

**UNITED STATES OF AMERICA
FINANCIAL CRIMES ENFORCEMENT NETWORK
DEPARTMENT OF THE TREASURY**

IN THE MATTER OF:

**Sahara Dunes Casino, LP
d/b/a Lake Elsinore Hotel and Casino
Lake Elsinore, California**

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Number 2024-03

CONSENT ORDER IMPOSING CIVIL MONEY PENALTY

The Financial Crimes Enforcement Network (FinCEN) has conducted a civil enforcement investigation and determined that grounds exist to impose a Civil Money Penalty against Sahara Dunes Casino, LP doing business as Lake Elsinore Hotel and Casino (Lake Elsinore) for violations of the Bank Secrecy Act (BSA) and its implementing regulations.¹ Lake Elsinore admits to the Statement of Facts and Violations set forth below, consents to the issuance of this Consent Order, agrees to pay the civil monetary penalty imposed in this Consent Order, and agrees to comply with the provisions of this Consent Order, including, but not limited to, the Undertaking.

I. JURISDICTION

Overall authority for enforcement and compliance with the BSA lies with the Director of FinCEN, and the Director may impose civil penalties for violations of the BSA and its implementing regulations.²

¹ The BSA is codified at 12 U.S.C. §§ 1829b, 1951-1960 and 31 U.S.C. §§ 5311-5314, 5316-5336 and includes other authorities reflected in notes thereto. Regulations implementing the BSA appear at 31 C.F.R. Chapter X.

² 31 U.S.C. § 5321(a); 31 C.F.R. §§ 1010.810(a), (d); *see* Treasury Order 180-01 (July 1, 2014 reaff'd Jan. 14, 2020).

At all times relevant to this Consent Order, Lake Elsinore was a “card club” as defined by the BSA and its implementing regulations.³ As such, Lake Elsinore was required to comply with applicable BSA regulations.

II. STATEMENT OF FACTS

The conduct described below took place from on or about September 7, 2014, through February 11, 2019 (Relevant Time Period), unless otherwise indicated.

A. FinCEN

FinCEN is a bureau within the U.S. Department of the Treasury and is the federal authority that enforces the BSA by investigating and imposing civil money penalties on financial institutions and individuals for willful violations of the BSA.⁴ As delegated by the Secretary of the Treasury, FinCEN has “authority for the imposition of civil penalties” and “[o]verall authority for enforcement and compliance” with the BSA and its implementing regulations.⁵

B. California Bureau of Gambling Control

The California Bureau of Gambling Control (CABGC) is a regulatory agency that is part of the California Department of Justice. It regulates legal gambling activities in California to ensure that gambling is conducted honestly, competitively, and free from criminal and corruptive elements. It is one of two agencies in California regulating gambling, along with the California Gambling Control Commission. In 2017, CABGC conducted an examination of Lake Elsinore.

³ 31 C.F.R. § 1010.100(t)(6).

⁴ 31 U.S.C. § 5321(a). In civil enforcement of the BSA under 31 U.S.C § 5321(a)(1), to establish that a financial institution or individual acted willfully, the government need only show that the financial institution or individual acted with either reckless disregard or willful blindness. The government need not show that the entity or individual had knowledge that the conduct violated the BSA, or that the entity or individual otherwise acted with an improper motive or bad purpose. Lake Elsinore admits to “willfulness” only as the term is used in civil enforcement of the BSA under 31 U.S.C. § 5321(a)(1).

⁵ 31 C.F.R. § 1010.810(a), (d).

C. Lake Elsinore

Throughout the Relevant Time Period, Lake Elsinore operated a gaming establishment located in Lake Elsinore, California that is licensed as a card room by the California Gambling Control Commission. Lake Elsinore is a medium-sized card club. Out of eighty-two card clubs in California, it has the seventeenth highest number of tables, according to the California Gambling Control Commission. The establishment has 22 tables and offers card games such as poker.⁶ At all times relevant to this action, Lake Elsinore was a “card club” and a “financial institution,” each within the meaning of the BSA and its implementing regulations.⁷

D. Bank Secrecy Act Requirements

AML Program: The BSA and its implementing regulations require a card club, such as Lake Elsinore, to develop and implement a written Anti-Money Laundering (AML) program reasonably designed to assure and monitor compliance with the BSA and its implementing regulations.⁸ Lake Elsinore was required to implement an AML program that, at a minimum, provided for: (i) a system of internal controls to assure ongoing compliance; (ii) independent testing by card club personnel or parties external to the card club; (iii) training of personnel, including training in the identification of unusual or suspicious transactions; (iv) an individual or individuals responsible for assuring day-to-day compliance; (v) procedures for using all available information to detect suspicious transactions, to determine whether a record must be made and retained under regulations implementing the BSA,

⁶ Lake Elsinore shares its premises with CJ’s Sports Grill and Turf Club (“CJ’s”). CJ’s is operated by L.E.R. Lounge, Inc.—an affiliate of Lake Elsinore—and offers off-track betting licensed by the California Horse Racing Board.

