



COMMONWEALTH CASINO COMMISSION

Commonwealth of the Northern Mariana Islands
P.O. Box 500237
Saipan, MP 96950



MINUTES August 11-12, 2016

I. PRELIMINARIES:

A. Call To Order.

Chairman Juan M. Sablan called the meeting to order at 10:07 A.M. on August 11, 2016 at the Joeten-Kiyu Public Library (Technology Room) in Susupe, Saipan.

Chairman Sablan welcomed all in attendance to include Best Sunshine Representatives, news media members and a member of the public who has been attending every meeting.

B. Roll Call.

Commissioners present at the meeting were: Juan M. Sablan (Chairman), Joseph C. Reyes (Vice Chairman), Justin S. Manglona (Secretary) and Alvaro A. Santos (Treasurer). Chairman Sablan informed the Commission that Commissioner Martin DLG. San Nicolas (PA & MR Officer) is off-island on medical leave and his absence is excused. 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, the Executive Secretary, Carmen Ann B. Sablan and all the division Managers.

C. Adoption of Agenda.

Commissioner Manglona made a motion to amend the Agenda by moving up item VII. Miscellaneous Matters under item III. Public Comments. The motion was seconded by Vice Chairman Reyes, was put to a vote and was unanimously approved.

Vice Chairman Reyes made a motion to adopt the Agenda as amended, and was seconded by Commissioner Manglona. The motion was put to a vote and was unanimously approved.

D. Adoption of Minutes. June 21, 2016 and July 14, 2016

Vice Chairman Reyes made a motion to adopt the Minutes of June 21, 2016 and July 14, 2016 and was seconded by Commissioner Manglona.

Discussion: The Chairman asked the Legal Counsel to include allowing high school students to participate in job training opportunities offered by Imperial Pacific International (CNMI), LLC into the regulations in which legal counsel replied had already been added to the regulations.

The motion was put to a vote and was unanimously approved.

II. REPORTS:

A. Report by the Chairman

The Chairman informed the Commission that he has been working closely with the House of Representatives and the Senate to pass the pending H.B. 19-20 which would place poker, pachinko and e-gaming under the Commission. He stated that he and Commissioner Santos met with Senator Justo Quitugua to discuss the bill which will be presented to the Senate. Chairman Sablan further stated that he and Commissioner Manglona also met with minority member BJ Attao to discuss the importance of the bill as well as the amendments to the bill. He said that he also met with the Speaker of the House, Rafael S. Demapan and the Chairman of the Committee on Ways and Means, Antonio Sablan and was informed that once they finalize the 2017 Budget, they would be able to entertain H.B. 19-20 and its amendments.

The Chairman reported visiting the casino site with Commissioner Manglona to see the floating chips operation. He said that IPI is requesting permission from the Commission to implement a new system in the VIP rooms. He mentioned that the Commission was visited by Mr. Kwong and members of IPI Hong Kong to discuss their proposed financing for IPI. He stated that details will be forthcoming.

B. Report by the Executive Director

The Director addressed the Chairman's earlier concern regarding minors participating in job training opportunities on the casino floor by reassuring the Commission that it is in the regulations § 175-10.1-2325 (f)(3) "qualified intern" or "qualified interns" means a person of at least 18 years of age deemed suitable by the Executive Director for gaming positions and *a person under eighteen years of age deemed suitable by the Executive Director*

in non-gaming positions. In making this determination, the Executive Director shall use the suitability standards in these Regulations for casino employment.

The Director clarified that minors will not be admitted on the casino floor, and would only be authorized to train for non-gaming employment with IPI i.e. hotel related positions.

The Director made a reference to H.B. 19-20, and informed the Commission that a newer version of H.B. 19-20 was submitted to the legislature. This new bill changes the date of the transfer of poker, pachinko, and e-gaming under the Department of Finance over to the Commission sometime in October 2019 instead of immediate takeover.

PERMIT & LICENSING

The Director informed the Commission that the Division of Administration (DoA) has come a long way with regards to Permit and Licensing. He stated that they have updated the Application forms and are currently receiving and processing new and renewal applications. DoA has informed IPI's HR Dept. of the September 15, 2016 deadline to submit renewal applications for the licensee's employees whose permits expire on September 30, 2016. The Director further explained that all applications received by the Commission after September 15th will be processed on a first come first served basis.

