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INTERNAL MEMO



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Date: February 15, 2016

Subject: COMM-8611 Follow Up: Cash Buy-Ins Conducted at River Rock Casino Cages

SUMMARY REPORT

This report is a follow-up to our previous analysis of cash buy-ins conducted at River Rock Casino cages in the first half of 2015. This report covers the second half of the calendar year, July 1, 2015 – December 31, 2015, and provides a comparison between the two periods. Below are key observations.

Analysis of Cash Buy-Ins Conducted at River Rock Casino Cages

- Total cash buy-ins conducted at the cages for the period July 1, 2015 – December 31, 2015, were \$102,397,700. This represents a decline of 27% from the previous six month period, as shown below. Majority of the cash buy-ins were conducted at the two VIP high limit cages (Salon and Phoenix), which indicates that most of the play was at the Salon Privé, Salon Premium, or Phoenix Room, which are the casino's three VIP high limit rooms.

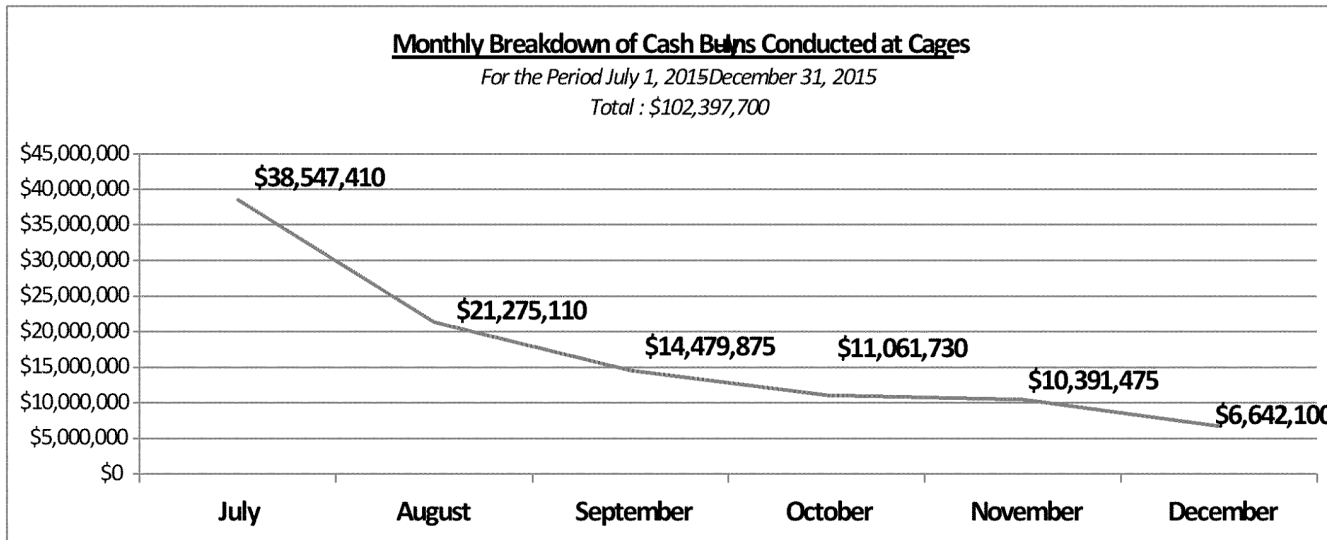
	January 1, 2015 – June 30, 2015	July 1, 2015 – December 31, 2015	% Change
Cash Buy-Ins Conducted at Main Cage	\$3,197,873	\$2,583,890	-19%
Cash Buy-Ins Conducted at VIP High Limit Cages (Salon and Phoenix)	\$137,799,717	\$99,813,810	-28%
Total Cash Buy-Ins Conducted at Cages	\$140,997,590	\$102,397,700	-27%

- A breakdown of the total volume of physical bills presented at the cages to conduct cash buy-ins for the year 2015 is presented below. As shown, there is a significant decline in the number of bills, particularly \$20s, presented at the cages during the second half of the year.