⁷ 31 U.S.C. § 5312(a)(2)(X); 31 C.F.R. § 1010.100(t)(6).

⁸ 31 C.F.R. § 1021.210(b). With respect to references in FinCEN’s regulations to “casinos” and “card clubs,” FinCEN’s regulations, provide that “[a]ny reference in [FinCEN’s regulations], other than in this paragraph (t)(5) and in paragraph (t)(6) of this section, to a casino shall also include a reference to a card club, unless the provision in question contains specific language varying its application to card clubs or excluding card clubs from its application.” 31 C.F.R. § 1010.100(t)(5)(iii). Accordingly, for purposes of this Consent Order, FinCEN has cited to regulations applicable to both casinos and card clubs, such as Lake Elsinore, unless otherwise noted.

and to obtain and verify name, address, social security number and other information for a person, when required under regulations implementing the BSA; and (vi) use of automated data processing systems to aid in assuring compliance.⁹

Currency Transaction Reporting: The BSA and its implementing regulations require a card club to report transactions that involve either “cash in” or “cash out” of more than \$10,000 during a single gaming day.¹⁰ Card clubs are also required to verify the identity of, and record information from, customers involved in transactions that generate currency transaction reports.¹¹ A card club must aggregate transactions in currency, or treat the transactions as a single transaction, if the card club has knowledge that the transactions are conducted by, or on behalf of, any person and occur within the same gaming day.¹²

Suspicious Activity Reporting: The BSA and its implementing regulations require a card club, such as Lake Elsinore, to identify and report suspicious transactions relevant to a possible violation of law or regulation in suspicious activity reports (SARs) filed with FinCEN. Specifically, the BSA and its implementing regulations require card clubs to report transactions that involve or aggregate to at least \$5,000, are conducted by, at, or through the card club, and that the card club “knows, suspects, or has reason to suspect” are suspicious.¹³ A transaction is “suspicious” if a card club “knows, suspects, or has reason to suspect” the transaction: (i) involves funds derived from illegal activities, or is conducted to disguise funds derived from illegal activities; (ii) is designed to evade the reporting or recordkeeping requirements of the BSA or regulations implementing it; (iii) has no business or apparent lawful purpose or is not the sort in which the customer normally would

⁹ 31 C.F.R. § 1021.210(b)(2).

¹⁰ 31 C.F.R. § 1021.311.

¹¹ 31 C.F.R. § 1021.312.

¹² 31 C.F.R. § 1021.313.

¹³ 31 C.F.R. § 1021.320 (a)(2).

be expected to engage; or (iv) involves the use of the card club to facilitate criminal activity.¹⁴ A card club is generally required to file a SAR no later than 30 calendar days after the initial detection by the card club of the facts that may constitute a basis for filing a SAR.¹⁵

The reporting and transparency that financial institutions provide through these reports is essential financial intelligence that FinCEN, law enforcement, and others use to safeguard the U.S. financial system and combat serious threats, including money laundering, terrorist financing, organized crime, corruption, drug trafficking, and massive fraud schemes targeting the U.S. government, businesses, and individuals.¹⁶

Recordkeeping: The BSA imposes special recordkeeping requirements on casinos and card clubs. Casinos and card clubs are required to maintain a separate record, called a negotiable instruments log, containing a list of each transaction between the casino or card club and its customers involving certain monetary instruments having a face value of \$3,000 or more.¹⁷ The negotiable instruments log must contain the time, date, and amount of the transaction; the name and permanent address of the customer; the type of instrument; the name of the drawee or issuer of the instrument; and all reference numbers and the name or casino/card club license number of the employee who conducted the transaction. Applicable transactions must be placed on the list in chronological order.

E. Lake Elsinore Failed to Implement and Maintain an Effective AML Program

Lake Elsinore willfully failed to implement an AML program that met the BSA requirements during the Relevant Time Period. Lake Elsinore failed to establish adequate internal

¹⁴ 31 U.S.C. § 5318(g); 31 C.F.R. § 1021.320.

¹⁵ 31 C.F.R. § 1021.320(b)(3).

¹⁶ FinCEN, FIN-2014-A007, [FinCEN Advisory to U.S. Financial Institutions on Promoting a Culture of Compliance](#) (Aug. 11, 2014).