BADGING SYSTEMS

The Director informed the Commission that the photo ID and fingerprinting process has begun as of the Commission's recent procurement of a fingerprint scanner, a digital camera, and a signature system. He reported that the Commission's Badging System is completely linked and fully operational.

The Director invited the Commissioners to visit the section in Mr. Ian Morrell's office to view the Commission's newly acquired badging system and observed the licensing process. He suggested that all CCC staff have their fingerprints and signatures taken for the Commission's records. He said he will first discuss the feasibility with Legal Counsel.

The Director thanked Ms. Velma Lore and her DoA staff for taking the lead as well as Mr. Ian Morrell and Mr. Jerome Bermudes for their technical assistance in setting up the badging system for the Commission.

CASINO KEY EMPLOYEES

The Director informed the Commission that the DoA has been working with IPI's HR Department in scheduling employees for photos and fingerprints at the CCC office. This process has proven to be both more efficient and less time consuming compared to past procedures. He mentioned the involvement and coordination with IPI's HR Department in making sure that the required documents for licensing is reviewed by IPI before a list of names is forwarded to the Commission for processing.

The Director explained to the Commission that although licenses are multi-year, an annual registration is required to update all applications as ID cards will be issued annually. He said that resubmission of employee application forms will be after two (2) years for casino key employees (CKEs) and three (3) years for regular casino employees.

BUDGET

The Director informed the Commission that the total expenses for the month of July 2016 is \$265,753.00 from account number 7170A. He further reported that the current balance on account number 7170A as of July 31, 2016 is \$1,031,050.00.

LABOR DAY

The Director informed the Commission that the 2016 CNMI Labor Day Committee representatives for the Commission are Ms. Carmen B. Sablan and Mr. Frank M. Camacho. The event is scheduled to be held at the Garapan Fishing Base on Sunday, September 4, 2016. The Commission employees will be asked to purchase their own cardinal colored 2016 Labor Day t-shirts with the CCC logo as the uniform for the event. He mentioned that Carmen and Frank have entered the Commission in the softball and tug-o-war competitions.

The Director stated that the deadline to submit the Commission's Employee of the Year to the CNMI Labor Day committee is August 19, 2016. He asked all CCC division managers to submit the name of an employee in their respective divisions for the CCC's Certificate of Recognition and another name for the 2016 CNMI Labor Day committee who will be recognized and given the Governor's Award on September 4, 2016.

TRAINING & CONFERENCES

This item was discussed under V. Old Business, section B.

PERSONNEL

The Director updated the Commission on the employment applications for the Enforcement Officer II position. He explained that the Commission received 16 applications of which 10 applicants were interviewed by Mr. Edward R. Cabrera, Manager (“Chief”), Division of Enforcement and Investigations (DEI), Ms. Velma Lore, Manager, DoA and Ms. Juanette LG. Sablan, HR Officer, wherein the top three (3) candidates were selected.

This item was further discussed in Executive Session.

PERSONNEL HANDBOOK

The Director recognized the efforts of Ms. Velma Lore in the draft preparation of the Commission’s Personnel Handbook. He informed the Commission that the preliminary handbook which was distributed to the Commissioners will need further review as the final handbook will be dependent on clarifications the Commission’s autonomy. He further explained that if H.B. 19-20 is passed as submitted, then it would provide better clarity as to the Commission’s autonomous nature in handling the Commission’s personnel, procurement, travel and other related policies.

FORMS

The Directors informed the Commission that all CCC forms are being reviewed and updated, and that new forms are also being created particularly for the Division of Enforcement & Investigations (DEI) with regards to the vetting process. He said that the DoA will be establishing an index of CCC forms for both existing and new to be shared with the Commissioners.

PROCUREMENT

The Director informed the Commission that the procurement of office furniture and fixtures from Mechille Corporation is ready to be installed next week. He reported that he and Chief Cabrera are working on the Invitation to Bid (ITB) for radio equipment for the DEI. The Director further reported that the new order of uniforms arrived and will be distributed accordingly.

IPI

The Director requested that IPI submit an official notice to the Commission once the “dba” name change from the Grand Mariana Hotel Resort to Imperial Pacific Resort takes effect so that the Commission could start

making the same references.

