



COMMONWEALTH CASINO COMMISSION
Commonwealth of the Northern Mariana Islands
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MINUTES
April 20, 2017

I. PRELIMINARIES:

- A. **Call to Order.** Chairman Juan M. Sablan called the meeting of the Commonwealth Casino Commission (“CCC”) to order at 4:20 p.m. on Thursday, April 20, 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), Justin S. Manglona (Secretary), Alvaro A. Santos (Treasurer) and Martin DLG. San Nicolas (PA & MR Officer). Joseph C. Reyes (Vice Chairman) was absent due to illness and excused by the Chairman.
- C. **Adoption of Agenda.** Commissioner Manglona offered a motion to adopt the agenda with the amendment to defer action under Section V. New Business, item A, 2. The motion was seconded by Commissioner San Nicolas. It was put to a vote and unanimously approved.

II. REPORTS:

- A. **Report by the Chairman.** Chairman Sablan informed the Commission that the CCC received a report from the Development Planning Advisory Committee (“DPAC”) but the information is privileged and cannot be reported in an open meeting. He acknowledged the presence of Mr. James Chua, the CNMI Contractor to the DPAC.

Chairman Sablan asked Imperial Pacific International (CNMI), LLC (“IPI”) the status of the workers protesting at the construction site. IPI’s Counsel Charles McDonald informed the Commission that IPI has been working with the Department of Labor to find solutions to alleviate the issues brought up by the protesting workers. He stated that the protesting workers are not employees of IPI but they are concern is not to be seen as law violators by lending their assistance. They have reached out to the US Attorney General’s Office requesting for immunity but they have not heard back from them, he shared. He hopes to receive feedback from them soon so they can take a more proactive approach in the matter. Counsel McDonald also shared that IPI asked the CNMI AG’s office for some kind of an immunity agreement but they were unwilling to agree to anything. He announced that IPI will begin providing food and transportation to some of the affected workers on a humanitarian basis. He re-emphasized that the affected construction workers are not employees of IPI, therefore, there is no legal obligation for IPI to help but because the CNMI Government asked,

they will do what they can to assist as a moral obligation. Counsel McDonald noted that he was not aware that illegal workers were working on the construction site. The way it works is that IPI pays the main contractor and the main contractor is responsible for paying subcontractors, he explained. Counsel McDonald shared that MCC International is the main contractor on the Imperial Pacific Resort and Hotel (“IPR”) project.

Chairman Sablan commented that it will be in the best interest of the company to assist in addressing this problem as it affects the reputation of the company. This type of negative news can circulate quickly around the world, he stressed. Counsel McDonald informed the Commission that MCC entered into an agreement with the Department of Labor (DOL) and the Attorney General’s Office to pay the employees and repatriate them. He shared that he is unaware if an agreement was reached with the subcontractors (Gold Mantis and Beilida) or if there have been any discussions between and among the parties. He shared that the owners of Gold Mantis have vanished and no employee payment records could be found which can further delay relief efforts.

Chairman Sablan asked Counsel McDonald what the company’s plans are to address the MCC dilemma since they are the primary contractor. Counsel McDonald replied that the termination of their contract and a civil lawsuit are the likely options. However, the decision on what to do cannot be made until after an evaluation of the damages suffered by the company are assessed. To his knowledge, MCC has been responsible in making sure their employees are getting paid and in taking care of their workers. However, he said to his knowledge, MCC has not offered assistance to the displaced illegal workers from the subcontractors.

Chairman Sablan inquired if IPI has any other contractors in mind to complete the IPR construction project in the event MCC is terminated. Counsel McDonald informed him that it is his understanding that MCC was already on the tail-end of their part of the construction and that another new contractor will most likely come in to take over the construction project. He further noted that he does not know the exact time-frame for construction to resume and for the project to be completed. The remaining manpower on the site are focused on completing the casino portion of IPR, he said.

The Director inquired that since a new contractor will eventually take over the construction, whose responsibility will it be to uncover and correct any wrong doings from the work performed by MCC. Counsel McDonald informed the Commission that the company has third party engineers that work closely with Department of Public Works (“DPW”) as part of the inspection and approval process. The engineers provide reports to the DPW and DPW will issue their own reports based on their own inspection, he further explained.