¹⁷ 31 C.F.R. § 1021.410(b)(9).

controls, failed to ensure that adequate independent testing and training were conducted, failed to assign to anyone the responsibility for assuring day-to-day compliance, and failed to implement adequate procedures for using all available information to detect suspicious transactions and to ensure the proper reporting of transactions in currency throughout the Relevant Time Period.

a) Internal Controls

Lake Elsinore failed to adequately implement multiple internal controls that would have assured ongoing compliance with the applicable BSA requirements. Lake Elsinore failed to conduct an adequate risk assessment or otherwise identify the risks associated with its business. For example, the discussion in its 2018 AML program under “Risk Assessment and Profile” (Risk Assessment) consisted primarily of a random list of factors that had little relevance to Lake Elsinore or any other gaming establishment. Furthermore, the Risk Assessment noted, without explanation, that Lake Elsinore did not engage in asset or trust management, maintain correspondent accounts for foreign financial institutions, engage in trade finance, interact with dealers in precious metals or with foreign deposit brokers or provide professional services—activities that are typical of banks and that would not have been conducted at Lake Elsinore. The discussion included an unexplained reference to the fact that Lake Elsinore was not a “defined cash-intensive business,” although, as a card club, Lake Elsinore dealt in large amounts of cash. The Risk Assessment made no mention of services typical of card clubs, such as backline betting, pooled banking and wagering arrangements, or the use of propositional players. In sum, the Risk Assessment did not identify key risks associated with Lake Elsinore’s business and offerings.

During the Relevant Time Period, policies and procedures for ensuring compliance with the BSA were also dated and clearly inadequate or inaccurate. Policies, procedures, and

instructional materials set forth in a separate document designed for use by the Cash Cage,¹⁸ dated January 2005, stated that “suspicious transaction reporting will eventually make it into the regulation,” and suspicious activity reports are “not mandatory in the casino environment yet.”¹⁹ Furthermore, the Cash Cage document contained erroneous descriptions of key aspects of Lake Elsinore’s operations, listing a different beginning and end time for the gaming day, for example. Aggregation of transactions, satisfaction of reporting thresholds, and proper maintenance of a multiple currency transaction log all are impacted by how a gaming establishment defines its gaming day.

Lake Elsinore also failed to ensure that patrons utilized the Cash Cage and failed to track chip cashing throughout the card club. A Cash Cage employee’s email to management during the Relevant Time Period noted that bartenders “are cashing out customers for their chips and we have no way of knowing if it is a person that we are tracking,” yet the issue was never fully addressed.

The 2018 AML program for Lake Elsinore referred explicitly to the establishment of a “Title 31 Compliance Committee” consisting of “the two (2) owners, Cage Manager, lead floor...and other management personnel selected at the discretion of the Cage Manager.” In reality, the Compliance Committee consisted of only the General Manager and the Chief Operations Officer. The AML program required that the Compliance Committee meet annually and discuss “trends, rule changes and notices from state and federal government agencies to [implement and revise] procedures as necessary.” It remains unclear whether the Compliance Committee ever met. To the extent it did, meetings were not documented. Lake Elsinore’s failure to document any

¹⁸ “Cash Cage” is a term used to identify a secured area adjacent to the gambling floor where customers conduct gambling-related transactions such as exchanging currency for chips, or vice versa, at a casino or card club.

¹⁹ The Cage Manual also subsequently noted that the suspicious transaction reporting requirements were already in place as of 1998.

Compliance Committee meetings or decisions underscores the lack of structure and process required to ensure the maintenance of an effective AML program.

b) Independent Testing

Lake Elsinore's AML program required testing on a quarterly basis by a Cage Manager and on an annual basis by a party external to the card club, but the testing during the Relevant Time Period was infrequent and insufficient. No testing was conducted prior to 2016. Lake Elsinore maintained limited documentation for one annual test conducted in August 2016, and limited documentation for two quarterly tests conducted by a Cage Manager on April 3, 2017, and June 30, 2017. To the extent annual and quarterly tests were conducted at all, they were not independent and were inadequate in scope and depth. The 2016 annual test was conducted by a consultant who was retained by Lake Elsinore in 2007 to advise on compliance matters generally, including compliance with the BSA. The Cage Manager conducting the quarterly tests was not independent as they were responsible for the maintenance of a multiple currency transaction log and the preparation of BSA reports filed with FinCEN. Although Lake Elsinore's AML program required that annual and quarterly tests include "mock currency transactions within a 24-hour period to test compliance," transaction testing was not conducted for either the annual or quarterly tests. Reports prepared by the consultant concluded that Lake Elsinore was "in compliance with Title 31 requirements" but failed to address critical aspects of an AML program, including the adequacy of Lake Elsinore's policies and procedures for detecting and reporting suspicious transactions.

c) Training of Card Club Personnel

As of 2017, no employee of Lake Elsinore had received AML training as a new hire or on an annual basis since at least September 2014. Lake Elsinore staff were unaware that a regulatory requirement to train employees even existed.²⁰

d) Compliance Officer

The BSA and its implementing regulations require all casinos and card clubs, regardless of size, to assign an individual or individuals the responsibility for ensuring day-to-day compliance with the BSA.²¹ Prior to late 2017, Lake Elsinore failed to assign this responsibility to anyone. Lake Elsinore did not employ an “in-house person” responsible for day-to-day compliance with the BSA; instead, Lake Elsinore relied on a third party consultant for BSA compliance. The consultant provided advice only on an ad hoc basis and at Lake Elsinore’s request. In 2017, Lake Elsinore assigned the title of Chief Compliance Officer to an individual who, since October 2015, had been serving as its Chief Operations Officer. The individual continued to perform the role of Chief Operations Officer after the appointment to Chief Compliance Officer and had no professional or educational experience, or training, related to compliance with the BSA. However, once appointed to this role, the Chief Compliance Officer undertook AML training.

e) Procedures for Using All Available Information

Written procedures for the use of available information to detect suspicious transactions, set forth in a section of the AML program entitled “Reporting Requirements,” consisted primarily of an unexplained list of resources, including “security and surveillance logs,” that must be “diligently reviewed.” These procedures noted that the detection of suspicious transactions requires “effective communication within and between all departments” but provided few protocols for ensuring that

²⁰ See 31 C.F.R. § 1021.210(b)(2)(iii).