Bill Breakdown	January 1, 2015 – June 30, 2015	July 1, 2015 – December 31, 2015	% Change
\$20 Bills	3,268,652	2,052,201	-37%
\$100 Bills	651,938	557,294	-15%
\$50 Bills	201,990	107,645	-47%
\$10 and \$5 Bills	42,967	31,796	-26%
Total Volume of Physical Bills	4,165,547	2,748,936	

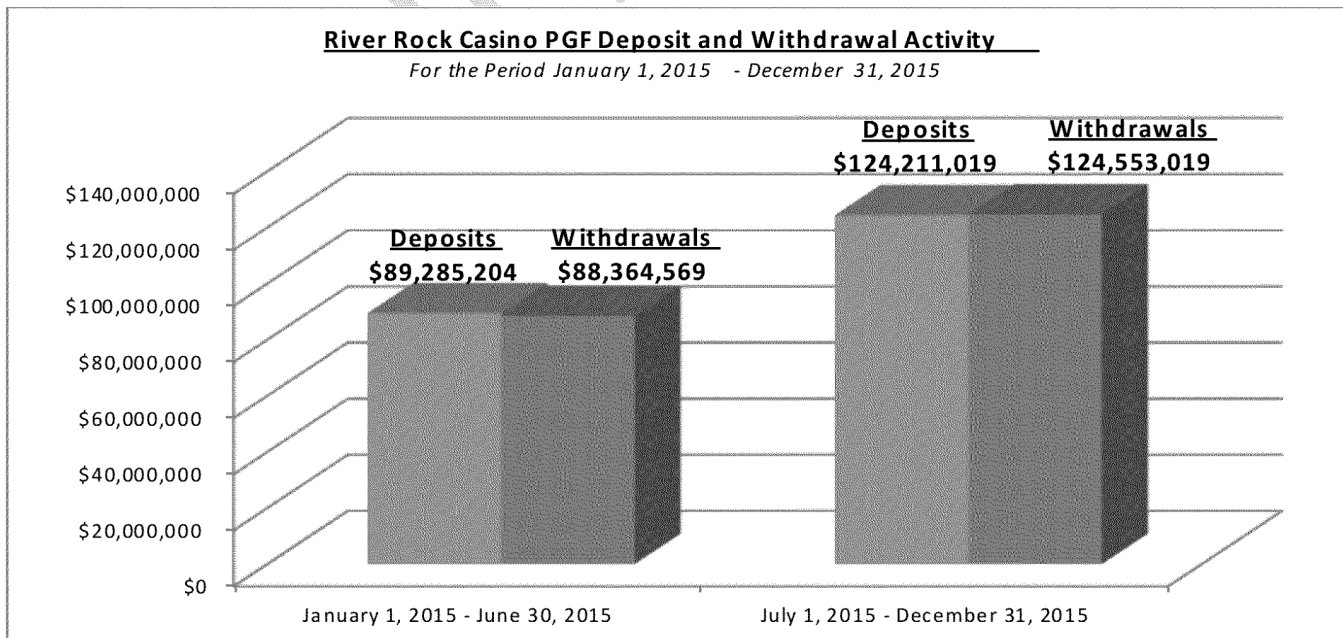
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- The chart below provides the monthly breakdown of the \$102,397,700 cash buy-ins conducted at the cages for the period July 1, 2015 – December 31, 2015. As can be seen, the decline in cash buy-ins is significant.



Analysis of PGF Activity

During the period July 1, 2015 – December 31, 2015, a total of \$124,211,019 was deposited (new money and re-deposits) into PGF accounts, and \$124,553,019 was withdrawn. This represents an increase of 39% in PGF deposits from the previous six month period as shown below. The closing PGF account balance at River Rock Casino as at December 31, 2015, was \$1,036,881, which reflects that funds being deposited into the accounts are not being retained for long periods of time.



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Analysis of Table Drop Revenue

Table drop revenue for River Rock Casino for the period July 1, 2015 – December 31, 2015, was \$339,307,567. This represents a decline of 37% from the previous six month period, as shown below. Consequently, table net win also dropped.

	January 1, 2015 – June 30, 2015	July 1, 2015 – December 31, 2015	Dollar Difference	% Change
Table Drop Revenue <i>Total revenue from table games.</i>	\$540,144,956	\$339,307,567	\$200,837,389	-37%
Table Net Win <i>Table revenue net of prizes paid.</i>	\$118,649,612 <i>(Note 1)</i>	\$104,094,916 <i>(Note 2)</i>	\$14,554,696	-12%

Note 1 – Table net win figure obtained from BCLC.

Note 2 - At the time of this report, we had not received the table net win figures from BCLC. Reason being, such figures take time to compile, and were not available at report issuance. However, materially, the figures that we obtained from GMS are a good representation of table net win, based on our past analysis.