The Director discussed the new organizational chart from IPI that was submitted to the Commission by Mr. Kwong on July 21, 2016. The new chart basically appears to depart from a U.S. organizational system which includes five different organizations: 1) Gaming (Mr. Kwong); 2) Non-Gaming/Construction/Marketing (Mark Brown); 3) Legal/Compliance (Vic Choi); 4) Finance (Leo Chan) and 5) HR/Administration (Marco Teng).

The Director informed the Commission that letters have been sent out to IPI on July 20, 2016 and July 21, 2016 requesting additional information with regards to the master vendor list, issues concerning the Department of Public Land (DPL) i.e. Notice of Non-Compliance/Notice of Default, and the updated financial status report. He also stated for the record that August 19, 2016 is the deadline for submission of requested information mentioned in the two (2) letters.

MICS

The Director thanked the Chairman, Commissioner Manglona, Commissioner Santos, the divisions of Audit and Compliance, and Legal Counsel Michael L. Ernest for working very diligently going over the Minimum Internal Control Standards (MICS) to make sure that the Commission not only has the best MICS, but also a model MICS. He also mentioned that other jurisdictions excluding Tinian and Rota have been inquiring after the Commission's MICS.

DPAC

The Director informed the Commission that Mr. James Chua of Pacific Century Inc. received a Letter of Intent from CNMI Governor Ralph DLG. Torres to award the DPAC. He said that the dilemma at present is trying to figure out what type of contract document would be executed. He further explained that DPAC is to be fully funded by IPI, and that the CNMI government participated in the processing of a formal Request for Proposal (RFP) through the procurement process. The Director explained that the Governor is working with the CNMI Attorney General Mr. Edward Manibusan (AG) on how to device the proper contract form because the government cannot receive any money for payment. He stated that the contractor would have to bill IPI and forward it to the Office of the Governor after which the Governor would forward the bill to IPI for the issuance of payment to the contractor.

The Director informed the Commission that some of the attorneys currently assisting the Governor's Office will be leaving the island before coming up

with a DPAC contract. He and the Chairman asked Legal Counsel Mike Ernest to assist the attorneys at the Office of the Attorney General in the preparation of a suitable DPAC contract because he has been intimately involved in this project from the very beginning. Mike said that he will follow-up with the AG and report back to the Commission.

III. PUBLIC COMMENTS:

No substantive comments from the public.

IV. MISCELLANEOUS MATTERS:

A. Progress Report by Imperial Pacific International (CNMI) LLC:

HR/Training Update Presented by: Bertha Leon Guerrero/Don Browne

Ms. Leon Guerrero informed the Commission that IPI will have 30 slots available for Baccarat Training scheduled for mid-September 2016. The training will be for the duration of 160 hours throughout an 8-week period. All 30 trainees will be given a final examination at the end of the training, and those who pass will be guaranteed an offer of employment at IPI. She reported that a little over 50% of locals that were trained a year ago are currently employed as dealers at the Best Sunshine Casino. She mentioned that roughly 30% of local employees have either been terminated due to various issues such as attendance problems, medical/familial problems and the remaining local employees have transferred to other non-gaming positions.

Mr. Don Browne informed the Commission that IPI has acquired roughly 20,000 sq. ft. of space in a warehouse located in San Antonio village which will be used as a training facility to accommodate the growing number of employees needed before the Grand Mariana opens next year. He said that IPI plans to begin actively training both local and off-island employees in all positions both gaming and non-gaming from November 2016 onward. Mr. Browne assured the Commission that once the plans have been finalized, they will be forwarded to the Commission for review and approval.

Ms. Leon Guerrero explained to the Commission that IPI is in the planning stage of offering language training. She said that IPI is currently looking into using their current staff in managerial positions to provide language training for other IPI employees in both general and job specific categories.

Legal Counsel asked Ms. Leon Guerrero if she coordinated with the

Secretary of Labor in arriving at an actual annual plan to obtain the resident employment objective as required by Regulation 655, to which she responded, "No, we have not yet sat down to get the plan." Mike then informed Ms. Leon Guerrero that she (IPI) is in explicit violation of the regulations and that failure to abide by the plan is deemed as an unsuitable method of operation.

