



COMMONWEALTH CASINO COMMISSION

Commonwealth of the Northern Mariana Islands

P.O. Box 500237
Saipan, MP 96950



MINUTES

February 16, 2017

I. PRELIMINARIES:

A. Call to Order.

Chairman Juan M. Sablan welcomed the 20th CNMI Legislature's Committee on Gaming Chairman, Rep. Joseph P. Guerrero, and committee members: Rep. Joseph "Lee Pan" Guerrero, Rep. Ivan Blanco, Rep. Francisco Aldan; IPI representatives and members of the public, and called the meeting to order at 1:42 P.M. on Thursday, February 16, 2017, at the Joeten-Kiyu Public Library (Technology Room) in Susupe, Saipan.

B. Roll Call.

Commissioners present at the meeting were: Juan M. Sablan (Chairman), Joseph C. Reyes (Vice Chairman), Justin S. Manglona (Secretary), Alvaro A. Santos (Treasurer) and Martin DLG. San Nicolas (PA & MR Officer). Also present were the Executive Director ("Director"), Edward C. Deleon Guerrero, the Executive Assistant to the Commission, Ruth Ann P. Sakisat, the Legal Counsel, Michael L. Ernest and the Executive Secretary Carmen Ann B. Sablan.

C. Adoption of Agenda.

Vice Chairman Reyes offered a motion to adopt the agenda, and was seconded by Commissioner San Nicolas. It was put to a vote and was unanimously approved.

D. Adoption of the Minutes. January 30, 2017

Vice Chairman Reyes made a motion to adopt the Minutes of January 30, 2017, and was seconded by Commissioner Manglona.

Discussion: For clarification purposes, Vice Chairman Reyes referred to: page 5 of the Minutes of January 30, 2017, particularly the section with regards to the credentials of the trainers who are training the staff of the licensee; page 6 item 11; page 7 if the Commission has had any response from IPI; page 8 regarding IPI representatives speaking with authorities rather than being questioned; page 11 item 4 paragraph 2 and item 5 regarding DPAC.

Chairman Sablan asked the Director to note Vice Chairman Reyes' request for clarification during the Executive Director's Report.

It was put to a vote and was unanimously approved.

II. REPORTS:

A. Report by the Chairman

Chairman Sablan was pleased to announce that on February 2, 2017, the Commission met for the first time with the newly formed Committee on Gaming for nearly four hours at the CCC conference room in which each division manager presented updates and introduced their team to the Committee. He said that the Commission had the opportunity to share in detail how the casino is being managed on a daily basis. He looks forward to communicating regularly with the Committee in the future.

The Chairman reported that CCC staffs from all divisions have been undergoing extensive training both on and off-island. He stated that majority of the CCC Division of Enforcement and Investigations staff attended a very important and informative training last week sponsored by the both the CNMI and U.S. Attorney General's Offices. He further stated that regulators from the Casino Commission in Las Vegas, Nevada were also present at the training. The Chairman invited the Committee on Gaming to participate in future trainings for its educational purposes.

Chairman Sablan reported that on February 14, 2017, the Commissioners (except Commissioner San Nicolas) and CCC staff visited the construction site of the Imperial Pacific Resort Hotel (IPRH) in Garapan. He said that IPI's operations at the site were quite impressive.

B. Report by the Executive Director

The Director welcomed all the members of the House of Representatives' Standing Committee on Gaming present, and expressed his hopes for regular communications between the Commission and the Gaming Committee in the future. He also welcomed Mr. Yiu Ling Kwong as the official CEO of IPI and Mr. Henry Cheang as the official COO of IPI. The Director informed the Commission that it received an IPI notification of Board Appointment on February 8, 2017 regarding Mr. Kwong and Mr. Cheang's change of titles within IPI, and that the Commission is still awaiting word on the status of Mr. Mark Brown.

1. **CCC Personnel:** The Director introduced Mr. Arden Joel "AJ" V. Sablan to the Commission as its newly hired Compliance Agent. He informed the Commission that it recently hired Ms. Lolaine Castro as a Permit & Licensing Clerk, Mr. Kevin R. Maratita as an Enforcement Officer and Mr. Leonard Leon as the Commission's

Technical Compliance Specialist.

2. Financial Standing: The Director informed the Commission that it has full access to the JD Edwards System, and the Commission account balances as of January 31, 2017 are the following: a) 7170A - \$2,637,783 (actual amount available \$526,859); b) 7170 - \$655,649; and c) 7171 - \$543,948 (\$550,000 FY 2018 Budget Request).

Discussion: Vice Chairman Reyes sought clarification from Legal Counsel Michael Ernest on whether the CNMI Lottery Commission can be reactivated to amend the License Agreement if the licensee is not able to meet the opening deadline, and if so, will it have access to the leftover funds from the initial \$2M license application fees. Legal Counsel informed the Commission that the CCC Chairman is the only spending authority for the leftover funds as stipulated in P.L. 18-56, and that the CNMI Lottery Commission should not be spending any money of which he is aware. He said that even if the Lottery Commission were to reconvene with regards to making amendments to the casino license agreement which DPAC was authorized to do if it existed, it would not need to spend any money as its members consist of government officials already being paid salary by the government agencies that they represent.