Mr. James Chua, CNMI Contractor to the DPAC, reported that he heard a lot of rumors about the integrity of the structure but has no means to validate the rumors because IPI has yet to provide the project documents to him, in addition to the fact that his company is not an engineering company. He stated that DPAC’s role is simply to assist the licensee in successfully completing the project and to provide the Governor accurate reports on the status of the project. His report to the Governor includes the assessment of risks with regards to the development and to ensure that it is addressed

and resolved for the benefit of IPI and the CNMI, he explained. He further shared his concerns that the timeline imposed on the licensee to finish the Initial Gaming Facility (“IGF”) is insufficient for IPI to complete the project in a safe manner. One critical risk, he noted, is that the structure may not have been built in accordance to the design plans. Should this risk prove true, he fears it could kill the entire project. He recommended that IPI put together a forensic engineering team to inspect the structure so that IPI can address the problem if it exists.

Counsel McDonald informed the Commission that the company had structural engineers since day one and for DPAC to issue such a report to the Commission based on rumors is very reckless on their part. He explained that DPW has always been involved in the building process and if they sign off on the inspection that is the company’s assurance that the integrity of the structure is safe. Mr. Chua explained that although his concerns are based on rumors, it is well worth looking into as safety is at stake. He suggested that the live training operations be extended for a longer period to allow all issues with the IGF to be resolved therefore not exposing the CNMI to further risks.

The Director asked Counsel McDonald if he knows why the company changed structural engineers so many times since the project began. Counsel McDonald informed the Commission that he is aware that the company twice changed their structural engineer but he does not know the reason behind it. Mr. Chua suggested requesting an attestation from Paul Steelman who did the original conceptual design and from Parson Brinckerhoff who did the original engineering design that what was built is in accordance to what was designed and planned. By obtaining their statements, it will satisfy any doubts regarding the integrity of the structure, he stated. Chairman Sablan thanked Mr. Chua for his report and assured him that the Commission will be taking a closer look at this serious matter.

The Director asked Counsel McDonald to provide the Commission information on who will decide whether or not IPI will continue its contract with MCC International. He also asked if Kwong Yiu Ling, IPI CEO, and Mark Brown, Chairman of IPI Saipan Project, are involved in the decision-making process involving construction of IPR. Counsel McDonald replied that it would be the IPI Board of Directors who will make the determination and that there is not just one individual that would decide. The Director commented that it appears that there may be a need to request for the Board to appear before the Commission to answer questions. He added that even the Commission’s request, over two months ago, for an approved Organizational Chart has yet to be provided. Chairman Sablan suggested calling in Ms. Cui Lijie (Margaret), majority shareholder of IPI, to provide answers. Counsel McDonald emphasized that the way a corporation acts is through its board. The Director replied that in the case of IPI, it does not appear to be that way.

B. Report by the Executive Director. The Director explained that the Agenda under New Business, there’s a proposed “Order” in reference to §175-10.815 (Cessation of Live Training Facility) of the casino regulations. Under the Casino License Agreement, Amendment 2, the Lottery Commission granted IPI the approval to operate the live training facility at the T-Galleria. He noted that the amendment stated an expiration date of on April 30, 2017 for the operations at the live training facility. He informed the Commission that the Lottery Commission and the Office of the Governor will be meeting on April 25, 2017 to entertain the request by IPI to extend the operations of

the live training facility for another six months. He shared that he received information that the Office of the Governor is considering an extension of six months to a year. However, in light of DPAC's presentation, there may be a need to reexamine the deadlines to be more realistic and consistent with the Initial Gaming Facility's (IPR) completion date. The Director shared that he believes IPI has shown good cause for the Commission to entertain the extension and recommends for the Commission to approve the extension of the live training facility should the Lottery Commission grant their approval on their April 25, 2017 scheduled meeting.

III. PUBLIC COMMENTS: None

IV. OLD BUSINESS: None

V. NEW BUSINESS:

A. Amendment to the Casino Regulations via Emergency Adoption:

1. §175-10.815 (Cessation of Live Training Facility). An Order, for good cause, to extend beyond April 30, 2017 the operation of the Live Training Facility. Commissioner Manglona moved to approve Commission Order No. 2017-002, seconded by Commissioner Santos. The motion was put to a vote and unanimously approved.

