong Kong visitors which used to comprise over half of all Macau visitors, has now been replaced by Mainland China as the dominant source of visitors, 9.5 million or 57 percent of the 16.7 million visitors to Macau in 2004. Moreover, growth from Mainland China visitors is far outpacing that of Hong Kong or any other feeder market. These relaxed travel restrictions fortuitously coincided with the Macau Government's issuance of two new gaming licenses thus breaking the monopoly formerly held by S.J.M. Increased gaming capacity coupled with modern, new casinos has increased total gaming revenues over 50 percent in 2004 over the prior year. More insightfully, revenue from high stakes Baccarat accounted for 72 percent of the total revenue increase. While less, "public" Baccarat (i.e., lower stakes) increased 80 percent for the year, double the overall casino revenue growth rate.

It appears that permission for Mainland Chinese to travel is about to go through another major expansion. On January 21, 2005 the Government of the People's Republic of China announced that they have agreed to recognize Canada in general and British Columbia in the specific, as an officially approved travel destination. This will allow Mainland Chinese to travel to Canada and British Columbia using a tourist exit visa. These events are being met with enthusiasm by Canada and British Columbia officials. Indeed, both are seeking to develop an "open skies" policy with China that should act to help remove barriers to adding new flights to and from China. The Vancouver International Airport is also taking proactive steps to take advantage of the economic potential from China both in keeping with its overall strategy to leverage Vancouver as the 2010 Olympic site, but in the interim, to simply promote increasing business with China. Anecdotally, Mandarin (the now official language of China) is being heard far more often in the Greater Vancouver Area relative to Cantonese, the language of immigrants in prior years. In all, events point to British Columbia being well positioned to take advantage of the potential economic growth of China and the tourism/gaming component of that growth.

Given all of the above, the International Premium Table Games Player market may be segmented geographically into the following categories:

- I. MAINLAND CHINA "RESTRICTED" MARKET: Mainland Chinese for whom their disposable income and/or ability to travel outside of Mainland China precludes most if not all of their trips being anywhere else but Macau.
- II. MAINLAND CHINA "MOBILE" MARKET: Mainland Chinese with the wealth and freedom to travel outside of China who will patronize Macau but other gaming venues in the Pacific Rim and North America as well.
- III. CHINESE RESIDENTS LIVING OUTSIDE OF MAINLAND CHINA IN THE PACIFIC RIM: Chinese who are citizens and/or living in other Pacific Rim countries.
- IV. CHINESE RESIDENTS LIVING OUTSIDE OF MAINLAND CHINA IN NORTH AMERICA: Chinese who are citizens and/or living in Canada or the United States.
- V. CHINESE RESIDENTS LIVING ELSEWHERE: Chinese who are citizens and/or residing in Europe, Latin America, and other locations not included in the preceding classifications.

Akin to virtually any other commodity that needs to be marketed, there are still additional demographic sub-categories that, particularly with respect to the Asian International Premium Baccarat Player market, affect their choice of casino to patronize. These demographic factors affect not only the number of gaming trips taken per year, the gaming/non-gaming budget per trip, and the overall annual spend on gaming trips but how such annual gaming budget is allocated among local/regional day-trip and regional/international multiple-day visit opportunities. For example, a new middle class factory or office worker in Guangzhou Province adjacent to Macau may only have the money, inclination, or ability to patronize a Macau casino a few times a year. However, a successful new entrepreneur from the same province may make several trips a month to a



Macau casino, may take one or two gaming trips on a cruise ship leaving Hong Kong or to a regional casino in Kuala Lumpur or South Korea, and some may save up for one big trip/vacation to an Australian or Las Vegas casino. On the other hand, a millionaire Hong Kong businessperson has the means, ability, and travel pattern to patronize virtually any casino they may want to choose.

But, in this context, since the goal of this report is to develop a viable *premium* Baccarat player market, this report will define a Premium Baccarat Player as one whose minimum bet is \$500 or more. Analysis of thousands of player bet patterns suggest that most players at the upper end of the bet range, will generate an average wager from one to two percent of their bankroll (i.e., gaming budget per visit). Thus, a player with an average bet of \$500 or more would be expected to have a *minimum* bankroll of \$25,000 to \$50,000. Comparing this per trip budget to non-gaming vacations, players in this category would be akin to those who patronize the most expensive resorts and destinations in the world. Moreover, for most premium players, they make several such trips per year, often four to six trips but in some cases, much more often. This leads to the following two rather simplified sub-categories:

- A. NON-PREMIUM BACCARAT PLAYERS – AVERAGE BET OF LESS THAN \$500.
- B. PREMIUM BACCARAT PLAYERS – AVERAGE BET OF \$500 OR MORE.

The International Premium Baccarat Player may be further sub-divided by those who are able and/or willing to travel individually and those who prefer to visit casinos in groups organized by third-party marketing organizations (commonly referred to as “junkets”).

- 1. INDIVIDUAL PLAYERS
- 2. JUNKET PLAYERS

The junket business has developed over the years to cater to a number of situations, among them:

- THE COMPLEXITY OF TRAVEL: e.g., securing permission to travel from the resident government and visas from the destination country, ability to take local currency out of the country (for years there were restrictions on Mainland Chinese taking large amounts of currency outside of their country), and, language and other cultural obstacles (real or perceived).
- AVAILABILITY OF CREDIT: Players often need credit, either to feel safe in traveling with large sums of money, as a means to get their gambling dollars outside of the country, and/or as a source willing to lend money based upon knowledge of the individual and/or family plus the ability to collect.
- INCENTIVIZATION: New players and/or players who might not otherwise qualify as individuals can receive incentives through third-party junket representatives that may include anything from perquisites (e.g., help with getting through immigration

lines), discounts to free services, gifts, and participation in invitation only promotions and events either hosted by the casino and/or the junket representative.

- **SOCIAL ATTRACTIVENESS:** Junket players often assemble players from the same area, personal/family network, and/or other means that creates an envelope of familiarity and friendship of a group when traveling to a new and/or foreign venue.

The casino operator directly or indirectly pays for the cost of the junket operator's infrastructure as well as the incentives indirectly to the junket operator via a commission (who, in turn, pays for everything else keeping the difference as their profit) or directly (e.g., issues the complimentary directly to the player), and their profit. In order to make the junket worthwhile to both the junket operator and the casino, players who participate in a junket often must meet certain minimum play criteria. Junket operators exist throughout the world serving Asian as well as western and European players, most specializing in their own geographic or cultural areas of expertise and contacts.

Players who do not meet the junket criteria, are not interested in the services provided by a junket operator, or who do not care to travel in groups may travel independently to a casino. Independent players who qualify can often make arrangements similar to those provided by a junket operator directly with the casino.

Note that for years the only means for a Mainland Chinese player to visit a casino was to coordinate such trips through a junket operator (i.e., they needed the Junket operator to secure visas to leave the country and to provide a means to get their gambling funds in and out of the country). While junket operators still provide a convenient way to patronize Macau and other casinos, with the relaxing of travel and monetary restrictions, a fast growing number of Mainland Chinese are able and willing to travel independently. Likewise, for many Chinese living in other countries, travel to foreign venues was intimidating, a growing number of Chinese are second and third generation residents becoming well accustomed to international travel. As the expatriate Chinese community has become successful in other countries, they have accumulated the wealth to travel as well. The International Asian Baccarat Player market may be summarized by the table below. Casinos frequently (but not necessarily exclusively) patronized are also indicated as reference points.

Table 8

## International Asian Baccarat Player Market Segmentation

	A. NON-PREMIUM PLAYER Average bet of less than \$500		B. PREMIUM LAYER Average bet of \$500 or more	
	1. Individual Player	2. Junket Player	1. Individual Player	2. Junket Player
I. MAINLAND CHINESE, "RESTRICTED"	Macau	n.a.	Macau	Macau VIP rooms
II. MAINLAND CHINA "MOBILE MARKET"	Macau, cruise ships	n.a.	Macau, Genting Highlands, S. Korea, cruise ships	Macau, Genting Highlands, Philippine VIP rooms, cruise ships
III. CHINESE LIVING IN OTHER AUSTRAL-ASIAN COUNTRIES	Macau (primarily from Hong Kong and Taiwan), Genting, S. Korea, Philippines, Laos/Cambodia along Thai border, cruise ships	n.a.	Macau (primarily from Hong Kong and Taiwan), Genting, S. Korea, Philippines, Laos/Cambodia along Thai border, cruise ships	"Convenience trips" to Macau (primarily from Hong Kong and Taiwan) but major trips to Australia and Las Vegas
IV. CHINESE LIVING IN NORTH AMERICAN COUNTRIES	Day trips to closest nearby casino North American casino. Longer stay trips to Las Vegas.	n.a.	Besides day trips to closest casino, multiple day trips to Las Vegas or Atlantic City	Major trips taken to Las Vegas, Atlantic City, Foxwoods or Mohegan Sun
V. CHINESE LIVING ELSEWHERE	Closest nearby casino	n.a.	Closest Asian-friendly "gaming center"	Closest junket destination

Note: "Chinese," as previously defined in the text, refers to all players of Chinese descent, background, or influence.

Source: Macomber International, Inc.

### 7.3. British Columbia Premium Baccarat Player Market

British Columbia currently does not have an active International Premium Player market, at least on the consumption side of the equation. That is, there may be Premium Players that reside in British Columbia who are willing and capable of betting a minimum average bet of \$500 but because of various factors, they are either playing in British Columbia below their potential and/or taking trips to other North American and international venues where they can get the game and playing conditions they desire.

Notwithstanding this current condition, it is felt that British Columbia has significant potential to develop an International Premium Player market from the following market segments:

1. **ASIANS WHO ARE VISITING VANCOUVER:** Vancouver is well known as a destination for travelers from Asia as well as a gateway city to other cities. In 2004 an estimated 1.9 million international people deplaned at Vancouver International Airport ("YVR"). Of those, 1.2 million travelers came from Asia.<sup>8</sup>

Table 9

2004 YVR Deplanes		
	2004 Est.	%
Asia	1,216,702	63%
Europe	560,564	29%
Misc Intl	161,688	8%
Total International	1,938,954	100%
Transborder	2,098,328	

Within these adults, it is assumed that 5 percent have the financial means to gamble at a premium level. While they have the means, they may not have the inclination or the time to gamble. It is therefore assumed that a minimum of only 5 percent but an upside of 20 percent of high-worth Asian visitors would have the inclination to gamble and would do so if the games and amenities they preferred were available. This higher penetration could be achieved as word of a PTGP program spread and these travelers either made plans within their trip to make a visit to the casino (i.e., stay an extra day or two) and/or include new travelers who would make a trip to Vancouver just to gamble in an Asian-friendly environment. A loss per trip of \$2,500 is deemed appropriate for the income level and somewhat opportunistic nature of this market.

Note that this demand analysis does not take into account any demand from trans-border crossing as it is unclear what percentage of Asians might be included in these numbers, the speculation that there may be greater intimidation in crossing the U.S.

<sup>8</sup> Vancouver International Airport Market Statistics, August 2004.

border, and the travel time from the border to the major feeder markets in Washington and below can be relatively long. Nevertheless, there is probably some demand that could be identified from trans-border crossing if further research was conducted.

Asian travelers to Vancouver have been projected to have the potential to generate \$5.4-\$21.9 million in additional gaming revenue. Table 10 illustrates this.

*Table 10*

<b>Asian Visitors Traveling to Vancouver</b>		
Annual arrivals from Asia		1,216,
% Adults	72%	876,
High worth travelers	5.0%	43,
High worth gamers	5%	2,
High worth gamers	20%	8,
<b>Gaming Days</b>		

2. "PART-TIME" GREATER VANCOUVER AREA ASIAN RESIDENTS: Many wealthy individuals have more than one residence and this is particularly true of wealthy Asians. There are approximately 30,000 part-time Asian residents in the Vancouver region, according to recent census figures.<sup>9</sup> Of those, 72% are adults. It is further assumed that 10% of these part-time Asian residents have the financial means to gamble at the premium level. The reason for a higher percentage with this group is that it is assumed "part time" residents have one or more residences and business interests in different venues thus, intuitively, causing their wealth to be greater. Again, just because they have the financial means does not mean that they actually partake in such activities. Rather, it is assumed that only 20 percent to 40 percent of these wealthy part-time residents would actually partake in gaming at the premium level while in Vancouver. The higher penetration rate is because this market segment is in Vancouver for a longer period of time than the pass through air traveler. It is further assumed that they would gamble 2 days per year at a slightly higher loss per day of \$3,500 reflecting again their higher income and more dedicated reason to gamble. Part time residents have been projected to have the potential of generating \$2.9 – \$5.9 million in additional gaming revenue as illustrated in Table 11.

<sup>9</sup> PCensus Demographic Report

Table 11

Part Time Residents		
Part time Asian residents		29,
% Adults	72%	20,
High income adults	10%	2,
High worth gamers	20%	,
High worth gamers	40%	;
<b>Gaming Days</b>		

3. PREMIUM BACCARAT PLAYER RESIDENTS OF THE GREATER VANCOUVER AREA WHO ARE PLAYING ELSEWHERE OR WOULD PLAY IF THE GAME AND PLAYING CONDITIONS WERE AVAILABLE IN VANCOUVER: There are 350,000 permanent Vancouver residents that are of Chinese origin, 70 percent of whom or 252,000 are of legal gambling age. Of these permanent adult Chinese residents, 2% or 5,040 are projected to have the financial means to wager an average bet of \$500 or more.<sup>10</sup> The percentage that is projected to qualify for this program is the lowest of the market segments so far because all Asian residents are included, from the young to the old, from the working class to the wealthy to the retired. Within this group, it may be assumed that a percentage of those who are future premium players are making at least some of their gaming trips to venues which provide the game and playing conditions they desire, in particular Las Vegas. It may also be assumed that there is a latent additional percentage that might begin to play Baccarat at these bet limits if the games and playing environment were available in the Greater Vancouver Area.

It will be assumed that 20 percent to 40 percent of the resident Greater Vancouver Area Adult Chinese community with the income and willingness to play at these levels would play in a Vancouver casino if the proper conditions were available. Once again, their residence in Vancouver 12 months a year leads to the higher penetration rates. And, the penetration rates used are well within penetration rates achieved in other markets which are not even Asian dominated. Further, it is assumed they would make a minimum of four trips per year or from 4,032 to 8,064 gaming days per year. Using a lower win per visitor trip assumption of \$1,500 to account for a greater mix of different levels of PTGP players, these assumptions

<sup>10</sup> PCensus 2001 Demographic Report

yield a projected potential gaming revenue from Premium Asian Resident Greater Vancouver Area Baccarat Players currently going elsewhere or not playing at all of \$6 million to \$12 million. This is illustrated in table 12.

Table 12

Current Vancouver Chinese Residents		
Chinese residents		350,t
Adults	72%	252,t
High income residents	2.0%	5,t
High income gamers	20%	1,t
High income gamers	40%	2,t

4. NEW VISITORS FROM MAINLAND CHINA TO THE GREATER VANCOUVER AREA WHO WILL VISIT DUE TO LESS RESTRICTIVE VISA REGULATIONS: On January 21, 2005 the People's Republic of China agreed to recognize Canada as an officially approved travel destination. In addition, the Mayor of Vancouver signed a cooperation agreement with the City of Guangzhou to develop and share aviation and airport technology to create daily direct flights between the two cities. Given the incubation period needed for this market segment to develop, the MI Team forecast does not take into account the expected growth in visitors to Vancouver from Mainland China that is sure to occur given this agreement between the two nations.
5. TOTAL POTENTIAL PREMIUM GREATER VANCOUVER AREA ASIAN BACCARAT MARKET: Summing the projected annual gaming revenue from the Premium Greater Vancouver Area Asian Baccarat Player yields a total potential annual gaming revenue that ranges from \$14,500,000 to \$39,900,000 as summarized in table 13.

Table 13

Incremental Ga	
Segment	Low rang
Current residents	\$6,048,0
Visitors	\$5,475,1:
Part time residents	\$2,935,2:
	\$14,458,4:

The above revenue projections are projected to be largely *net-net "incremental"* to the Greater Vancouver Area market. The projected revenues are, in effect, largely "new money" that heretofore has not existed and/or been captured. While there may be some cannibalization in terms of a portion of the marketplace now betting below the proposed raised limits that would merely now bet at the higher limit when it becomes available, the level of cannibalization is projected to be minimal for several reasons. First, the Vancouver resident comprises only 30 percent to 40 percent of the projected increase. The remainder of the increase – and the majority of it – is predicated on new play from visitors and to a lesser extent, part-time residents. Secondly, most players target their initial bet at a point that is relative to their bankroll. Statistics show that the average bet of a player ranges from 2 percent to 5 percent of their bankroll or gaming budget for that trip. Bets above the player's opening, comfort level bet range generally occur when they are winning and/or on a winning streak. A loosing streak or a loss typically causes them to revert to their normal, and comfort level bet range. Raising the limit means that for those betting at a higher level, they must have the bankroll that goes along with it. Thus, it is unlikely that the growth will come from lower level players "over betting" their bankroll. It is more likely to come from giving reasons to players of greater means who may not be playing at all or are taking their gaming dollars to other venues to play at River Rock. Thirdly, recent data indicates that only nine of seventeen British Columbia casinos offer mini Baccarat or midi Baccarat games. Moreover, of the 42 mini Baccarat games and 6 midi Baccarat games operating in British Columbia by these nine casinos, the 13 mini Baccarat and 6 midi Baccarat games at River Rock represent 31 percent of the mini Baccarat games, 100 percent of the midi Baccarat games, and 40 percent of the combined number of Baccarat games. Furthermore, among its five casinos (including River Rock) Great Canadian Gaming Corporation operates 25 or 60 percent of the total market mini Baccarat games, 100 percent of the midi Baccarat games, and 38 or 65 percent of the combined number of Baccarat games. The point is that any cannibalization that does take place will be largely from GCGC's own casinos.

The above revenue projections should also lead to a net-net increase in profits. Even though an important element of the start up PTGP Program is a proposal to provide incentives to better players, this is a classic business strategy where additional marketing dollars are spent on promoting a product to realize greater revenue, i.e., a dollar spent results in greater than a dollar in revenue leading to a net increase in profitability. This marginal increase in profitability is particularly true of "add on" programs such as this where only a small amount of capital costs are contemplated in the start up phase and it is assumed that a good deal of the overhead needed to service the increase in business is already in place. The greater risk would be if players who do not play at the higher betting limits demand the same level of incentivization. This is an age old problem in the gaming industry much less



business in general. From player loyalty/incentive programs in gaming to frequent flyer programs in the airline industry, this threat to profit margins is protected by a tiered strata of incentives linked to the level of revenue generated. The key to avoiding an erosion of profitability among existing players is to make sure the incentives are aspirational and “if-then” dependent: structure the incentives<sup>11</sup> in terms of levels of play such that a given level of expense is only incurred if the players play to predetermined limits so that marketing expenditures lead to target financial results. The program can begin conservatively. This allows the elasticity of such incentives to be measured (i.e., the amount of additional revenue realized by the extra incentive offered), and a program structure to be tailored to this specific market. This does not mean there will be not be any incentives given to existing play; rather, the assumption is that overall, the increase in overall revenue will overcome any minimal wastage or inefficiency that will inevitably accompany the introduction of such a program.

While this section addresses market potential, the projections were made in the context of the River Rock Casino being the only British Columbia casino to implement a PTGP program. Over the short term, this may be prophetic, i.e., other casinos are not nearly as well located or positioned to taken advantage of the PTGP market because: (i) they are located further away from the airport, (ii) they are located further away from Vancouver’s Asian resident and business concentration, and (iii) they do not have the support facilities needed to compete for this program (e.g., hotel rooms).

Notwithstanding this premise, given the BCLC’s oversight role, the BCLC may seek initially or sometime in the future to allow other casinos and/or other owner/operators the same opportunity afforded the River Rock casino. Left to market forces, supply and demand, cost-benefit and risk-reward relationships would determine how the introduction of a PTGP program might unfold. It is beyond the scope of this report to recommend public policy, but given everything that is known about PTGP Programs, demand is somewhat supply-side induced. In other words, there is a world market for PTGP Programs and the introduction of the game of choice, table limits, playing environment, service, incentivization, and other elements already mentioned dictate which venues and casinos are patronized.

The PTGP market is growing and recently, its growth is accelerating due to what is occurring in Asia. While presumptuous, it would seem that the BCLC along with GCGC, would both be interested in tapping this expanded market. But, pragmatically, given a cursory overview of the Greater Vancouver Area casino mix, it would seem that not every casino would be an appropriate location for the implementation of a PTGP program. Likewise, a PTGP program takes a certain amount of capital and operating expense to underwrite during the startup phase and once again, not every British Columbia casino company may have the wherewithal, temperament, or business strategy to support or even want a PTGP program. While the complexities of introducing such a program increase when a province-wide and/or BCLC perspective is taken, enough study of the market potential has been completed to state with some confidence that, if necessary, a province-

<sup>11</sup> Incentives may include credit limits as well as more direct incentives such as complimentaries, promotions, and/or special events.

wide policy allowing a PTGP program is not incompatible with approval of the start up of a program at River Rock if managed correctly by all concerned. This contention is premised upon (i) the current demand potential, (ii) the increasing number of Asian travelers worldwide in general and the huge impending potential demand from new Mainland China travelers in the specific, (iii) Vancouver's Asian friendly environment, (iv) the supply-side driven nature and potential of PTGP Programs to capture greater world, regional, and local market share, and (v) the conservative capture rate projected to initialize the River Rock PTGP program. Whether River Rock alone or in conjunction with other Vancouver casinos are willing to invest the time, capital, operating, and marketing costs to service this unique market, it is reasonable to assume that the market would sustain rational increases in supply for some time.

A couple of more observations and caveats are appropriate.

The above projections are based upon "known data." There are, however, the previously mentioned prospects of increased visitation worldwide by Mainland Chinese as travel restrictions continue to be liberalized. And, for Canada, a January 21, 2005 announcement by the Government of Mainland China that Canada is an officially approved destination bodes well for British Columbia to get its "fair share" of this burgeoning economy. The response by British Columbia creating an "open skies" policies for air routes to and from China and acts like the Vancouver International Airport taking proactive steps to go after Chinese business all further suggest that British Columbia is going to take aggressive steps necessary to capture this potential market. Finally, it should be recognized that the Greater Vancouver Area is already "Asian Friendly" and that reputation should help to motivate the new Mainland Chinese traveler to want to visit the area. Given the size of the population and economy of Mainland China, even small percentages of increase in travel and foreign expenditure translate into huge windfalls for the recipient. Thus, the upside of a PTGP Program targeting Asians could be significantly greater than even the upside limit shown in Table 13, perhaps two to three times greater if all of the causal factors were to align correctly.

But, caution may also be in order. There are any number of countries around the world that are simultaneously basing tourism programs on capturing their share of the increasing Mainland Chinese tourist dollar. It may be assumed that competition for the Mainland Chinese traveler is going to be intense. It is also unclear what cost, travel time, immigration restrictions at the entry point, and any number of other variables may have on an increasing international travel from Mainland China, the gaming component of that travel, and their destinations of choice. Indeed, casino gambling is still illegal within the country and the world press has also written recent headlines describing a crackdown on gambling by Mainland Chinese at casinos along the Korean, Mongolian, and southwestern country borders. This crackdown is primarily aimed at government officials and businessmen allegedly gambling money that is not their own, but the signal to everyone else in an autocratic country like Mainland China should not be underestimated. And, while actions by the Mainland Chinese government recently show strong trends towards embracing capitalism as a structure for growth and a liberalization in certain other policies that goes along with it – such as the liberalization of travel – the world has seen the government of

Mainland China abruptly reverse itself in the past. Looming over the entire tourism and travel industry is the continual, modern day threat of another terrorist event that causes travel and border crossings to become more difficult virtually overnight. The potential for economic benefit from Mainland China is immense, perhaps "bottomless" over at least the next five years. But, the history of Mainland China would indicate that while its potential has always been known, the pathway and schedule of achieving that potential has been less certain or predictable.

In risk parlance, the above situation causes a "right skewed" risk profile for the implementation of a PTGP Program, i.e., the upside potential far exceeds the downside risk of lower than projected results. As Asian visitor and resident population statistics increase, the pattern of just how much and how fast this upside potential will be realized will become apparent. In anticipation of this upside potential, it would be prudent to have a Business Plan for the introduction of a PTGP Program that has pre-planned expansion capabilities embedded within it so that as pre-determined trigger points are achieved, the Program can expand as quickly as the marketplace has proven itself to be expanding.

#### **7.4. Current River Rock Casino Resort High Limit Play**

The River Rock Casino Resort currently is configured in a manner that there is a segregated area for higher table limit play. In this "room" there are four "mini" Baccarat tables, two "midi" Baccarat tables and two blackjack games (6 player seats). The mini-Baccarat games seat 6 players each, the cards are dealt by one dealer and the dealer is the only person who may touch the cards. The minimum bet at the mini-Baccarat game is \$100 and the maximum bet is \$2,500. A mini-Baccarat player may wager up to four player positions at a time at the maximum bet limit. The midi-Baccarat games seat 9 players and follow the same dealing procedures, minimum maximum bet limits, and maximum bet positions as the mini-Baccarat games.

In the first 166 days of operation, the annualized run rate amounts to \$52,000,000. Assuming that 85 percent of the total play is generated by Baccarat,<sup>12</sup> this translates into an annualized win for higher limit Baccarat of \$44,000,000. If the thirty days of November 2004 are annualized, the annualized run rate for all gaming activity in the room increases to \$78,000,000 and for Baccarat only, \$67,000,000 using the same assumption as before. Over a longer period (and therefore, more reliable), more recent year-to-date data indicates that the room is producing revenue at an annual run rate of closer to \$60,000,000 and, for Baccarat only, \$51,000,000.

The River Rock Casino Resort is a relatively new gaming operation and as such, it is experiencing the normal growth curve of the introduction of any new business into the marketplace. The fact that the River Rock Casino Resort may be considered the newest and biggest casino in the Greater Vancouver Area, it comes as no surprise that revenues are

<sup>12</sup> The 88 percent capture rate is determined by taking the ratio of Baccarat to total seats in the high limit room and grossing this up by an additional 10 percent to account for the greater popularity of Baccarat.

continuing to increase. The previously cited data would suggest that potential demand is still moving upward along a growth power-curve although there has not been sufficient history to determine where on the power-curve the growth rate is at present.