Commissioner Santos asked Mr. Ernest whether Senator Sixto Igisomar, being a former member of the CNMI Lottery Commission, would be involved in the negotiations to amend the license agreement should the Lottery Commission reconvene. Legal Counsel reported that the make-up of the Lottery Commission is by statute, and therefore, the current Secretary of Commerce would take Senator Igisomar's place in the Lottery Commission.

The Chairman recognized Mr. Charles "Chuck" McDonald, Jr., VP of Legal for IPI, who informed the Commission that a section in the current Casino License Agreement states that future amendments can be made between the Governor and the licensee because the Lottery Commission's appointment dissolved upon the signing of the license agreement.

Legal Counsel Ernest informed the Commission that section 19 of the Casino License Agreement does indeed state that the Governor can renegotiate terms which means that there will be no further need for the Lottery Commission therefore all remaining funds from the initial \$2M should go to the CCC.

3. Office Rental: The Director informed the Commission that its office lease will expire on March 31, 2017, and that the Commission has begun the process of extending the rental agreement with Springs Plaza for another year which will end on March 31, 2018. He reported that the Commission currently occupies 4,000 ft² of office space at \$0.80 per ft², but is in need of 8,000 ft². The Director stated the Commission's future plan relocate to Units 4-7 of the Springs Plaza by mid-2017 as it will give the Commission only an additional 2,000 ft² of office space for a total of 6,000 ft².

4. Car Lease: The Director informed the Commission that the car lease for the white Kia Rio will expire on March 31, 2017 as well. He said that the Commission has the option to purchase the vehicle as provided in the lease agreement. Joeten Motors said that they will sell the vehicle to the Commission for \$11,895 already discounted based on the Kelly Blue Book Value of \$13,009.00 plus Registration and processing fees estimated at \$300.00. The Commission did its own review of the Kelly Blue Book Value of the vehicle which came out to \$8,494.00. The Director said that the Commission will make an offer to Joeten Motors to purchase the vehicle for less than \$8,000.00, and the offer is not accepted, then he recommends that the Commission purchase a new vehicle.

5. Training: The Director informed the Commission that it will be sending seven CCC staff to Las Vegas, Nevada from February 21-23, 2017 to attend the World Game Protection Conference. He stated that the Division of Enforcement & Investigations Manager, Mr. Edward "Chief" Cabrera, Senior Special Agent, Mr. JB Cepeda, Senior Special Agent, Mr. Patrick Sablan, Enforcement Officers Mr. Nokki Saralu and Mr. Felipe Litulumar, IT Manager, Mr. Ian Morrell and Vice Chairman Reyes will be departing Saipan on February 18, 2017 and returning on February 26, 2017. He reported that all Travel Authorizations (TAs) have been approved and both the conference registration form and check payment have been mailed out.

Furthermore, the Director informed the Commission that the Division of Audit Manager, Mr. Charlie Atalig, Senior Auditor, Mr. Eleuterio "Jun" Palacios, Financial Auditor, Ms. Jolene Demapan, and Compliance Officer, Ms. Angie Mamaril will be attending the Casino Auditing for Regulators Program which will cover planning regulatory audits, analyzing casino financials, internal controls, internal audit, casino management systems, table game statistics, slot machine statistics, cage operations, credit play and collections at the University of Nevada in Las Vegas (UNLV) from February 28, 2017 to March 2, 2017. He stated that TAs are currently being processed. The Director reported that Jun and Jolene, along with other CCC staff, attended the Casino Essentials Title 31 Training earlier this month in San Diego, CA where they were able to network with Title 31 experts and learn more about anti-money laundering rules, best practices, cases and so much more.

6. Other CCC Actions: The Director informed the Commission of the following: a) House of Representatives: House Bill No. 20-38 introduced by Rep. Joseph "Lee Pan" Guerrero which proposes to transfer the licensing and regulatory functions of the Department of Finance in respect to poker, pachinko, and electronic gaming machines (EGMs) to the CCC. He stated that House Bill No. 20-38 raises some concerns to the Commission as it does not reference any funding source, it does not provide any clarification on the implications on the First and Second Senatorial Districts, and it does not identify any additional personnel.

7. Junket Applications: The Director reported to the Commission that it received 18 Provisional Casino Junket Operator License applications of which only Big Bang Entertainment, LLC belonging to Mr. Du Young Jang has been approved and issued. He explained that the Commission is currently processing two other completed applications which were interviewed yesterday; as for the rest, the Commission is

waiting for IPI to resubmit the returned applications along with all required supporting documents. The Director stated that the Commission understands the importance of junkets, and that the Commission is trying its best to move forward while following the regulations. Additionally, the use of outside sources like Mr. Dennis Amerine's expertise and services will provide for a better likelihood that decisions can be made by the Commission in moving forward.