2. §175-10.1-635 (d) Initial Gaming Facility. To amend §175-10.1-635 (d) by deleting subsection (d) in its entirety. The Commission deferred action on this matter when the Agenda was adopted.

VI. MISCELLANEOUS MATTERS: None

VII. EXECUTIVE SESSION

There was no need to enter into executive session but brief discussions were taken up under items A and B.

- A. **Report by the Legal Counsel.** There was no report from Counsel Kate Fuller, Assistant Attorney General, who sat in for Counsel Michael Ernest who was off island on official business.

- B. **IPI Financial Matters.** Discussion on IPI's audited annual Consolidated Financial Report prepared by Ernest & Young was deferred until next meeting. Commissioner Santos recommended that on the next Commission meeting, Audit Manager Charlie Atalig be allowed to walk the Commissioners through the audit report in detail. He announced that he already completed his review of both the audit report and the synopsis from Charlie. The Director commented that hopefully IPI will have a Chief Financial Officer by next meeting who could also participate in the discussions.

Chairman Sablan reminded IPI to submit the documents being requested by the Commission's audit team with regards to the write-off of receivables. CCC Senior Financial Auditor Jun

Palacios informed IPI Compliance Officer Dave Guerrero that IPI Controller Caren Decker is aware of the Commission's request.

Mr. Chua (DPAC) respectfully requested the Commission's assistance in obtaining financial information and analysis that are necessary to determine a target completion date. He stressed that one of the functions of DPAC is to project implementation schedules based on the licensee's available financial resources and their future plans to raise more funds for the project.

The Director advised Mr. Dave Guerrero to communicate with their CEO to ensure that DPAC, on behalf of the Governor, receives the financial information being requested. He shared that the Commission will work with DPAC but initial requests for information by DPAC should first be addressed to the licensee.

Commissioner Santos asked Mr. Chua when DPAC was formed or established. Mr. Chua replied that DPAC became functional on March 27, 2017. Commissioner Santos then inquired if DPAC has determined how regularly they will schedule meetings with IPI with respect to the development at the Imperial Pacific Resort and Hotel (IPR). He further inquired if dialogues have been initiated with IPI with regards to the documents DPAC needs to perform their functions. Mr. Chua announced that DPAC already had separate kick-off meetings with Commerce, CRM & BECQ, and with IPI Chairman of the Saipan Project, Mark Brown and IPI Counsel Viola Alepuyo. DPAC explained to Mr. Brown that DPAC needs certain information in order to provide credible and robust analysis to support any recommendations of the implementation schedules. Mr. Chua added that at this point in time, he does not know who is the primary contact person for the construction project. He is only aware that Ms. Viola Alepuyo was assigned to communicate with DPAC on behalf of IPI. He is unaware if there's an existing construction team that he can communicate with. Counsel McDonald clarified that IPI contracted management of the construction to World Wide Asia who is the project manager. Mr. MK Lee worked for World Wide Asia. He noted that IPI does not have a construction company or team.

Mr. Chua again underlined the need to extend the operations at the live gaming facility to allow time for the many variables to be addressed at the IPR. He believes it will be in the best interest of the licensee and the CNMI.

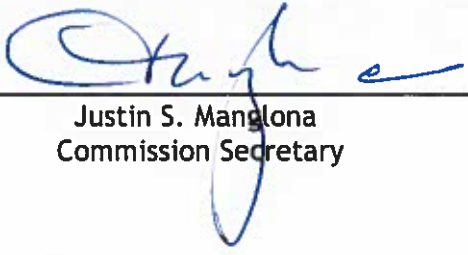
VIII. ADJOURNMENT. Commissioner Santos moved to adjourn, seconded by Commissioner Manglona. The motion was put to a vote and unanimously approved. The meeting was adjourned at 5:17 pm on Thursday, April 20, 2017.

Prepared by:  Date: 5/18/17
Ruth Ann P. Sakisat
Executive Assistant to the Commission

Concurred by:  Date: 5/18/17
Justin S. Manglona
Commission Secretary



APPROVED AND ADOPTED ON: 25th day of May, 2017.



Justin S. Manglona
Commission Secretary

Date: 5/25/17