### **7.5. Conclusions to Be Drawn From the Worldwide and Vancouver Market For Baccarat**

The potential Annual Gaming Revenue from the Premium International Asian Baccarat Player as projected in Table 13 was \$14,400,000 to \$39,900,000. The lower end of the range, \$14.4 million, represents a 33 percent increase over the 166 day run rate, 28 percent over the more recent year-to-date data, and 21 percent increase over the November 2004 run rate. At the upper end of the range, \$39.9 million represents an increase of 91 percent on the 166-day run rate, 78 percent over the more recent year-to-date data, and 60 percent increase over November 2004 run rate.

Perhaps more importantly, however, than the absolute size in the increase in revenue is the strategy of targeting new, incremental play. Clearly, the data presented shows that the largest source of International Premium Table Game Players reside in Asia among those of Chinese descent, residence, and influence. But, this is good news for the proposed program as subsequent statistics demonstrated that Vancouver acts as a gateway for eastbound and westbound Asian travelers. Additionally, it was demonstrated that there is a material "Part-time" Asian resident. And, it is felt that there is also a resident Asian market that is both taking their current gaming budget to other gaming venues where they can find the "Baccarat" game and playing environment of their choice as well as a latent market that would begin playing Baccarat if the right game were made available. Among these three markets, it may be assumed that the respective Premium Baccarat Player sub-market segments are either spending their gaming dollars elsewhere or not spending them at all. To these three primary markets are several potential future markets: increased visitation from Mainland Chinese residents *plus* demand non-Chinese Asian markets (e.g., Taiwan, Korea, and Japan) *plus* demand from non-Asian markets *plus* the potential growth across all of these markets once word spreads of the availability of a high limit, big Baccarat squeeze game with reasonable limits. All of these markets represent net-net incremental revenue and profit that would accrue to British Columbia's, the Greater Vancouver Area, and the River Rock Casino Resort's benefit. The upside potential exceeds the downside of not achieving the minimal projection limit. Moreover, programs can be introduced to minimize downside risk yet take advantage and ramp up quickly to the upside potential.

### **7.6. Key Success Drivers for an International Premium Table Games Player Program**

A review of the game presentation, operational infrastructure, marketing infrastructure, and incentive programs suggests that the following are the Key Success Drivers ("KSDs") for an International Premium Table Games Player Program.

7.6.1. GAME PRESENTATION: A "squeeze" Baccarat game is first and foremost element of a successful International Premium Baccarat Player Program. At least one squeeze game is virtually mandatory to attract the Premium Baccarat Player.

Note that the "squeeze" game may be offered on both the traditional 14-seat, low table "big" Baccarat game or the newer 9-seat, stool height midi-Baccarat game. A squeeze game is typically not offered on a 6-seat mini-Baccarat game although that is not to say that all three games may not co-exist within a given casino or a high limit area within a casino. Currently, Star Cruises out of Malaysia offers mini-Baccarat squeeze games on their casino cruise ships.

7.6.2. CREDIT: Players at this level are by definition bringing large sums of money to gamble, i.e., even at the lower end of the range this amounts to \$25,000 to \$50,000. The extension of credit is not just a convenience for these players, it is also a way to provide for personal security. A casino that provides credit also dramatically reduces the opportunities for illegal third party lenders from providing credit to players. Beyond that, however, credit also has some other implications. It is an extension of trust between the casino and the player and "face" is important to the Asian community. Credit can also be a means to provide incentives either by the provision of increasingly liberal terms and/or offering discounts on the credit taken/owed if the play so warrants. In all, credit becomes an inextricable part of a Premium Player Table Game Program.

7.6.3. TABLE LIMITS: Players want a "shot at the casino" and know they acquire the opportunity to win more money than less affluent players by being able to secure a higher minimum bet and the maximum bet that comes along with it. Here again, part of this is also the stature that goes along with being able to bet such sums, but the primary role is to allow players to win the large amounts of money that are commensurate with the size of the bankroll they are willing to put at risk. This is part and parcel of the Premium Baccarat Player market.

The most aggressive programs offer large bet spreads between the minimum and maximum table game limits allowed. Less aggressive programs offer lower bet spreads. The Premium Baccarat Player will "shop" bet limits and bet spreads when searching for a desirable game.

Table minimums range from \$50 to \$20,000 and table maximums range from \$15,000 to \$230,000. This leads to bet spreads between the table minimum and table maximum that range from 1:10 to 1:2000. To prevent all of the players betting on only or predominantly on the Player or Banker, casinos attempt to protect against this imbalance by also establishing a table differential limit, i.e., the difference between the sum of all bets wagered on Player and the sum of all bets placed on the Banker cannot

exceed a certain amount, say \$150,000. Table differentials are often employed when there is a high proportion of junket play, very high limit play, and/or play where a patriarch is part of the group and everyone else (out of respect in an Asian culture or simply not wanting to offend the patriarch) in the group may tend to follow the patriarch on whether to play Banker or Player on any given hand. There are any number of ways to enforce a table differential situation where the sum of the Banker or Player bets exceed the posted table differential, but a common solution is to reduce all of the bets on the offending side (i.e., the Player's or Banker's side) proportionately. See tables 3-6 in Section six for a complete detail of minimum bets, maximum bets and table differentials in various markets.

7.6.4. INCENTIVES: The incentives vary primarily as a function of the competitive environment (i.e., whether the casino operates in a monopoly, duopoly, oligopoly, or varying intensities of competition) and the cost of doing business (i.e., the lower the tax rate and other costs of business, the more a casino owner/operator can afford to pay to incentivize play at their casino). To a secondary degree, the levels of incentives available are a function of the competitive mind-set of the operators, i.e., in some instances casino operators are rational while others may be irrational from strictly a business point of view.

Incentives may vary from simply providing perquisites to offering discounts, to offering full complimentaries among a variety of services to offering gifts to offering invitations to "invitation only" promotions and special events. Incentives may also include discounts on loss, more liberal credit terms, and even discounts on credit if play so warrants.

For those programs operated through a third-party operator, the incentives include commissions from which the third-party operator may have to pay for his organizational infrastructure and/or some or all of the player incentives already mentioned.

In certain parts of Asia (primarily Macau), third-party operators may operate what is commonly referred to as a VIP Room wherein the operator brings their players and only their players to a designated room located within a host casino. The VIP Room operator typically fits out the space provided by the casino (i.e., funds the carpet, wall covering, furniture, and fixtures) and pays a fee to the host casino. The host casino may or may not provide the labor to staff the casino operation. A host casino that allows such programs will typically have a multitude of individually owned VIP Rooms thereby expanding their marketing "reach."

See the next section, 7.7. ECONOMICS OF TYPICAL PROGRAMS BEFORE CONSIDERATION FOR TAXES, first for a review of how certain incentives are determined throughout the world and a reference to a survey of common practices found in the Appendix.

7.6.5. OTHER KSDs: Note that not all of the above KSDs are considered equal. They have been presented in perceived order of importance and the first two – the game and credit – may be consolidated into the most important category, with table limits being the second and incentives being the third most important factors.

And, there are other factors that come into play when offering a Premium Baccarat Player program but they are deemed secondary to the above primary KSDs. Essentially, players want to play at a squeeze Baccarat game, know they are getting the best odds possible, and negotiate the best terms possible. Asian Premium Baccarat Players are less concerned about other factors.<sup>13</sup>

## 7.7. Description of Typical Incentive Programs

As first introduced in Section 3.1, DEVELOPING A NEW MARKETING PROGRAM, goods and services are first marketed by getting the “product” right: i.e., providing a good or service that a customer needs, wants, or expects at a price that creates a value. Getting the game “right,” the credit “right,” and the table limits “right” is all part of getting the product and the pricing of that product “right.” These and other “product” elements of an International Premium Table Games Player program (e.g., bricks-and-mortar improvements) are designed to stimulate the natural demand that resides within a marketplace. Put another way, if a casino gets the product concept right, it will attract a good deal of initial demand through the sheer availability of that product depending upon how well the casino aligns that product with its customers.

Beyond that, however, there typically still exists a certain amount of dormant, latent and “opportunity” demand that needs to be “stimulated” via demand stimulation programs. Incentives fall into the category of demand stimulation marketing programs, i.e., they are designed to extract out demand above natural demand that is: (1) on the verge of participating but needs an extra boost to gain patronage, (2) available during off-peak periods and would represent additional trips by existing peak demand players, and/or (3) currently going to a competitor casino but could possibly be steered to the subject casino.<sup>14</sup>

As mentioned previously, the need for incentive-based demand driven programs is a function of the level of competition, cost of doing business, and the competitive mind-set of the operators.

<sup>13</sup> Like most generalizations, this statement must be taken in context. While it is true that competition for the International Premium Table Games Player focuses on the game, credit, limits, and incentives, in certain environments and among certain players competition can also extend to the quality of the facilities, the levels of services offered, and any number of other attributes. Thus, some casinos have built 10,000 square foot villas and provided private jets accompanied by private chefs, butlers, and concierge services in order to be in a better position to attract the topmost players in this rarified market segment.

<sup>14</sup> With respect to the last category, incentive programs may also be used by casinos like airlines use frequent flyer programs, to protect or to increase current market share by inducing loyalty by providing a monetary incentive to patronize the subject casino versus all others.

So, while the first three core KSDs of a successful Premium Table Games Player Program – game presentation, credit, and table limits – are virtually the same all around the world, incentive programs fall into several categories. The objective of course, is the same: i.e., extracting the greatest yield (increased revenue) at the least cost and greatest profit. Casinos spend these incentive, demand stimulation based marketing dollars at differing rates using differing reward structures using different tracking mechanisms.

When incentive programs are employed, the casino needs a methodology to determine the “worth” of a player so that they can index their incentives to the player’s value. Tracking mechanisms not only estimate the player’s earning power, they retain this information over time thereby developing a profile of the player that can be utilized using Customer Relationship Management (“CRM”) techniques to optimize the cost-benefit of the incentives offered. These tracking mechanisms are also utilized to track the incentives given so that a “bank account” can be developed over multiple trips and the player’s profitability can be determined at any point in time and/or over the player’s entire relationship with the casino. No matter what tracking program is utilized, the incentive program in question is indexed to the player’s worth determined by the tracking program methodology. See Section 3.3. for a more detailed description of cash chip turnover (“CC T/O”) and dead chip or non-negotiable chip (“NN T/O”) tracking programs

**7.7.1. INCENTIVES:** Regardless of which tracking methodology is used, once CC T/O or NN T/O is calculated any number of individual or layered incentives may be indexed to it. The most prevalent incentives are the issuance of complimentaries to individual players by the casino or commissions to third-party representatives. When commissions are paid to third-party representatives, they often pay the comps to their players out of their commission. But, in some cases, the casino may grant both commissions directly to the third-party representative and comps directly to players brought to the casino by them. Complimentaries may also be issued based upon Rebate on Loss programs (see below). Other incentives include more liberal credit terms, discounts on credit, gifts, invitations to “player only” promotions or events, and just about anything else the imagination can conjure up.

**7.7.2. USE OF VARIOUS INCENTIVE INDEXES:**

**Cash Chip or Non-negotiable Chip Programs:** CC T/O and NN T/O based tracking methodologies statistically and mathematically lead to the same projected theoretical win.<sup>15</sup> The benefit of the NN T/O based program is that it measures the exact amount wagered versus the supervisor-based CC T/O program which generally measures turnover premised upon average bets and time played. But, the NN T/O is more labor intensive and subject to its own abuses and inaccuracies.

<sup>15</sup> This must be true since both tracking programs are measuring the earning power from a player based upon the same game with the same statistical advantage dealt at the same game speed, both should/must result in the same projection of theoretical win if both are executed “perfectly.”



The use of one program or another is more a function of historical precedent, familiarity by the players, cost of labor, and play environment (e.g., Asian VIP Rooms with only a few tables versus U.S. huge mass-market public floor areas and/or large high limit table areas). Despite this, many unknowledgeable observers of incentive programs make conclusions about the utility and economic feasibility of CC T/O versus NN T/O based programs based upon the labels rather than the pros and cons of each system for the casino in question. This perception has occurred primarily because NN T/O programs originated, were fostered, and grew in highly competitive Asian gaming venues which continually pushed the rate of incentivization greater than comparable North American CC T/O based programs. Hence, the perception is that NN T/O are inevitably more expensive than a CC T/O program when in fact both tracking methods can lead to the same results.

**Percentage of Front Money Deposited:** Some casinos base complimentarys to individual players and/or commissions to third party representatives based upon a percentage of front money deposited with the casino against which the casinos draw to play. Front money may be cash or credit.

**Rebate on Loss:** Theoretical based tracking programs, be they CC T/O based or NN T/O based, can lead to a lower level of incentives than a player may feel he or she deserves if they incur an actual loss for a given session much less a "quick loss," which theoretical win programs predicated on longer term statistics do not account for well. Additionally, some casinos developed an attitude that they did not want to pay out marketing dollars if the player did not actually lose, i.e., generate actual revenue for the casino. For both of these reasons, Rebate on Loss incentive programs have developed. Actual loss, of course, must be tracked and, without going into the details, this can be much more difficult to achieve accurately than tracking turnover. Nevertheless, Rebate on Loss programs have become more and more popular. They can be inherently expensive and the "cost" of a tracking error can be greater. Moreover, there have been a number of instances where a casino owner, operator, or marketing program director has not understood the mathematics and statistics involved and have built in a greater "giveaway" than would be otherwise prudent, much to the chagrin of their competitors.

**Credit Discounts:** Although not a tracking mechanism, where credit is issued, certain incentive programs are augmented by credit related incentives. Thus, a player taking credit for a certain amount or above may get an immediate credit. For example, a player who warrants a \$1 million credit line may receive, say 1 percent additional or \$1,010,000 in credit as an incentive for playing at the subject casino.

**Other:** There are any number of other incentive programs that exist in the marketplace. Players with front money all in cash may receive a greater incentive than those who play on credit. Higher comps or other incentives (e.g., third-party operator commissions), for example, may be earned if a player exceeds a certain turnover threshold if achieved within a predetermined amount of time. The practice of high ranking executives paying visits to the highest players at their place of origin often

accompanied by expensive gifts and/or a "free" \$5,000 or more chip as a way of saying "Thank you" for their business is common in Asia. Essentially, incentive programs are only limited by the imagination of those who are charged with conceiving them.

Combining incentives: Different regions, venues, and casinos follow different practices, some of which may include combining and layering several incentives into one program. This, of course, requires the casino to do its homework in making sure that the total amount given to the player and/or the third-party representative does not accumulate to such a level that the casino is unable to achieve target financial results, much less make a profit at all.

**7.7.3. USE OF CASINO VERSUS THIRD-PARTY DRIVEN INCENTIVE PROGRAMS:** Some casinos offer incentives only through their own in-house programs. But, some International Premium Baccarat players will only play through a or "their" third party representative. This may be because of simple familiarity, language reasons, ability of the player to secure credit from the third party representative, desire of the player to let their representative do the negotiating for them, and/or the preference of the player to travel in groups of like players. To gain entry to certain VIP Rooms in Asia, a player must go through the third party owner/representative.

Casino driven programs, by definition, do not involve a commission whereas third-party driven programs do. Casinos issue complimentary and other incentives directly to the player. Players brought to a casino by a third party representative may get their complimentary and other incentives from the commission paid to the representative and/or from the casino itself.

**7.7.4. USE OF MULTIPLE PROGRAMS AT ONE CASINO:** Because of the complexities of a competitive marketplace, most casinos make available multiple incentive programs. Thus, a casino may offer an individual player a CC T/O comp program or a Rebate on Loss program. They will also typically make available a CC T/O based commission program for third party representatives which may include a CC T/O based comp program paid directly to the player.

Casinos operating in the Pacific Rim often offer both CC T/O and NN T/O individual programs as well as NN T/O based commission based programs.

A survey of sample casino incentive programs is presented in the following tables.

*Table 14*

Property Driven Individual and Discretionary Comp Programs						
US dollars						
Comp Policies	Las Vegas	A/C & CT	Australia	South Asia	Macau	All Programs**
Based on Theo	RFB/2%*	n.a.	n.a.	n.a.	n.a.	20%-40%
Based on Cash Turnover	n.a.	.32%-.67%	.40%-.65%	n.a.	n.a.	0.20%-.50%
Based on Non-Neg Chip Turnover	n.a.	n.a.	.40%-.65%	1.0-1.3%	n.a.	0.40%
Table Limits	\$150,000	Ind. limits	\$150k-\$200k	\$100,000	\$256,500	\$100k-\$256k

\* Reasonable RFB predicated on player maintaining an average bet of no less than 2% of front money deposit and playing twelve Baccarat shoes.

\*\* "All Programs" refers to the full range of benefits/incentives from all casinos that participate in PTGPI programs.

Table 15

Property Driven Discount on Loss Programs						
US dollars						
Rebate on Loss	Las Vegas	A/C & CT	Australia	South Asia	Macau	All Programs
Based on Actual Loss	5%-20%	5%-20% loss>\$500k	10%-20%	n.a.	n.a.	5%-20% \$.0-\$1.1M in front money
Base on Cash Turnover	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Based on Non-Neg Chip Turnover	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Comp Allowance Based upon theoretical win i.e.: avg bet x time x stat. advantage	Reasonable to RFB/Air	Reasonable to RFB/Air	n.a.	n.a.	n.a.	0 to RFB/Air if \$1.1M in front money

Table 16

Third Party Individual Player Commission Program						
US dollars						
Commission Basis	Las Vegas	A/C & CT	Australia	South Asia	Macau	All Programs
Based on Cash Turnover	n.a.	n.a.	.50%-.65%	n.a.	n.a.	.50%-0.65%
Based on Non-Neg Chip Turnover	n.a.	n.a.	1.00%	.50%-1.0%	.50%-1.10%	.50%-1.10%
Comp Rate						
Based on Cash Turnover	Travel Incentive*	Travel Incentive*	0.10%	n.a.	n.a.	0.10%
Based on Non-Neg Chip Turnover	up to \$32k	negotiable	Discretionary	Discretionary	Discretionary	0.10%

\*Among Las Vegas casinos, travel incentive is often limited to US\$32,000 and in Atlantic City 7% to 10% of front money deposit.

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Third Party Group Junket Programs						
<i>US dollars</i>						
	Las Vegas	AC & CT	Australia	South Asia	Macau	All Programs
<b>Commission Basis</b>						
Based on Cash Turnover	n.a.	16% of theo or 5% FM or 15% actual loss	n.a.	n.a.	n.a.	n.a.
Based on Non-Neg Chip Turnover	n.a.		1.5%-1.65%	1.2%-1.6%	.5%-1.2%	1.0%-1.65%
<b>Comp Rate</b>						
Based on Cash Turnover	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Based on Non-Neg Chip Turnover	n.a.	n.a.	0.10%	.10%-30%	n.a.	.10%-30%

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### 7.8. Economics Of Typical Incentive Programs (Before Consideration For Taxes)

Despite the prevalence of many programs in the Asian and North American marketplace that are designed to cater to the International Premium Baccarat Player, they may be summarized as follows:

Table 18

#### Typical Premium Player Incentive Program Structures

	ASIA AND AUSTRALIA		NORTH AMERICA	
	Individual Programs	Group Programs	Individual Programs	Group Programs
<b>CASINO DRIVEN PROGRAMS</b>				
CC T/O based	Primarily Australia. Comps at 0.40% to 0.65%	n.a.	Reasonable comps but requires minimum average bet of 2% of front money and 12 shoes played	n.a.
NN T/O based	Some Australian casinos. Comps at 0.40% to 0.65%. Only one Asian at 1.00% to 1.30%	n.a.	n.a.	n.a.
Actual rated loss	Only some Australian casinos. Rebate on loss at 10% to 20% plus comps at 0.10% of CC/TO	n.a.	5% to 20% rebate on loss plus reasonable comps based upon same CC T/O comp criteria	n.a.
<b>THIRD PARTY DRIVEN PROGRAMS</b>				
CC T/O based	Primarily Australia, Commissions at 0.50% to 0.65% plus comps at 0.10%	n.a.	n.a.	n.a.
NN T/O based	Primarily Asia, Commissions at 0.50% to 1.10% plus "discretionary" comps	Both Asia and Australia. Commissions at 1.20% to 1.65% plus comps at 0.10% to "discretionary"	n.a.	n.a.
% Front Money Deposit	n.a.	n.a.	Up to 3% of Front Money to a maximum of \$30K	n.a.
Actual rated loss	n.a.	n.a.	n.a.	n.a.

Source: Macomber International, Inc. and various industry contacts

The above incentive structures, translate into various profit profiles. Because of distance, language, currency/credit issues, and travel logistics the Premium Asian Baccarat Player programs tend to be third-party, NN T/O driven. The high tax rate Macau environment (but low labor and operating costs) have a large impact on the incentive rates paid. Other Asian casinos and cruise ships do not have such high tax rates but have slightly higher operating costs. Since competition is intense, the incentive rates paid outside of Macau – even with generally lower tax rates – have increased until the profit margins have shrunk to levels approaching Macau profit margins. For example, Australian casinos compete with casinos throughout Asia – including Macau – so while their tax rates are low (in the five to ten percent range for International Commission Business or “ICB”), once again, incentive rates have increased to approximating Macau levels. Incentive rates in the U.S. are not a reaction to high tax rates since, in most venues, they are favorable. But, competition for Asian premium players is intense, and once again, market factors have pushed incentive rates to levels in line with international levels.

Table 19 depicts the profit structure of a typical Macau casino where the Asian Premium Player is catered to primarily through third-party VIP Room operators. Table 20 depicts the typical profit structure of Australian casino premium player programs. And, Table 21 depicts the typical profit structure for a Las Vegas Strip casino premium player program.

Note that competition has effectively pushed the profit margin range to between 15 percent and 30 percent of casino revenue no matter what program is involved, tracking program is employed, tax rate is at work, or where the program takes place.

The exception is Rebate on Loss programs where the profit margin is calculated based upon actual loss. However, this ratio is misleading because, by definition, players do not lose all the time. So, the actual Rebate on Loss program must be blended with the profit margin from programs based upon theoretical win or turnover to yield a weighted average profit margin. When this adjustment is made, Rebate on Loss programs are not nearly so attractive.

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Table 19

**TYPICAL MACAU VIP ROOM PROFIT STRUCTURE**

	TOTAL VIP ROOM	CASINO OWNER	VIP ROOM OPERATOR
<b>NN T/OTURNOVER</b>	\$500,000,000		
<b>STAT. ADV. ON NN T/O</b>	2.52%		
<b>REVENUE</b>			
<b>CASINO REVENUE</b>	\$12,600,000		
Split		59.75%	40.25%
Casino revenue after split		\$7,528,500	\$5,071,500
<b>CATERING REV. (F&amp;B)</b>			
Percent of NN T/O			0.075%
Catering revenue	\$375,000		\$375,000
<b>TOTAL REVENUE</b>	\$12,975,000	\$7,528,500	\$5,446,500
<b>EXPENSES</b>			
<b>COMPLIMENTARIES</b>			
Food and beverage			
Percent of NN T/O		0.075%	
Catering – F&B	\$375,000	\$375,000	
Hotel and transportation			
Percent of NN T/O		0.075%	
Hotel and transportation	\$375,000	\$375,000	
Total comp. expense	\$750,000	\$750,000	
<b>COMMISSIONS</b>			
Paid to Lessor			0.679%
Percent of NN T/O	\$3,395,000		\$3,395,000
Third-party commission			
Middlemen commission			
Percent of NN T/O			0.021%
Middlemen commission	\$105,000		\$105,000
Total commission	\$3,500,000		\$3,500,000
<b>SOCIAL FEE</b>			
Percent of NN T/O			2.00%
Social fee	\$101,430		\$101,430
<b>CATERING EXPENSE</b>			
Percent of Catering Revenue			20.0%
Catering expense	\$75,000		\$75,000
<b>LABOR</b>			
Percent of Gaming Revenue		6.5%	8.0%
Labor expense	\$925,073	\$489,353	\$435,720
<b>TOTAL EXPENSES</b>	\$5,351,503	\$1,239,353	\$4,112,150
<b>PROFIT BEFORE TAXES</b>	\$7,623,498	\$6,289,148	\$1,334,350
<i>Percent of total revenue</i>	58.8%	83.5%	24.5%

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<b>TAX</b>	At 39% of casino revenue	<u>\$4,914,000</u>	<u>\$4,914,000</u>	<u>0</u>
			<u>\$1,375,148</u>	
<b>PROFIT BEFORE CO. EXPENSES</b>		<u>\$2,709,498</u>	<u>8</u>	<u>\$1,334,350</u>
	<i>Percent of total revenue</i>	<i>20.9%</i>	<i>18.3%</i>	<i>24.5%</i>

Source: Macomber International, Inc.



## Notes to Table 19:

1. The statistical advantage used in this chart is “twice” the normal statistical advantage of 1.26 percent because it is being applied to dead chip or non-negotiable chip turnover. Since in a low statistical advantage game like Baccarat (almost 50:50 chance of winning or losing), it takes approximately two bets for the non-negotiable chip to lose and be taken by the dealer. Hence, to get the same theoretical win as on CC T/O the statistical advantage must be doubled.
2. The 60 percent, 40 percent split between the casino owner and VIP room operator is a dynamic not static relationship. It is a function of competition, costs of doing business, and a number of other factors.
3. The lessor is the third party junket operator and the lessee is the entity that holds the casino license. The lessor will lease space from the lessee. The lessor will typically fit out the room at their own cost as well as incur all marketing costs, including complimentaries paid to players and credit issued. The lessee typically owns and builds the casino. The lessee typically also operates the mass market casino games and, for a fee, may also provide casino staff and other support to operate the lessor’s private gaming rooms.
4. A middleman is another layer of third party marketers that may generate players to the lessee, collect credit, and engage in other marketing activities for a given region.