8. IPI Management: The Director informed the Commission that IPI's new CEO, Mr. Yiu Ling Kwong, and COO, Mr. Henry Cheang, will be issued new CCC licenses upon the Commission's receipt of their new job descriptions and an updated IPI organizational chart.

9. Summary of IPI's Financial Performance for January 2017: The Director reported the following financial data from IPI: 1) VIP Rolling Volume: \$5,589,965,500; 2) Actual Revenue: \$326,661,610; 3) GGRT: \$16,333,080.50; and 4) Total Vendor Transaction: \$23,505,651.89. He commended Mr. Kwong and his team for the significant economic contribution to the community and the CNMI as a whole.

10. Surveillance & Monitoring System: The Director informed the Commission of IPI's request for approval of their CCTV System and Camera at the Imperial Pacific Resort Hotel (IPRH)/Grand Mariana facility based on their February 14, 2017 letter to the Commission. He stated that the Division of Enforcement & Investigations (DE&I) will need revisit the site particularly to look at the camera positioning and setup in reference to the Dallmeier System before the Commission issues the approval to go live.

III. PUBLIC COMMENTS:

Chairman Sablan recognized Mr. Benjamin Petersburg, an attorney who represents a client applying for a junket operator license. Mr. Petersburg informed the Commission that his client's provisional junket operator license has been pending for the past seven to eight months. He urged the Commission to take action on his client's application as his client has submitted all required documentation and has paid all the fees for processing to the Commission. He said that he and his client are here to comply with the regulations as they realize that it is a privilege to operate in the CNMI, and will not do anything to jeopardize this opportunity if and when granted or approved. He said that he and his client will work closely with IPI to abide by all AML guidelines and attend all the necessary trainings offered by IPI for junket operators. Mr. Petersburg informed the Commission that his client has already undergone some vetting as required for their existing junket license from the state of Nevada. He said that his client needed to provide disclosures similar to those required by the CCC such as employment and criminal history, background, financial and personal information. He said that he and his client extend their full cooperation to the Commission. He thanked the Commission for the opportunity to speak before the Commission on behalf of his client, and asked that the Commission to take action on his client's junket operator license application as quickly as

possible.

The Chairman asked the Director to respond to Mr. Petersburg's statements in which the Director informed the Commission that due to the confidential nature of what the Commission has uncovered with regards to Mr. Petersburg's client, he felt that the issue would best be discussed in Executive Session. The Director informed the Commission that it was been working closely with Mr. Vic Choi and Mr. Luciano Baptista from IPI-HK in an effort to have all junket operator applicants resubmit their completed applications to the Commission.

The Chairman recognized DE&I Manager, Mr. Edward "Chief" Cabrera. Chief informed the Commission that Mr. Petersburg's client's application has indeed been pending due to the fact that it was incompletely submitted. He expressed his frustration in that the delay should not be blamed on the Commission, but instead on Mr. Petersburg's client as it is not the Commission's responsibility to make sure that an applicant submits a complete application. Chief pointed out a misconception with regards to the processes of the Nevada Gaming Board with respect to independent agents governed by the Nevada Gaming Code under Regulation 25. He explained that Regulation 25 governs "independent agents" and not "junket operators". In order to be an "independent agent," an applicant simply fills out and submits a simple application form which is forwarded to the Investigations Division of the Nevada Gaming Commission. Chief reported that he communicated with the supervisor of the Independent Agent Program who informed him that their division only administers a minimal and cursory investigation on the applicants as "independent agents" are not involved in revenue, but are compensated based on non-financial theoreticals. Furthermore, Chief was informed by the supervisor that if an "independent agent" decides to get involved with credit and collection, then the agent must submit to a full suitability vetting which includes financial analysis and source of funding investigations of which Mr. Petersburg's client has not gone through.

IV. OLD BUSINESS:

A. Junket Program - Proposed Revenue Sharing Option & Rebate Agreement

Chairman Sablan asked Mr. Kwong to provide more details regarding the proposed revenue sharing option and rebate agreement. The Director requested that Mr. Kwong further explain both gain-based rebate and mixed rebate to the Commission. Mr. Kwong explained that the casino must compensate junket operators for bringing customers to the casino. He stated that generally, in other jurisdictions, there are three categories of rebates for junket operators: the first type of rebate is based on rolling which is what IPI is doing now at the casino; the second type of rebate is based on the win; and the third type of rebate is a mix of both rolling and the win. He said that many junket operators would like to take risks with the casino meaning that when the win rate is high in the month, junket operators earn a little bit more money, but on the other hand, if the result is negative, the junket operators have to pay the loss to the casino.