²¹ 31 C.F.R. § 1021.210(b)(2)(iv).

communication actually occurred. A manual for security personnel failed to mention the BSA or the reporting of suspicious transactions and focused instead on crimes committed within the gaming establishment, “problem gambling” and incidents of a physical nature that impacted gaming operations. Individuals tasked with the preparation of SARs were forced to glean information from security incident reports that were not designed to detect suspicious transactions. Although the AML program for Lake Elsinore addressed the preparation of “SARC Incident Reports,” there is no evidence that any of these were prepared.

Until early 2017, Lake Elsinore collected no information relevant to determining if transactions were suspicious; instead, it collected only what was required to compile currency transaction logs. Moreover, procedures for ensuring the completeness and accuracy of these logs were themselves inadequate. For example, patrons could make large chip purchases with currency on the gaming floor. While purchases made on the gaming floor were supposed to be recorded in a separate multiple currency transaction log kept in the main gaming floor podium, that log contained no entries on inspection. Further, Lake Elsinore personnel on the gaming floor were confused as to what information must be recorded, how to record the information, and to whom information must be provided.

F. Violations of the Requirement to File Currency Transaction Reports

Lake Elsinore willfully failed to appropriately file Currency Transaction Reports (CTRs) during the Relevant Time Period. CTR reporting requirements play a significant role in FinCEN’s core mission to safeguard the financial system from illicit use through the collection, analysis, and dissemination of financial intelligence. FinCEN and law enforcement depend on the accurate and timely filing of CTRs by financial institutions to develop an understanding of the movement of such funds, which may be associated with several cash-based money laundering typologies.

The significant deficiencies in Lake Elsinore’s AML program and record-keeping make it difficult to assess the scope of Lake Elsinore’s filing deficiencies. For example, post-hoc transactional analyses identified more than ten instances, in part of 2017 alone, where entries in a multiple currency transaction log indicated that the filing of a CTR was required, but Lake Elsinore failed to file, or failed to timely file, the required reports.²²

G. Violations of the Requirement to Report Suspicious Activity

Lake Elsinore failed to adequately monitor, detect, and timely report suspicious activity. While FinCEN has identified dozens of instances in which Lake Elsinore failed to file a SAR, or filed a report late, the severity of the deficiencies in Lake Elsinore’s AML program has made it difficult to determine the full extent to which suspicious activity reports were not filed, or were not timely filed, as required under the BSA throughout the Relevant Time Period.

Lake Elsinore did not file any SARs from September 2014 until after the CABGC examination in 2017. Records review revealed dozens of instances where structuring or chip walking went unreported in the first half of 2016 alone. FinCEN also identified a small number of instances where SARs were drafted in 2017 but not filed.

H. Violations of Recordkeeping Requirements

A review of registers maintained by Lake Elsinore for 2017 indicate that requisite records for all qualifying transactions were missing one or more required items of information.

III. VIOLATIONS

FinCEN determined that Lake Elsinore willfully violated the BSA and its implementing regulations during the Relevant Time Period. Specifically, FinCEN has determined that Lake Elsinore willfully failed to implement and maintain a written AML program that met the minimum

²² 31 C.F.R. § 1010.306(a)(1).

requirements of the BSA, in violation of 31 U.S.C. § 5318(h)(1) and 31 C.F.R. § 1021.210. FinCEN determined that Lake Elsinore willfully failed to file CTRs for transactions in currency, involving either cash in or cash out, of more than \$10,000 within 15 days following the day on which the reportable transaction occurred, in violation of 31 U.S.C. § 5313, 31 C.F.R. § 1021.311 and 31 C.F.R. § 1010.306. FinCEN has also determined that Lake Elsinore willfully failed to accurately, and timely, report suspicious transactions to FinCEN, in violation of 31 U.S. § 5318(g) and 31 C.F.R. § 1021.320. Additionally, FinCEN determined that Lake Elsinore willfully failed to maintain records in accordance with its obligations under the BSA and its implementing regulations, in violation of 31 C.F.R. § 1021.410.

IV. ENFORCEMENT FACTORS

FinCEN has considered all of the factors outlined in the Statement on Enforcement of the Bank Secrecy Act issued August 18, 2020, when deciding whether to impose a Civil Money Penalty in this matter.²³ The following factors were particularly relevant to FinCEN's evaluation of the appropriate disposition of this matter, including the decision to impose a Civil Money Penalty and the size of that Civil Money Penalty.