Table 20

**"TYPICAL" AUSTRALIAN PROGRAMS – 3RD PARTY REPRESENTATIVES**

	<b>JUNKETS NN T/O</b>	<b>INDIVIDUAL CC T/O</b>	<b>INDIVIDUAL Rebate on Loss</b>	<b>INDIVIDUAL CC &amp; NN T/O</b>
<b>PLAYER REQUIREMENTS</b>				
Minimum front money/initial buy-in	\$270,000	\$1,000,000	\$500,000	\$40,000
Minimum front money turns required	12	12	6	12
Average bet - 1% to 2% of front money	\$4,050	\$15,000	\$7,500	\$600
Minimum playing time required – hrs.	16.0	16.0	8.0	16.0
<b>TURNOVER</b>				
Cash chip turnover	\$3,240,000	\$12,000,000	\$3,000,000	\$480,000
Non-negotiable chip turnover	\$1,620,000	\$6,000,000	\$1,500,000	\$240,000
<b>CASINO REVENUE</b>				
Theoretical casino revenue	<b>\$41,472</b>	<b>\$153,600</b>	<b>\$38,400</b>	<b>\$6,144</b>
Actual casino revenue			<b>\$270,000</b>	
<b>INCENTIVE PROGRAM</b>				
<b>Comps/discounts</b>				
Percent of CC T/O				0.10%
Percent of NN T/O				0.20%
Dollar "limit"	\$1,000	\$20,000	\$20,000	
Comps/discounts	\$1,000	\$20,000	\$20,000	\$480
<b>Commissions/other (credit rate)</b>				
Percent of CC T/O		0.50%		0.50%
Percent of NN T/O	1.40%			1.00%
Percent of actual loss			15.00%	
Commissions/other	\$22,680	\$60,000	\$40,500	\$2,400
Total incentives	<b>\$23,680</b>	<b>\$80,000</b>	<b>\$60,500</b>	<b>\$2,880</b>
Profit after incentive programs	<b>\$17,792</b>	<b>\$73,600</b>	<b>(\$22,100)</b>	<b>\$3,264</b>
<i>Percent of theoretical casino revenue</i>	42.9%	47.9%	-57.6%	53.1%
<b>BAD DEBT (CREDIT)</b>				
Percent of Front Money (if credit)	0.50%	0.50%	0.50%	0.50%
Total provision for doubtful accounts	<b>\$1,350</b>	<b>\$5,000</b>	<b>\$2,500</b>	<b>\$200</b>
Profit after incentives & bad debts	<b>\$16,442</b>	<b>\$68,600</b>	<b>(\$24,600)</b>	<b>\$3,064</b>
<i>Percent of theoretical casino revenue</i>	39.6%	44.7%	-64.1%	49.9%
<b>LABOR AND DEPT. OVERHEAD EXPENSES</b>				
Percent of casino revenue	10.5%	10.5%	5.3%	10.5%
Labor and overhead expense	<b>\$4,355</b>	<b>\$16,128</b>	<b>\$14,175</b>	<b>\$645</b>
Profit before taxes and fees	<b>\$12,087</b>	<b>\$52,472</b>	<b>(\$38,775)</b>	<b>\$2,419</b>
<i>Percent of theoretical casino revenue</i>	29.1%	34.2%	-101.0%	39.4%
<b>TAXES AND FEES</b>				
Percent of casino revenue	11.4%	11.4%	11.4%	11.4%
Taxes and fees	<b>\$4,728</b>	<b>\$17,510</b>	<b>\$30,780</b>	<b>\$700</b>
Profit before company expenses	<b>\$7,360</b>	<b>\$34,962</b>	<b>(\$69,555)</b>	<b>\$1,718</b>
<i>Percent of theoretical casino revenue</i>	17.7%	22.8%	-181.1%	28.0%
<b>PROFIT ON ACTUAL LOSS</b>				
<i>Percent of actual loss</i>			<b>\$162,045</b>	
			<b>60.0%</b>	

Source: Macomber International, Inc.

## Notes to Table 20:

1. Theoretical casino win is calculated as a percent of cash turnover. In this example, a 1.28 percent statistical advantage is used.
2. Actual casino win is simply a guess used to illustrate a Rebate on Loss program. Some Rebate on Loss programs require the player lose X percent of their front money in order to qualify for a Rebate on Loss, e.g., 90 percent.
3. "Dollar limit": Some programs impose a dollar limit on the amount of complimentaries that can be issued. In this example, a 0.10 percent of CC T/O or 0.2 percent of NN T/O would lead to \$30,000 in complimentaries. Since the limit is \$20,000, the comp expense of \$20,000 is used.
4. Rebate on Loss profitability: Since, over the long term, casino revenue is predicated on theoretical win, the expenses are deducted against theoretical win rather than the projected actual win. If a "this trip" pro forma were being produced, then expenses would be deducted against actual loss but this could be misleading in terms of the long term profitability of such play.

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Table 21

**'TYPICAL' LAS VEGAS INCENTIVE PROGRAMS – INDIVIDUAL PLAYER**

	<u>THIRD PARTY</u> <u>% Front</u> <u>Money</u>	<u>CASINO</u> <u>Comp</u> <u>Program</u>	<u>3<sup>RD</sup> PARTY</u> <u>Rebate</u> <u>On Loss</u>
<b>PLAYER REQUIREMENTS</b>			
Minimum front money/initial buy-in	\$500,000	\$500,000	\$500,000
Minimum front money turns required	12	12	12
Expected average bet at 1% to 2% of front money	\$7,500	\$7,500	\$7,500
Implied minimum hours of playing time required	16.0	16.0	16.0
<b>TURNOVER</b>			
Cash chip turnover	\$6,000,000	\$6,000,000	\$6,000,000
Non-negotiable chip turnover	\$3,000,000	\$3,000,000	\$3,000,000
<b>CASINO REVENUE</b>			
Theoretical casino revenue	<u>\$76,800</u>	<u>\$76,800</u>	<u>\$76,800</u>
Actual casino revenue (rebate on loss programs only)			<u>\$270,000</u>
<b>INCENTIVE PROGRAM</b>			
Comps/discounts			
Dollar "limit"			\$20,000
Percent of theoretical gaming revenue	25.00%	35.00%	
Comps/discounts	\$19,200	\$26,880	\$20,000
Commissions/other (assumes the rate if credit is taken)			
Percent of actual loss			20.00%
Percent of front money	3.00%		
Commissions/other	<u>\$15,000</u>		<u>\$54,000</u>
Total Incentives	<u>\$34,200</u>	<u>\$26,880</u>	<u>\$74,000</u>
Profit after incentive programs	<u>\$42,600</u>	<u>\$49,920</u>	<u>\$2,800</u>
	<i>Percent of theoretical casino revenue</i>	<i>65.0%</i>	<i>3.6%</i>
<b>PROVISION FOR DOUBTFUL ACCOUNTS</b>			
Percent of Front Money (if credit)	<u>2.50%</u>	<u>2.50%</u>	<u>2.50%</u>
Total provision for doubtful accounts (credit)	<u>\$12,500</u>	<u>\$12,500</u>	<u>\$12,500</u>
Profit after incentive programs and doubtful accounts	<u>\$30,100</u>	<u>\$37,420</u>	<u>(\$9,700)</u>
	<i>Percent of theoretical casino revenue</i>	<i>48.7%</i>	<i>-12.6%</i>
<b>LABOR AND DEPARTMENTAL OVERHEAD EXPENSES</b>			
Percent of casino revenue	10.0%	10.0%	10.0%
Labor and overhead expense	<u>\$7,680</u>	<u>\$7,680</u>	<u>\$27,000</u>
Profit after incentives, doubt. accts., labor, & overhead	<u>\$22,420</u>	<u>\$29,740</u>	<u>(\$36,700)</u>
	<i>Percent of theoretical casino revenue</i>	<i>38.7%</i>	<i>-47.8%</i>
<b>TAXES AND FEES</b>			
Percent of casino revenue	8.0%	8.0%	8.0%
Taxes and fees	<u>\$6,144</u>	<u>\$6,144</u>	<u>\$21,600</u>
Profit before company overhead and ownership fees	<u>\$16,276</u>	<u>\$23,596</u>	<u>(\$58,300)</u>
	<i>Percent of theoretical casino revenue</i>	<i>30.7%</i>	<i>-75.9%</i>
<b>PROFIT ON ACTUAL LOSS</b>			<u>\$134,900</u>
	<i>Percent of actual loss</i>		<i>50.0%</i>

Source: Macomber International, Inc.

**7.10. Impact of Taxes**

The profitability for each of the above venues, and the programs offered within them, are shown before taxes. The before tax profitability ranges between approximately 30 percent and 80 percent of casino revenue. After the taxes that apply for each venue are applied, however, the profit margins shrink to approximately 15 percent to 30 percent of casino revenue. Essentially, the competitiveness for the very mobile yet highly desirable Premium Player market causes incentives to increase to a point approaching a "minimum" profitability level commensurate with the risk of catering to this market segment (see Section 7.11.). Note also that these margins do not take into account some of the corporate overhead and company ownership costs that should rightfully be applied to these programs if rigorous cost accounting were applied.

Tax rates vary from 5 percent to 39 percent among these venues.<sup>16</sup> Australia has experimented with various casino tax rates that apply especially to International Premium Casino Play. In some instances, the rate was set higher than in other states, and the state with the higher tax rate could not compete. As a result, those states that wanted to nurture this source of revenue, jobs, and community benefit ended up lowering the tax rates to competitive levels.

Tax rates above 10 percent begin to cause casino owners difficulties in competing for the highly competitive Premium Player market segment. By contrast, tax rates lower than 10 percent provide casino owners with an advantage. History would demonstrate that some or all of the benefits of a lower tax rate are typically utilized by the casino owner to increase competitiveness either through investment in bricks-and-mortar facilities and/or operating/marketing expenses. In North America, notwithstanding the capital investment and operating argument, given the popularity of Las Vegas, it may be speculated that tax rates (or their equivalent) above 10 percent could cause a British Columbia casino difficulty in competing for the International Premium Player and above 20 percent could relegate a program to merely serving locals and those for whom convenience is the determining factor on where to play.

**7.11. Risk Profiles Of Premium Player Programs**

It is a long held business axiom that target return on investment ratios should be adjusted for risk: i.e., the higher the risk the higher the return on investment needed to take account the risk and vice versa. This premise is not only supported in owner expectations for return on investment but is also reflected in the cost of debt, equity oriented price-earnings ratios, and more generically, allocations of scarce capital.

<sup>16</sup> The 80 percent profit margin situation is in Macau for a Casino Owned VIP Room. Although the tax rate in Macau is 39 percent, the Casino Owner pays all of the taxes even though they split the revenue giving 40 percent to the lessee and keeping 60 percent. This causes the profit margin to decrease to 25 percent for the Casino Owner.

Revenue risk is typically expressed in terms of the range of outcomes for a given level of volume, in this case volume is expressed as turnover. Just like a coin toss, the greater the number of coin tosses, the greater the likelihood there will be an equal number of heads and tails thrown.

Revenue risk for the Premium Player, and its subset market, the Premium Baccarat Player, is a function of bet size (and the variation of the bets with a bet session), ratio of the bet size to the player's bankroll, number of bets made, and the statistical advantage, among other things. These factors address the risk of the casino winning a target theoretical win rate (based upon the long term expected outcome of the game), winning less than the target theoretical win rate, and/or actually experiencing a net loss on the play of a given player, group of players, or the entire program over a session, month, or year.

An example of the impact of bet limits and turnover will illustrate how risk changes with these variables. Assume a target \$1M in gaming revenue, a 1.30 percent statistical advantage, and a \$77 million in turnover. As importantly, assume the following bet pattern for a Premium Baccarat Player program:

Table 22

SIZE OF BET	PERCENT BET MIX
\$300,000	0.00%
\$200,000	0.00%
\$150,000	0.00%
\$100,000	0.00%
\$75,000	0.00%
\$50,000	0.00%
\$25,000	0.25%
\$20,000	0.50%
\$15,000	0.75%
\$10,000	1.50%
\$5,000	4.00%
\$2,500	8.00%
\$1,000	23.00%
\$500	27.00%
\$100	35.00%
AVE. BET \$1,225	TOTAL 100.00%

*Note: The above bet mix is a hypothetical example. However, most bet patterns in PTGP programs are highly weighted to whatever represents the lower end of the allowable bet range. This is because, in reality there are few players who can really play at the upper bet limits. It is also a function that even players who can bet more may flat bet at the lower limit until they win and/or feel lucky.*

Source of analytical tool: Volatility Analyzer by Andrew MacDonald 1998

The above assumptions leads to a weighted average bet of \$1,225 and an accompanying 51.5 percent probability that the result will be at the target \$1 million level or worse and a 48.5 percent probability that it will be at the target limit or better. At a 95 percent confidence level, there is an upper limit expected outcome of \$2.4 million and a lower limit expected outcome of a loss of - \$0.4 million, i.e., 95 percent of the time these are the upper and lower range of expected outcomes. The reader should refer to books on statistics and, in particular, casino statistics for a more detailed explanation of probability.

Using an extreme to make the point, the revised bet pattern shown in Table 23 increases the weighted average bet approximately 5 times to \$5,100 but does not change the probability of results much from before (i.e., 51.1 percent the results will be at the actual limit or worse and a 48.9 percent chance that they will be at the actual target or better). But, at a 95 percent confidence level the upper limit expectation increases to \$2.9 million (from \$2.4 million) and the lower limit expectation decreases further to a loss of - \$0.9 million (from a loss of - \$0.4 million).

The greater bet size to the target revenue creates this added risk and volatility because there is a greater chance of bigger wins and bigger losses over a given period of time. This may be more easily visualized if the average bet size was increased some ludicrous amount, say \$10 million. It would take many more decisions for the theoretical win rate to be achieved because at any point in time, a \$10 million dollar bet could push the win or loss one way or the other even though over an infinite period of time and decisions, the statistical outcome would be the same if \$1 were being wagered.

Table 23

SIZE OF BET	PERCENT BET MIX
\$300,000	0.00%
\$200,000	0.00%
\$150,000	0.00%
\$100,000	0.00%
\$75,000	0.00%
\$50,000	0.00%
\$25,000	2.00%
\$20,000	4.00%
\$15,000	9.00%
\$ 10,000	10.00%
\$5,000	15.00%
\$2,500	15.00%
\$1,000	20.00%
\$500	25.00%
\$100	0.00%
<b>AVE. BET \$5,100</b>	<b>TOTAL 100.00%</b>

Source: Volatility Analyzer by Andrew MacDonald 1998

The use of table differential reduces risk in the context that it prevents average bet limits to be circumvented (intentionally or unintentionally) by two or more players consistently betting the same way, i.e., on Player or Banker in unison with every bet.

Increasing the turnover (volume) reduces risk. Keeping the same bet mix above that results in the \$5,100 average bet but increasing the target revenue to \$5 million and the turnover to \$385 million, increases the chance of the outcome being at the target outcome or worse to 52.5 percent and the chance of it being at the target outcome or better to 47.5 percent. But, at the 95 percent confidence level the upper limit expected outcome is \$9.1 million and the lower limit expected outcome is a positive \$0.6 million. Volume decreases volatility.

The risk/volatility of revenue may be compounded by the added risk created by an expense structure that is either high as a percentage of revenue and/or wherein the expenses are either fixed or, if variable or semi-variable, uncontrollable (e.g., tax rates). In other words, there may be less tolerance for a reduction of revenue because cost structures are high and/or inflexible.

Thus, profitability can be threatened by revenue risk and/or the expense structure associated with catering to this market segment.

Each company will have their own risk tolerance profile based on their volume potential, competitive environment, ability to absorb adverse outcomes (capitalization and operating cost structure), and for many, the personality and philosophies of the leaders of the company. Statistics are available to assist in the deliberation process of where reasonable risk-driven policies should be set.

From a risk tolerance point of view, companies that have the potential to generate larger revenue from the Premium Player and/or the Premium Baccarat player because of location, the competitiveness of their facilities or demand stimulation marketing programs, a favorable cost/tax structure, or other factors can afford to offer higher bet limits and bet size to bankroll ratios. The reverse is also true. Some of the Asian and Australian casinos that are dominant in this market have the potential to generate \$100 million to \$250 million in gaming revenue implying turnover of \$8 billion to \$20 billion. Volatility at these volumes is significantly reduced. Casinos on the Las Vegas Strip may generate from \$25 million to \$100 million in Premium Play gaming revenue implying a turnover of between \$2 billion and \$8 billion. While their volatility is increased relative to their Pacific Rim counterparts, they are still in a position to compete in the international marketplace because the Las Vegas companies have a large foundation of grind table game, slot, and non-gaming revenue to offset the risks of their Premium Play.

Casinos outside of Las Vegas or Austral/Asia that have less slot and/or non-gaming revenue to decrease volatility and/or where the potential market is less than \$25 million probably cannot or should not compete with high bet limits of \$50,000 up to \$150,000 a hand that characterize the uppermost end of this market segment. That does not mean, however, that these casinos cannot attract the middle and/or the lower end of the Premium Player or



Premium Baccarat Player market segment that bets \$1,000 and up to \$50,000 level if the potential volume, cost/tax structure, and their risk tolerance make this appropriate.

## 7.12. Summary and Conclusion

The economics of Premium Player and Premium Baccarat Player programs are not substantially different than other gaming related business units in a structural sense; rather, it is the characteristics of those structural elements that make catering to this market segment different. It is a niche market, albeit a big niche, that is ethnically and culturally focused, mobile, demanding, and highly competitive. Yet, the potential for high rewards exists even if accompanied by high costs, volatility, and risk. The potential profit margins are not as high as some gaming business units but as often as not, the Premium Baccarat Player market may be thought of as a marginal addition to already existing capital, operating, and marketing infrastructure. This means that the margins need not be as high for programs such as these because the fixed costs of the operation have already been justified and covered by the other operations. Even so and despite margins that are lower than some other business units, these margins apply to, in some cases, high revenues and in others, at least marginal increases in revenue. In all, if the owner/operator can manage the risk to tolerable levels and is in a situation wherein they can attract sufficient volume to make going after this market segment attractive, then this can be a very lucrative and rewarding market to pursue.

## 8.0 Proposed Program for River Rock Casino Resort

### 8.1 Goals

- Position the River Rock Hotel and Casino as the preferred place to gamble among premium Baccarat player segments (primarily Asian) that are traveling to Greater Vancouver on business; and/or traveling through Greater Vancouver to other business destinations; traveling to Greater Vancouver for leisure and recreation; or are part-time residents of Greater Vancouver; and/or are current Greater Vancouver residents who are taking their gaming budget to other gaming venues.
- Achieve premium table game revenues of \$12 million in the first year of operation.

### 8.2 Strategies

Create a Premium Table Games Player Program that capitalizes on River Rock Casino's unique Vancouver facility and location. Offer a convenience-based gaming experience that is slightly less competitive than what is available in Las Vegas but capitalizes on Vancouver's rich Asian culture and location as a western business hub for Chinese business travelers and as an integrated Asian/Western blended lifestyle experience for Chinese recreational travelers. Offer games and amenities that meet the minimum needs of the target markets.

Establish relationships with third party representatives in order to deliver Chinese gamers for gaming/entertainment experiences.

Recognizing that profit before distribution is positive but after distribution is negative, discuss with BCLC ways to turn a program that has the potential to generate significant new, marginal benefits into profitability so that it can be implemented.

### 8.3 Target Markets

- Asian business travelers from Mainland China, Hong Kong and Taiwan (and their party) who are traveling through Vancouver to other points on the North American continent.
- Asian business travelers from Mainland China, Hong Kong and Taiwan (and their party) who are traveling to Greater Vancouver as their final destination.
- Gamers from Mainland China, Hong Kong and Taiwan (and their party), who are visiting Greater Vancouver specifically to gamble at the River Rock Casino.

- Well-healed Asian gamers who reside part-time and/or permanently in the Vancouver region and who currently do not gamble at River Rock because of a lack of minimum desired products and services. These gamers currently play in Las Vegas and, to a lesser extent, Asia and wherever else they can get the game conditions they seek. It is worth noting that the major Las Vegas casino operators have had satellite marketing offices in Vancouver for years to identify and attract Premium Table Game Players to Las Vegas.

#### 8.4 Tactics

- Offer a “squeeze” Baccarat game on at least one, “big” baccarat game (i.e., one that seats 14 players).
- Offer credit to premium table game players under rules developed by BCLC and GCGC.
- Offer maximum table game limits of \$12,000 (US\$10,000) per bet.
- Upgrade the design and décor of the current “high limit” room in keeping with Asian culture preferences (as reviewed and adjusted for by a Vancouver respected *Feng Shui* master) as a first step to initialize the program. If demand builds as expected, add a dedicated exclusive room, possibly with private, invitation only areas.
- Recruit table game hosts and staff that are multi-lingual in Cantonese, Mandarin and English.
- Activate the ENDX Casino Management System’s player tracking module to accommodate premium table game player tracking. Develop chip tracking systems commensurate with incentive programs employed, i.e., cash chip turnover, non-negotiable chip turnover, rebate on loss, front money, and other incentive based programs.
- Establish licensing criteria for third party representatives (if utilized).

#### 8.5. Projected Results

It is projected that the River Rock Casino could generate \$12.4 million (USD\$10 million) in Premium Player Baccarat revenue in the first year of operation. This represents a 18.5 percent increase over the current annualized November 2004 run rate for high limit gaming revenue, i.e., revenue from tables offering \$100 table minimum bets or greater. It may be anticipated, however, that some of the Premium Player Baccarat revenue may include the conversion of existing River Rock players modifying their play from the current bet limits to the higher bet limits. After consideration for “cannibalization” has been taken into account, the increase in revenue entirely attributable to new play is projected to be \$9.6 million representing a net 14.4 percent increase in high limit revenue.

At a 1.28 percent statistical advantage, the projected revenue implies an annual turnover of \$966,000,000.

These results assumed a \$12,000 (USD\$10,000) maximum bet limit and a bet distribution as follows:

Table 24

AVERAGE BET	PERCENT BET MIX
\$ 4,450	3.2%
\$ 2,225	4.8%
\$ 1,112	14.5%
\$ 556	29.0%
\$ 247	48.4%
<b>AVE. BET \$ 694</b>	<b>TOTAL 100.00%</b>

Source: Macomber International, Inc.

At a 1 percent to 2 percent bet size to bankroll, the projected weighted average bet of \$694 implies a player willing to bring approximately \$35,000 to \$70,000 bankroll with them during each visit. Using a statistics advantage of 1.28 percent and an assumed session time of 4.5 hours per day (which is probably low), this implies a theoretical win per day of approximately \$2,000 per player-trip. Even at this level, these are players of substantial wealth.

At this projected theoretical win per day, 17.2 player-visits per day or 6,186 player-days per year are projected. Note that these figures are averages and given peak versus off-peak demand patterns, this could mean as many as 30 or more players on peak days and as few as 6 players on an off-peak day.

Thus, in order to accommodate the projected number of players over the peak hours of a full gaming day, the projected further presume that two "Big Baccarat" games will be available, i.e., 14 seats per table. Even during lower utilization levels, depending upon the level of play, it can be advantageous to have two games available in case a shuffle is taking place and/or the player just wants to try their luck at another game. Of course, it is assumed that River Rock will also retain its mini-baccarat games and may choose to add to its complement of games one or midi-baccarat games with or without the "squeeze" game option. These projections, however, only contemplate the impact of operating two Big Baccarat games.

Note that assuming a range of 2 to 12 trips per year per player, the above projections are achieved by an implied 720 players generating 6,186 player-days per year or an average of 8.6 player days per player per year. Also, these projections assume only 67 players wagering in the uppermost bet category. The distribution of all the players is shown in table 25:

Table 25

AVERAGE BET		NO. OF PLAYERS
\$	4,450	67
\$	2,225	75
\$	1,112	150
\$	556	180
\$	247	249
<b>AVE. BET</b>	<b>\$ 694</b>	<b>TOTAL 720</b>

Source: Macomber International, Inc.

To place the 720 projected number of players and 6,186 player-trips needed into perspective, the following demand projections were made previously in Section 7.3.

Table 26

Incremental Visi		
Segment	Gaming Days	
	Low range	High range
Current residents	4,032	8,064
Visitors	2,190	8,760
Part time residents	839	1,677
	7,061	18,502

This means that to capture the required 6,186 player-trips, River Rock needs to capture 88 percent of gaming days on the low end or 33 percent of gaming days on the high end from all three gaming segments. Put another way, the \$12.4 million projected in the first year means that River Rock must capture 86 percent of the low range of projected potential PTGP market and 31 percent of the high range. As the low end of the range would be a startup year with no competition and the higher end of the range would represent the potential after buildup of the market and the possible introduction of competition. Note that given the volatility and risk at these bet ranges, it may be impractical for other Vancouver casino operators to follow River Rock's lead in catering to this market segment and, if they do, it is reasonable to expect only one or two would do so. Note also that the above market projections excluded increased visitation from China, participation from non-Chinese Asians, participation of non-Asians, and the growth that is reasonable to expect once word spreads across all market segments that River Rock has an internationally competitive program. All things considered, therefore, these projections seem reasonable.

### 8.5.1. Projected Gaming Revenue

Given the previous assumptions, annual first year revenue has been projected at \$12.4 million distributed as follows:

Table 27

AVERAGE BET	REV. PER HOUR	REVENUE MIX
\$ 4,450	\$ 2,848	\$ 2,131,000
\$ 2,225	\$ 1,424	2,877,000
\$ 1,112	\$ 712	2,877,000
\$ 556	\$ 356	1,918,000
\$ 247	\$ 158	2,557,000
AVE BET \$694	AVE REV/HR \$444	TOTAL \$12,360,000

*Note: Revenue mix is calculated by a projected number of players playing at the above average bet categories for a projected number of hours per trip and making a projected number of trips per year.*

*Source: Macomber International, Inc.*

The above revenue distribution demonstrates that while a larger percentage of the customers may be assumed to be betting smaller amounts, the much greater earning power potential of those betting greater amounts make up for their smaller number so that revenue is reasonably spread along each of the bet stratifications.

It is assumed for the purposes of these projections that 50 percent of the projected revenue will be generated via strictly casino efforts and 50 percent through third-party representatives. While this may not be a final strategy as, by definition, the use of third-party representatives means River Rock must pay the third-party's profit, it is a conservative approach given the lower profit margin that results. This assumption is not to say, however, that River Rock could not generate a portion of the above projected demand/revenue on its own either without any incentives (not likely to produce close to the projected results) or without the assistance of third parties (likely to lead to lower results but the scope of this report did not allow for any further analysis into either of these issues).

### 8.5.2. Projected Non-Gaming Revenue

It is assumed that given the bet size of even the lowest ranking player in this market segment, that all of the food, beverage, hotel, local transportation, air fare, gifts, and other out of pocket expenses would be comped. Therefore, based upon competitive practices (see Section 7.7.) as adjusted for the River Rock competitive environment and program strategy, comp rates were assumed for each marketing program (see Section 8.5.3. for the rates used) and multiplied times the appropriate factor, e.g., a percentage complimentary rate times cash ship turnover, non-negotiable chip turnover, or casino revenue, as appropriate. This calculation was made for each bet range. Thereafter, these comp dollars were allocated

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among food, beverage, hotel, and the other comp services based on knowledge of the marketplace.