The Director asked the Commission's Audit Manager, Mr. Charlie Atalig, to share his opinion on the proposed revenue sharing option. Mr. Atalig informed the Commission that his opinion should the Commission decide to approve revenue sharing would be to have junket operators vetted as owners. Chairman Sablan asked Mr. Kwong if the junket operators would pay for additional vetting if it is necessary, in which Mr. Kwong responded, "Yes."

Legal Counsel Ernest expressed the Office of the Attorney General's (OAG) concern that junket operators might be less willing to abide by Title 31 AML laws because the only thing they risk losing is the \$3,000.00 they paid for their junket operator license application as they are not required to have an on-island bank account. On the other hand, the licensee stands to lose their exclusive casino license with 38 more years left on it if they fail to adhere to the Title 31 AML requirements. Chairman Sablan asked Mr. Ernest when the OAG will have a legal opinion on this matter as the Commission does not want to break any laws. Mr. Ernest stated that he will try to have answer for the Chairman by the next Commission meeting.

Commissioner Santos expressed his understanding of IPI's need to attract and entice high-end clients to the casino as it is a new casino competing with other more developed casinos around the world. He stated that offering junket operators rebate options only available in the CNMI would give IPI a significant edge over other casino jurisdictions. He said that the Commission should view the proposed revenue sharing option merely as a marketing tool for IPI to use to maintain its competitive edge.

Chuck McDonald added that the Commission would be right to consider the proposed revenue sharing option as double income for the CNMI as both the casino and the junket operator will have to pay taxes.

Vice Chairman Reyes made a motion to end discussion and vote which was seconded by Commissioner Santos.

Commissioner Manglona then shared his hesitation to act on this issue until the Commission receives a legal opinion in writing from Commission's Legal Counsel. Commissioner San Nicolas shared Commissioner Manglona's sentiments regarding this issue.

Commissioner Santos made a motion to approve the proposed rebate option as presented until such time that the Commission receives documentation from the Attorney General's Office disapproving the action due to a violation wherein the Commission would then reconsider, and was seconded by Vice Chairman Reyes. It was put to an individual vote in which the motion was denied after receiving three "No" votes from Chairman Sablan, Commissioner Manglona, and Commissioner San Nicolas and two "Yes" votes from Vice Chairman Reyes and Commissioner Santos.

Chairman Sablan called for a ten-minute recess at 3:45 P.M.

Chairman Sablan called the meeting back to order at 3:55 P.M.

V. NEW BUSINESS:

A. Approval of Regular Casino Key Employee (“CKE”)

1. Butcher, Kelley: Vice President for Legal
2. Chu, Wai Seng (“Donald”): Senior Manager for Systems-Information Technology Infrastructure
3. Ho, Ka U (“Ray”): Data Management Information Technology
4. Kwan, Kwok Hong (“Dominic”): Vice President of Information Technology
5. Morrow, Laurence Scott: Director of Table Games
6. Xu, Bo Chuan (“Walter”): Senior Vice President of Electronic Gaming

Vice Chairman Reyes made a motion to approved all six individuals listed above for regular Casino Key Employee (“CKE”) Licenses, and was seconded by Commissioner Manglona.

Discussion: Commissioner Santos asked Chief Cabrera to provide the Commission with a brief overview of the vetting process for CKE licenses. Chief informed the Commission that his division rotates investigations due to the shortage of investigators. He stated that his team looks at each applicant’s financial analysis and source of income, corresponds with other casino and police jurisdictions where the applicant lived and was employed, investigates both the applicant’s civil and criminal histories, makes sure each applicant is up-to-date with Child Support Court Orders and runs each applicant’s name through a federal database called PACER. Chief said that the vetting process allows his division to determine the credibility of each employee’s license application.

It was put to a vote, and was unanimously approved.

B. Notification of Provisional Casino Vendor Licenses (Non-Gaming) Issued by CCC on 02/10/17: (For Notification Purposes Only. No Action Necessary.) *The Chairman and the Executive Director have the authority to approve Provisional Casino Licenses. *

1. Guangdong Development Co., Ltd. dba Guangdong Hardware
2. Advance Carrier, Inc., dba Advance Carrier
3. Pacific Trading Company, Ltd.

C. CCC Fiscal Year 2018 Budget Request:

The Director informed the Commission that the Office of Budget Management put out a budget call for February 22, 2017 as the deadline for budget submission to the Governor’s Office. The FY 2018 Budget will start on October 1, 2017 and will end on September 30, 2018. The Commission is asking for an increase in the local appropriations from \$1,000.00 to \$82,500.00. A significant amount of this budget

would be used for travel and staff training. The Commission wants to provide training to members of the CNMI legislature to assist in their exposure to the gaming industry. The Director stated that if the Commission's budget request is approved, then the Commission would target the standing committee on gaming to receive the first series of casino regulators training and workshops.