- **Nature and seriousness of the violations, including extent of possible harm to the public and systemic nature of the violations:** Lake Elsinore implemented an AML program that was fundamentally unsound. The Risk Assessment conducted by Lake Elsinore failed to describe the actual operations of the card club and could not serve as a framework for the development of internal controls to mitigate risk. Policies and procedures for ensuring compliance with the BSA were outdated or erroneous. Lake Elsinore's AML program was not tested until 2016, and no training occurred prior to 2017. Records and internal controls

²³ FinCEN, [Statement on Enforcement of the Bank Secrecy Act](#), (Aug. 18, 2020).

related to the detection of suspicious transactions and the reporting of transactions in currency were so inadequate that FinCEN had difficulty identifying transactions and could not determine the extent to which SARs and CTRs were filed as required under the BSA and FinCEN's implementing regulations.

- **Pervasiveness of wrongdoing within the financial institution including management's complicity in, condoning or enabling of, or knowledge of the conduct underlying the violations:** As a result of decisions made by Lake Elsinore's management during the Relevant Time Period, its violations of the BSA continued for over four and a half years. The required elements of an AML program—training and testing—were missing in their entirety for substantial portions of this period. Lake Elsinore did not appoint someone to oversee compliance with the BSA until 2017. Beginning in 2017, Lake Elsinore appointed a Chief Compliance Officer to address these issues, although that person was not trained and had other full-time responsibilities. The individual continued to perform the role of Chief Operations Officer after the appointment and had no prior professional or educational experience, or training, related to compliance with the BSA. Lake Elsinore staff were unaware that a requirement to conduct BSA training even existed. Shortcomings in Lake Elsinore's AML program reflected an insufficient investment in compliance. However, the Chief Compliance Officer later undertook AML training and began addressing identified deficiencies.
- **Presence or absence of prompt, effective action to terminate the violations upon discovery, including self-initiated remedial measures:** Lake Elsinore took steps to correct deficiencies identified during the CABGC examination and FinCEN's investigation, including investing additional resources in personnel and technology, and increasing

management focus on compliance. Lake Elsinore implemented a new AML program and has also completed several external independent reviews—including an expansive transactional analysis—after FinCEN opened its investigation. These independent tests, conducted after the Relevant Time Period, indicated significant improvement in, or remediation of, many of the deficiencies identified by FinCEN’s investigation. Lake Elsinore implemented several remedial corrective actions including providing training to its staff and hiring outside qualified third parties to supplement and support the work conducted by the compliance department. FinCEN observed an increase in CTR and SAR filing volumes after the Relevant Time Period.

- **Timely and voluntary disclosure of the violations to FinCEN:** Lake Elsinore did not voluntarily disclose violations to FinCEN.
- **Quality and extent of cooperation with FinCEN and other relevant agencies:** Lake Elsinore submitted materials promptly and voluntarily in response to requests made during the course of FinCEN’s investigation and executed multiple agreements tolling the applicable statute of limitations. Lake Elsinore also continued to provide timely information and updates on its remediation efforts—including independent tests showing improvements—during the course of its negotiations with FinCEN and has agreed to an AML program review as part of this resolution. Lake Elsinore also cooperated with CABGC examination staff.
- **Whether another agency took enforcement action for related activity:** FinCEN is aware of a separate ongoing action by the CABGC, which includes allegations of violations of the BSA’s AML program and reporting requirements.²⁴

²⁴ [*In the Matter of the Fifth Amended Statement of Issues Regarding Sahara Dunes Casino, LP d/b/a Lake Elsinore*](#) (Sep. 27, 2023).

V. CIVIL PENALTY

A. Legal Background

FinCEN may impose a civil money penalty of \$25,000 for each willful violation of AML program requirements occurring on or before November 2, 2015, and a civil money penalty of \$69,733 for each willful violation of AML program requirements occurring after that date.²⁵ The BSA states that a “separate violation” of the requirement to establish and implement an effective AML program occurs “for each day that the violation continues.”²⁶ For each willful violation of SAR or CTR requirements occurring on or before November 2, 2015, FinCEN may impose a civil money penalty not to exceed the greater of the amount involved in the transaction (but capped at \$100,000) or \$25,000.²⁷ The ceiling is increased to \$278,937, and the floor is increased to \$69,733, for violations occurring after November 2, 2015.²⁸ FinCEN may impose a civil money penalty of \$1,000 for each willful violation of recordkeeping requirements.²⁹

B. Civil Penalty Determination

After considering all the facts and circumstances, as well as the enforcement factors discussed above, FinCEN has determined to impose a Civil Money Penalty of \$900,000 in this matter. FinCEN has agreed to suspend \$50,000 of the Civil Money Penalty pending Lake Elsinore’s compliance with the Undertaking set forth below. Accordingly, Lake Elsinore shall make a payment of \$850,000 to the U.S. Department of the Treasury pursuant to the payment instructions that will be transmitted to Lake Elsinore upon execution of this Consent Order.