The results are as follows:

Table 28

	TOTAL	\$247 AVE. BET	\$556 AVE. BET	\$1,112 AVE. BET	\$2,225 AVE. BET	\$4,450 AVE. BET
Food	\$767,000	\$200,000	\$248,000	\$157,000	\$ 65,000	\$97,000
Beverage	195,000	43,000	58,000	40,000	19,000	34,000
Hotel	457,000	0	50,000	189,000	97,000	121,000
Local trans.	58,000	0	0	0	24,000	34,000
Airfare	279,000	0	0	0	100,000	179,000
Gifts	51,000	0	7,000	14,000	10,000	19,000
Total	\$1,805,813	\$243,000	\$364,018	\$400,000	\$314,000	\$483,000
% gaming revenue	14.6%	12.4%	12.7%	13.9%	16.4%	18.9%

### 8.5.3. Incentives

As mentioned in the beginning of this section, these projections assume an equal, 50 percent split between revenue generated by the casino and through third-party representatives. Moreover, the casino-driven revenue is split evenly between comp based programs and rebate on loss programs. Similarly, the third-party driven revenue is split evenly between individual and group driven junket programs.

The rates used for projecting the incentive costs of these programs are as follows:

1. Casino-driven programs
  - a. Comp-based incentives 20% to 30% of theoretical win
  - b. Rebate on loss incentives
    - i. Rebate on loss 0% to 10% of actual loss
    - ii. Complimentaries 10% to 30% of theoretical win
2. Third-party representative programs
  - a. Individual commission programs
    - i. Commission to representative 0.5% of CC T/O
    - ii. Complimentaries 0.1% of CC T/O
  - b. Group commission programs
    - i. Commission to representative 1.0% of NN T/O
    - ii. Complimentaries 0.2% of NN T/O

CC T/O = Cash Chip Turnover, NN T/O = Non-negotiable Chip Turnover

Note that the player-day volume previously projected and these comp rates lead to relatively minor daily patronage of River Rock facilities: i.e., a project 14 players receiving a food

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comp per day, 14 beverage comps, 4 hotel comps, 1 local transportation comp, 1 air fare comp, and 4 gift comps per day. In other words, the addition of this program should not require any new facilities to be built at the volume projected.

In total, incentives are projected to be as follows:

Table 29

	TOTAL	COMP	REBATE ON LOSS	COMMISSION
<b>CASINO DRIVEN</b>				
Comp-based	\$ 706,000	\$ 706,000		
Rebate on loss	\$ 705,000	\$ 617,000	\$ 88,000	
<b>Subtotal</b>	<b>\$1,411,000</b>	<b>\$1,323,000</b>	<b>\$ 88,000</b>	
<b>THIRD PARTY</b>				
Individual	\$1,448,000	\$ 241,000		\$1,207,000
Group	\$1,448,000	\$ 241,000		\$1,207,000
<b>Subtotal</b>	<b>\$2,896,000</b>	<b>\$ 482,000</b>		<b>\$2,414,000</b>
<b>TOTAL</b>	<b>\$4,307,000</b>	<b>\$1,805,000</b>	<b>\$ 88,000</b>	<b>\$2,414,000</b>
<i>Percent of gaming revenue</i>	34.8%	14.6%	0.7%	19.5%

### 8.5.3. Other Marketing Expenses

Other marketing expenses include bad debt, special events and promotions, and miscellaneous telephone/communication, collateral, mail, uniforms, and the like.

Although by generally accepted accounting practices bad debt is not considered a marketing line item, the only reason for offering credit and taking the bad debt risk is to attract players. So, for the purposes of illustrating marketing expenses, this expense item is placed here.

Special events and promotions were projected at 3.0 percent of Total Revenue or \$371,000. Credit was projected at 5 percent of the drop which was projected at \$3.1 million. Bad debt was projected at 1.5 percent of the credit written assuming the GCGC will begin with very conservative credit issuance policies. This leads to a bad debt expense of \$46,000.

Other marketing expenses were projected at 2.0 percent of total revenue or \$247,000.

Note that it is not unusual for programs of this type to open and staff off-site offices in the feeder markets from where the casino draws their players. These offices can cost \$150,000 or more per year to operate but, given the volume of business projected, one or more off-site offices were not deemed necessary to achieve the target revenue.

Total marketing expenses were projected at \$664,000 or 5.4 percent of total revenue.



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**8.5.4. Labor**

Labor was projected based upon the incremental number of positions, wage per position, and benefits per employee for the volume projected. Labor was projected at \$3,389,000, or 27.4 percent of total revenue. A total of 74.0 full time equivalent employees ("FTEs") were projected to be needed to serve the anticipated demand:

Table 30

Operations	
Casino	48.7 FTEs
Security	11.2
Cage	5.6
Subtotal	65.5
Marketing - on site	4.6
Credit	5
Total	74.0 FTEs

Note that cleaning, back office clerical help, a concierge, and a River Rock junket coordinator was not included in the staffing levels because they were not felt necessary at the projected revenue volume. If revenue were to increase beyond the projected level, however, one or more of these positions might need to be filled.

**8.5.4. Profit before Distribution**

The projected profit before distribution is presented below:

Table 31

Turnover	<u>\$965,641,000</u>
Revenue	<u>\$ 12,360,000</u>
Less:	
Comps, rebates on loss, and commission expense	\$ 4,307,000
Other marketing expense	664,000
Labor expense	<u>3,389,000</u>
Subtotal - expenses	<u>\$ 8,360,000</u>
Profit before distribution	<u>\$ 3,999,000</u>
<i>Percent of total revenue</i>	<i>32.4%</i>

If a Las Vegas-type tax rate of 8 percent were applied to the above projection the margin would decrease to 24.4 percent. A 10 percent rate typically experienced in Australia and some other parts of the world would decrease it to 22.4 percent. This is not unreasonable for a relatively low volume, monopolistic/oligopolistic, conservative program such as the one contemplated for River Rock.

### 8.5.4. Risk Profile

Risk was described earlier. The relatively low projected average bet pattern corresponding to the bet volume leads to a risk profile wherein there is a 54.1 percent probability of the projected revenue being at the target \$12.4 million or below and a 45.9 percent chance of the projected revenue being at the target level or above. At confidence levels ranging from 90.0 percent to 99.8 percent, the upper and lower expected outcomes are as follows:

Table 32

CONFIDENCE LEVEL	UPPER EXPECTATION LIMIT	LOWER EXPECTATION LIMIT	PROBABILITY OF OCCURRENCE 1 in
90.0%	\$ 14,549,000	\$ 9,882,000	20.0
95.0%	\$ 14,996,000	\$ 9,435,000	40.0
98.0%	\$ 15,516,000	\$ 8,915,000	100.0
99.0%	\$ 15,870,000	\$ 8,560,000	200.0
99.8%	\$ 16,600,000	\$ 7,831,000	1000.0

In other words, with a 99.8 percent confidence level, the program should not generate less than \$7.8 million in annual gaming revenue but could produce as much as \$16.6 million.

### 8.5.5. Profit after Distribution

River Rock pays a 60 percent distribution to the BCLC. This amounts to \$7.4 million. It has the effect of decreasing the Profit After Distribution to a loss of - \$3.4 million thereby producing a negative margin of - 27.6 percent.

Adding back expenses in order to determine the reasonableness of perhaps cutting expenses to achieve profitability yields the following results:

Table 33

Profit after distribution	\$ -3,417,000	- 27.6%
Add back comps, rebates, and Commissions	<u>4,307,000</u>	
Subtotal	\$ 890,000	7.2%
Add back other marketing expenses	<u>664,000</u>	
Subtotal	\$ 1,555,000	12.6%
Add back labor	<u>3,389,000</u>	
Subtotal	\$ 4,944,000	40.0%
Add back distribution	<u>7,416,000</u>	60.0%
Total Revenue	<u>\$ 12,360,000</u>	100.0%

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Note that the risk profile presented in the previous section indicated that at confidence levels of 90.0 percent to 99.8 percent, the lower expected limit could range from \$7.8 million to \$9.9 million, both below the projected \$12.4 million. Were these outcomes to occur, the loss situation would worsen.

### 8.5.6. What-If Marketing Scenarios

A variety of what-if scenarios were evaluated in order to determine if changing the marketing strategy could reduce expenses sufficiently to generate a profit after distribution. The outcomes are shown below:

Table 34

PROFIT OR (LOSS) AFTER DISTRIBUTION	CASINO DRIVEN		THIRD PARTY DRIVEN	
	COMP PROGRAM	REBATE ON LOSS	INDI- VIDUAL	GROUP
<b>BASELINE</b>				
\$ (3,417,000)	25%	25%	25%	25%
<b>WHAT-IF SCENARIO</b>				
\$ (4,903,000)	0%	0%	50%	50%
\$ (4,903,000)	0%	0%	0%	100%
\$ (4,903,000)	0%	0%	100%	0%
\$ (1,930,672)	50%	50%	0%	0%
\$ (1,928,000)	0%	100%	0%	0%
\$ (1,933,000)	100%	0%	0%	0%

The above table reinforces the embedded cost structure wherein third party driven programs are more expensive than the casino driven programs. Consequently, if third parties are relied upon entirely to drive the target revenue, the loss worsens. Neither third party program was indexed to be more expensive than the other, so moving the mix between third party programs has no effect.

Shifting the marketing strategy entirely to casino driven programs reduces the loss after distribution to approximately \$1.9 million. Since the comp program is projected at slightly less cost than the rebate on loss program, relying on it completely shows a marginal decrease in the loss.

The above scenarios beg the question, however: i.e., if these marketing expenses are reduced and/or eliminated can the target revenue of \$12.4 million be achieved. This is unlikely although the actual impact of varying strategies is beyond the scope of this engagement.

Besides incentives, labor is the next biggest expense. But, casino operations represent 66 of the 74 FTEs leaving little room for adjustment in this expense. It is possible that staffing could be reduced by reducing the number of tables from two to one, but it would only be

reasonable to expect a decline in revenue to result as a certain amount of revenue from the peak period would be lost due to lack of capacity. Consequently, it is unlikely that this option is either prudent or would lead to substantially different results. Marketing and credit positions could be reduced but, with respect to the marketing positions, the number shown is deemed to be the minimum number needed. In fact, certain positions already mentioned have been eliminated in the marketing area that otherwise would be filled were this program to have shown a profit after distribution. Since credit is considered one of the key success drivers for this program, the credit positions are also deemed critical and unwise to reduce without causing a corresponding (if not greater) decrease in revenue.

Other marketing expenses could be reduced but even if entirely eliminated, there are not enough expenses to be saved to reverse the loss situation. And, it may be assumed that a reduction in these other marketing expenses could cause some, if not a greater than one-to-one loss in revenue.

#### **8.5.7. Summary of First Year Projected Results**

The program is projected to produce \$12.4 million in annual revenue. Before distribution, this program has the potential to generate \$3.9 million in additional profit at a 32.4 percent margin. When competitive international tax rates are taken into account the margin would drop to 24 percent to 22 percent, in line with a relatively low volume, conservative program such as this. However, when the 60 percent distribution is taken into account, the profit turns to a loss of \$ - 3.4 million or -27.6 percent of total revenues. The risk profile, while relatively tame for a program such as this, could cause revenue to be below expectations if the lower than expected side of the risk curve results occur.

It should be noted that because of the relatively few number of players expected to visit the casino on any given day as part of this program, no capital expenditures are deemed necessary. Perhaps put more precisely, the capital expenditures needed would not be at a level that would affect the profit/loss outcome of the program. It is assumed that the cost of the two contemplated Big Baccarat tables, a possible upgrade in carpet and FF&E, plus some other miscellaneous expenses could be absorbed in the regular annual River Rock capital expenditure budget.

It may be concluded that for this program to be viable, the expense structure must be reduced.

#### **8.5.8. Five Year Projected Results**

The first year projected results were extended four additional years assuming a revenue growth rate of that begins at 10 percent from Year 1 to Year 2 but then decreases to 2 percent from Year 4 to Year 5. Incentives were expected to be semi-variable, i.e., increase slightly as revenue increased in order to reflect the increasing cost of extracting greater demand from the marketplace. Other Marketing expenses were projected to increase, albeit

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at a rate slower than the increase in revenue since these costs can be amortized over a greater revenue stream. Labor expense was held reasonably close to the first year margin but with a slight improvement as volume increased since it is speculated that the increase in revenue projected can, by and large, be serviced with the staffing projected for Year 1. Nevertheless, labor cost increases to reflect inflation and employee expectations.

Since the program is not viable with the current distribution structure and rate as they now exist, the five year projection is summarized to the profit before distribution level in table 35 below.

Table 35

**FIVE YEAR PROFIT/(LOSS) BEFORE DISTRIBUTION**

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>REVENUE</b>	\$12,360,206	\$13,596,227	\$14,547,963	\$15,129,881	\$15,432,479
<i>Annual growth rate</i>	<i>n.a.</i>	<i>10.0%</i>	<i>7.0%</i>	<i>4.0%</i>	<i>2.0%</i>
<b>EXPENSES</b>					
Incentives	\$4,307,425	\$4,809,240	\$5,223,075	\$5,513,478	\$5,708,104
<i>% Gaming Revenue</i>	<i>34.8%</i>	<i>35.4%</i>	<i>35.9%</i>	<i>36.4%</i>	<i>37.0%</i>
Other marketing	664,361	719,835	758,670	777,182	780,835
<i>% Gaming Revenue</i>	<i>5.4%</i>	<i>5.3%</i>	<i>5.2%</i>	<i>5.1%</i>	<i>5.1%</i>
Labor	3,389,390	3,635,121	3,792,339	3,845,432	3,824,282
<i>% Gaming Revenue</i>	<i>27.4%</i>	<i>26.7%</i>	<i>26.1%</i>	<i>25.4%</i>	<i>24.8%</i>
Total Expenses	\$8,361,176	\$9,164,196	\$9,774,085	\$10,136,093	\$10,313,221
<i>% Gaming Revenue</i>	<i>67.6%</i>	<i>67.4%</i>	<i>67.2%</i>	<i>67.0%</i>	<i>66.8%</i>
<b>PROFIT BEFORE DISTRIBUTION</b>	\$3,999,030	\$4,432,031	\$4,773,877	\$4,993,789	\$5,119,257
<i>% Gaming Revenue</i>	<i>32.4%</i>	<i>32.6%</i>	<i>32.8%</i>	<i>33.0%</i>	<i>33.2%</i>

Given the unknowns of the real potential of the Premium Baccarat Player market, it may be speculated that the potential for growth is right-sided, i.e., there is a greater probability of growth well beyond the amounts projected in this report rather than actual results being substantially less. If the cost structure can be adjusted so the program is able to generate a profit, the upside potential – in addition to the baseline revenue projected – may be justification alone to proceed.

### 8.7. Making the Program Work

The proposed PTGP program is a viable program that has the potential to benefit all of the stakeholders. But, with the projected revenue/cost structure and the current distribution structure and rate, the program results in a loss. A way should be found to make it work.

A solution might start with the way the distribution is calculated. Since this program is all incremental revenue (and profits) that cannot be earned otherwise, at the risk of being presumptuous, it may be within the spirit of the distribution scheme for BCLC and GCGC to agree that for revenue from this program only, the distribution be determined after expenses directly associated with this program are deducted. Note that making special accommodation for PTGP programs is not unprecedented. Indeed, in Australia, there has been a history among the various states that determine the gaming revenue tax for casinos operating within to allow a lower gaming revenue tax rate to apply to what they refer to as "ICB" revenue or "International Commission Business." Over the years, depending upon the state, their gaming tax has been 10 to 15 percent but for ICB business they have reduced this tax by half to one-third, i.e., 5 percent to 10 percent. These states have taken this step because they realize the casinos operating there cannot compete internationally for ICB business unless they take such a step but, if they could, the state and the casinos will both reap the benefits of the incremental profits derived therefrom.

Were this structure to be adopted the previous projections taken to Profit After Distribution would be as follows.

Table 36

**FIVE YEAR PROFIT WITH DISTRIBUTION CALCULATED  
FROM PROFIT BEFORE DISTRIBUTION LINE  
WITH NO OTHER ADJUSTMENTS**

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>PROFIT BEFORE DISTRIBUTION</b>	\$3,999,030	\$4,432,031	\$4,773,877	\$4,993,789	\$5,119,257
<i>% Gaming Revenue</i>	32.4%	32.6%	32.8%	33.0%	33.2%
<b>DISTRIBUTION</b>	2,399,418	2,659,218	2,864,326	2,996,273	3,071,554
<i>% Gaming Revenue</i>	19.4%	19.6%	19.7%	19.8%	19.9%
<b>PROFIT AFTER DISTRIBUTION</b>	\$1,599,612	\$1,772,812	\$1,909,551	\$1,997,515	\$2,047,703
<i>% Gaming Revenue</i>	12.9%	13.0%	13.1%	13.2%	13.3%

This level of profit margin is still not enough, however, for a private company to justify starting the PTGP program as there are still general, administrative, ownership, taxes, and other expenses that would need to be deducted from the above Profit After Distribution line.

In speaking with GCGC, they felt that the labor margin would be 10 to 15 percent (versus the 25 percent range used in the initial projections) since much of the labor involved was "marginal." MI's labor projections included casino operations (e.g., dealers, supervisors, and a room Manager) plus a Credit Manager, Credit Clerks, and a Credit Administrative Assistant) whose wages and benefits represented 18.0 percent of gaming revenue. Other security, cage, and marketing functions linked to this program amounted to 9.4 percent of gaming revenue. Consequently, a more detailed review of staffing, wages, and benefits could lead to a labor margin of 15 percent.

Similar conversations between BCLC and GCGC led to the speculation that the program could generate the projected revenue level at a 25 percent of gaming revenue level (versus the 40 percent range used in the initial projection). This represents a 15 percentage point reduction from the combined Incentive and Other Marketing expense initially projected. Note that of the 40 percent combined marketing cost, Comps comprised approximately 15 percentage points, Commissions to third party marketing representatives approximately 20 percentage points, and Other Marketing expenses (Special Events, Bad Debts, and Other Marketing expenses such as telephone/communication, collateral cost, and the like) comprised approximately 5 percent. The 25 percent total marketing expense could be achieved by eliminating the use of third-party representatives and undertaking a additional tightening of marketing expenditure in the Comp and/or Other Marketing expense categories. Since the initial revenue projections contemplate capturing mostly the market that is already coming to and/or residing in Vancouver, the need for third party representatives may be minimal, if at all. On the other hand, for the program to grow beyond the five year levels initially projected, at some revenue level there could be an increasing need for third party representatives to extract the maximum potential revenue from the marketplace (e.g., say, over \$20 million).

If the revised labor and marketing assumptions are added on to the revised distribution calculation, the results are as shown in Table 37 on the following page.

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Table 37

**FIVE YEAR PROFIT WITH DISTRIBUTION CALCULATED  
FROM PROFIT BEFORE DISTRIBUTION LINE  
WITH MARKETING AND LABOR COST ADJUSTMENTS**

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>REVENUE</b>	\$12,360,206	\$13,596,227	\$14,547,963	\$15,129,881	\$15,432,479
<i>Annual growth rate</i>	<i>n.a.</i>	<i>10.0%</i>	<i>7.0%</i>	<i>4.0%</i>	<i>2.0%</i>
<b>EXPENSES</b>					
All marketing	\$3,090,052	\$3,450,043	\$3,746,919	\$3,955,247	\$4,094,868
<i>% Gaming Revenue</i>	<i>25.0%</i>	<i>25.4%</i>	<i>25.8%</i>	<i>26.1%</i>	<i>26.5%</i>
Labor	\$1,854,031	\$1,937,462	\$1,969,430	\$1,945,797	\$1,885,478
<i>% Gaming Revenue</i>	<i>15.0%</i>	<i>14.3%</i>	<i>13.5%</i>	<i>12.9%</i>	<i>12.2%</i>
Total Expenses	\$4,944,082	\$5,387,505	\$5,716,349	\$5,901,045	\$5,980,345
<i>% Gaming Revenue</i>	<i>40.0%</i>	<i>39.6%</i>	<i>39.3%</i>	<i>39.0%</i>	<i>38.8%</i>
<b>PROFIT BEFORE DISTRIBUTION</b>	\$7,416,124	\$8,208,722	\$8,831,613	\$9,228,836	\$9,452,134
<i>% Gaming Revenue</i>	<i>60.0%</i>	<i>60.4%</i>	<i>60.7%</i>	<i>61.0%</i>	<i>61.2%</i>
<b>DISTRIBUTION</b>	4,449,674	4,925,233	5,298,968	5,537,302	5,671,280
<i>% Gaming Revenue</i>	<i>36.0%</i>	<i>36.2%</i>	<i>36.4%</i>	<i>36.6%</i>	<i>36.7%</i>
<b>PROFIT AFTER DISTRIBUTION</b>	\$2,966,449	\$3,283,489	\$3,532,645	\$3,691,535	\$3,780,853
<i>% Gaming Revenue</i>	<i>24.0%</i>	<i>24.2%</i>	<i>24.3%</i>	<i>24.4%</i>	<i>24.5%</i>

At the above level of profitability, the PTGP program would begin to make sense for a privately held company given the effort, small capital expenditure contemplated, and the risk-reward of the higher volatility implied in the higher level of wagering taking place.



## 8.8. Benefits to BCLC and to British Columbia

Under the initial scenario, the benefits to the BCLC and British Columbia in Year 1 are 74 new jobs, \$12.4 million more revenue, \$8.4 million in expenditures into the marketplace (e.g., labor, payments to third party marketers, and the like), the multiplier effect<sup>17</sup> of the aforementioned jobs and community expenditures, and \$7.4 million in additional distribution to the BCLC. However, this program is not economically viable to a private company.

Under the revised program shown in Table 37, the benefits to the BCLC and British Columbia in Year 1 are approximately 30 new jobs, \$12.4 million more revenue, \$4.9 million in expenditures into the marketplace (e.g., labor, payments to third party marketers, and the like), the multiplier effect of the aforementioned jobs and community expenditures, and \$4.5 million in additional distribution to the BCLC. This program is viable to a private company. There also would be the addition income tax benefits to British Columbia and Canada.

Besides the potential quantitative benefits, however, another important benefit would be the added cache that such a program would mean in the international Asian community and what effect that could have on tourism, visitation, and new business for Vancouver overall. The impact would not only be immediate but would build with time due to market growth and the multiplier effect. Given the economic power of the international Asian community, this factor should not be underestimated.

Given the emerging and potential future tourism growth from Mainland China, much less Asia in general, it would seem that it would be equally prudent to initialize the program to fit current and immediate demand but also structure it so that the program is poised to expand as quickly as market demand growth is demonstrated. In fact, it would appear that Canada, British Columbia, and the Greater Vancouver Area officials have already come to this conclusion in forming strategies, tactics, and initiatives to take advantage of Mainland China's growth and international travel in general business terms. It remains only for this proactive effort to be extended to the gaming industry, an important component and driver of Asian tourism.

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<sup>17</sup> The multiplier effect generally ranges from 1.0 to 2.0 times for gaming related projects, i.e., for each dollar generated another dollar to two dollars is created as the benefits "roll through" the economy.

This is Exhibit "D" referred to in the Affidavit of WALTER SOO sworn (or affirmed) before me at VANCOUVER, B.C. this 15 day of February, 2021.  
[Signature]  
A Commissioner for Taking Affidavits within British Columbia

This is Exhibit "2" referred to in the Affidavit of WALTER SOO sworn (or affirmed) before me at VANCOUVER, B.C. this 9 day of December, 2020.  
[Signature]  
A Commissioner/Notary Public for the Province of British Columbia



February 6, 2006

Mr. Brian Egli  
Executive Vice President  
Great Canadian Casinos Inc.  
#350 - 13775 Commerce Parkway  
RICHMOND, BC V6V 2V4

Dear Mr. Egli:

Re: Premium Table Play Proposal

Your proposal to implement a premium table player program, submitted May 2005 has been reviewed by BCLC executive and management with the following conclusion.

The requirements to move to the level of play that is suggested in your proposal such as Credit, Limits, Incentives and Environment would require substantial changes to our current operating model, as well as introducing some significant security risks.

In order to entice this caliber of player to the lower mainland, we would need to offer the full suite of banking options that this level of player would expect. This would require changes to the Provincial government policy and Bank act, which the government is unlikely to change. In addition, the offering of credit is contrary to the GPEB Responsible Gaming Standard issued in July 2005, Section 5, 5.1 "Gaming services providers may not extend credit of lend money to patrons as per provincial policy."

The introduction of credit will also require the management of debt and debt collection. As the proposal is targeting Asian players, oversees debt collection would be required and currently there is no reciprocal agreements in place with Asian governments for collection of debt.

Utilizing player agents to bring foreign players into the province who are unknown to BCLC and Great Canadian will open BCLC and the Provincial government to the possibilities of terrorist participation, international money laundering and organized crime activities.

Mr. Brian Egli  
Page 2  
February 6, 2006

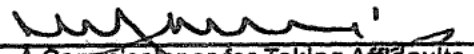
We have already established high limit play and controls within our current facilities in the lower mainland. We presently have players who would qualify as a 'premium player', with an average wager of \$500 or greater. This high limit play accounts for 15% of our current lower mainland table revenue to a value of \$40m per year and is sustainable within our current environment.

Given the rather modest potential increase in revenue of \$9.6m when faced with the substantial risk, the risk is far greater than the potential reward. BCLC is a Crown Corporation acting as an agent for the Provincial government and is held to a very high standard by the citizens of BC, that is a higher standard than privately run gambling entities, and therefore we must ensure that the highest standards and integrity are maintained.

Yours truly,

Brian Lynch  
Vice President  
Casino Gaming

cc: T. Towns  
A. Williamson  
M. Piper

This is Exhibit "E" referred to in the Affidavit of Walter Soo sworn (or affirmed) before me at Vancouver, B.C. this 1<sup>st</sup> day of February, 2021.  
  
A Commissioner for Taking Affidavits within British Columbia

**PLAYER DEVELOPMENT PROGRAM**  
**Review On Strategic Alliances**

**DRAFT**

**Submitted By**

**Walter Soo**

**September 4, 2007**

**Premium Table Games Player Program**

**1. Objective**

It has been more than 3 years since Great Canadian Gaming Corporation ("GCGC") opened its flagship River Rock Casino Resort property (June 24, 2004). Gross table game revenues have matured and settled into an annual range of \$117-\$120 million.

- 2004                 \$62.5 Million (Last 6 months)
- 2005                 \$117.0 Million
- 2006                 \$118.7 Million
- 2007                 \$60.5 Million (First 6 months)

The above have resulted in an expansion of our product line to include non-gaming amenities that appeal to a new segment of broad and discretionary entertainment seekers.

With a wide selection of food, beverage, alcohol, fine dining, live entertainment and hotel services to offer, GCGC has identified an exciting opportunity to increase its existing player base by marketing a number of its premium goods and services to a select and exclusive segment of premium table game players. However, it is vital to recognize that both gaming and non-gaming products, goods and services must be re-packaged and re-aligned in order to be a global competitive force.