D. Proposed Changes to the Casino Regulations and Others:

- 1) § 175-10.1-1130 Consent to Examination of Accounts and Records: (c) The Casino Gaming Licensee must maintain an account in a bank in the CNMI or any U.S. Bank into which are deposited its revenues from all gaming activities.

Counsel Ernest recommended that additional language be added to this provision which should state that gaming revenues should be deposited immediately upon receipt or within twenty-four hours. Vice Chair Reyes recommended within forty-eight hours and the Commissioners agreed. The Chairman informed the Commission that further research is necessary with this item therefore action will not be taken at this time.

Commissioner Manglona made a motion for deferment of this item, seconded by Commission San Nicolas. The motion was put to a vote and unanimously approved.

VI. MISCELLANEOUS MATTERS: Updates from IPI

A. Updates from IPI:

1. Construction Progress - Grand Mariana/Imperial Pacific Resort Hotel

Mr. MK Lee updated the Commission on the progress of the construction of the Imperial Pacific Resort. He discussed four key issues: 1) Continuous rainfall in January 2017 (17 days recorded) and high wind speed delayed the structural steel erection for the tower; 2) The DPAC agreement is still pending at the Governor's office for reply; 3) Phased opening discussion with Regulatory Agencies held on February 9, 2017; and 4) Numbers of workers was reduced from mid-January due to the Chinese New Year.

Mr. Lee reported in his Labor Summary that MCC's Resources consists of 28 Management Staff; and a total of 2,058 workers which includes MEP and other sub-contractors. CM's Resources include 0 off-site Management Staff; 3 Site Teams.

As promised, Mr. Lee provided the Commission with percentages of completion. He informed the Commission that the overall completion percentage is 45% as of February 6, 2017. The following is the latest status/progress report:

- | | | | |
|----|------------------|------|-----------------|
| 1. | Piling Works | 100% | Complete |
| 2. | Structural Steel | 100% | Levels below L3 |

	70%	Levels up to L12 for Hotel Tower
3. Reinforced Concrete	100%	Manor House
4. MEP Works (Low Rise)	65%	
5. Fitting-Out (Low Rise)	75%	Drywall, Ceiling installation at L1
	90%	Ceiling hanger & wall sub-frame B1-L2Z
6. Façade (Low Rise)	100%	Secondary structure
	60%	GRC & marble installation
7. Sewage Connection	90%	New S4 station- Ph. 1- Temp. Connection
8. Roadworks & Water	25%	Ph. 1- Derence Jack Road
		Quality Improvement

Once again, the Commission was pleased with Mr. Lee's detailed presentation. Vice Chairman Reyes requested for pictures of the site development to be included in the Commission's Annual Report.

Vice Chairman Reyes made a motion to recess until tomorrow, February 17, 2017 at 10:00 A.M., and was seconded by Commissioner Manglona. It was put to a vote, and was unanimously approved at 4:57 P.M.

Chairman Sablan called the meeting back to order on Friday, February 17, 2017 at 10:10 am at the Joeten-Kiyu Public Library. All Commissioners were present.

2. Updated IPI Management - CEO, COO, Other CKE

Chairman Sablan acknowledged the receipt of a letter regarding changes to the CEO, COO and other positions. He asked to be briefed on the recent appointment of the new attorney. Mr. Chuck McDonald announced the hiring of Mr. Charles Meredith who is the Senior Vice President of Legal. Mr. Meredith came from the Macau office and from Las Vegas prior to that. He has a pending license application for a casino key employee, he noted. Chairman Sablan welcomed Mr. Meredith to Saipan.

3. Status and updates on Bond Issuance

Chairman Sablan asked for a status of the 70 million bond issuance and if the funds were already received by IPI. Counsel McDonald announced that the company was able to successfully place a 70 million bond. He shared that the funds are now in the company's Hong Kong bank account. He noted that the funds from the bond is sufficient and will be dedicated to the completion of phase I of the project. However, to complete the hotel portion, Counsel McDonald explained that they anticipate to float another bond. The plan is to attract more investors with the opening of the new casino, he said. He also explained that once more junkets are online and the company's bond rating goes up, it will bring back investor appetite, hopefully by the time the second bond is placed. The exact date the second bond will be placed will be determined by market conditions, he explained. Vice Chair Reyes asked Mr. McDonald to put the status of the bond in writing and to indicate the exact date the funds were received. The Director added that the terms and conditions should also be provided to the Commission.

Vice Chair Reyes shared his concern on the fast-approaching expiration of the T-Galleria lease. He advised IPI to be prepared with another plan should the new casino fail to open by the end of the lease in April. It may be a good idea to revisit the license agreement to address this issue and other issues involving timelines, he advised. He warned against waiting till the final hour to find a solution. Counsel McDonald noted that revisiting the license agreement is the company's plan B and that they already have plans to explore that option.