²⁵ 31 U.S.C. § 5321(a)(1); 31 C.F.R. § 1010.821.

²⁶ 31 U.S.C. § 5321(a)(1).

²⁷ 31 U.S.C. § 5321(a)(1).

²⁸ 31 C.F.R. § 1010.821.

²⁹ 31 C.F.R. § 1010.820(c).

VI. UNDERTAKING

By execution of this Consent Order, Lake Elsinore agrees to the following Undertaking:

A. AML Program Review

Within 60 days from the Effective Date of this Consent Order, Lake Elsinore will hire, at its own cost, a qualified independent consultant, subject to FinCEN approval, to review the effectiveness of Lake Elsinore's AML program through an AML Program Review. Within 30 days from the date of Lake Elsinore's retention of the independent consultant, the consultant will provide FinCEN with a report summarizing the proposed scope and methodology of the review of Lake Elsinore's AML program that the consultant plans to conduct.

Within 60 days from the end of its review, but no later than nine months from the Effective Date of this Consent Order, the independent consultant will submit to FinCEN and to Lake Elsinore a written report: (i) addressing the adequacy of Lake Elsinore's AML program, including with respect to procedures for creating, filing, and maintaining records and reports required by the BSA and its implementing regulations; (ii) describing the review performed and the conclusions reached; and (iii) describing any recommended modifications or enhancements to Lake Elsinore's AML program. Interim reports, drafts, work papers, or other supporting material will be made available to FinCEN upon request.

Lake Elsinore will adopt and implement any recommendations made by the independent consultant or, within 30 days after issuance of a report, propose alternatives. The independent consultant will provide a written response to any proposed alternatives within 60 days. Within 60 days after issuance of a report or a written response from the consultant regarding Lake Elsinore's proposed alternatives, Lake Elsinore will provide FinCEN with a written report detailing the extent to which it has adopted and implemented recommendations made by the independent consultant.

VII. CONSENT AND ADMISSIONS

To resolve this matter and only for that purpose, Lake Elsinore admits to the Statement of Facts and Violations set forth in this Consent Order and admits that it willfully violated the BSA and its implementing regulations. Lake Elsinore consents to the use of the Statement of Facts, and any other findings, determinations, and conclusions of law set forth in this Consent Order in any other proceeding brought by or on behalf of FinCEN, or to which FinCEN is a party or claimant, and agrees they shall be taken as true and correct and be given preclusive effect without any further proof. Lake Elsinore understands and agrees that in any administrative or judicial proceeding brought by or on behalf of FinCEN against it, including any proceeding to enforce the Civil Money Penalty imposed by this Consent Order or for any equitable remedies under the BSA, Lake Elsinore shall be precluded from disputing any fact or contesting any determinations set forth in this Consent Order.

To resolve this matter, Lake Elsinore agrees to and consents to the issuance of this Consent Order and all terms herein and agrees to make a payment of \$850,000 to the U.S. Department of the Treasury pursuant to the payment instructions that will be transmitted to Lake Elsinore upon execution of this Consent Order. If timely payment is not made, Lake Elsinore agrees that interest, penalties, and administrative costs will accrue.³⁰

Lake Elsinore understands and agrees that it must treat the Civil Money Penalty paid under this Consent Order as a penalty paid to the government and may not claim, assert, or apply for a tax deduction, tax credit, or any other tax benefit for any payments made to satisfy the Civil Money Penalty. Lake Elsinore understands and agrees that any acceptance by or on behalf of FinCEN of any partial payment of the Civil Money Penalty obligation will not be deemed a waiver of Lake Elsinore's

³⁰ 31 U.S.C. § 3717; 31 C.F.R. § 901.9.

obligation to make further payments pursuant to this Consent Order, or a waiver of FinCEN's right to seek to compel payment of any amount assessed under the terms of this Consent Order, including any applicable interest, penalties, or other administrative costs.

Lake Elsinore affirms that it agrees to and approves this Consent Order and all terms herein freely and voluntarily and that no offers, promises, or inducements of any nature whatsoever have been made by FinCEN or any employee, agent, or representative of FinCEN to induce Lake Elsinore to agree to or approve this Consent Order, except as specified in this Consent Order.

Lake Elsinore understands and agrees that this Consent Order implements and embodies the entire agreement between Lake Elsinore and FinCEN, and its terms relate only to this enforcement matter and any related proceeding and the facts and determinations contained herein. Lake Elsinore further understands and agrees that there are no express or implied promises, representations, or agreements between Lake Elsinore and FinCEN other than those expressly set forth or referred to in this Consent Order and that nothing in this Consent Order is binding on any other law enforcement or regulatory agency or any other governmental authority, whether foreign, Federal, State, or local.

Lake Elsinore understands and agrees that nothing in this Consent Order may be construed as allowing Lake Elsinore, its subsidiaries, affiliates, Board, officers, employees, or agents to violate any law, rule, or regulation.