It is with this vision that GCGC desires to utilize and optimize on its product offering with the introduction of a Premium Table Games Player Program (the "Program") to attract, sustain and expand gaming revenues, and to maximize stakeholder profitability.

DRAFT

## 2. Recommendations

### A. Incentives Policy

- i. To recognize and develop loyalty by rewarding incentives to GCGC premium players, and to compensate player agents as an inducement to attract and deliver premium business;
- ii. To base the amount of incentives earned by determining the actual amount of play generated by the premium player;
- iii. To implement a clear and effective set of policies, procedures, guidelines and practices to direct how incentives shall be managed and controlled;
- iv. To offer premium player and agent incentive inducements that are measurably competitive with incentive packages offered by other major gaming properties; and
- v. To offer a total incentive package value potentially up to, but not exceeding the following equivalence,

$$\frac{\text{Total Player Comps \& Agent Fees/Commissions}}{\text{Baccarat House Advantage}} = \frac{\text{Turnover} \times 1.26\%}{30\% \text{ of Theoretical Loss}}$$

### B. Player Incentives (Complimentaries or "Comps")

To recognize and approve the following as deductible player comps for premium table game players and their related guests and associates.

- i. Hotel accommodations;
- ii. Food & beverage on and off site;
- iii. Ground transportation for airport service and off site excursions;
- iv. Entertainment, recreation & leisure activities for on and off site venues;
- v. Social recognition venues such as player appreciation nights and festive celebrations; and
- vi. Gifts and promotional giveaway items.

### C. Player Agents

- i. To approve the use of qualified and licensable player agents to source, deliver and host premium players for GCGC properties;
- ii. To recognize and reward premium player agents with a commission or fee for the delivery of premium table game players to GCGC properties;
- iii. To apply stringent due diligence and compliance requirements for all player agents; and
- iv. To ensure player agent registration with British Columbia Lottery Corporation ("BCLC") and Gaming Policy Enforcement Branch ("GPEB") in the same requirement and compliance requisite as primary gaming suppliers.

### D. Revenue Distribution Structure

To revise the current revenue distribution structure to deduct and pay all direct Program expenses from premium table game gross revenues prior to distributing 39% of the remaining revenue to GCGC and 61% to BCLC.

### E. Expenditures, Capital and Accounting Practice

- i. To recognize, approve and allocate expenses incurred by the Program as outlined, and to deduct these expenses from premium gaming gross revenues prior to calculation of revenue distribution to GCGC;
- ii. To share in all costs related to the pre-launch development and on-going maintenance and marketing of the Program; and
- iii. To recognize capital expenditures incurred by GCGC for the Program and to apply Facilities Development Improvement Fund ("FDIF") criteria for capital recovery of this outlay.

**G. Baccarat Game Feature**

To grant GCGC authority and discretion to operate Baccarat games which permit premium players to handle the game cards.

**H. Higher Bet Limits**

To increase Baccarat maximum bet limits to \$10,000 per betting station with any individual player permitted to play up to 5 stations (\$50,000 maximum bet) per round.

**I. In-Trust Player Funds Withdrawal and Deposit**

To implement and execute approved standard operating procedures allowing premium players to deposit and withdraw funds to and from GCGC in-trust player fund accounts at the on GCGC properties.

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### 3. Program Description

The proposed Premium Table Games Player Program initiative consists of,

- A. Sourcing and attracting avid, experienced table game players with the ability and inclination to spend \$25,000 or more per visit;
- B. Enhancing Baccarat which is the game of choice for these players, to target and attract the dominate Baccarat player who is of Asian descent, place of origin or influence;
- C. Designing and developing an attractive and appealing presentation inclusive of environmental ambience and comfort, intuitive, hospitable and communicative personnel, and globally competitive player and player agent incentives by,
  - i. Creating a semi-private or fully private (Salon Privee) area setting of modern elegance décor and aesthetically pleasing and subtle harmonizing Feng Shui elements;
  - ii. Providing a highly skilled, personal and exclusive set of guest service personnel to cater to high value players in a manner to which they are accustomed based on their preferred specialized needs and spending habits; and
  - iii. Implementing a methodology of scientific analysis and procedural practice to track and quantify the value of this play; and to apply the appropriate amount of incentives to reward the affluent discretionary player and player agent in a manner consistent with other high standard global gaming establishments.
- D. Developing a strategic target market plan focusing on all feeder markets to,
  - i. Recognize, stabilize, sustain and grow the local premium player base and to diversify and intensify the premium player base by expanding this base to the domestic (North America) market; and
  - ii. To grow the premium player base by developing international (overseas) market presence in regions which contain disproportionately higher concentrations of potentially developable and established premium players.



#### 4. Development Plan

River Rock Casino is recommended to be the beta site for the initial Premium Player Program.

Development of this Program consists of two distinct initiatives:

##### A. Bricks-and-Mortar Development

River Rock's product offering will need to be refined or re-engineered to suit the taste, appeal, comfort and gaming requirements of these affluent players.

Specifically, this requires:

- i. Enhancing the existing design décor and interior ambience of the semi-private premium gaming areas;
- ii. Assessing a potential opportunity to develop an exclusive and fully private premium play area;
- iii. Researching and offering player and agent incentive packages that competitively align with global major gaming properties;
- iv. Providing dedicated and exclusive service privileges in the premium gaming areas (cage, security, hotel services, food and beverage);
- v. Selecting high skilled staff with fluent English and Chinese (Cantonese & Mandarin) speaking and writing capabilities for the positions of Executive Host, Host, Administration, Dealer Supervisors, Game Shift Managers, VIP Manager and Cage Manager;
- vi. Providing select staff with secondary upgrade training to learn key fundamental principles of Asian societal hospitality (5-Star and 5-Diamond quality), professional behavior, conduct and interaction;
- vii. Selecting and implementing technology and information systems to extract, link, bank and protect player data, manage bilateral in-trust currency transactions, interactively perform player tracking (based on theoretical and actual win/loss) to quantify, substantiate, audit and invoice comps awarded to players and fees/commissions paid to agents;
- viii. Selecting and implementing technology and information systems to review dealer and game supervisor performance for internal control measures;
- ix. Integrating information technology and management information systems to interface GCGC gaming activities with non-gaming amenities such as,
  - a) Hotel reservation, concierge and reception;
  - b) Ground transportation services;
  - c) Food and beverage;
  - d) Theatre and entertainment; and
  - e) Recreation and leisure services.
- x. Establishing key external corporate packages for off-site amenities such as fine dining, entertainment, recreation and leisure activities (golfing, fishing, skiing, boating, concerts, major sporting events, spa treatments, etc.);
- xi. Developing key strategic business alliances for cross-promotional activities with local, national and international entities. For example,
  - a) Local Premium Asian Dining

*Sun Siu Wah, Top Gun and Shiang Garden*

b) Travel, Recreation and Leisure

*China Eastern Airlines, Harmony, Cathay Pacific, Air Canada, Philippine Airlines, Japan Airlines, Quilchena Golf Club, Mayfair Lakes Golf Club, Whistler Resort, Orca Bay Entertainment*

- xii. Designing a combination structure of in-house executive hosts and third party agents to source, deliver and host pre-arranged and spot premium players.

**B. Player Development**

The Player Development Program is an ongoing initiative to source, deliver and service optimal **Tier Two Category** premium table game players (\$25,000 to \$250,000 per trip) to GCGC properties. This category contains the most desirous profile of table game players for major gaming properties worldwide, as it exemplifies the "20% of the people accounting for 80% of the business" category. Conversely, Tier One Category players comprised of the most elite, with some capable of spending upwards of \$250,000 to \$1,000,000 per visit with average bets of \$10,000 spanning over 10 ten hours of play or greater. Due to the risk-reward high volatility factor, this elite player is not the subject of our Program initiative.

Since gaming is the primary objective for Tier Two players, GCGC properties will be added to their extensive list as a potential gaming destination. What will influence players to select GCGC over other major gaming venues will be the direct result of a well planned and properly executed player development model which is progressive and reactive to global competitive forces. To achieve this, GCGC needs to, on a continuous basis,

- i. Identify the appropriate markets to target;
- ii. Assess the success of each agent to deliver quality players;
- iii. Evaluate each marketing campaign to determine effectiveness, penetration and capture; and
- iv. Monitor staff performance to continually strive for GCGC exceptional service standards, integrity and credibility.

*Revenues captured from this highly discretionary and openly mobile player set will incrementally and substantially increase the existing table gaming revenues. Clear accretive value will be achieved, as marginal capital will be required to deliver this Program given primary capital expenditures has already been invested in the existing infrastructure, and primary labor has already been allocated to the existing higher bet gaming base.*

To obtain, sustain, retain, and grow this vital new segment of business, we must:

- i. Remain internationally informed, current and competitive with Asian/Far East Marketing programs initiated by other gaming operators;
- ii. Adopt proactive and reactive management practices to ensure that immediate action, as required, will be taken in an efficient, timely and results-oriented manner;
- iii. Initiate domestic and international marketing campaigns to sell Greater Vancouver's unique composite appeal of densely populated Asians residing and working in a Western Canadian residential, commercial and industrial marketplace;
- iv. Strategically align with competent and proven gaming player agencies and marketing/advertising and promotions associates and industry organizations to deliver premium players to GCGC properties; and
- v. Remain creative, flexible and accommodating in all aspects of the player's experience to ensure that they leave each and every visit with full satisfaction,

and a genuine desire to return to, or recommend to their friends and associates, GCGC properties.

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## 5. Key Success Drivers

The following Key Success Drivers (KSDs) are integral to the success of GCGC's Premium Table Games Player Program:

### A. Marketing

Given British Columbia's provincial gaming model, GCGC will not compete for the premium player by offering extravagant gaming or non-gaming incentives found in optimum world class markets such as Las Vegas, Atlantic City, Connecticut, Sydney, Melbourne or Macau. GCGC's optimal competitive advantage lies in the spectacular appeal and desire to visit the Greater Vancouver region.

The primary marketing objective is to develop an external awareness campaign to showcase Greater Vancouver as one of the world's top region to visit with breathtaking natural beauty and recreational activities, cosmopolitan and urban sophistication, world class amenities, and culturally diverse, tolerant, safe living and freely enjoyable communities.

Recognizing Asians represent an overwhelming majority of the premium player segment, other initiatives include organizing specialty events such as popular Asian concerts, Chinese calendar festivities (Chinese New Year, Mid-Autumn Festival, etc.), appreciation dinners and other private special invitation functions to foster loyalty, create draw appeal, and most importantly, to develop sincere business friendship and trust in premium player segments.

To further strengthen its relationship, GCGC recognizes exceptional value in building strategic alliances with international premium brand gaming properties. One benefit derived from merging player databases will result in the increase of GCGC visits from other domestic and international markets. Another positive derivative would be the co-sharing of entertainment initiatives and collaborative branding for both properties.

River Rock Casino Resort, located in the City of Richmond has the potential to capture significantly greater than its fair market share of premium table gaming revenue due to the following factors,

- i. Richmond has a population of 180,000 with a composite resident profile of over 60% Asian descent. Its Asian cuisine has been quoted by international food critics as being the best in terms of quality and price value inclusive of Asia. Its Asian commercial districts are densely integrated throughout the entire community and has built up the commercial infrastructure to provide all Asian goods and services to the local region;
- ii. Communication is comforting to the overseas Asian visitor, as Cantonese and Mandarin are widely spoken within and away from the Resort;
- iii. Vancouver International Airport (YVR) is 5-10 minutes away from River Rock;
- iv. Canada Highway 99 - U.S. Interstate I-5 is 5 minutes from River Rock;
- v. Canada - U.S. Border Crossing is 35 minutes from River Rock;
- vi. Vancouver is the host of the 2010 Olympic and Paralympics Winter Games and Richmond will be home to the Olympic Speed Skating Oval (10 minutes from River Rock). A new residential development comprised of 2,100 premium waterfront condominiums and commercial retail space will be constructed on the Oval lands within the next 3-5 years with primary marketing and sales offices located in Asia. Once completed, this area, 8 minutes away from River Rock will be home to 3,000 affluent people; and
- vii. The new \$1.9 billion Canada Line rapid transit transportation route will be completed by 2009. Return travel from the airport to downtown Vancouver and

Richmond covers 20 kilometres in 18 minutes. The first stop from the airport will be directly in front of River Rock. This terminus will be the only stop on the Line to house both a 1,200 vehicle parkade and major bus-interchange to facilitate a daily 100,000 ridership to/from the entire Great Vancouver Regional District.

## B. Premium Play Program Tracking System

A true economic measure of GCGC's premium play initiative must be determined by implementing a proven player tracking system capable of managing data and analytics for the following,

- i. Player & Agent Background;
- ii. Turnover – Tracking the total amount of each player's wagers to determine theoretical loss;
- iii. Actual WIN / Loss – Tracking the actual win or loss of each player to determine absolute business value and player worth;
- iv. Incentives Management – A tool to review each player's earned incentives based on actual play to prudently issue complimentaries and to measure agent performance value;
- v. In-trust Player Funds Management – Interactive operating system to manage player cash funds to/from GCGC in-trust accounts. To provide convenience and safety to the player by seamlessly facilitating the player's request to withdraw from, or deposit to his/her gaming funds during play at the table or cage; and
- vi. Internal controls – To secure and safeguard the capture of premium player data, quantify play and value, manage player funds, assess staff performance, and to scrutinize and audit the prudence of incentive issuance.

## C. Product Offering

A Premium Table Games Player Program comprises two essential elements to ensure success: the **Gaming Product** and **Incentives**.

### GAMING PRODUCT

The gaming product must be capable of stimulating a premium player's natural demand as he/she has come to expect from major gaming properties competing for this highly sought level of play.

The undisputed casino game of choice is Baccarat, along with appealing play features that heighten their propensity to game and intensifies their desire to spend.

Inherently supportive services such as exclusive treatment and personal privileges such as private or dedicated cage and tables will escalate this player's positive experience and reinforce his/her desire to re-visit and recommend the property to their circle of influence.

The quintessential basics of any premium player gaming needs, wants and expectations are,

- i. Player "Squeezing" game feature on Baccarat - Allowing the players to handle the cards is a requirement of a successful Program because premium Baccarat players want to create an aura of suspense, dominant control, influence and fate in what can otherwise be described as a low stimulation game;
- ii. Higher Bet Limits – Premium players want a fair opportunity to win or lose large sums of money. Providing higher bet limits allows a player to have a perceived chance of big wins or the opportunity to chase back any substantial losses and also favors the casino by creating competition among players vying for the prestige of wealth and status;

- iii. Large Size Baccarat Table – Although this is not an immediate requirement, it is nevertheless a precursor requisite to games of higher bet limits in potentially demanding Salon Privee areas. Large size Baccarat tables provide an aura of affluence and high net worth to players seen situated on these games;
- iv. Player Funds – Integrating technological player card tracking and banking systems to allow premium players to request for in-trust funds to and from player bank accounts at point of sale (at table of play). International players are accustomed to drawing markers once credit has been established. Although establishing a line of gaming credit is not an option that BCLC will consider at this time, the alternative to credit will be GCGC's service commitment to expedite and facilitate a premium player's demand and access to funds; and
- v. Increased Security and Safety Features – Providing private cage services to the premium player and dedicated security for the area of play, as requested. The amount of funds spent by these high net worth players may require GCGC to provide such exclusive and customize service on demand.

#### INCENTIVES

The Program must provide for a suite of demand stimulation driven offerings to differentiate and highlight its attractiveness to the extremely mobile and discretionary premium spender.

In particular, Asian premium players need to be enticed with products and services that show appreciation or "face giving" to acknowledge their high social standing. Respect of their business value is often derived from receiving things that money cannot buy, for example perceived "VIP" status such as dedicated attention by an executive host or select seating at entertainment venues or restaurants.

At minimal, the common practice is to ensure what is typically offered by competing casinos. At the forefront are complimentary items ("comps") such as,

- i. Hotel Room Nights – For qualified premium players and their related guests or associates staying at River Rock Hotel. Consideration should not be extended to players staying at off-property establishments as this diminishes their propensity to game at GCGC properties.
- ii. Food & Beverage – This category must be broad enough to cover on and off property meals which in most cases would be fine dining.
- iii. Transportation - Initially, this category refers to ground transportation such as limousine service for airport pickup/drop-off and for off site excursions such as shopping, recreational and leisure activities. There exists an eventual requirement to consider covering player airfare when actual spend levels are high enough to justify this action.
- iv. Entertainment, Recreation & Leisure Activities – As with food and beverage, a premium player may wish to attend a venue or activity which is off property. This includes concerts, major sporting events, organized special events, skiing, golfing, fishing, spa treatments, etc.
- v. Gifts and Promotional Giveaways – This initiative may be used to attract or induce premium play on many levels.

First, it may be utilized as a latent demand stimulant to fill underutilized capacity during off-peak periods or shoulder seasons. Gifts may be sent directly to the homes of premium players to remind them of the casino's recognition and appreciation for their patronage. This in turn may result in a visit or trip which otherwise would not occur.

Second, it may be used as a consolation gesture in cases where a player has experienced a sudden and unexpected substantial loss (otherwise known in the industry as a "quick loss provision").

Third, gifts may be part of a marketing campaign to retain and sustain the existing premium player base, or it may be the focal point of an initiative to expand the premium player base by stimulating awareness in new market segments.

And finally, gifts or giveaways to commemorate cultural celebrations such as Chinese New Year and Mid-Autumn Festival, and traditional or ritual offerings in accordance with important Asian beliefs.

#### **D. Economic Viability and Revenue Distribution Re-Structuring**

A Premium Table Games Player Program has significant potential benefits to all stakeholders but the current revenue distribution structure is detrimental to GCGC as it leaves the service provider in the unenviable position as sole and considerable financial risk taker. To activate this Program under the current revenue share formula, GCGC must pay for all Program expenditures resulting in a higher operating margin. Yet incremental revenue gains derived from this initiative will be allocated under the same gross revenue distribution structure is benefits the remaining stakeholders.

**The solution starts with a change to the distribution structure to calculate GCGC and BCLC revenue share after direct Program expenses have been deducted.**

Program direct costs include but are not limited to,

- i. Player comps and agent fees;
- ii. Professional consultation fees,
- iii. Internal and external marketing, advertising & promotion initiatives;
- iv. Labor - wages & salaries,
- v. On-going staff supplementary and upgrade training costs;
- vi. Uniform purchase and maintenance;
- vii. Administration and banking fees;
- viii. Premium gaming equipment, products & supplies purchase; and
- ix. Qualified FDIF capital items.

With the above expenditures paid prior to distribution, the Program begins to make financial sense because there is relatively low capital expenditure, marginal operating costs yet more efficient and productive variable operating ratios, and minimal risk- reward volatility due to the high volume of Tier Two players.

Conversely, unless GCGC secures the distribution re-formulation mentioned, the Program cannot justifiably secure the support of its shareholders resulting in opportunities forsaken to attract and retain substantial gaming revenues otherwise not considered for this gaming jurisdiction.

## 6. Project Timeline

Assuming GCGC recommendations secure approval by June 1, 2006, the Premium Table Games Player Program may be well positioned for implementation by December 1, 2006 as outlined:

<i>Project Time Line</i>	
<b>TASK</b>	<b>COMPLETION DATE</b>
<b>A. Player Tracking System:</b> <ul style="list-style-type: none"> <li>• Operational assessment</li> <li>• Product sourcing</li> <li>• Selection &amp; Procurement</li> <li>• Customization – Staff Tracking, Scheduling, In-Trust Accounts &amp; Banking</li> <li>• Staff training</li> <li>• Beta testing and implementation</li> </ul>	<b>INCLUSIVE</b> June 1 <sup>st</sup> – Nov 24 <sup>th</sup> (25 weeks)
<b>B. Systems Integration:</b> Gaming & Non-Gaming System Interface <ul style="list-style-type: none"> <li>• Hotel Reservation System</li> <li>• Reception</li> <li>• Concierge</li> <li>• F &amp; B, Restaurants, Leisure &amp; Entertainment</li> <li>• Staff Training</li> </ul>	<b>INCLUSIVE</b> Sep 1 <sup>st</sup> - Nov 15 <sup>th</sup> (10 weeks)
<b>C. Human Resources</b> <ul style="list-style-type: none"> <li>• Recruitment &amp; Hiring – Executive Hosts, Hosts &amp; Administration</li> <li>• Primary Training for New Hires</li> <li>• Secondary Training for Upgrade Skills – Existing Staff</li> </ul>	Aug 15 <sup>th</sup> – Oct 15 <sup>th</sup> (8 weeks) Oct 21 <sup>st</sup> – Nov 24 <sup>th</sup> (5 weeks) Sep 24 <sup>th</sup> – Nov 24 <sup>th</sup> (8 weeks)
<b>D. Gaming Equipment Procurement</b> <ul style="list-style-type: none"> <li>• Design and procure new value chip rack for premium play tables (optional)</li> </ul>	Aug 1 <sup>st</sup> – Oct 30 <sup>th</sup> (12 weeks)
<b>E. Policies &amp; Procedures Manual</b> <ul style="list-style-type: none"> <li>• Draft and secure BCLC approval</li> </ul>	Jun 1 <sup>st</sup> – Oct 15 <sup>th</sup> (18 weeks)
<b>F. Third Party Agents</b> <ul style="list-style-type: none"> <li>• Design agency fees/commission structures</li> <li>• Draft agent agreements and secure BCLC approval</li> <li>• Source agents and negotiate to ratify agreements</li> <li>• Launch agent initiative to source and deliver players</li> </ul>	Jun 1 <sup>st</sup> – Jun 15 <sup>th</sup> (2 weeks) Jun 15 <sup>th</sup> – Jul 15 <sup>th</sup> (4 weeks) Jul 15 <sup>th</sup> – Sep 15 <sup>th</sup> (8 weeks) Sep 15 <sup>th</sup> – Nov 30 <sup>th</sup> (10 weeks)
<b>G. Accounting Setup</b>	



<ul style="list-style-type: none"> <li>• Structure premium play accounting system</li> <li>• Design player comps and agent fee/commission invoicing process</li> <li>• Identify FDIF capital expenditures and secure BCLC approval</li> </ul>	<p>Jun 1<sup>st</sup> – Jun 30<sup>th</sup> (4 weeks)</p> <p>Jul 1<sup>st</sup> – Jul 15<sup>th</sup> (2 weeks)</p> <p>Jul 15<sup>th</sup> – Jul 30<sup>th</sup> (2 weeks)</p>
<p><b>H. Marketing &amp; Promotions</b></p> <ul style="list-style-type: none"> <li>• Identify and develop corporate packages with entertainment, recreation and leisure entities for premium <u>player amenities</u></li> <li>• Identify and establish strategic business alliances with local, national and international corporate entities for <u>cross-promotional opportunities</u></li> <li>• Develop comprehensive branding and awareness advertising campaigns.</li> <li>• Launch local campaign in targeted Lower Mainland markets</li> <li>• Launch domestic campaigns in Asian North America markets</li> <li>• Launch overseas campaigns in Asian markets</li> </ul>	<p>Jun 1<sup>st</sup> – Jul 30<sup>th</sup> (8 weeks)</p> <p>Jun 1<sup>st</sup> – Jul 30<sup>th</sup> (8 weeks)</p> <p>Jul 1<sup>st</sup> – Sep 30<sup>th</sup> (12 weeks)</p> <p>Oct 1<sup>st</sup> – Nov 30<sup>th</sup> (8 weeks)</p> <p>Oct 1<sup>st</sup> – Nov 30<sup>th</sup> (8 weeks)</p> <p>Oct 1<sup>st</sup> – Nov 30<sup>th</sup> (8 weeks)</p>

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## 7. Other - Asian Gaming Growth Potential

Facts fuelling GCGC's optimism for significant Asian gaming growth in Greater Vancouver for the next 36 months:

British Columbia, the most westerly Canadian province with its alignment to the Pacific Ocean and with Vancouver International Airport (YVR) being the closest North American major airport link to Southeast Asia, has been a major supporter and sponsor of Asia-Pacific Gateway trade and economic initiatives for over 20 years. Specifically, developments in 2005 alone include,

- i. January, 2005 – Vancouver Mayor Larry Campbell and business delegation visit to Hong Kong and Guangzhou, China for the 20<sup>th</sup> Anniversary of Vancouver-Guangzhou Sister City relationship resulting in the signing of several bilateral trade agreements and airport infrastructure and intellectual property cooperation agreements;
- ii. January, 2005 – Canada announces that the People's Republic of China (PRC) has designated Canada with "Approved Destination Status" (ADS). This official recognition by the PRC means that Chinese travelers will more easily obtain tourist visas to visit Canada. No other North American country has ADS recognition. In 2004, there was an estimated 77,000 overnight Chinese visitors to Canada. The World Tourism Organization estimates by 2020 there will be over **100 million outbound Chinese travellers** with entry into Canada much easier than any other Western country. It is estimated that the first 12 months of this initiative will result in 1 million visitors to Canada with over 70% of this traffic to stay in Greater Vancouver, and over 30% to stay in Richmond;
- iii. April, 2005 – Vancouver-based Harmony Airways (the only full-service Canadian airline) owned by Vancouver, Hong Kong tycoon Dr. David T. K. Ho, announces the successful conclusion of a new Canada and China bilateral air agreement to introduce daily passenger service to/from Vancouver-China. Daily service, once approved by Transport Canada, could start as early as summer 2006. Harmony and China Eastern engage in discussions of strategic alliance to collaborate on common Canada-China passenger travel feeder markets.
- iv. The Canadian government named the following cities as allowable destinations for Harmony - **daily direct flights** to/from Vancouver
  - Shanghai (pop. 18 mil.)
  - Beijing (pop. 12 mil.)
  - Guangzhou (pop. 9.5 mil.)
  - Huangzhou (pop. 3.0 mil.)
  - Xian (pop. 3.6 mil.)
  - Chengdu (pop. 3.5 mil.)
  - Kunming (pop. 2.6 mil.)
  - Quingdao (pop. 2.2 mil.)
  - Chongqing (pop. 9.5 mil.)
  - Harbin (pop. 3.5 mil.)
  - Dalian (pop. 3.0 mil.)