The Director recommended IPI also reassess the timelines on the license agreement in reference to completion dates of the other tasks listed in the agreement. He said there's a growing concern with IPI's financial suitability which is also a concern shared by other government agencies. The question posed is whether or not IPI will meet the deadlines clearly stated on the license agreement, he explained. He further stressed that April is an absolute deadline and it would be reckless on IPI's part not to consider the possibilities. If IPI sees that the deadlines can't be met, it must be addressed sooner rather than later, he quoted.

Chairman Sablan commented that he recalled during one of the Commission's meetings that Mr. Kwong made a statement that the owner guarantees the completion of the entire facility. However, the Commission has not received anything in writing to corroborate his statement, the Chairman Sablan said. He then recommended that IPI issue a press release to give the community and the government assurance that the project will be completed contrary to the speculations that there's not enough money to complete the entire project. Mr. Kwong acknowledged the Chairman's recommendation and said that he will look into it.

Andrew Yeom, Compliance Manager inquired if the recently placed 70 million bond was unsecured. Mr. Vic Choi, IPI Counsel reported that the bond was unsecured and all the information concerning the bond will be provided to the Commission in writing.

Commissioner Santos asked Counsel McDonald if IPI has been in communication with the Governor to update him on the progress of the project and all the challenges being encountered. This responsibility should have been DPAC's had it existed, he commented. He further noted that it's very important for the Governor to be apprised of the progress so he can dialogue with the AG's Office and other government entities should the need should arise. Counsel McDonald informed the Commission that the Governor is aware of the ongoing issues as a good line of communication had previously been established with him. He added that IPI is also open to meeting with the AG to address concerns he may have. IPI made several attempts to meet with him in the past but they have been unsuccessful, he stated. He noted that the bottom line in all this is the big impact it's brought the CNMI in terms of employment opportunities for over a thousand locals, an average contribution of four to five million a month in tax revenue, among other benefits. He commented that it will be a shame if all these

good things for the CNMI was put to a stop due to a technical breach or a result of someone's crazy ideas. He assured the Commission that the completion of the projects is their utmost priority and asked the Commission for continued support. Commissioner Manglona asked Counsel McDonald if construction will cease once the 70 million runs out or will IPI continue even if there's no additional bond. Counsel McDonald replied that the project will continue until completed.

Vice Chair Reyes applauded the management team of IPI who altogether have over fifty years in gaming experience. He commended them for the good job they've done and are still doing despite all the obstacles and barriers. He shared that he understands the infancy of this industry and that he prays for its success as well.

4. Updated Listing of all Employees and Key Employees

Ms. Redie Dela Cruz, Assistant Director of Human Resources informed the Commission that she provided hard copies of IPI's updated employee listing. In addition, she will provide information on the HR Monthly Report. Ms. Dela Cruz shared the following:

IPI Dash Board: IPI has 1,508 total employees as of January 31, 2017. Categories: 45%=683 US employees, 55%=825 non-US employees.

Employee Movement: In January 2017, there were 204 new hires, 34 separations, 24 internal promotions, 8 internal transfers and 10 others (such as address, title changes, etc.)

Pre-Opening Planning: implementation of the learning and development program, completion of mass recruitment, training programs for residents for long term recruitment.

Programs: dealer's course designed to provide tools and resources to residents. The first baccarat class was already completed and the second class is ongoing with a target completion date by end of February. First course: 15 graduates who have all been hired by IPI, Second course: 12 enrollees.

Other programs: internship programs with the Northern Marianas College (NMC) and the Northern Marianas Trade Institute (NMTI) have also been very successful. IPI has hired some interns who successfully completed the program. The current NMTI interns are in non-gaming and are being trained to immediately gain employment at IPI upon completion of program. Non-gaming includes house-keeping, front desk, sales & marketing and food & beverage. Cooks are not listed on the monthly report but several local cooks have been hired by the company thus far.

Language training: IPI wants to provide current employees on the casino floor at the new casino with the tool to be able to better communicate with customers. Mandarin language training will be provided through NMC and dialogue has already started with NMC President Carmen Fernandez. Ms. Fernandez is currently trying

to retain a mandarin instructor. The Commission will be updated on the status as it becomes available.

Partnership: partnership with the educational institutions on island are continuous including with local high schools. Partnerships have also been established with institutions outside of the CNMI such as dealer's schools in Las Vegas and Los Angeles. Dialogue started on whether US qualified dealers graduating from dealer school can be recruited. IPI has started communications with the University of Hawaii at Mania's hospitality team and Virginia Tech's Business College in hospitality management. Six interns are expected in the summer from Virginia Tech.

Ms. Dela Cruz shared that they will continue build IPI's capabilities and hopes for the Commission's continued support.

Chairman Sablan commented that he would like to see IPI train individuals to work for them rather than to steal employees from other hotels who have already invested in training their employees. He noted that there are a lot of potential local employees out there and that IPI just needs to reach out more in its recruitment efforts. He recommended IPI make use of the local radio talk show which airs every Saturday with listeners on Tinian and Rota. Chairman Sablan asked IPI to ensure that individuals who apply for jobs at IPI are afforded a written notification of the status of their application and not just left to wonder. Ms. Dela Cruz replied that everyone that has submitted interest to date has received an acknowledgement of some sort.