The Director and Chairman Sablan advised Ms. Leon Guerrero to immediately rectify this situation before the Commission takes action and sanctions IPI for violating the regulations in failing to abide by an annual plan.

Chairman Sablan asked Ms. Leon Guerrero about the results of the random drug testing of IPI employees, and she replied that IPI will be conducting its first random drug testing next week. The Director suggested that all Casino Key Employees (CKE) be tested and all regular employees be randomly tested.

Construction Update Presented by: Charles MacDonald

Mr. MacDonald informed the Commission that there have been no major updates as of the last update on the construction front as IPI continues to struggle with the same obstacles such as the cement supply issue, the airspace agreement with the Grand Mariana neighbors, and the CW workers. He said that the project is still moving along smoothly aside from all the mentioned obstacles. He reported that IPI did receive one Notice of Violation that pertains to dewatering of the site. He explained that IPI was installing plumbing pipes underground and seawater started coming up, and so IPI began dewatering it on site. He said that BECQ cited IPI because a little water was found off-site and small amounts of cement were splashed on neighboring buildings.

Financial Status Report Update Presented by: Don Browne

Mr. Browne informed the Commission that due to restrictions of being a public traded company, IPI cannot disclose its financial situation at this time until the quarter is completed which will be after August 22, 2016.

At 12:03 P.M., Vice Chairman Reyes made a motion to take a recess until 2:00 P.M. and was seconded by Commissioner Manglona. It was put to a vote and was unanimously approved.

The Chairman reconvened the meeting at 2:03 P.M., Thursday, August 11, 2016.

B. Other Miscellaneous Matters:

CCC Proposed Minimum Bankroll Requirements Presented by: Charlie O. Atalig

Charlie presented on the CCC Proposed Minimum Bankroll Requirements—the proposed formula along with instructions. He covered the definition, authority, and walkthrough the formula modeled after Nevada’s formula with the proposed change of including an unredeemed cash chip liability and a change from 1% to 2% of the percentage of GGR bankroll requirement. This opened up the discussion for the Commission and Imperial Pacific as to the different elements of the bankroll formula. Imperial Pacific is to propose a formula to which will be reviewed by the Commission in September.

V. OLD BUSINESS:

A. Casino Minimum Internal Control Standards (MICS)

Legal Counsel informed the Commission that it needs to make a decision whether to allow the use of credit cards at the casino or not. He explained that there are two versions of section H-13.01 in the MICS which involves the use of credit cards for gambling. He stated that the first section draft of H-13.01 prohibits the use of credit cards for gambling, but allows them to be used for non-gaming related activities. However, the second section draft of H-13.01 is very open and permissive. It states that the licensee must make internal controls concerning the use of credit cards for gambling which basically allows the licensee to do whatever it wants with the use of credit cards.

Vice Chairman Reyes made a motion to delete the first section draft of H-13.01 of the MICS that restricts the use of credit cards, and retain the second section draft of H-13.01 of the MICS that allows the licensee to make internal controls concerning the use of credit cards for one (1) year from the day it takes effect. The motion was seconded by Commissioner Manglona, was put to a vote and was unanimously approved.

Legal Counsel informed the Commission that the licensee had made an oral request to change H-20.07 and H-20.08 of the MICS regarding the wiring of winnings. The MICS currently states that a player can only wire his winnings

back to the same account where his original money came from, but the licensee is requesting that the MICS be changed to allow the player the discretion to wire his money to wherever and into whatever account i.e. family members or a friend's account regardless of where his original money came from.

Chairman Sablan noted this section of the MICS and decided that no action be taken until a formal written request is made to the Commission.

B. CCC Training Schedule

- 1) National Title 31 Suspicious Activity Risk Assessment Conference
 - a) August 16-18, 2016
 - b) Las Vegas, Nevada
- 2) UNLV Gaming Law Conference - Regulating Land-Based Casinos
 - a) August 30, 2016 - September 2, 2016
 - b) Las Vegas, Nevada
- 3) Pre-Licensing Financial & Background Investigations by the International Center for Gaming Regulation. G2E 2016 Conference.
 - a) September 28-30, 2016
 - b) September 27, 2016 - G2E
 - c) Las Vegas, Nevada
- 4) Casino Auditing, I and II
 - a) October 24-25, 2016 - Audit I
 - b) October 26-28, 2016 - Audit II
 - c) Las Vegas, Nevada
- 5) 2016 IAGR Conference
 - a) October 31, 2016 - November 3, 2016
 - b) Sydney, Australia