The above is in addition to Vancouver International Airport's current daily flights to/from Vancouver - Hong Kong (3 flights), Taipei (2 flights), Shanghai-Pu Dong

- (2 flights), Beijing (2 flights), Tokyo-Narita (3 flights), Osaka-Kansai and Incheon-Korea (2 flights);
- v. September, 2005 – Official state visit to Vancouver by Hu Jintao, President of China. **The Prime Minister of Canada along with the President of China announced a formal strategic partnership to double trade between Canada and China within 5 years (\$60 billion) and sign several bi-lateral agreements to solidify the deal ;**
- vi. October , 2005 – Hong Kong-Guangdong Business Forum (Economic Trade Mission) in Vancouver to stimulate commerce and to celebrate the 20<sup>th</sup> Anniversary of the Vancouver-Guangzhou Sister City Relationship and the 10<sup>th</sup> Anniversary of the British Columbia-Guangdong Sister Province Relationship. State visit included,
- Donald Tsang, Chief Executive of Hong Kong SAR
  - Huang Hua-Hua, Governor of Guangdong Province (Special Economic Region with pop. 100 million)
  - Vice-Mayor Chen Mingde of Guangzhou City
  - 3 other City Mayors of Guangdong Province
- viii. October, 2005 – Government of Canada announces Pacific Gateway Strategy, designed to enhance prosperity and strengthen Canada's transportation infrastructure, secure and efficient border services, and deepen links with the Asia-Pacific region. **It is set to outline a clear vision for realizing British Columbia's full potential as the leading economic and cultural gateway between Asia and North America**, and to strengthen Canada's economic infrastructure to position itself with the world's fastest growing markets in the Asia-Pacific. **The strategy includes up to \$590 million in Canadian federal government funding commitments.**
- ix. November 2005 – Federal Transport Minister announced an expanded "Open Skies" agreement between the U.S. and Canada that would allow international flights touching down at YVR to continue onto U.S. destinations. The Open Skies agreement is scheduled to be implemented September, 2006. Since YVR is on the "Great Circle Route", as previously stated it is geographically the closest major North American airport to Asia. By stopping in Vancouver it would save airlines travel time and fuel.

**BCLC/CSP Meeting****Reductions of Cash Initiatives**

October 11, 2012  
 10am-12pm  
 BCLC Vancouver Office  
 Board Room



**BCLC:**  
 Constance Ladell  
 Darryl Schiewe  
 Jim Lightbody  
 Susan Dolinski  
 Terry Towns

**CSP:**  
 Dennis Amerine  
 Erin Oliver  
 Jag Nijer  
 Howard Blank  
 Peter Goudron  
 W.Soo

74 West Seymour Street  
 Kamloops, BC V2C 1E2

T: 250.828.5500  
 F: 250.828.5631


2940 Virtual Way  
 Vancouver, BC V5M 0A6

T: 604.215.0649  
 F: 604.225.6424  
 bclc.com

**GPEB:**  
 Bill McCrea

**AGENDA**

- 10:00 Welcome and Update – Terry  
 How are we doing?
- 10:30 Communication Discussion – Susan Dolinski
- 11:00 Acceptance of US Bank Transfer and Foreign Branches of  
 Canadian Chartered Banks - Terry/Bill
- 11:30 Internet Banking Discussion (handouts will be provided)
- Debit in Cage
  - Cheque/Hold
- 11:45 Next steps and next meeting
- 12:00 Meeting close

This is Exhibit " F " referred to in the  
 Affidavit of Walter Soo  
 sworn (or affirmed) before me at  
Vancouver, B.C.  
 this 1st day of February 2021.  
  
 A Commissioner for Taking Affidavits  
 within British Columbia



AGENDA

Project: Casino Cash and Payment Business  
Process Enhancements

Casino Service Provider Working Group

Friday October 28, 2011  
10:30 a.m.- 12:00 p.m.  
BCLC 2940 Virtual Way, Vancouver  
Room 05

**Objective of this meeting:**

- Outline scope of the *Casino Cash and Payment Business Process Enhancement Project*
- Formalize establishment of Casino Service Provider Working Group within the Project.
- Follow-up on takeaway actions from the first meeting.

**1. Approval of Minutes**

- a. N/A

**2. Follow Up Actions**

- a. CSP to provide proposed cheque acceptance and clearance processes including: determination of credit worthiness, hold periods, and use of cheque protection service.
- b. CSPs initial feedback on using a single financial service provider for international transfers.
- c. CSPs proposal to charge fees for cheque cashing.
- d. CSPs position on minimum and maximum amounts for:
  - i) electronic transfers into PGF accounts;
  - ii) deposits to PGF accounts by cheque or bank draft; and,
  - iii) cheques held on credit/deferred payment.
- e. BCLC – PGF links to more than one bank account.

This is Exhibit "G" referred to in the  
 Affidavit of Walter So  
 sworn (or affirmed) before me at  
Vancouver, B.C.  
 this 1st day of February, 2021.

[Signature]  
 A Commissioner for Taking Affidavits  
 within British Columbia

**4. New Business**

- a. Rob K – Outline Project Scope, elements of the project, and target timelines.
- b. All - Timelines and resource commitments.

**5. Decisions Required**

- a. N/A

**6. Other**

- a. N/A



AGENDA

Project: Casino Cash and Payment Business Process Enhancements

Casino Service Provider Working Group

Thursday, December 15, 2011  
3:00-5:00pm  
BCLC 2940 Virtual Way, Vancouver  
Room G5/ Teleconference

1-877-291-3022 Toll Free – North America  
604-681-0455 Vancouver Local  
Participant Access Code: 2182355 #

**Objective of this meeting:**  
Update on project

- 1. **Approval of Minutes**
  - a. October 28, 2011

**2. Old Business**


- a. High level overviews of Proposed: - Rob
  - (i) PGF Policy
  - (ii) Cheque Policy
  - (iii) Deferred Payment Program (to be renamed)
- b. Reports back on bank processes - Casino Service Providers
- c. Standardized PGF Forms – Rob

**3. New Business**

- a. Use of Debit at the cage to buy in- Is this desired?- All
- b. Loto Quebec report out – Terry/Rob
- c. Training- Rob

**5. Decisions Required**

- a. Next Steps

This is Exhibit H referred to in the  
Affidavit of Walter So  
sworn (or affirmed) before me at  
Vancouver, B.C.  
this 1<sup>st</sup> day of February, 2011.  
  
A Commissioner for Taking Affidavits  
within British Columbia



## AGENDA

### Project: Casino Cash and Payment Business Process Enhancements

#### Casino Service Provider Working Group

Tuesday, January 31, 2012  
 9:00am – 12:00pm  
 BCLC 2940 Virtual Way, Vancouver  
 Room O5

**(1) Approval of Minutes**

(a) December 15, 2011

**(2) Old Business**

(a) Receive reports back from Service Providers on:

1. New PGF policy
2. Casino Cheque issuance policy
3. Use of debit at the cage
4. Cheque Hold/Marker payment option policy
5. Banking and CSP processes that will guarantee internet transfer of funds to PGF accounts only from approved accounts
6. Standardized forms
7. Training leads for CSPs and plans

(b) BCLC will provide feedback on the 3 requests from service providers from the last meeting.

**(3) Decisions Required**

**(4) Next Meeting-** Feb 17, 2011

This is Exhibit "I" referred to in the  
 Affidavit of Walter So  
 sworn (or affirmed) before me at  
Vancouver, B.C.  
 this 12 day of February, 2012.

Walter So  
 A Commissioner for Taking Affidavits  
 within British Columbia



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This is Exhibit "J" referred to in the  
Affidavit of Walter Soo  
sworn (or affirmed) before me at  
Vancouver, B.C.  
this 1st day of February, 2021.



GREAT CANADIAN GAMING CORPORATION

A Commissioner for Taking Affidavits  
within British Columbia**CONFIDENTIAL MEMORANDUM**

Date : October 14, 2014

To : Rob McPherson, Rob MacIntyre, Daniel Lay, Deborah Huang, Rishi Kaira, Roland Monteiro

CC: Terrance Doyle, Colleen Dang-Wong

From : Walter Soo

Re: **Version 2: 2015 River Rock Table Revenue Projection & Assumptions**

Hi All,

Please find for your perusal and comments, my revised version 2 projections and assumptions for River Rock Casino's 2015 table games.

This data serves to quantify and substantiate the viability of our business case, and should transfer onto the Significant Expenditures Approval Form to proceed with the renovation of our Salon Prive and Phoenix Room third floor High Limit Baccarat space.

## Overview:

1. 2015 Phoenix Room & Salon Privé GGR projected to increase YOY by \$58,528,650 or 39.2%;
2. 2015 total table games GGR projected to increase YOY by \$60,234,874 or 23.2%;
3. 2014 total GGR is forecasted based on a calculation equal to;
  - Quarter 1 to Quarter 3 actual result, PLUS
  - Quarter 4 forecasted by extrapolating the actual daily average table win of the first three quarters weighted 90% times 92 days (total operating days in Quarter 4) to compute the final quarter's projected win.

	Main Floor	Phoenix Room	Salon Privé	TOTAL
2014	110,778,335	40,964,898	108,189,788	259,933,021
2015	112,484,560	60,210,210	147,473,125	320,167,895
YOY	1,706,224	19,245,312	39,283,338	60,234,874
		58,528,650		
		39.2%		

## Assumptions:

- A. Global Implications

1. China Central Government's anti-corruption and flight capital campaign will escalate in 2015 thus discouraging and diverting a fair portion of VIP Baccarat play from Macau to River Rock Casino. It is widely believed that campaign scrutiny will ramp up when findings are completed and reported back to Beijing in 2015;
2. The Chinese campaign also aims to curb extravagant and conspicuous consumption on luxury hotel stays, premium brand consumer goods purchases, and opulent fine dining. The effect of this action will divert affluent Chinese travelers to the Vancouver region to avoid unwanted profile in their home country;
3. The United States' campaign against illicit money laundering (American Justice Department, U.S. Treasury Department and FinCEN) will continue to intensify its investigation into the governance and ethical practices of Las Vegas gaming companies operating in Macau (Wynn, Sands and MGM). PRC VIPs will encounter more restrictions to access funds for gaming in Macau and Las Vegas, reducing their desire to frequent these destinations and diverting their play to River Rock Casino;
4. Hong Kong's political protests against the Chinese Government will incite Chinese leisure travelers to avoid Hong Kong, thus diverting a portion of this inbound traffic to the Vancouver region; and
5. Mainland Chinese citizens who abode in other countries (USA, Australia, and UK) will opt to travel to Canada on Canadian issued 10 year visitor visas rather than return to China. Similarly, Chinese who hold landed immigrant status in Canada will chose to remain rather than return.

#### B. Gaming Enhancements

1. Salon Privé and Phoenix Room's new design layout will be more appealing to the Chinese. Brighter color scheme tones, brighter lighting and tiered layering gaming zones will be similar to Macau's VIP gaming areas thus more welcoming to our elite VIPs;
2. An "Inner Sanctum" interior space will be constructed in the Salon Privé's new expansion area (former the surveillance and security space). This configuration marks the first time gaming and dining will be combined to add convenience and utmost discretion and privacy for our uber elite Baccarat players;
3. Introduction of smaller Baccarat tables which accommodate up to 5 players (rather than full size tables which accommodate 9 players). These tables will induce more reserve games which typically seats 1-3 players, resulting in higher productivity (faster rounds of play - increased hands per hour) and floor efficiency (optimize space utilization);
4. Gaming capacity increases by 17 tables – an additional 8 in Salon Privé and 9 in the Phoenix Room;
5. Secure BCLC pre-approval to offer higher bet limits (\$150,000 table aggregate) which will be deployed at GCGC's discretion; and


6. Introduction of a \$25,000 chip/plaque to create/induce aspirational play and to satisfy the demand for a higher maximum bet requested by an exclusive segment of our uber elite Baccarat players.

C. Miscellaneous

1. Attract regional domestic and international premium gamers to River Rock Casino Resort. This incremental business will center around cooperative alliances with industries such as,
  - o Cruise companies who bring in a significant amount of established gamers to Vancouver each year for their Alaska cruise segment;
  - o Mainland Chinese travel companies with exceptional success booking junket groups to Macau, and leisure group travel to Vancouver; and
  - o Chinese gamer/golfer groups who travel to Vancouver (golf is viewed by the Chinese Government as a "privileged" symbol of extravagance) to avoid profile in China. This initiative may include the redevelopment of our River Rock Marina to establish a high-end Chinese private membership club consisting of luxury lifestyle seekers who sail, golf and game.
2. Increase the amount of top caliber Chinese entertainment talent and events to River Rock Show Theatre and River Rock conference and meeting facilities,
  - o World class Chinese concerts and variety shows;
  - o Luxury brand lifestyle events
  - o Chinese economic trade shows and business conferences
3. Elevate the development of exclusive VIP experiences and privileges
  - o Appreciation dinner parties
  - o Off property excursions (premium recreation trips)
  - o Innovative customized River Rock VIP gifts
  - o Selection and quality of food offerings
  - o Personalized celebrity meetings
4. Extend Chinese community outreach
  - o Increase the support of meaningful Chinese community charities and causes (sponsoring venue and in-kind value for fundraising, etc); and
  - o Develop relevant cooperative alliances with business and social organizations, and government relations that enhance the attraction of

affluent Chinese to River Rock Casino Resort (trade delegations, education and cultural exchanges, etc).

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This is Exhibit " k " referred to in the  
 Affidavit of Walter Soo  
 sworn (or affirmed) before me at  
Vancouver, B.C.  
 this 1<sup>st</sup> day of February, 2021.  
  
 A Commissioner for Taking Affidavits  
 within British Columbia

GREAT CANADIAN GAMING CORPORATION

**CONFIDENTIAL MEMORANDUM**

Date : October 1, 2014

To : Rob McPherson, Jim Wall, Rob MacIntyre,

CC: Terrance Doyle

From : Walter Soo

Re: **2015 River Rock Table Revenue Projection & Assumptions**

Hi Rob / Jim / Robbie,

Please find enclosed my projections and assumptions for River Rock Casino's 2015 table games.

This data serves to quantify and substantiate the viability of our business case, and should transfer onto the Significant Expenditures Approval Form to proceed with the renovation of our Salon Privé and Phoenix Room third floor High Limit Baccarat space.

Overview:

1. 2015 Phoenix Room & Salon Privé GGR projected to increase YOY by \$37,299,268 or 25.0%;
2. 2015 total table games GGR projected to increase YOY by \$40,746,203 or 15.7%;
3. 2014 total GGR is based on a calculation equal to 90% of actual Quarter 1 to Quarter 3 result divided by 273 days to compute the daily average win of these three quarters. This average is then multiplied by the remaining days in Quarter 4 (92 days) to forecast 2014 total table GGR.

	Main Floor	Phoenix Room	Salon Privé	TOTAL
2014	110,732,058	40,964,898	108,189,788	259,886,744
2015	114,178,993	51,493,336	134,960,617	300,632,946
YOY	3,446,935	10,528,438	26,770,830	40,746,203

Assumptions:

A. Global Implications

1. China Central Government's anti-corruption and flight capital campaign will escalate in 2015 thus discouraging and diverting a fair portion of VIP Baccarat play from Macau to River Rock Casino. It is widely believed that campaign scrutiny will ramp up when findings are completed and reported back to Beijing in 2015;

2. The Chinese campaign also aims to curb extravagant and conspicuous consumption on luxury hotel stays, premium brand consumer goods purchases, and opulent fine dining. The effect of this action will divert affluent Chinese travelers to the Vancouver region to avoid unwanted profile in their home country;
3. The United States' campaign against illicit money laundering (American Justice Department, U.S. Treasury Department and FinCEN) will continue to intensify its investigation into the governance and ethical practices of Las Vegas gaming companies operating in Macau (Wynn, Sands and MGM). PRC VIPs will encounter more restrictions to access funds for gaming in Macau and Las Vegas, reducing their desire to frequent these destinations and diverting their play to River Rock Casino;
4. Hong Kong's political protests against the Chinese Government will incite Chinese leisure travelers to avoid Hong Kong, thus diverting a portion of this inbound traffic to the Vancouver region; and
5. Mainland Chinese citizens who abode in other countries (USA, Australia, and UK) will opt to travel to Canada on Canadian issued 10 year visitor visas rather than return to China. Similarly, Chinese who hold landed immigrant status in Canada will chose to remain rather than return.

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1. Salon Privé and Phoenix Room's new design layout will be more appealing to the Chinese. Brighter color scheme tones, brighter lighting and tiered layering gaming zones will be similar to Macau's VIP gaming areas thus more welcoming to our elite VIPs;
2. An "Inner Sanctum" interior space will be constructed in the Salon Privé's new expansion area (former the surveillance and security space). This configuration marks the first time gaming and dining will be combined to add convenience and utmost discretion and privacy for our uber elite Baccarat players;
3. Introduction of smaller Baccarat tables which accommodate up to 5 players (rather than full size tables which accommodate 9 players). These tables will induce more reserve games which typically seats 1-3 players, resulting in higher productivity (faster rounds of play - increased hands per hour) and floor efficiency (optimize space utilization);
4. Gaming capacity increases by 22 tables – an additional 10 in Salon Privé and 12 in the Phoenix Room;
5. Secure BCLC pre-approval to offer higher bet limits (\$150,000 table aggregate) which will be deployed at GCGC's discretion; and
6. Introduction of a \$25,000 chip/plaque to create/induce aspirational play and to satisfy the demand for a higher maximum bet requested by an exclusive segment of our uber elite Baccarat players.

#### C. Miscellaneous

1. Attract regional domestic and international premium gamers to River Rock Casino Resort. This incremental business will center around cooperative alliances with industries such as,
  - o Cruise companies who bring in a significant amount of established gamers to Vancouver each year for their Alaska cruise segment;
  - o Mainland Chinese travel companies with exceptional success booking junket groups to Macau, and leisure group travel to Vancouver; and
  - o Chinese gamer/golfer groups who will travel to Vancouver (golf is viewed by the Chinese Government as a "privileged" symbol of extravagance) to avoid profile in China. This initiative may include the redevelopment of our River Rock Marina to establish a high-end Chinese private membership club consisting of luxury lifestyle seekers who sail, golf and game.

**From:** Daniel Lay  
**Sent:** November 16, 2014 8:14 PM  
**To:** Walter Soo  
**Cc:** Terrance Doyle; Robert G. Kroeker; Roland Monteiro; BCRRRC Ops Management Assistant General Managers; Richard Slack  
**Subject:** Re: Conversation with Wei

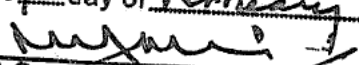
Hi Walter

I was referring to a meeting with WEI but if you feel it is detrimental to the issue with WEI than I will leave the issue alone.

I just feel from WEI's comments to Lisa suggested that he did not understand what was explained to him during the phone calls.

Daniel

Daniel Lay  
 Assistant General Manager  
 Casino Operations  
 River Rock Casino Resort  
 [REDACTED]

This is Exhibit "L" referred to in the  
 Affidavit of Walter Soo  
 sworn (or affirmed) before me at  
Vancouver, B.C.  
 this 1st day of February, 2021  
  
 A Commissioner for Taking Affidavits  
 within British Columbia

----- Original message -----

**From:** Walter Soo  
**Date:** 11-16-2014 19:19 (GMT-08:00)  
**To:** Daniel Lay  
**Cc:** Terrance Doyle, "Robert G. Kroeker", Roland Monteiro, BCRRRC Ops Management Assistant General Managers, Richard Slack  
**Subject:** Re: Conversation with Wei

Hi Daniel,

I assume the three you are referring to set up a meeting includes Wei? If so, I feel its best not to further annoy him with another set of talks or a meeting.

At the end of the conversation, Carol advised Wei that we would like to meet at his convenience over a coffee, to which he acknowledged he would if he had time. I feel he will not likely follow through.

He has clearly received the message that we prefer him to play utilizing his PGF rather than large cash buy-ins. Carol has expressed to him we are advising in the best interest of his safety. I believe the message conveyed from his friend is the same as ours. That was the main objective, to do it in a softer informal manner, lets not crowd him.

Walter

Sent from my iPhone



On Nov 16, 2014, at 4:33 PM, Daniel Lay <[REDACTED]> wrote:

Hello Terrance

Please see Lisa's email below. I received a call from Lisa this afternoon when I was out for lunch regarding her conversation today with WEI Ke Si. She described receiving a call from WEI who was concerned about his ability to play at River Rock. He described receiving two calls, one from his friend and the second a woman from BCLC who said there was concern regarding his play of late. The woman I learned later was Carol from Player Development. I told Lisa I would call back as I wanted to get more information. At that time I called Walter and we decided it best that Lisa call him back and explain the importance of him in future utilizing his PGF accounts and bringing in bank drafts. The reason we were doing this was he is important to us and we wanted him to play within the policy of the government.

Walter called me back and said it was important that Mr. WEI understood that the people he was associating with may pose a threat to him and it was in his best interest to stay away from them as this was the main reason for the problem.

I called Lisa back to provide more information to her. She had already spoke to WEI and he was receptive to what she had said in regards to my conversation with her. I decided rather than call WEI back again and further upset him Lisa would make arrangements for the three of us to meet so we could explain further.

If you want this to be handled differently let me know and I will make the arrangements.

Daniel

Daniel Lay  
Assistant General Manager  
Casino Operations  
River Rock Casino Resort  
[REDACTED]

----- Original message -----

From: Lisa Gao  
Date: 11-16-2014 14:39 (GMT-08:00)  
To: Randy Sue, Wilbur Yang  
Cc: BCRRC Ops Management Assistant General Managers, Richard Slack  
Subject: Conversation with Wei

Hi, Team:

FYI--

Half an hour ago: v VIP Mr. Wei Ke Si called me asking me whether he might have problem playing in our place. He mentioned to me that someone from our casino approached him and talked to him regarding the large cash transaction in small bills. I told him that I have no idea that someone has talked to him regarding this and would like to find out for him.

Later on, I phoned AGM Daniel and he found out for me and instructed that the ones who talked to Mr. Wei are not people from BCLC. What they were trying to do was to protect this valued guest from unnecessary issue that might happen in the future.

He was encouraged to bring Bank Draft for large amount buy- in the future.

Thanks,  
Lisa

Sent from Samsung Mobile

**From:** Walter Soo  
**Sent:** November 26, 2014 1:31 PM  
**To:** Terrance Doyle  
**Cc:** Deborah Huang; Robert G. Kroeker; Rishi Khaira; Richard Slack; Daniel Lay; Carol Zheng; Erin Oliver; Roland Monteiro; Patrick Ennis  
**Subject:** Re: VVIP Cash Buy-In Discussion Plan

Hi Terrance,

We all felt that it was perhaps better to communicate through someone who is not very close with our VVIPs. Given the topic is very sensitive, we do not want to compromise the clear information we will provide that evening, and also not risk any chance of prior discussion which may cause them to pull out or cancel.


I would also like Eno Qiu from PD to attend. As we know, very often there will be several conversations overlapping which will make it difficult for Carol and our people to comprehend and absorb all messages and dynamics of our player's reactions or suggestions. Eno is a recent Dalhousie graduate with high academic standing and would be great at observing or mental note taking as further backup. She is from Nanjing and will be well receive by our VVIPs.

It is important to introduce each of our attendees clearly to start the evening in order to put our them at ease. I believe the cash buy-in discussion will take no more than 30 mins so the remaining part of the evening should pleasurable.

Thanks,

Walter

Sent from my iPhone

This is Exhibit "M" referred to in the Affidavit of Walter Soo sworn (or affirmed) before me at Vancouver, B.C. this 1st day of February 2021.  
  
A Commissioner for Taking Affidavits within British Columbia

On Nov 26, 2014, at 12:57 PM, Terrance Doyle [redacted] wrote:

I was wondering if perhaps Lisa would be a better person to contact the VVIP's? she seems to have a relationship with all of them/

Thanks

Terrance

---

**From:** Deborah Huang  
**Sent:** Wednesday, November 26, 2014 12:02 PM  
**To:** Robert G. Kroeker  
**Cc:** Rishi Khaira; Richard Slack; Daniel Lay; Carol Zheng; Erin Oliver; Walter Soo; Terrance Doyle; Roland Monteiro; Patrick Ennis  
**Subject:** RE: VVIP Cash Buy-In Discussion Plan

Hi Rob,

I have attached the plan with your revisions. We will get back to you on proposed dates asap.

Thanks,  
Deborah

**Deborah Huang** | Assistant General Manager  
 Casino Operations, River Rock Casino Resort  
 T: [REDACTED] | C: [REDACTED]  
 E: [REDACTED]  
 <image001.jpg>

---

**From:** Robert G. Kroeker  
**Sent:** Wednesday, November 26, 2014 7:58 AM  
**To:** Deborah Huang; Patrick Ennis  
**Cc:** Rishi Khaira; Richard Slack; Daniel Lay; Carol Zheng; Erin Oliver; Walter Soo; Terrance Doyle; Roland Monteiro  
**Subject:** RE: VVIP Cash Buy-In Discussion Plan

Good morning all

Great work so far. I have made some suggested edits – see attached.

Please give me the proposed dates asap so that I can check on Brad Desmarais' availability to attend.

Terrance – comments?

Rob

---

**From:** Deborah Huang  
**Sent:** Tuesday, November 25, 2014 10:47 PM  
**To:** Robert G. Kroeker; Patrick Ennis  
**Cc:** Rishi Khaira; Richard Slack; Daniel Lay; Carol Zheng; Erin Oliver; Walter Soo; Terrance Doyle; Roland Monteiro  
**Subject:** VVIP Cash Buy-In Discussion Plan

Hi Rob, Pat,

After our meeting last Friday and further discussion with the AGMs, we agreed the best approach was to be as transparent as possible. Please see attached for the VVIP cash buy-in discussion plan you requested. We would like to give a gift after the dinner is over but have not decided what that will be yet. (Walter – would like to hear if you have any suggestions on what would be appropriate.)

Please let us know if there anything missing.

Thanks,  
 Deborah

**Deborah Huang** | Assistant General Manager  
 Casino Operations, River Rock Casino Resort  
 T: [REDACTED] | C: [REDACTED]  
 E: [REDACTED]  
 <image001.jpg>

**From:** Walter Soo  
**Sent:** November 17, 2014 2:07 AM  
**To:** Terrance Doyle  
**Subject:** RE: Conversation with Wei

Hi Terrance,

He's still at River Rock, has held multiple rooms since about April this year – is currently holding 4 comp rooms.

I'm sure he understands (it may be Lisa who has not interpreted him properly) and a meeting is not desired by him – Carol had offered for him to meet me but I doubt that would occur. I believe the issue is that he currently can't access funds any other way (you may notice several of our big VIPs have not been in lately and BCLC confirmed they are also accessing through the same source).