Lake Elsinore consents to the continued jurisdiction of the courts of the United States over it and waives any defense based on lack of personal jurisdiction or improper venue in any action to enforce the terms and conditions of this Consent Order or for any other purpose relevant to this enforcement action. Solely in connection with an action filed by or on behalf of FinCEN to enforce this Consent Order or for any other purpose relevant to this action, Lake Elsinore authorizes and

agrees to accept all service of process and filings through the Notification procedures below and to waive formal service of process.

VIII. COOPERATION

Lake Elsinore shall fully cooperate with FinCEN in any and all matters within the scope of or related to the Statement of Facts, including any investigation of its current or former directors, officers, employees, agents, consultants, or any other party. Lake Elsinore understands that its cooperation pursuant to this paragraph shall include, but is not limited to, truthfully disclosing all factual information with respect to its activities, and those of its present and former directors, officers, employees, agents, and consultants. This obligation includes providing to FinCEN, upon request, any document, record, or other tangible evidence about which FinCEN may inquire of Lake Elsinore. Lake Elsinore's cooperation pursuant to this paragraph is subject to applicable laws and regulations, as well as valid and properly documented claims of attorney-client privilege or the attorney work product doctrine.

IX. RELEASE

Execution of this Consent Order and compliance with all of the terms of this Consent Order, settles all claims that FinCEN may have against Lake Elsinore for the conduct described in this Consent Order during the Relevant Time Period. Execution of this Consent Order, and compliance with the terms of this Consent Order, does not release any claim that FinCEN may have for conduct by Lake Elsinore other than the conduct described in this Consent Order during the Relevant Time Period, or any claim that FinCEN may have against any current or former director, officer, owner, or employee of Lake Elsinore, or any other individual or entity other than those named in this Consent Order. In addition, this Consent Order does not release any claim or provide any other

protection in any investigation, enforcement action, penalty assessment, or injunction relating to any conduct that occurs after the Relevant Time Period as described in this Consent Order.

X. WAIVERS

Nothing in this Consent Order shall preclude any proceedings brought by, or on behalf of, FinCEN to enforce the terms of this Consent Order, nor shall it constitute a waiver of any right, power, or authority of any other representative of the United States or agencies thereof, including but not limited to the Department of Justice.

In consenting to and approving this Consent Order, Lake Elsinore stipulates to the terms of this Consent Order and waives:

- A. Any and all defenses to this Consent Order, the Civil Money Penalty imposed by this Consent Order, and any action taken by or on behalf of FinCEN that can be waived, including any statute of limitations or other defense based on the passage of time;
- B. Any and all claims that FinCEN lacks jurisdiction over all matters set forth in this Consent Order, lacks the authority to issue this Consent Order or to impose the Civil Money Penalty, or lacks authority for any other action or proceeding related to the matters set forth in this Consent Order;
- C. Any and all claims that this Consent Order, any term of this Consent Order, the Civil Money Penalty, or compliance with this Consent Order, or the Civil Money Penalty, is in any way unlawful or violates the Constitution of the United States of America or any provision thereof;

- D. Any and all rights to judicial review, appeal or reconsideration, or to seek in any way to contest the validity of this Consent Order, any term of this Consent Order, or the Civil Money Penalty arising from this Consent Order;
- E. Any and all claims that this Consent Order does not have full force and effect, or cannot be enforced in any proceeding, due to changed circumstances, including any change in law;
- F. Any and all claims for fees, costs, or expenses related in any way to this enforcement matter, Consent Order, or any related administrative action, whether arising under common law or under the terms of any statute, including, but not limited to, under the Equal Access to Justice Act. Lake Elsinore agrees to bear its own costs and attorneys' fees.

XI. VIOLATIONS OF THIS CONSENT ORDER

Determination of whether Lake Elsinore has failed to comply with this Consent Order, or any portion thereof, and whether to pursue any further action or relief against Lake Elsinore shall be in FinCEN's sole discretion. If FinCEN determines, in its sole discretion, that a failure to comply with this Consent Order, or any portion thereof, has occurred, or that Lake Elsinore has made any misrepresentations to FinCEN or any other government agency related to the underlying enforcement matter, FinCEN may void any and all releases or waivers contained in this Consent Order; reinstitute administrative proceedings; take any additional action that it deems appropriate; and pursue any and all violations, maximum penalties, injunctive relief, or other relief that FinCEN deems appropriate. FinCEN may take any such action even if it did not take such action against Lake Elsinore in this Consent Order and notwithstanding the releases and waivers herein. In the event FinCEN takes such action under this paragraph, Lake Elsinore specifically agrees to toll any

applicable statute of limitations and to waive any defenses based on a statute of limitations or the passage of time that may be applicable to the Statement of Facts in this Consent Order, until a date 180 days following Lake Elsinore's receipt of notice of FinCEN's determination that a misrepresentation or breach of this agreement has occurred, except as to claims already time barred as of the Effective Date of this Consent Order.