VI. NEW BUSINESS:

A. Casino Key Employee - Provisional License: (1) CHEUNG, C.C.; (2) LAU, H.I.

Vice Chairman Reyes made a motion to approve the issuance of a Provisional Casino Key Employee License to (1) Cheung, Chun Chung (Assistant Manager, Systems-Information Technology Infrastructure) and (2) Lau, Hio Ian (Senior Gaming Data Analysis Analyst) and was seconded by Commissioner Santos. It was put to a vote and was unanimously

approved.

B. Casino Vendor - Provisional License: Skywalker Communications Group LLC

Commissioner Manglona made a motion to approve the issuance of a Provisional Casino Vendor License to Skywalker Communications Group LLC and was seconded by Commissioner Santos. It was put to a vote and approved with three (3) "Yes" votes and one (1) "Abstained" vote by Vice Chairman Reyes.

C. Casino Junket Operator - Provisional License: JANG, Du Young (Big Bang Entertainment, LLC)

Vice Chairman Reyes made a motion to approve the issuance of a Provisional Casino Junket Operator License to Mr. Jang, Du Young and was seconded by Commissioner Manglona. It was put to a vote and was unanimously approved.

At 3:59 P.M., Chairman Sablan called for a 10-minute recess. The meeting reconvened at 4:09 P.M., Thursday, August 11, 2016.

D. VIP Operating Chip Float - IPI Request & Proposed SOP: Presented by Andrew Yeom through Power Point presentation.

He explained the following:

Summary on Operating Chip Float (Mini Imprest Bank operation)-The main purpose of the requested Mini Imprest Bank operation:

- Shorten the VIP player's waiting time (minimize the interruption of the game play).
- Enhance the efficiency of the VIP rolling process by assigning a dedicated VIP host.

The followings are the areas of concerns and possible solutions to the SOP (Standard Operations Procedure) proposed by the Casino Licensee:

A. SOP – Operating Chip Float

CHIP OPENER/CHIP OUT

- a) Revise Marketing Float Form
- b) Security carry the bird cage (instead of the Marketing HOST)
- c) One Bird Cage per VIP HOST (or, One big cage with separation of chips per player)
- d) One Track Card per VIP HOST

CHIP EXCHANGE/FILLER

- a) Security Escort (to carry Bird Cage)

- b) Cannot Sign-off as a closer
- c) Modify forms to indicate the Cash Chips and NN Chips in their respective amount.

CHIP CLOSE/CHIP IN

- a) No Sign-off/ Hand off – Bird Cage occurs except at cage or temporary emergency relief.

B. ROOM Transfer/Switch: needs to have a separate SOP in dealing with such case.

C. Assign ONE Cage for Opening, Filler/Exchange, Closer (Main Bank or Satellite Cage), thus avoiding multiple outlets with the paperwork scattered around.

D. Personnel

1) Determine Cashier Vs Marketing HOST to carry out the operation for Chip exchange and rolling tracking.

2) Adequate Training required:

- a. Must obtain at least 160 hours (4 weeks) training in total:
 - i. Cashier (2weeks) and compliance (2weeks of FINCEN, AML, CTR, SAR) training.
- b. Either previous rolling experience or additional training for VIP rolling required.

E. LIMIT EXCHANGE MEANS:

Shall be limited to only **EVEN EXCHANGE** of Cash chip to NNC allowed.

- i. No actual cash transactions allowed.
 - ii. No NNC to Cash chip exchanges (only Cash chip to NNC for rolling) allowed.
- This ensures no risk of CTR, SAR, FINCEN, and/or AML issues from occurring.

F. LIMIT EXCHANGE AMOUNT AND # of PLAYER(s):

The Bird cage amount of NNC per VIP player shall be capped at USD\$5 Million throughout the day.

Limit One VIP host/cashier for 2 VIP players only as a protocol.

- i. Limiting the risk of over load of a VIP host/Cashier at the Mini Imprest Bank.
- ii. Enforces the VIP rolls to be keyed into the system (CMP Cage/CMS) at the Cage.
- iii. The max amount is to be determined and authorized (signed) by the VP or higher.