I think what we have to ensure and confirm with BCLC is that these players are not going to Edgewater and Grand Villa if they are accessing large amounts of cash at those properties from the same source (in the past, this has slipped past the system and our players have managed to play at other sites under the same conditions that prevented them from playing at RR – BCLC are not the best when it comes to ensuring all sites are informed of decisions which should be province wide enforcement).

---


**From:** Terrance Doyle  
**Sent:** Sunday, November 16, 2014 10:32 PM  
**To:** Daniel Lay  
**Cc:** Walter Soo; Robert G. Kroeker; Roland Monteiro; BCRRC Ops Management Assistant General Managers; Richard Slack  
**Subject:** Re: Conversation with Wei

Let's make sure he understands the situation properly.

Can we invite him back to RRRCR for some reason? Dinner?

Sent from my iPad

On Nov 16, 2014, at 8:13 PM, "Daniel Lay" [REDACTED] wrote:

This is Exhibit "N" referred to in the Affidavit of Walter Soo sworn (or affirmed) before me at Vancouver, B.C. this 16 day of February, 2014.  
  
A Commissioner for Taking Affidavits within British Columbia

Hi Walter

I was referring to a meeting with WEI but if you feel it is detrimental to the issue with WEI than I will leave the issue alone.

I just feel from WEI's comments to Lisa suggested that he did not understand what was explained to him during the phone calls.

Daniel

Daniel Lay

Assistant General Manager  
Casino Operations  
River Rock Casino Resort  
[REDACTED]

----- Original message -----

From: Walter Soo  
Date: 11-16-2014 19:19 (GMT-08:00)  
To: Daniel Lay  
Cc: Terrance Doyle, "Robert G. Kroeker", Roland Monteiro, BCRRC Ops Management Assistant General Managers, Richard Slack  
Subject: Re: Conversation with Wei

Hi Daniel,

I assume the three you are referring to set up a meeting includes Wei? If so, I feel its best not to further annoy him with another set of talks or a meeting.

At the end of the conversation, Carol advised Wei that we would like to meet at his convenience over a coffee, to which he acknowledged he would if he had time. I feel he will not likely follow through.

He has clearly received the message that we prefer him to play utilizing his PGF rather than large cash buy-ins. Carol has expressed to him we are advising in the best interest of his safety. I believe the message conveyed from his friend is the same as ours. That was the main objective, to do it in a softer informal manner, lets not crowd him.

Walter

Sent from my iPhone

On Nov 16, 2014, at 4:33 PM, Daniel Lay [REDACTED] wrote:

Hello Terrance

Please see Lisa's email below. I received a call from Lisa this afternoon when I was out for lunch regarding her conversation today with WEI Ke Si. She described receiving a call from WEI who was concerned about his ability to play at River Rock. He described receiving two calls, one from his friend and a the second a woman from BCLC who said there was concern regarding his play of late. The woman I learned later was Carol from Player Development. I told Lisa I would call back as I wanted to get more information. At that time I called Walter and we decided it best that Lisa call him back and explain the importance of him in future utilizing his PGF accounts and bringing in bank drafts. The reason we were doing this was he is important to us and we wanted him to play within the policy of the government.

Walter called me back and said it was important that Mr. WEI understood that the people he was associating with may pose a threat to him and it was in his best interest to stay away from them as this was the main reason for the problem.

I called Lisa back to provide more information to her. She had already spoke to WEI and he was receptive to what she had said in regards to my conversation with her. I decided rather than call WEI back again and further upset him Lisa would make arrangements for the three of us to meet so we could explain further. If you want this to be handled differently let me know and I will make the arrangements.

Daniel

Daniel Lay  
Assistant General Manager  
Casino Operations  
River Rock Casino Resort  
[REDACTED]

----- Original message -----

From: Lisa Gao  
Date: 11-16-2014 14:39 (GMT-08:00)  
To: Randy Sue , Wilbur Yang  
Cc: BCRRC Ops Management Assistant General Managers , Richard Slack  
Subject: Conversation with Wei

Hi, Team:

FYI--

Half an hour ago: v VIP Mr. Wei Ke Si called me asking me whether he might have problem playing in our place. He mentioned to me that someone from our casino approached him and talked to him regarding the large cash transaction in small bills. I told him that I have no idea that someone has talked to him regarding this and would like to find out for him.

Later on, I phoned AGM Daniel and he found out for me and instructed that the ones who talked to Mr. Wei are not people from BCLC. What they were trying to do was to protect this valued guest from unnecessary issue that might happen in the future.

He was encouraged to bring Bank Draft for large amount buy- in the future.

Thanks,  
Lisa

Sent from Samsung Mobile

**From:** Daniel Lay  
**Sent:** November 18, 2014 4:41 PM  
**To:** Walter Soo  
**Cc:** Terrance Doyle; BCRRC Ops Management Assistant General Managers  
**Subject:** RE: Our VVIP guest

The call has been made by Lisa with Richard and I present. I wanted Richard there to make sure what I had asked Lisa to say was covered. It was short and we covered the three topics you had suggested in your email.

1. Cash alternatives such as PGF, bank drafts and certified cheques.
2. This is not River Rock specific but the same policy for him province wide.
3. The source of these funds is a concern of ours for his safety and wellbeing.

He listened as Lisa did most of the talking. His only questions were can he bring \$100 bills to which we said for now only the options we have provided and was he in trouble to which we answered no it is only a concern over the source of his funding. Lisa stated after the call he seemed to understand when it was mentioned his source of funding that these people were not good.

He has been playing at Edgewater so hopefully this cash issue is enforced there as well or it will backfire on us. Also it is rumored according to Lisa that there are those that are getting commission for bringing him on site at Edgewater. Lisa suggested he may want to come by for coffee or dinner which he acknowledged but said it would not be soon as he is in Langley for a while. Let me know if you need anything more and I will also keep you posted if I hear anything else.

Daniel

Daniel Lay | Assistant General Manager

T: [REDACTED] | C: [REDACTED]  
E: [REDACTED]

This is Exhibit "0" referred to in the  
Affidavit of Walter Soo  
sworn (or affirmed) before me at  
Vancouver, B.C.  
this 1<sup>st</sup> day of February, 2021.

[Signature]  
A Commissioner for Taking Affidavits  
within British Columbia

-----Original Message-----

From: Walter Soo  
Sent: Tuesday, November 18, 2014 1:57 PM  
To: Daniel Lay  
Cc: Terrance Doyle  
Subject: Re: Our VVIP guest

Hi Daniel,

Can you look after this today?

Walter



Sent from my iPhone

> On Nov 18, 2014, at 1:53 PM, Terrance Doyle [REDACTED] wrote:

>

> Thanks Walter

>

> Terrance

>

>

>> On Nov 18, 2014, at 1:45 PM, "Walter Soo" [REDACTED] wrote:

>>

>> Since Lisa said he called her, Its probably a good idea to have her call him back with a very short conversation to advise him that he is encouraged to play at RR using his PGF account and funding such through bank drafts and certified cheques.

>>

>> If not, this will cause problems for him in ALL BC casinos, and also we are concerned about his safety regarding the people he is sourcing these funds from.

>>

>> Its best not to have another round of 3-4 of us facing him in a sit down meeting to state the above.

>>

>> Thanks,

>>

>> Walter

>>

>> Sent from my iPhone

>>

>>> On Nov 18, 2014, at 1:39 PM, Terrance Doyle <tdoyle@gcgaming.com> wrote:

>>>

>>> Any update on the guest we have been dealing with ( the one we called to talk about his cash but ins)?

>>>

>>> I just want to make sure he is feeling OK and understand that we still very much want him as a guest.

>>>

>>> Thanks

>>>

>>> Terrance

>>>

**From:** John Karlovcec [redacted]  
**Sent:** November 12, 2014 2:55 PM  
**To:** Robert G. Kroeker; Brad Desmarais; Terrance Doyle; Patrick Ennis; Walter Soo; Kevin Sweeney  
**Subject:** RE: Conference Call Summary - High End Player Cash Buy-ins

Hi Rob,

This looks good from my perspective. I believe the other thing we discussed was the addition of the use of "unsourced" casino value chips as a reason to have a direct discussion with the player.

John

---

**From:** Robert G. Kroeker [mailto:[redacted]]  
**Sent:** Wednesday, November 12, 2014 2:38 PM  
**To:** Brad Desmarais; John Karlovcec; Terrance Doyle; Patrick Ennis; Walter Soo  
**Subject:** Conference Call Summary - High End Player Cash Buy-ins

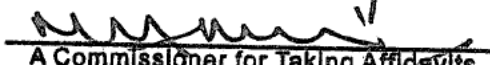
I would like to make sure we have a common understanding of the outcomes from the call:

- Walter is to arrange for contact with the player in the next 24-48 hours to initiate conversation in regard to concerns about personal safety and expectations in regard to cash buy-ins.
- Walter will keep the group updated as to success in arranging for the conversation to occur and outcome after the conversation has occurred.
- Should the player attend and attempt similar a cash buy-in prior to Walter being able to make arrangements, Walter's timetable for arranging the conversation will be immediately accelerated and will occur when the player requests the cash buy-in.
- Should the player attempt a similar cash buy-in subsequent to the conversation, BCLC will then arrange to have a direct discussion with the player. While BCLC makes arrangements for this discussion to occur, the player will be banned from making any cash buy-ins (PGF only) at BC casinos until the BCLC discussion has been completed.

Please advise if I have misstated any of the above.

Rob

Notice Regarding Confidentiality of Transmission

This is Exhibit "P" referred to in the Affidavit of Walter Soo sworn (or affirmed) before me at Vancouver, B.C. this 12 day of February 2021.  
  
A Commissioner for Taking Affidavits within British Columbia

This message is intended only for the person to whom it is addressed and may contain information that is privileged and confidential. If you are not the intended recipient, you are hereby notified that any dissemination or copying of this is prohibited. Please notify us of the error in communication by telephone (604) 303-1000 or by return e-mail and destroy all copies of this communication. Thank you.

---

This email is intended only for the addressee. It may contain confidential or proprietary information that cannot be disclosed without BCLC's permission. If you have received this email in error, please notify the sender immediately and delete the email.

**From:** Daniel Lay  
**Sent:** November 17, 2014 2:46 PM  
**To:** Walter Soo; Terrance Doyle; Robert G. Kroeker  
**Cc:** Roland Monteiro; Richard Slack  
**Subject:** RE: Conversation with Wei

**Importance:** High

Hi

I have spoken to Lisa to try and get more insight as to what Mr. WEI is concerned about and what is his understanding from the phone call he received the other day. The following bullet points is what Lisa described as her conversation with him:

- WEI was concerned if it was safe to play at River Rock because of the government watching him and others
- He wanted to know if the RCMP and the government were looking at players as a result of the article recently in the news (he specifically mentioned the article describing large buy ins with bags full of 20's which he felt was directed at him)
- Is he on the radar because of this article and the recent phone call from someone from our Casino.
- He wanted to know if he would have a problem if he came into play (Lisa said he did not say River Rock in particular but was more concerned with being able to play)
- He is currently nervous about playing because of all the attention.

It is hard to tell from this if he is aware that any continuation of his current practices will result in him being barred. He did not mention the previous conversation he had with Deborah and Wilbur regarding his large buy ins with small denomination bills. It is also difficult to surmise that he understands that it will be province wide or whether he feels if this is the case it will just be River Rock. Also I know in my conversation with Walter we wanted to stress our concern for his safety in regards to the individuals that he is dealing with at this time. If you feel this warrants further conversation with Mr. WEI I would suggest enlisting both an EH and Richard as they speak the language. Also they have built a rapport with Mr. WEI which would be helpful as he seems distressed at this point according to Lisa.

Daniel

Daniel Lay | Assistant General Manager

T: [REDACTED] | C: [REDACTED]

E: [REDACTED]



This is Exhibit "Q" referred to in the  
 Affidavit of Walter Soo  
 sworn (or affirmed) before me at  
Vancouver, B.C.  
 this 1st day of February, 2014.  
[Signature]  
 A Commissioner for Taking Affidavits  
 within British Columbia

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**From:** Walter Soo  
**Sent:** Monday, November 17, 2014 8:52 AM  
**To:** Daniel Lay  
**Cc:** Terrance Doyle; Robert G. Kroeker; Roland Monteiro; Richard Slack  
**Subject:** Re: Conversation with Wei

Hi Daniel,

Not a bad idea - if Lisa is clear that he thinks its just RR then please have her call him urgently to clarify that its all BC casinos due to provincial and federal compliance.

Thanks,

Walter

Sent from my iPhone

On Nov 17, 2014, at 7:57 AM, Daniel Lay [REDACTED] wrote:

If everyone agrees I will contact Lisa to see if I can get more details about the conversation with WEI. Maybe that will give is more of an indication of his understanding of the matter before we attempt contacting him again.

Daniel

Daniel Lay  
Assistant General Manager  
Casino Operations  
River Rock Casino Resort  
[REDACTED]

----- Original message -----

From: Terrance Doyle  
Date: 11-17-2014 07:51 (GMT-08:00)  
To: "Robert G. Kroeker"  
Cc: Daniel Lay ,Walter Soo ,Roland Monteiro ,Richard Slack  
Subject: Re: Conversation with Wei

I agree Rob, it's important that he understands it's not just RRCR.

Thanks

Terrance

On Nov 17, 2014, at 7:17 AM, "Robert G. Kroeker" [REDACTED] > wrote:

I agree with Walter's assessment around caution and not being intrusive. The one comment attributed to WEI that I am concerned about is "... who is concerned about his ability to play at River Rock." If this is the understanding he has been left with we may

have missed the mark. What we were hoping is that he would understand the people he is associating with pose a risk to him and that his cash buys are concern not at only at River Rock but at all casinos. If there is further engagement with him I would hope we can help him get to this level of understanding.

---

**From:** Terrance Doyle  
**Sent:** Sunday, November 16, 2014 10:32 PM  
**To:** Daniel Lay  
**Cc:** Walter Soo; Robert G. Kroeker; Roland Monteiro; BCRRC Ops Management Assistant General Managers; Richard Slack  
**Subject:** Re: Conversation with Wei

Let's make sure he understands the situation properly.

Can we invite him back to RRRCR for some reason? Dinner?

Sent from my iPad

On Nov 16, 2014, at 8:13 PM, "Daniel Lay" [REDACTED] wrote:

Hi Walter

I was referring to a meeting with WEI but if you feel it is detrimental to the issue with WEI than I will leave the issue alone. I just feel from WEI's comments to Lisa suggested that he did not understand what was explained to him during the phone calls.

Daniel

Daniel Lay  
Assistant General Manager  
Casino Operations  
River Rock Casino Resort  
[REDACTED]

----- Original message -----

From: Walter Soo  
Date: 11-16-2014 19:19 (GMT-08:00)  
To: Daniel Lay  
Cc: Terrance Doyle, "Robert G. Kroeker", Roland Monteiro, BCRRC Ops Management Assistant General Managers, Richard Slack  
Subject: Re: Conversation with Wei

Hi Daniel,

I assume the three you are referring to set up a meeting includes Wei? If so, I feel its best not to further annoy him with another set of talks or a meeting.

At the end of the conversation, Carol advised Wei that we would like to meet at his convenience over a coffee, to which he acknowledged he would if he had time. I feel he will not likely follow through.

He has clearly received the message that we prefer him to play utilizing his PGF rather than large cash buy-ins. Carol has expressed to him we are advising in the best interest of his safety. I believe the message conveyed from his friend is the same as ours. That was the main objective, to do it in a softer informal manner, lets not crowd him.

Walter

Sent from my iPhone

On Nov 16, 2014, at 4:33 PM, Daniel Lay [REDACTED] wrote:

Hello Terrance

Please see Lisa's email below. I received a call from Lisa this afternoon when I was out for lunch regarding her conversation today with WEI Ke Si. She described receiving a call from WEI who was concerned about his ability to play at River Rock. He described receiving two calls, one from his friend and a the second a woman from BCLC who said there was concern regarding his play of late. The woman I learned later was Carol from Player Development. I told Lisa I would call back as I wanted to get more information. At that time I called Walter and we decided it best that Lisa call him back and explain the importance of him in future utilizing his PGF accounts and bringing in bank drafts. Thevreason we were doing this was he is important to us and we wanted him to play within the policy of the government.

Walter called me back and said it was important that Mr. WEI understood that the people he was associating with may pose a threat to him and it was in his best interest to stay away from them as this was the main reason for the problem.

I called Lisa back to provide more information to her. She had already spoke to WEI and he was receptive to what she had said in regards to my

conversation with her. I decided rather than call WEI back again and further upset him Lisa would make arrangements for the three of us to meet so we could explain further.

If you want this to be handled differently let me know and I will make the arrangements.

Daniel

Daniel Lay  
Assistant General Manager  
Casino Operations  
River Rock Casino Resort  
[REDACTED]

----- Original message -----

From: Lisa Gao  
Date: 11-16-2014 14:39 (GMT-08:00)  
To: Randy Sue , Wilbur Yang  
Cc: BCRRC Ops Management Assistant General Managers , Richard Slack  
Subject: Conversation with Wei

Hi, Team:

FYI--

Half an hour ago: v VIP Mr. Wei Ke Si called me asking me whether he might have problem playing in our place. He mentioned to me that someone from our casino approached him and talked to him regarding the large cash transaction in small bills. I told him that I have no idea that someone has talked to him regarding this and would like to find out for him.

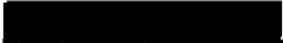
Later on, I phoned AGM Daniel and he found out for me and instructed that the ones who talked to Mr. Wei are not people from BCLC. What they were trying to do was to protect this valued guest from unnecessary issue that might happen in the future.

He was encouraged to bring Bank Draft for large amount buy- in the future.

Thanks,  
Lisa

Sent from Samsung Mobile






**From:** Robert G. Kroeker  
**Sent:** November 14, 2014 2:27 PM  
**To:** Walter Soo  
**Cc:** Terrance Doyle  
**Subject:** RE: WEI

Thanks Walter. Great effort.

**From:** Walter Soo  
**Sent:** Friday, November 14, 2014 2:15 PM  
**To:** Robert G. Kroeker  
**Cc:** Terrance Doyle  
**Subject:** RE: WEI

This is Exhibit " R " referred to in the  
Affidavit of Walter Soo  
sworn (or affirmed) before me at  
Vancouver, B.C.  
this 1st day of February, 2014.  
  
A Commissioner for Taking Affidavits  
within British Columbia

Hi Guys,

Good news, Carol was able to reach Mr. Wei directly today. He was without comment until Carol mentioned Mr. Yang's name, at which point, his mood changed and he was engaged. He acknowledges that he was aware of Yang's message, and stated he understands not to bring vast amounts of cash into casino for buy-in. He also acknowledges the sourcing of his funds may present security issues for his personal safety. As predicted, he said that there are times when a gambler loses normalcy and clear thinking when playing long hours and starts to chase bankroll.

He was calm and understanding that we are trying to protect his safety, and prevent further action that may occur with outside agencies. Carol also stated that I wanted to have a coffee with him to develop a stronger relationship, and to determine how we could assist with other local services he may require (he is a here only on Canadian visitor visa) – immigration, education for his children, etc. He was appreciative, acknowledges he has Carol's contact number and will call if he has time to share a coffee.

From our end, player has been clearly advised and acknowledges the situation and commented he will comply.

Thanks,

Walter

**From:** Robert G. Kroeker  
**Sent:** Friday, November 14, 2014 11:02 AM  
**To:** Walter Soo  
**Cc:** Terrance Doyle  
**Subject:** RE: WEI

Thanks Walter. Let's connect again once you have further information.

Rob

**From:** Walter Soo  
**Sent:** Friday, November 14, 2014 11:01 AM  
**To:** Robert G. Kroeker  
**Cc:** Terrance Doyle  
**Subject:** RE: WEI

Hi Rob,

Just spoke to my staff member Carol (she can communicate well given their heavy Mandarin tones and accents).

She said Yang has left the message and his Vancouver friend will also confirm if he has spoken directly to Wei, but emphasized that Wei is a person of extreme wealth therefore even though he knows, he may not necessarily comply if his mind is not on track. Casino shows Wei registering 4 hotel rooms but I will try to obtain Wei's local mobile number and call him today, hopefully pull him out for a quick coffee to tell him directly. Will let you know this afternoon.

Walter

---

**From:** Robert G. Kroeker  
**Sent:** Friday, November 14, 2014 10:23 AM  
**To:** Walter Soo  
**Subject:** Re: WEI

Great Walter - thanks. Are you going to connect with Wei as well to see how he takes the news?

Sent from my iPhone

On Nov 14, 2014, at 10:11 AM, Walter Soo [REDACTED] wrote:

We use Wechat to communicate with them, and they do the same as this app is the most common in China. It allows for a voice message to be left so they see it when they wake up.

Yang left a clear message telling Wei not to bring large amounts of cash to buy in, and to opt using his PGF account. Therefore Wei should have received the message already. However we asked [REDACTED] to also call and talk so he can determine his state of mind - this is what he has been unable to do but he hopes the Vancouver friend may confirm.

Sent from my iPhone

On Nov 14, 2014, at 9:58 AM, Robert G. Kroeker [REDACTED] wrote:

Thanks Walter. Any chance we can confirm before tonight or is it [REDACTED] that you need to confirm with and there are time zone issues?

---

**From:** Walter Soo  
**Sent:** Friday, November 14, 2014 8:41 AM  
**To:** Robert G. Kroeker  
**Subject:** Re: WEI

Hi Rob,

We contacted [REDACTED], the player who knows Wei. [REDACTED] is in Taiwan at the moment. He called Wei but did not make contact. [REDACTED] then contacted a friend in Vancouver who knows Wei as well and told him to talk to Wei on his behalf. [REDACTED] said he believes his friend made contact with Wei but we haven't confirmed that yet. I will follow up again tonight.

Sent from my iPhone

On Nov 14, 2014, at 8:18 AM, Robert G. Kroeker <[REDACTED]> wrote:

Good morning Walter.

Any progress?

Rob

## Message

**From:** Robert G. Kroeker [REDACTED]  
**Sent:** 2014-12-08 3:32:48 PM  
**To:** Deborah Huang [REDACTED]; Terrance Doyle [REDACTED] Patrick Ennis  
**CC:** Daniel Lay [REDACTED] Rishi Khaira [REDACTED]; Roland Monteiro  
 [REDACTED] Walter Soo [REDACTED]  
**Subject:** RE: VVIP Cash Buy-In Discussion Plan  
**Attachments:** image001.jpg

Hi Deborah.

Thank you again for your efforts to date. This is a delicate and difficult task.

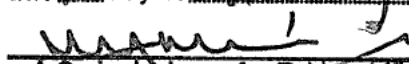
As to timing, it is not urgent but is important. You should make the approaches at the first appropriate opportunity, assuming we continue with the position that we wish to make the first approach. As long as we are making progress BCLC will be content to let us manage this.

Can I please ask you to keep me updated on your efforts and provide a summary after each meeting with a player.

Please do not hesitate to get in contact with any questions or concerns as you proceed.

Rob

**From:** Deborah Huang  
**Sent:** Friday, December 05, 2014 9:13 PM  
**To:** Robert G. Kroeker; Terrance Doyle; Patrick Ennis  
**Cc:** Daniel Lay; Rishi Khaira; Roland Monteiro; Walter Soo  
**Subject:** RE: VVIP Cash Buy-In Discussion Plan  
**Importance:** High

This is Exhibit "S" referred to in the  
 Affidavit of Walter Soo  
 sworn (or affirmed) before me at  
Vancouver, B.C.  
 this 12 day of December, 2021.  
  
 A Commissioner for Taking Affidavits  
 within British Columbia

Hi Rob, Terrance, Pat,

So far we have delivered the message to two of the VIPs on the list. There are still nine outstanding of which three are considered pretty big. Two of them, [REDACTED] and [REDACTED] will be returning sometime this month where we propose that we have dinners with them and we will contact Brad as to whether he can attend. The third big VIP GAO Jia Gui backed off from the dinner after accepting and stated that if we want to communicate anything to him, we could do so when he is on site. Some other VIPs also backed off from the second dinner at the last moment. After the last meeting, Brad mentioned that we could go ahead and have the conversation with the rest of the group without his presence.

I would like to know how time sensitive this is. If it is very time sensitive, we can approach the few VIPs in town who have refused dinners to go over the messaging. After discussion with Daniel and Rishi, our proposal would be that when these VIPs are next on site, we approach them, most likely in a private room with at least one AGM, Richard, Carol, one EH and deliver the message. The concern would be that we would not be able to know what time these VIPs will show up and there may be a possibility that Carol may not be available. We are confident after the two dinners that we would be able to communicate the message to the VIPs but would like to get everyone's thoughts on it. The two VIPs that we have spoken to may have conversed with other VIPs and we do not want the wrong message to be communicated.

Could you please provide your thoughts on this?

Thanks,  
Deborah

**Deborah Huang** | Assistant General Manager  
Casino Operations, River Rock Casino Resort

**T:** [REDACTED] | **C:** [REDACTED]

**E:** [REDACTED]



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**From:** Robert G. Kroeker  
**Sent:** Wednesday, December 03, 2014 8:14 PM  
**To:** Deborah Huang; Terrance Doyle; Patrick Ennis  
**Cc:** Rishi Khaira; Richard Slack; Daniel Lay; Carol Zheng; Erin Oliver; Walter Soo; Roland Monteiro  
**Subject:** RE: VVIP Cash Buy-In Discussion Plan

Deborah – thanks for the update and the work to put the sessions together.

Rob

---

**From:** Deborah Huang  
**Sent:** Wednesday, December 03, 2014 7:39 PM  
**To:** Robert G. Kroeker; Terrance Doyle; Patrick Ennis  
**Cc:** Rishi Khaira; Richard Slack; Daniel Lay; Carol Zheng; Erin Oliver; Walter Soo; Roland Monteiro  
**Subject:** RE: VVIP Cash Buy-In Discussion Plan

Hi Rob, Terrance, Pat,

This is an update on last night's scheduled dinner with four of the VIPs who had accepted the invite. Unfortunately, only one Mr. BAO Bo, showed up and the other three couldn't be reached when we tried to contact them. We ended up just having the conversation with just Mr. BAO. Brad went through his discussion again and BAO stated that he has never taken money from any loan sharks as he only plays a small amount on a daily basis. If he loses \$10k he is ok with that and will not go looking for money he doesn't have. He added that because he is a travel agent and doing business with some of the VVIPs, they sometimes ask if he can accompany them to go pick up some money. It was stressed that we were concerned about his safety and that he should be aware that the person the VVIPs are getting the money from is involved in criminal activity. He appreciated our concern and suggested that the best way is to offer credit as most of the VIPs have many assets here which could be verified easily. BAO was informed as well that BCLC is working on getting the credit process approved.

