

**To:** Michael Graydon **PERSONAL INFORMATION**  
**From:** Bryon Hodgkin  
**Sent:** Thur 2013-01-17 7:28:02 PM  
**Subject:** RE: GPEB letter - Privileged and Confidential  
[response to joe 16 jan 2013.docx](#)

Mike: Response letter we can discuss at 1:30. Thanks.

Bryon

**Bryon Hodgkin**

Director Operational Compliance

Corporate Security & Compliance, BCLC

74 West Seymour Street Kamloops, B.C. V2C 1E2

**PERSONAL INFORMATION**

[bclc.com](#)

Last year, more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

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**From:** Michael Graydon  
**Sent:** Monday, January 07, 2013 06:01 PM  
**To:** Bryon Hodgkin  
**Subject:** Re: GPEB letter - Privileged and Confidential

Just got off the phone with Doug Scott he is extremely disappointed in the letter Joe sent and was floored by its inaccuracies and assumptions. He does not even know why it was sent. He is going to ponder it for a few days and determine what to do. He was very apologetic. Let's do our response and I suggest we get Cathy's help to overwhelm them with facts and figures. Does not hurt to further point out their incompetence. Mg

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**From:** Bryon Hodgkin  
**Sent:** Monday, January 07, 2013 12:25 PM  
**To:** Michael Graydon  
**Subject:** RE: GPEB letter - Privileged and Confidential

Mike:

I will draft a response to Mr. Schalk and cc you.

Bryon

**Bryon Hodgkin**

Director Operational Compliance

Corporate Security & Compliance, BCLC

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**From:** Michael Graydon  
**Sent:** Monday, January 07, 2013 11:56 AM  
**To:** Bryon Hodgkin  
**Subject:** RE: GPEB letter - Privileged and Confidential

We need to respond to set the record straight so let's do that. I am going to send Doug Scott a note and use a good portion of your note to articulate our concerns. This is very unprofessional conduct from my perspective and unacceptable. MG

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**From:** Bryon Hodgkin  
**Sent:** Monday, January 07, 2013 11:09 AM  
**To:** Michael Graydon  
**Subject:** FW: GPEB letter - Privileged and Confidential

Hi Mike:

Please find attached a letter directed to me from Joe Schalk and CCed to Larry Vander Graaf.

Mr. Schalk has made a number of statistical comparisons and drawn conclusions from them that, in our opinion, are not only without foundation and simply erroneous, but could be perceived as inflammatory and offensive. He has also inferred that all STRs are money laundering files, which of course is not correct.

In the first paragraph on page 2, it seems obvious that certain provocative statements are personal opinion and are not supported by fact or proper analysis. To the contrary, BCLC has worked closely with numerous enforcement departments and units to ensure organized crime is not associated to BC casinos and such statements undermines both BCLC and GPEB's efforts. In my opinion, the depiction of Asians is also very risky, particularly to set out such a characterization in a permanent record which is now held in the files of two public bodies.

By way of further example, on page three he has made the statement that it has " become routine" for patrons to buy in with currency totalling \$200 to \$400 thousand and on two occasions \$500 and \$580 thousand. Although these amounts are large, given the limited number of transactions, they are not routine. In addition, all of these transactions are reviewed and reported on as per the legislation and regulations.

BCLC is required to report on all suspicious activity and clearly we are reporting via Suspicious Transaction Reports ( STR's) as supported by statistics in GPEB's letter. The increase in the number of reports is not totally reflective of increased activity as it also reflects the changes to reporting requirements as well as additional training relating to reporting of STRs.

In addition, we are collecting information, including occupation, of all large cash buy ins and disbursements and reporting to Fintrac. The information collected by BCLC is also



analyzed by Fintrac and passed on to enforcement agencies. We are also actively working with law enforcement to deter and ban organized crime members and activities from BC gaming facilities. In addition, as stated in the letter, we are working closely with GPEB to reduce the flow of cash to gaming facilities. These efforts have resulted in

Lastly, the closing comments and assertions on page three are opinion and are not supported by fact or proper analysis.

BCLC and Service Providers make substantial efforts to provide information and assistance to GPEB and other law enforcement agencies to ensure we are compliant with legislation and are acting responsibly. I would be remiss if I did not state that the heavy handedness of the GPEB Investigations and Regional Operations has been felt in the past and has negatively impacted both BCLC and GPEB. We understand and respect that you are the regulator, but a collaborative approach is both possible and beneficial in maintain the integrity of gaming.

I called Mr. Schalk and discussed the letter and his conclusions. He stood fast that there is significant money laundering going even though the money is often lost and we take significant steps to ensure that the cash is not laundered. He further advised that their senior executive is aware of these facts and they have sent separate correspondence for the government report. GPEB expects a response to the letter.

I also provided him the following figures re non street cash, however he maintained our efforts have not slowed the flow of suspicious currency :

Figures below are totals from April 1, 2012 to Dec 31, 2012.

Convenience Cheque - \$220,946

Debit at Cash Cage - \$2,071,050

PGF deposits - \$84,898,852 – a positive note here. River Rock's average deposit per month up to October 2012 was on average approximately 4-5 million. For the months of November and December, total deposits were \$16,666,250 and \$19,138,500 respectively – an increase of 4 times the normal amounts.

ATM/Global Cash/Credit Card advances - \$824,364,210

Total of non-street cash used at the casinos since April 1<sup>st</sup> is \$911,555,058

At our January SP meeting I am setting up a SP/BCLC Working Group with the three main Service Providers (Rob Kroeker, Dennis Armand. Jag Nigger) and implement a process to consistently ask players and clarify where the cash is coming from and document this. Doing this will provide us with the ability to address the statistics better and of course meet the AML legislative changes.

Your thoughts and direction.

Thanks.

Bryon

Bryon Hodgkin

Acting Vice President

Corporate Security & Compliance, BCLC

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