Impact of BCLC Un-Sourced Cash Directive

In 2015, BCLC'S AML unit began issuing letters to high risk patrons advising them that they are no longer permitted to buy-in at any BCLC site with "un-sourced" cash (cash without a bank or ATM withdrawal slip). The significant drop in cash buy-ins at the cages for the period July 1, 2015 – December 31, 2015, can be associated, in part, to the enforcement of this directive by BCLC and the service provider.

The chart below provides a summary of patrons that conducted cash buy-ins of \$1 million or more during the first half of 2015 and were subsequently issued the unsourced cash directive by BCLC. Their cash buy-ins at the cages for the first six months of 2015 are compared to the last six months of the year and presented in the chart below. The following are key observations from the chart:

- Cash buy-ins conducted at the cages for the second half of the year for many of these patrons has substantially dropped. Some of these patrons have started using their PGF accounts more while a few others have stopped conducting cash buy-ins at River Rock Casino.
- Some patrons still conducted significant cash buy-ins during the second half of the year. Their cash-buys reflect both sourced cash, and also cash buy-ins during the lapse period between July 1, 2015, and the issuance of the BCLC directive.

Patron Name	Subject ID	Occupation	Total Cash Buy-In at Cage January 1, 2015 - June 30, 2015	Date of BCLC Un-Sourced Cash Directive (2015)	Total Cash Buy-In at Cage July 1, 2015 - December 31, 2015	% Change
WANG, Jiu Xiao	130874	Trading Company Owner	\$7,971,710	September 11	\$1,358,920	-83%
GAO, Jia Gui	142378	Real Estate Development President	\$6,277,680	April 14 (1 st) October 8 (2 nd)	\$40,000	-99%

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Patron Name	Subject ID	Occupation	Total Cash Buy-In at Cage January 1, 2015 - June 30, 2015	Date of BCLC Un-Sourced Cash Directive (2015)	Total Cash Buy-In at Cage July 1, 2015 - December 31, 2015	% Change
LIU, Xin Cai	74341	Petroleum Company Owner	\$4,508,565	September 11	\$673,050	-85%
FU, Jingwei	99395	Realtor	\$4,392,200	September 11	\$199,960	-95%
KONG, Xianwen	100893	Property Developer	\$4,320,240	September 24	\$4,813,205	+11%
XIA, Changlin	109940	Import/Export Logistics	\$3,635,085	October 19	\$1,200,020	-67%
YANG, Dong Wei	90767	Steel Company Owner	\$2,743,390	September 11	\$692,000	-75%
WANG, Xiao Ting	10241	Telecom Company Owner	\$2,594,200	September 11	\$1,370,260	-47%
SHA, Li Lin	22868	Coal Mine Owner	\$2,506,990	September 11	\$20,000	-99%
SUN, Pilong	43366	Construction Owner	\$2,502,940	September 11	\$2,510,275	+1%
Ji, Zhenhan	88248	Real Estate Company Owner	\$2,430,150	September 11	\$2,310,110	-5%
YUAN, Rongxiang	14033	Real Estate Company Owner	\$2,366,880	September 11	\$1,825,940	-23%
CAO, Binshun	11435	Hotel Owner	\$1,904,000	September 29	\$220,020	-88%
OU, Jianying	144809	House Wife	\$1,579,670	September 11	\$0	-100%
WANG, Rui	115177	Manager Medical Company	\$1,578,130	November 10	\$3,497,235	+121%
SUN, Kailu	10226	Real Estate Manager	\$1,439,910	September 11	\$0	-100%
HAN, Qun Ying	58336	Physician	\$1,210,520	September 11	\$615,000	-49%
LI, Weijie	663	Real Estate Board Chairman	\$1,060,000	September 11	\$1,100,660	+4%
Total			\$55,022,260		\$22,446,655	-59%

CONCLUSION

BCLC un-sourced cash directives were issued to high limit patrons, who were buying in with a large volume of small denomination bills. Despite these patrons having a long history of gambling, the nature of the cash that they presented at the casino suggested that the money did not come from a recognized financial institution and may be of questionable source.

The issuance of the un-sourced cash directive to high limit patrons at River Rock Casino has had a direct impact on the total amount of cash buy-ins conducted at the cages. Cash buy-ins at the cages for the period reviewed July 1, 2015 – December 31, 2015, at River Rock Casino, declined by \$38.6 million (-27%) from the first half of the year. PGF activity during the same period increased 39% from the first half of the year. This is partly attributed to patrons to whom the un-sourced cash directive has been issued being encouraged to use their PGF accounts.

Overall, although cash buy-ins at the cages decreased and PGF activity increased, the net effect was a significant decline in both table drop revenue (-37%) and net table win (-12%) at River Rock Casino.