Next Step:

- 1) For IPI to revise their SOP in detail for further consideration by CCC.
- 2) Currently, there will be no approvals on this matter until it is revised and resubmitted in detail.

Vice Chairman Reyes made a motion to go on Recess until 9:00 A.M., Friday, August 12, 2016 and was seconded by Commissioner Manglona. It was put to a vote and was unanimously approved.

The meeting reconvened at 9:15 A.M., Friday, August 12, 2016.

E. Junket Remuneration - Junket Incentive Programs: Presented by Andrew Yeom through Power Point presentation.

He explained the following:

Summary on IPI's Revenue Share Model Approval Matter

- 1) This approval request is to boost VIP/Junket player business to the Casino by allowing a lion share (as high as 75%) of the winning amount of the Casino to be shared with the Junket operators.
- 2) This revenue share model is prevalent in the Asian and Asia Pacific Casino industry.
- 3) In order to attract those VIP players to this island, it is a necessary cost the Casino is willing to absorb.

Consideration/Research by CCC:

Revenue share of 75(Junket):25(Casino), at the end of the comparison computation to a traditional VIP rolling rebates, approximates to be paying 2.1% as a VIP rolling rebate amount to the Junket operators.

Currently, the Casino is allowed to pay between 1.3% - 1.9% as a rolling rebate.

However, CCC views this rolling rebate or revenue share to the Junkets (not to a player direct) to be subject for Taxes.

As a prerequisite, the Junket operators may have to acquire their business licenses in the CNMI to transact their businesses here.

With the proper business license, the Junkets would be allowed to transact their businesses and ultimately pay all of the applicable taxes in the CNMI.

With the above understanding and business policy in place, the financial aspects of the business in tax collection purposes, the CCC may entertain this Revenue share model.

Financially, as long as the Junkets pay their taxes by obtaining their business licenses in CNMI, the CNMI will prevail if the commission allows the Casino on the proposed revenue share model.

However, there are legal aspects of this approval for consideration.

Legal matters such as "Are there beneficial owners issue involving this approval?"

Would there be a cause of concern on "Exclusive ownership issue" in that this approval may open door for such back door ownership happening?

Next Step:

Next Step:

- 1) This financial comparison's analysis/research recommends for approval with the condition that the Junket operators obtain their business licenses and pay their applicable taxes in CNMI.
- 2) However, there are legal concerns that require more research, which would have to be checked with the relevant authorities.
- 3) Therefore, no approvals on this matter until the Casino is agreeable to requiring Junkets obtaining their business licenses as well as clearing all of the legal concerns.

F. Amendment to the Casino Regulations: CKE License 2 years; Provisional License Issues

Commissioner Santos made a motion to grant provisional licenses not to exceed one (1) year for Casino Junket Operators, Casino Service Providers and Casino Vendors and was seconded by Commissioner Manglona. It was put to a vote and was unanimously approved.

VII. EXECUTIVE SESSION:

Commissioner Manglona made a motion to move into executive session consult with the Legal Counsel, and to discuss personnel matters, financial and other important matters. The motion was seconded by Commissioner Santos. It was put to a roll call vote with all four present members voting yes.

Executive Session began at 10:40 A.M. Commissioner Santos moved to return to regular session at 11:55 A.M. and was seconded by Vice Chairman Reyes. It was put to a roll-call vote and was unanimously approved.

VIII. ADJOURNMENT:

Commissioner Santos moved to adjourn the meeting and was seconded by Vice Chairman Reyes. It was put to a vote and was unanimously approved. The meeting was adjourned at 11:57 A.M. on August 12, 2016.

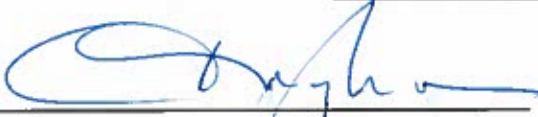
Prepared by: 
Carmen B. Sablan
Executive Secretary

Date: 9/9/16

Concurred by: 
Justin S. Manglona
Commission Secretary

Date: 9/9/16

APPROVED AND ADOPTED ON: 15th day of September, 2016.


Justin S. Manglona
Commission Secretary

Date: 9/15/16