At this point, we will wait until two of the others on the list [REDACTED] and [REDACTED], who are bigger players, return back to set up a dinner with them. Meanwhile, since GAO Jia Gui cancelled the other night, we will also try to talk to him in a private room.

Since talking to WEI and BAO, we are sure the word will get around about the discussion as BAO made mention on the side that WEI already briefed him about the topic before he arrived for the meeting.

Will keep everyone updated when the next round is arranged. Please let us know if there are any changes or updates on this matter.

Thanks,  
Deborah

**Deborah Huang** | Assistant General Manager  
Casino Operations, River Rock Casino Resort

T: [REDACTED] | C: [REDACTED]  
E: [REDACTED]



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**From:** Deborah Huang

**Sent:** Monday, December 01, 2014 1:34 AM

**To:** Robert G. Kroeker; Terrance Doyle; Patrick Ennis

**Cc:** Rishi Khaira; Richard Slack; Daniel Lay; Carol Zheng; Erin Oliver; Walter Soo; Roland Monteiro

**Subject:** RE: VVIP Cash Buy-In Discussion Plan

Hello,

Just an update on the dinner last night with WEI. The meeting and dinner went smoothly with Brad's discussion on the cash buy-in concerns from the BCLC and government perspective. He emphasized to WEI that he was not the one of concern and that they are aware he is a legitimate businessman and we valued his business not only from River Rock perspective but from BCLC as well – this was good to mention as WEI was previously concerned we thought he was being watched for money laundering. Brad mentioned that the concern was the cash or chips WEI was bringing in and that they are coming from a criminal source. WEI stated he doesn't know where the money is coming from and when he runs out of money he just calls someone in Macau to get more money and they arrange for the cash he gets here. WEI was informed that buying in with cash was putting him in the spotlight which jeopardizes his privacy as every transaction needed to be reported to the government. He was also informed that the best way was to bring in bank drafts and process through the PGF account where no reporting is necessary. As well, his well-being and safety was stressed to him as he was dealing with a criminal [unbeknownst to him]. WEI seemed to acknowledged the information being given to him and was appreciative of the concern for his safety. WEI stated that he and many others know that when they gamble, they know in the end they will lose against the casino so they just play for fun. His feedback for Brad on easier access to funds was to do what Macau and Vegas do – provide credit. Brad stated that it is in the works and should be done by next February or March. WEI said if we allowed credit, we [casino and BCLC] will be making so much more money –he then joked about being a [large] shareholder. Another point he brought up was to have higher betting limits like \$200k and we informed him that we are looking into that as well.

After the meeting with Brad, I spoke with him briefly to confirm we could mention the source [REDACTED] as he did not mention his name and we wanted provide some details so that WEI would really understand the messaging. Richard had mentioned to me as well that more specifics need to be provided to WEI. We then proceeded with the actual dinner part with WEI. During the dinner between casual talk, the RR/PD team stressed to WEI of our concern for

his well-being and safety which was the main reason for this dinner meeting. He was informed that we know the cash and chips are coming from [REDACTED] and it would not be good if he was around or in the car with [REDACTED] associates if they get stopped or arrested by authorities. WEI was informed that he was being used to launder money for [REDACTED]. It was explained further how it was being done – he receives dirty cash or chips from [REDACTED] and he returns clean money from his legitimate business to [REDACTED]. The realization that he was being used to launder money may have kicked in when he was asked if he returned the money to [REDACTED] in cash or cheque and he responded cheque. Afterwards, he was very appreciative of our concern and mentioned again that we should get the credit available here and that would help solve the problem of cash flow. Then he delved into explaining how we also could use operators to be responsible for the players cash (like Junket operators).

Overall, the dinner went well and it seemed WEI better understood the importance of this issue due to the discussions with Brad and then with the team. This was the first time we have had a dinner with WEI as he has turned down invitations previously and although we had a serious matter to be discussed with him, tonight's dinner was a great effort by all to ensure our relationship with WEI was maintained and in that course, it has also now been strengthened.

Dinner attendees: please add if anything was missed as there was a lot of talking going on.

Thanks,

**Deborah Huang** | Assistant General Manager  
Casino Operations, River Rock Casino Resort

T: [REDACTED] | C: [REDACTED]  
E: [REDACTED]




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**From:** Robert G. Kroeker  
**Sent:** Sunday, November 30, 2014 10:25 AM  
**To:** Deborah Huang  
**Cc:** Rishi Khaira; Richard Slack; Daniel Lay; Carol Zheng; Erin Oliver; Walter Soo; Terrance Doyle; Roland Monteiro; Patrick Ennis  
**Subject:** Re: VVIP Cash Buy-In Discussion Plan

He is flying in from Kamloops and is likely to be very pressed for time in getting there. I'll let him know that if he gets there early you would like to have a quick chat first.

Sent from my iPhone

On Nov 30, 2014, at 10:04 AM, Deborah Huang [REDACTED] wrote:

Hi Rob,

I think it would be good if we could meet up with Brad for a quick briefing and introduction prior to the meeting so everyone knows what the plan is. Would he be able to meet us at the lobby around 5:45p?

Thank you,

Deborah Huang | Assistant General Manager  
Casino Operations

T: [REDACTED] | E: [REDACTED]

----- Original message -----

From: "Robert G. Kroeker"  
Date: 11-29-2014 11:20 (GMT-08:00)  
To: Deborah Huang  
Cc: Rishi Khaira ,Richard Slack ,Daniel Lay ,Carol Zheng ,Erin Oliver ,Walter Soo ,Terrance Doyle ,Roland Monteiro ,Patrick Ennis  
Subject: RE: VVIP Cash Buy-In Discussion Plan

Ok.

---

**From:** Deborah Huang  
**Sent:** Saturday, November 29, 2014 11:18 AM  
**To:** Robert G. Kroeker  
**Cc:** Rishi Khaira; Richard Slack; Daniel Lay; Carol Zheng; Erin Oliver; Walter Soo; Terrance Doyle; Roland Monteiro; Patrick Ennis  
**Subject:** Re: VVIP Cash Buy-In Discussion Plan

Yes, the plan is to have the discussion first - 30 minutes should be good.

Thank you,

Deborah Huang | Assistant General Manager  
Casino Operations

T: [REDACTED] | E: [REDACTED]

----- Original message -----

From: "Robert G. Kroeker"  
Date: 11-29-2014 11:06 (GMT-08:00)  
To: Deborah Huang  
Cc: Rishi Khaira ,Richard Slack ,Daniel Lay ,Carol Zheng ,Erin Oliver ,Walter Soo ,Terrance Doyle ,Roland Monteiro ,Patrick Ennis  
Subject: RE: VVIP Cash Buy-In Discussion Plan

We want Brad there right from the start 6:00 p.m. and for about 30-6- minutes – correct?

---

**From:** Deborah Huang  
**Sent:** Friday, November 28, 2014 11:06 PM  
**To:** Robert G. Kroeker  
**Cc:** Rishi Khaira; Richard Slack; Daniel Lay; Carol Zheng; Erin Oliver; Walter Soo; Terrance Doyle; Roland Monteiro; Patrick Ennis  
**Subject:** Re: VVIP Cash Buy-In Discussion Plan

Hi Rob,



As per Richard's last email, we will need to book for both nights due to the VIP's availability. We have asked them to the dinner meetings for 6pm.

Thank you,

Deborah Huang | Assistant General Manager  
Casino Operations

T: [REDACTED] | E: [REDACTED]

----- Original message -----

From: Deborah Huang

Date: 11-27-2014 09:17 (GMT-08:00)

To: "Robert G. Kroeker"

Cc: Rishi Khaira ,Richard Slack ,Daniel Lay ,Carol Zheng ,Erin Oliver ,Walter Soo ,Terrance Doyle ,Roland Monteiro ,Patrick Ennis

Subject: Re: VVIP Cash Buy-In Discussion Plan

Ok will do.

Thank you,

Deborah Huang | Assistant General Manager  
Casino Operations

T: [REDACTED] | E: [REDACTED]

----- Original message -----

From: "Robert G. Kroeker"

Date: 11-27-2014 07:41 (GMT-08:00)

To: Deborah Huang

Cc: Rishi Khaira ,Richard Slack ,Daniel Lay ,Carol Zheng ,Erin Oliver ,Walter Soo ,Terrance Doyle ,Roland Monteiro ,Patrick Ennis

Subject: RE: VVIP Cash Buy-In Discussion Plan

November 30<sup>th</sup> and December 2<sup>nd</sup> work for Brad Desmarais. He is not available on Nov 29<sup>th</sup>.

Please let me know as soon as you have a date selected. Also time you would like him to attend.

RK

---

**From:** Deborah Huang

**Sent:** Wednesday, November 26, 2014 10:30 PM

**To:** Robert G. Kroeker

**Cc:** Rishi Khaira; Richard Slack; Daniel Lay; Carol Zheng; Erin Oliver; Walter Soo; Terrance Doyle; Roland Monteiro; Patrick Ennis

**Subject:** Re: VVIP Cash Buy-In Discussion Plan

Hi Rob,

As there is a need to fast track this dinner, we will be proposing the date as early as this Saturday (I am waiting to hear back if the Tramonto room can be available for us on the 29th) otherwise it will be Sunday 30th or Tuesday December 2nd.

Thank you,

Deborah Huang | Assistant General Manager  
Casino Operations

T: [REDACTED] E: [REDACTED]

----- Original message -----

From: Deborah Huang

Date: 11-26-2014 12:02 (GMT-08:00)

To: "Robert G. Kroeker"

Cc: Rishi Khaira ,Richard Slack ,Daniel Lay ,Carol Zheng ,Erin Oliver ,Walter Soo ,Terrance Doyle ,Roland Monteiro ,Patrick Ennis

Subject: RE: VVIP Cash Buy-In Discussion Plan

Hi Rob,

I have attached the plan with your revisions. We will get back to you on proposed dates asap.

Thanks,  
Deborah

Deborah Huang | Assistant General Manager  
Casino Operations, River Rock Casino Resort

T: [REDACTED] | C: [REDACTED]

E: [REDACTED]

<image001.jpg>

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**From:** Robert G. Kroeker  
**Sent:** Wednesday, November 26, 2014 7:58 AM  
**To:** Deborah Huang; Patrick Ennis  
**Cc:** Rishi Khaira; Richard Slack; Daniel Lay; Carol Zheng; Erin Oliver; Walter Soo; Terrance Doyle; Roland Monteiro  
**Subject:** RE: VVIP Cash Buy-In Discussion Plan

Good morning all

Great work so far. I have made some suggested edits – see attached.

Please give me the proposed dates asap so that I can check on Brad Desmarais' availability to attend.

Terrance – comments?

Rob

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**From:** Deborah Huang  
**Sent:** Tuesday, November 25, 2014 10:47 PM  
**To:** Robert G. Kroeker; Patrick Ennis  
**Cc:** Rishi Khaira; Richard Slack; Daniel Lay; Carol Zheng; Erin Oliver; Walter Soo; Terrance Doyle; Roland Monteiro  
**Subject:** VVIP Cash Buy-In Discussion Plan

Hi Rob, Pat,

After our meeting last Friday and further discussion with the AGMs, we agreed the best approach was to be as transparent as possible. Please see attached for the VVIP cash buy-in discussion plan you requested. We would like to give a gift after the dinner is over but have not decided what that will be yet. (Walter – would like to hear if you have any suggestions on what would be appropriate.)

Please let us know if there anything missing.

Thanks,  
Deborah

**Deborah Huang** | Assistant General Manager  
Casino Operations, River Rock Casino Resort

T: [REDACTED] | C: [REDACTED]

E: [REDACTED]

<image001.jpg>

Message

From: Terrance Doyle [REDACTED]  
Sent: 2014-11-15 8:22:23 PM  
To: Walter Soo [REDACTED]  
CC: Roland Monteiro [REDACTED]  
Subject: Re: 2015 Budget Presentation

Thanks Guys , I agree and I know Rod also agrees it's a very scary concepts that we should be extremely careful about .

I'm really glad we're all communicating on these issues , with all of our different experiences and back ground the more we talk the better our decisions.

Thanks

Terrance

On Nov 15, 2014, at 10:11 AM, "Walter Soo" <[REDACTED]> wrote:

Thanks for copying me on this roland.  
I have addressed this subject with Terrance and provided some background information which I will send you right after this email.

Junket agents are not something we should not consider, regardless of our competitor's actions.

Walter

Sent from my iPhone

On Nov 15, 2014, at 7:43 AM, Roland Monteiro <[REDACTED]> wrote:

FYI

See the origin of the comment. I have removed it from our presentation and will address it should it come up.

Thank you

Roland

Sent from my iPad

Begin forwarded message:

From: Richard Slack [REDACTED]  
Date: November 15, 2014 at 12:29:41 AM PST  
To: Roland Monteiro <[REDACTED]>  
Cc: BCRRC Ops Management Assistant General Managers  
<[REDACTED]>  
Subject: RE: 2015 Budget Presentation

This is Exhibit "I" referred to in the  
Affidavit of Walter Soo  
sworn (or affirmed) before me at  
Vancouver, B.C.  
this 12 day of February, 2021.  
[Signature]  
A Commissioner for Taking Affidavits  
within British Columbia

Roland:

I heard of the possibility of licensed junket agents in BC from two members of BCLC's Security team who came to RR to train our staff in AML (anti-money laundering). There was no time frame mentioned. When I was thinking about trends that may impact our Table Game business I felt junket agents should be included with other factors that at this time are not approved such as increased limits, International wire transfers, etc.

Licensed junket agents would provide us with players that we currently don't have access to. The profile of this type of player is different from our main base of VIP players who have some type of connection to the Lower Mainland. Should this ever come to fruition and we decided not to deal with junket agents while our competitors did would, in my humble opinion, be foolish.

Thanks for asking.

Richard Slack | Director, Table Games  
River Rock Casino Resort  
8811 River Rd., Richmond, B.C. V6X 3P8

T: [REDACTED] | C: [REDACTED]  
E: [REDACTED]

-----Original Message-----

From: Roland Monteiro  
Sent: Friday, November 14, 2014 11:26 AM  
Cc: BCRRC Ops Management Assistant General Managers; Richard Slack  
Subject: RE: 2015 Budget Presentation

I have removed the line, but let me know what our thoughts were behind it.

Thanks

Roland Monteiro | General Manager | Hospitality Operations

T: [REDACTED]  
E: [REDACTED]

-----Original Message-----

From: Terrance Doyle  
Sent: Friday, November 14, 2014 7:16 AM  
To: Walter Soo  
Cc: BCRRC Ops Management Assistant General Managers; Richard Slack; Rob MacIntyre; Roland Monteiro  
Subject: Re: 2015 Budget Presentation

Good catch Walter, I have no idea.

Terrance

On Nov 13, 2014, at 9:57 PM, "Walter Soo" [REDACTED] wrote:

Hi All,

I noticed on page 34 of the RR Budget Presentation that one of the points under Gaming trends is "Introduction of Licensed Junket Representatives".

Can you advise where this originates from and the background behind it?

Thanks,

Walter

Sent from my iPhone

## Message

From: Walter Soo [REDACTED]  
 Sent: 2014-11-14 6:41:58 PM  
 To: Terrance Doyle [REDACTED]  
 Subject: RE: 2015 Budget Presentation

This is Exhibit "U" referred to in the  
 Affidavit of Walter Soo  
 sworn (or affirmed) before me at  
Vancouver, B.C.  
 this 1<sup>st</sup> day of February, 2014.

[Signature]  
 A Commissioner for Taking Affidavits  
 within British Columbia

Hi Terrance,

I'm surprised, actually shocked, that Richard Slack is serious about introducing this. This is NOT a good thing, its bad, really bad.

Essentially, we have to pay commission fees to outside "junkets" who then find and bring players to our property. In Asia (primarily Macau), they are the ones with the relationships therefore the casino never gets to know the VIPs. Junket agents and casinos combine to use the rolling chip, or "dead chip" program to track the amount of play by the VIP, and commissions are calculated accordingly - in Macau, this fee works out to be about +40% of the gross win. In Philippines, it works out to be about +50% (highly competitive as they try to steal each other's VIP players).

There are two main reasons why casinos use junket agents - 1. The agents can issue them credit (underground funds which cannot be checked); 2. Junket agents have their own methods of collecting the debt in China (China does not legally recognize gambling debts so casinos cannot enforce payment through the courts). You can see these agents are extremely nasty, dark side people, usually tied to triads...

Our business is at a high and we have been very successful in sourcing, attracting, sustaining and growing the VIP play on our own- I am unclear why we would even consider using undesirable parties to bring us VIPs at this time. This in my opinion promotes, not deters money laundering and criminal activity.

If the objective is to use "clean" licensed agents to bring us players for our mass market, I would again have to question the logic and wisdom of this thinking. Given the 60% and 75% we give BCLC off the top, this would leave us very little after operating costs. The biggest concern is that the players are loyal to the agent, not the casino as the agents will look after all their room, F & B, entertainment and transportation. They go where the agent tells them to go and could play us against Gateway or Paragon, thus driving commissions and comps way up. An absolute race to the bottom in my opinion.

Walter

-----Original Message-----

From: Terrance Doyle  
 Sent: Friday, November 14, 2014 9:22 AM  
 To: Richard Slack; Walter Soo; BCRRC Ops Management Assistant General Managers  
 Cc: Rob MacIntyre  
 Subject: RE: 2015 Budget Presentation

Thanks Richard

-----Original Message-----

From: Richard Slack  
 Sent: Thursday, November 13, 2014 10:12 PM  
 To: Walter Soo; BCRRC Ops Management Assistant General Managers  
 Cc: Terrance Doyle; Rob MacIntyre  
 Subject: RE: 2015 Budget Presentation

Walter:

Deborah and I were talking about this topic tonight and decided that the word "possible" needed to be added. This was discussed as a possibility at a recent AML meeting conducted by BCLC.

There are other points/typos that also need to be corrected.

Richard Slack | Director, Table Games  
River Rock Casino Resort  
8811 River Rd., Richmond, B.C. V6X 3P8

T: [REDACTED] | C: [REDACTED]  
E: [REDACTED]

-----Original Message-----

From: Walter Soo

Sent: Thursday, November 13, 2014 9:58 PM

To: BCRRC Ops Management Assistant General Managers; Richard Slack

Cc: Terrance Doyle; Rob MacIntyre

Subject: 2015 Budget Presentation

Hi All,

I noticed on page 34 of the RR Budget Presentation that one of the points under Gaming trends is "Introduction of Licensed Junket Representatives".

Can you advise where this originates from and the background behind it?

Thanks,

Walter

Sent from my iPhone



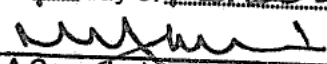
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# GREAT CANADIAN GAMING CORPORATION

## CONFIDENTIAL MEMORANDUM -

**Date:** June 16, 2013  
**To :** Rod Baker  
**cc:**  
**From:** Peter Goudron, Walter Soo, Alasdair Douglas  
**Re:** GCGC Proposal to BCLC:  
**International Incremental Revenue Program (IIRP)**  
 Upper Premium Table Games & Slots

This is Exhibit "✓" referred to in the  
 Affidavit of Walter Soo  
 sworn (or affirmed) before me at  
Vancouver, B.C.  
 this 16th day of February, 2013.  
  
 A Commissioner for Taking Affidavits  
 within British Columbia

### Background:

GCGC, and more specifically River Rock Casino Resort has had significant success in building and growing the international players market who are in the province for other reasons, especially since 2009. This has occurred largely because of numerous GCGC strategies and tactics, taken at considerable expense to GCGC, as well as to some degree certain market conditions. However, this is not in any significant way the result of GCGC aggressively marketing international growth opportunities off-shore or in the USA.

### Program Objective:

To aggressively market River Rock Casino Resort to the off-shore and USA premium tables games and premium slots market segments to initially generate incremental out-of-province GGR of \$20MM annually.

### Target Markets:

Primary: New off-shore (predominantly Asian) destination VVIP table players who would be qualified to play in the River Rock Casino Resort Salon Privé, River Rock's highest level VIP area, with an ADT of at least \$5,000.

Secondary: New USA and off-shore VIP premium destination mass market, table games and slots players, who would be qualified to play in our Maple Leaf and Dogwood rooms ( i.e. ADT of \$2500-5,000) or similar slot play on our casino floor.

### Program Concept

GCGC will, at its incremental cost and risk, aggressively market River Rock Casino Resort through the development and implementation of new, additional marketing strategies to these two target markets to deliver significant incremental gaming volume to British Columbia. GCGC will incur significant costs and increased level of risk on ROI. Given this and that this IIRP will provide true incremental measurable revenue to BC, we propose that GCGC would receive a higher rate of commission on demonstrable, tracked incremental revenue.

GCGC proposes that the tracking and compensation to GCGC to be based on us identifying new, and thus incremental individual players to the Province, and then tracking their individual play with GCGC getting compensated based the total dollar value of that play.

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Note: While the program could be open to all Service Providers and casinos, it could be argued, not all properties or operators have the amenities, gaming room product or expertise to properly attract and service these specialized market segments. Were some Service Providers to bring in these target markets, they may not deliver an experience that will create repeat business to BC.

**Program Rationale:**

1. Bring new/incremental business into BC – grow provincial revenue by competing in the global market rather than marketing almost solely to international consumers already in the BC market.
2. Provide GCGC with additional commission to make it financially feasible for GCGC to make the level of investment and take the level of risk on ROI to compete on the world market- to develop and execute the marketing initiatives and product/service offerings required.
  - Aggressively market and invest in international opportunities to import new revenue into BC.
  - Continue to increase GCGC’s investment in world-class Asian entertainment, a VVIP product offering, social events, and hospitality experiences.
3. BCLC will only pay increased commission on incremental revenue. Low risk high return proposition to BCLC.
4. OLG , Maccau jurisdictions provide additional commission to service providers who bring in Premium VVIP play so there is a precedent if BC wants to attract a larger high value market.

**Key Strategies for BCLC - GCGC only; Tactics/Investment:**

Key Strategies	Tactics
1. Develop and invest in setting up destination VVIP gaming marketing operation	<ol style="list-style-type: none"> <li>1. Recruit resources required to implement</li> <li>2. East Asia visits to develop offshore strategic partnerships (agents, satellite offices, other casinos...)</li> <li>3. Agent/Partner affiliate program - Commissions and fees paid for referrals</li> <li>4. Incentives (comps, privileges, etc) to qualified players based on VVIP Encore program with BCLC to cost share of up to 3% of the win (cost share % needs to be defined...if include slots?)</li> <li>5. Develop IIRP Strategic Marketing Plan to continue to enhance earned media, PR, and entertainment in Mainland China</li> <li>6. Others?</li> </ol>
2. Target and build relationships with premium USA and Asian Tour and FIT travel agents	<ol style="list-style-type: none"> <li>1. Recruit resources required to implement</li> <li>2. Define premium USA and Asian Tour &amp; Travel Market sales &amp; marketing needs</li> <li>3. Targeted direct marketing strategies and tactics to develop feeder market opportunities</li> <li>4. Asia and select USA market sales tours to develop strategic partnerships (agents, satellite offices, other casinos...)</li> </ol>

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## GCGC (Service Provider) IIRP Tracking & Compensation Model:

### Incremental Player Revenue model

1. The program would set a qualification status for eligible players & corresponding revenue being;
  - a) Player has never been "registered" for casino play in BC before (not previously filed for LCT, PGF, enrolled in Encore and Salon Privé card or Privé Program).
  - b) Player holds a foreign passport (or out-of-province ID)
  - c) Player enrolls in new level /category of player loyalty program and their play is tracked using Bally GMS. (Note some players may need to be tracked in manually Salesforce if they do not want to us to swipe a card for Encore Program tracking).
2. Players would be given an Encore loyalty card and be tracked/rated and have a comp account. Players would be tracked in Bally GMS on an ID # only basis with no names or contact information in the Bally system to protect our investment against competitor contact and intel and to deal with player confidentiality concerns.
3. BCLC would participate in the same 3% discretionary, opaque comp account based on the win and funded pro-rata to revenue split with the proposed Encore Table Games program.
4. GCGC would produce auditable reports on the play revenues and name and an address, birth date information to ensure players have never been registered before. (BCLC nor other Service Providers would not be able to contact these guests through Direct Marketing.)
5. For each individual's incremental tracked play we would re-apportion Table Play revenue split from 60/40 BCLC/GCGC to 25/75 BCLC/GCGC. For Slot Play we would also re-apportion from 75/25 BCLC/GCGC to 25/75 BCLC/GCGC split. The best methodology for tracking individual player incremental table play to be mutually determined and agreed upon.

### **Next steps**

1. Present to BCLC: TBD target early July
2. Secure BCLC approval to proceed – August
3. Secure GPEB approval to commission change - September
4. Finalize development of strategy & tactics – TBA
5. Commence program strategies – TBA

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Message

**From:** Walter Soo [REDACTED]  
**Sent:** 2018-08-15 4:20:32 PM  
**To:** Terrance Doyle [REDACTED]  
**Subject:** Re: Peter German report

No problem Terrance, let me know if you need anymore discussion this. From the outset, we both agree to ensure there was no conflict due to our Oval association and both matters were separate.

Outside of this, he never contacted me, which was wholly his decision and we never had any discussion on this.

On Aug 15, 2018, at 12:01 PM, Terrance Doyle [REDACTED] > wrote:

Thank you Walter

Terrance

This is Exhibit "W" referred to in the Affidavit of Walter Soo sworn (or affirmed) before me at Vancouver, B.C. this 15 day of February 2021.

On Aug 15, 2018, at 10:58 AM, Walter Soo [REDACTED] wrote:

Hi Terrance,

  
A Commissioner for Taking Affidavits within British Columbia

I did not request not to be interviewed by Peter German.

We only saw or talked to each other we met at Oval meetings, we have never exchanged emails or phone calls. He approached from the outset and told me we have been transparent and fully cooperative in his investigation process. Very quickly after that, we mutually agreed that we were there on Oval business and focus as such on Oval agenda and itinerary, therefore we did not discuss his AML investigations role when we attended those meetings. He never requested to meet or interview me on his AML report, and I never stated or requested not to be part of the process if needed. There is nothing else that occurred other than this.

Walter

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**From:** Terrance Doyle  
**Sent:** Wednesday, August 15, 2018 6:42 AM  
**To:** Walter Soo  
**Subject:** Peter German report

Walter:

- Did you Contact Peter German and request you not be interviewed as part of his report due to you both being on the Richmond Oval Board?
- Did you disclose this conversation to anyone?
- Did you initiate the call on your own?
- Did you take detailed notes of your conversation with Peter German?

Please respond ASAP.

Terrance