In the event that FinCEN determines that Lake Elsinore has made a misrepresentation or failed to comply with this Consent Order, or any portion thereof, all statements made by or on behalf of Lake Elsinore to FinCEN, including the Statement of Facts, whether prior or subsequent to this Consent Order, will be admissible in evidence in any and all proceedings brought by or on behalf of FinCEN. Lake Elsinore agrees that it will not assert any claim under the Constitution of the United States of America, Rule 408 of the Federal Rules of Evidence, or any other law or federal rule that any such statements should be suppressed or are otherwise inadmissible. Such statements shall be treated as binding admissions, and Lake Elsinore agrees that it shall be precluded from disputing or contesting any such statements. FinCEN shall have sole discretion over the decision to impute conduct or statements of any director, officer, employee, agent, or any person or entity acting on behalf of, or at the direction of Lake Elsinore in determining whether Lake Elsinore has violated any provision of this Consent Order.

XII. PUBLIC STATEMENTS

Lake Elsinore agrees that it shall not, nor shall its attorneys, agents, partners, directors, officers, employees, affiliates, or any other person authorized to speak on its behalf or within its authority or control, take any action or make any public statement, directly or indirectly, contradicting its admissions and acceptance of responsibility or any terms of this Consent Order, including any fact finding, determination, or conclusion of law in this Consent Order.

FinCEN shall have sole discretion to determine whether any action or statement made by Lake Elsinore, or by any person under the authority, control, or speaking on behalf of Lake Elsinore contradicts this Consent Order, and whether Lake Elsinore has repudiated such statement.

XIII. RECORD RETENTION

In addition to any other record retention required under applicable law, Lake Elsinore agrees to retain all documents and records required to be prepared or recorded under this Consent Order or otherwise necessary to demonstrate full compliance with each provision of this Consent Order, including supporting data and documentation. Lake Elsinore agrees to retain these records for a period of six years after creation of the record, unless required to retain them for a longer period of time under applicable law.

XIV. SEVERABILITY

Lake Elsinore agrees that if a court of competent jurisdiction considers any of the provisions of this Consent Order unenforceable, such unenforceability does not render the entire Consent Order unenforceable. Rather, the entire Consent Order will be construed as if not containing the particular unenforceable provision(s), and the rights and obligations of FinCEN and Lake Elsinore shall be construed and enforced accordingly.

XV. SUCCESSORS AND ASSIGNS

Lake Elsinore agrees that the provisions of this Consent Order are binding on its owners, officers, employees, agents, representatives, affiliates, successors, assigns, and transferees to whom Lake Elsinore agrees to provide a copy of the executed Consent Order. Should Lake Elsinore seek to sell, merge, transfer, or assign its operations, or any portion thereof, that are the subject of this Consent Order, Lake Elsinore must, as a condition of sale, merger, transfer, or assignment obtain

the written agreement of the buyer, merging entity, transferee, or assignee to comply with this Consent Order.

XVI. MODIFICATIONS AND HEADINGS

This Consent Order can only be modified with the express written consent of FinCEN and Lake Elsinore. The headings in this Consent Order are inserted for convenience only and are not intended to affect the meaning or interpretation of this Consent Order or its individual terms.

XVII. AUTHORIZED REPRESENTATIVE

Lake Elsinore’s representative, by consenting to and approving this Consent Order, hereby represents and warrants that the representative has full power and authority to consent to and approve this Consent Order for and on behalf of Lake Elsinore, and further represents and warrants that Lake Elsinore agrees to be bound by the terms and conditions of this Consent Order.

XVIII. NOTIFICATION

Unless otherwise specified herein, whenever notifications, submissions, or communications are required by this Consent Order, they shall be made in writing and sent via first-class mail and simultaneous email, addressed as follows:

To FinCEN: Associate Director, Enforcement and Compliance Division
Financial Crimes Enforcement Network
P.O. Box 39, Vienna, Virginia 22183

To Lake Elsinore: Sahara Dunes Casino, LP d/b/a Lake Elsinore Hotel and Casino
c/o Hogan Lovells US LLP
555 Thirteenth Street, N.W.,
Washington, DC 20004

Notices submitted pursuant to this paragraph will be deemed effective upon receipt unless otherwise provided in this Consent Order or approved by FinCEN in writing.

XIX. COUNTERPARTS

This Consent Order may be signed in counterpart and electronically. Each counterpart, when executed and delivered, shall be an original, and all of the counterparts together shall constitute one and the same fully executed instrument.

XX. EFFECTIVE DATE AND CALCULATION OF TIME

This Consent Order shall be effective upon the date signed by FinCEN. Calculation of deadlines and other time limitations set forth herein shall run from the effective date (excluding the effective date in the calculation) and be based on calendar days, unless otherwise noted, including intermediate Saturdays, Sundays, and legal holidays.

By Order of the Director of the Financial Crimes Enforcement Network.

/s/ _____ Date:
Andrea Gacki
Director

Consented to and Approved By:

/s/ _____ Date:
Ted Kingston
Sahara Dunes Casino, LP
d/b/a Lake Elsinore Hotel and Casino