Commissioner Santos shared his personal opinion that he would prefer to receive quarterly reports on IPI's HR activities. In this way, he would be able to see significant movements in activities to establish some kind of pattern as opposed to a monthly report, he stated. Based on the report, Commissioner Santos inquired what the main reasons were for separations. Ms. Dela Cruz explained that there are various reasons but the most commonly used based on exit interview questionnaire is to seek better opportunities outside of IPI. Another reason, she added, is that most locals want a regular 8 to 5 job so they end up quitting if they have a schedule other than that. Commissioner Santos asked Chairman Sablan to allow IPI to do their job as they already have a plan in place. He added that he is more interested in the result of their efforts and prefers not engage himself in telling IPI what they should do. Chairman Sablan responded that it is the Commission's duty to enforce the license agreement which states that the annual workforce plan should meet 65% of US Local workforce. He then noted that the workforce plan is due for an update. The update should include information on accomplishments and challenges, he said. He asked Ms. Dela Cruz if the Secretary of Labor ("SOL") is being kept informed of the changes to the workforce plan. Ms. Dela Cruz informed the Commission that IPI has been trying their best to collaborate with the SOL but she has been unavailable. However, a meeting has been confirmed in a week's time for IPI and SOL to sit down and update the workforce plan. An update of the workforce plan will be provided to the Commission, she offered. Counsel McDonald noted that the 65% US Local

workforce is an objective and that it is not set in stones but IPI is doing its best to achieve that objective, he said.

5. Personnel Training and Recruitment Efforts

This item was discussed with item number 4.

6. Responsible Gaming Program

Ms. Esther S. Milne reported that IPI is currently working on the survey with Ms. Yvette Sablan, the Governor's Special Assistant for Substance Abuse and Rehabilitation. She explained that Ms. Sablan has plans to include a gambling addiction program in the facility located at Far East. Ms. Sablan also recognizes that there is a high association between drug abuse and gambling addiction which will be incorporated in the survey, she added. She informed the Commission that Ms. Sablan oversees the Community Guidance Center (CGC), works closely with the Drug Court and Marianas Behavioral Health Incorporated which is the reason IPI chose to work with her instead of NMC. Ms. Milne noted that a copy of the survey presented to the Commission last November was provided to Ms. Sablan and that Ms. Sablan will be hiring someone to redevelop the survey. However, she will work with CGC, Drug Court and MBHI with the circulation of the survey.

7. Status of CCC Orders (2016-001 & 2 and 2017-001)

Mr. Dave Guerrero, AVP of Compliance announced that he does not have anything to report on CCC Order 2016-001 in reference to the minimum bankroll requirement because the order suspended it until the opening of the new casino. He asked the Commissioners if there were concerns they want him to address.

The Director explained that the concern is with the anticipated opening in March. The requirement will automatically be applicable, he said. He added that IPI was unable to come up with the cash based on the Commission's previous formula. IPI had also said that there was not enough space at the T-Galleria for the cash, he recalled. He stressed that the regulations states that there must be a reserve to back up wagering. He reminded IPI that the one of the reasons given to the Commission is that there was not enough space to hold the reserve at the T-Galleria, especially if the cash will be in all twenty dollar bills. He inquired what the situation was at the new facility and if there's sufficient space to accommodate the presence of large currency. He reminded IPI that the suspension of the minimum bankroll requirement will end when the new facility opens, therefore, IPI should be prepared. He recommended that IPI approach the Commission now if complying with this regulation will be a problem, otherwise, if not met, another order will be issued and sanctions may be imposed. The Director stated that all the Commission wants is for winning patrons to be paid.

Mr. Guerrero reported that in reference to CCC Order 2016-002, their compliance committee convened on January 5, 2017. Minutes of that meeting were provided to the Commission. Chairman Sablan reminded IPI that the regulations require at least one independent member in the committee. Mr. Guerrero announced that the Honorable Judge Sullivan is their selection for the independent member of the committee. He added that the Commission has not submitted any objections to former Judge Sullivan's selection. Counsel McDonald shared that Mr. Sullivan is a non-executive independent board member of IPI's holding company. He strongly believes that Mr. Sullivan is sufficiently independent in the CNMI company.

Chairman Sablan tasked Counsel Michael Ernest to look into whether Mr. Sullivan's appointment is acceptable based on the regulations and the order and his affiliation with the holding company. Counsel McDonald explained that the main reason why former Judge Sullivan was selected is because of his expertise, and because IPI feels he could bring a lot of credibility to the committee. Furthermore, he shared that Mr. Sullivan is of world class talent and IPI is honored to and pleased to have him in the compliance committee. The Director noted that if Mr. Sullivan is receiving payment for services other than the compliance committee, he cannot be considered an independent member.

Counsel Ernest referenced CCC Regulation 590b which states that at least one independent person acceptable to the Commission, not employed by the company but who may be a paid outside consultant and who must have knowledge of applicable laws and regulations. Counsel Ernest shared that Mr. Sullivan is practically an owner, therefore, not an independent member. Chairman Sablan advised IPI to comply with the regulations as soon as possible and report to the Commission by next meeting.

Counsel Ernest reminded IPI that the Commission is yet to receive bank statements that it requested many months ago inclusive of the mother company. Counsel McDonald informed the Commission that he will work with the appropriate individuals to provide what is being requested by the Commission. He apologized that he cannot commit to a date but that he will work on it as soon as possible. Chairman Sablan informed Counsel McDonald that the Commission expects the bank statements by the end of February.

Mr. Guerrero reported that in reference to 2017-001, all employees, new and existing, are currently receiving AML training. The number of classes were increased to twice a week as a result of the order, he announced. He stated that he is confident that IPI is in compliance with the referenced order. Mr. Guerrero ensured the Commission that all employees who hold or require a CCC license will receive the training including the Hong Kong and Macau counterparts.

8. Status of DPAC

This item was discussed earlier in the meeting.

Commissioner Manglona made a motion to recess, seconded by Commissioner San Nicolas. The motion was put to a vote and was unanimously approved. Recess at 12:03 pm on February 17, 2017.

Chairman Sablan called the meeting back to order on February 17, 2017 at 2:55 pm at the Governor's Office Conference Room at which time Commissioner Manglona moved to rise into executive session to hear the Legal Counsel's Report, discuss personnel matters and IPI financial matters. The motion was seconded by Commissioner Santos. It was put to a roll call vote with all voting yes.

VII. EXECUTIVE SESSION:

Executive session began at 3:09 pm at the Governor's Office conference room. The following items were discussed:

- A. Report by the Legal Counsel
- B. Personnel Matters - Legal Counsel Employment Contract
- C. IPI Financial Matters

Commissioner Manglona made a motion to exit executive session, seconded by Commissioner San Nicolas. The motion was put to a vote and unanimously approved.

Chairman Sablan then called the meeting back to order at 4:54 pm at the Joeten-Kiyu Public Library Technology Room. He explained that during the executive session, the Commission discussed the Legal Counsel's employment contract. The Commission also met with the Governor and discussed various topics with him.

Note: The Commission decided to revisit discussions on the budget which was earlier discussed under V. New Business, item C.

C. CCC Fiscal Year 2018 Budget Request

The Director requested the Commission's approval of the FY 2018 Budget Request but asked that he be allowed to revisit the local appropriations sections to make changes as earlier discussed with the Governor. The additional changes are in anticipation of the Commission's additional responsibilities with poker, pachinko and electronic game machines, he said. The numbers will reflect all accompanying costs such as vehicles, fuel, training, logistics and resources associated with the additional 20 FTE's, he elaborated. He informed the Commission that the budget request is due by February 22, 2017, therefore, immediate action is necessary.

Commissioner Manglona moved to approve the Fiscal Year 2018 Budget Request submitted by the Director with the flexibility to allow the Director to make the necessary adjustments in the local appropriation section to include the addition of 20

FTEs and all related cost. The revised budget request must be reviewed and approved by the Chairman prior to submission to the Office of Management & Budget. The motion was seconded by Vice Chair Reyes. It was put to a vote and unanimously approved.

Chairman Sablan informed the Commission that he completed his thorough review of the regulations and found some sections that need to be changed. He asked the Commissioners to review the list of changes and recommendations he prepared. He would like for action to be taken by next meeting.

The Director shared that he reviewed the Chairman's list and is presently preparing a response as many of the items listed have already been addressed. He noted that some of the items the Chairman noted as requiring regulatory changes were only minor in nature which can easily be corrected by the Law Revision Commission without further action by the Commission.

The Chairman requested an additional change to the regulations which is to require junket operators to undergo AML Training. The Director informed the Chairman that such a requirement will be included in the junket agreement.

VIII. ADJOURNMENT

Chairman Sablan made a motion to adjourn the meeting, seconded by Vice Chair Reyes. It was put to a vote and unanimously approved. The meeting was adjourned at 5:19 p.m. on February 17, 2017.

Prepared by: Carmen Ann B. Sablan Date: 3/23/17
Carmen Ann B. Sablan
Executive Secretary

and Ruth Ann P. Sakisat Date: 3/23/17
Ruth Ann P. Sakisat
Executive Assistant to the Commission

Concurred by: Justin S. Manglona Date: 3/23/17
Justin S. Manglona
Commission Secretary

APPROVED AND ADOPTED ON: 29th day of March, 2017. *h*

Justin S. Manglona Date: 3/29/17
Justin S. Manglona
Commission Secretary