



COMMONWEALTH CASINO COMMISSION

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



MINUTES August 27, 2015

I. PRELIMINARIES:

- A. **Call To Order.** Chairman Juan M. Sablan called the meeting to order at 10:08 a.m. on August 27, 2015 at the Commonwealth Casino Commission Conference Room at the Springs Plaza in Gualo Rai.
- 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 and the Legal Counsel, Michael L. Ernest.
- C. **Adoption of Agenda.** Commissioner Manglona made a motion to amend the agenda to remove the minutes of June 26, 2015 as it was not available for action. He shared that only the minutes of June 4, 2015 meeting is available for action. Vice Chairman Reyes moved for the adoption of the agenda which was seconded by Commissioner Manglona. The motion was put to a vote and unanimously approved.

Vice Chairman Reyes also made a motion to amend the agenda to move Public Comments up to be item II, making Reports item III and so forth. The motion was seconded by Commissioner Manglona. The motion was put to a vote and unanimously approved. The agenda was adopted with the two (2) changes.

- D. **Adoption of Minutes. June 4, 2015**
Vice Chairman Reyes moved to adopt the minutes of June 4, 2015 meeting seconded by Commissioner Manglona. Motion was put to a vote and unanimously approved.

II. PUBLIC COMMENTS

Chairman Sablan acknowledged the presents of Best Sunshine International ("BSI") Representatives. Mr. Matt Harkness, on behalf of BSI, respectfully requested that the Commission move to a later date any discussions or actions pertaining to junkets. He explained that the reason for this is to allow BSI more time for an in depth discussion with the Commission staff and the Commissioners.

Chairman Sablan pointed out that BSI had already submitted their comments on the proposed junkets regulations. He asked Mr. Harkness if their request for more

time is separate from what was already submitted to the Commission. Mr. Harkness responded that it was a separate request from the comments initially submitted to the Commission. He explained that the postponement of this item would give him and his staff the opportunity go over in detail the junket regulations being proposed. He assured the Commission that BSI has no intention of bringing any junkets in until regulations are adopted and operators are licensed.

The Chairman advised Mr. Harkness that there is already a revised version based on earlier discussion with Mr. Alfred Yue. He instructed the Director to provide copies to BSI as it is considered the final version. The Director asked Mr. Harkness when BSI anticipates to implement junket operations. Mr. Harkness and Mr. Yue both agreed that the anticipated time frame is 60 days from now due to the state of the Island such as hotel availability and the power situation. The Director explained that Commission may be faced with a legal issue if it prolongs action any further on promulgating the junket regulations. He explained that P.L. 18-56 allows junkets and it is the regulators responsibility to lay down the rules as to how the junkets will be operated. He elaborated that the Commissioners have already had the opportunity to meet with Mr. Yue who brought to the Commission's attention problems affecting business license, fees and some of the more stringent part. The Commission have also had the chance to review the junket regulations of New Jersey, Nevada, Macau and more recently, the Pacific Amusement and Gaming Corporation ("PAGCOR"). The version being presented for adoption is a more refined one with the requirement for business license eliminated, the \$1000 application fee retained, and the patron list requirement removed, all considered based on the meeting with Mr. Yue. The Director shared that Commission felt the changes were sufficient enough to move forward in adopting the junket regulations. He reminded the BSI that these regulations will only be effective for 120 days in which time public comments will be accepted as well as any other additional comments BSI would like to submit for consideration. He emphasized the importance of taking action on this matter as mandated by statute.

Vice Chairman Reyes shared the same sentiments with the Licensee in deferring discussion on the junket regulations because he also needs more time to learn more on the issue and to familiarize himself better with how the operation works. He commented that this is something that shouldn't be rushed in all fairness to both parties, the CNMI Government and the Licensee. He recommended the Director and the Licensee meet to discuss what other concerns they have in relation to the proposed junket regulations as they are the experts in this industry and the Commission can be indoctrinated with their vast knowledge and experiences.

The Chairman asked Mr. Harkness how much time they would need to review the proposed junket regulations. Mr. Harkness replied that two weeks would be sufficient because they would also need to review it with the parent company in Hong Kong as they are the real experts in this area. He noted that Mr. Mark Brown is currently in Hong Kong and his review is also needed. Counsel Viola

Alepuyo informed the Commission that the BSI team can make themselves available at the Commission's earliest convenience to do a line by line review of the proposed junket regulations. The Director asked everyone to be mindful that the Commonwealth Register sets the 28th of each month as a cut-off date for publication of regulations.

III. REPORTS:

A. Report by the Chairman

The Chairman reported that the Commission has approved the operations of several slot machines. He commented that the remaining gaming machines will be approved once the casino management system problems are addressed. He announced that the Commission was provided a copy of HB 19-95 which is the proposed amendment to P.L. 18-56. He anticipates action from the House within a week or two.

B. Executive Director's Report

The Director reported the following:

- Office Partitioning-special order made and will arrive within the next few weeks. It will accommodate the 24 new employees.
- Office Signage-design is done awaiting quotation from vendors. So far Ideal Signs submitted a quote of \$900 for design, printing and installation. Zoning laws must be complied with when putting up the sign.
- Casino Surveillance Hours: office is open 24 hours with three shifts, eight hours per shift with at least two personnel. A schedule will be provided to the Commissioners. He thanked Best Sunshine for their assistance.
- Staff Recruitment-the JVA was announced from July 9 to July 20. There were 25 positions open for 17 different titles. The Commission received 102 respondents. The position of Manager for Audit & Compliance at \$65K per annum was not filled as there were no qualified applicants. When the budget is clear, the position will be re-announced. 24 employees were offered 90-day employment contracts. AG Ed Manibusan has assigned our Legal Counsel to review the personnel actions on behalf of the AG.
- The HR, Juanette Sablan has been designated as the official timekeeper. She will attend the next available timekeepers training through OPM.
- Uniforms and Badges are being reviewed by Manager Ed and Manager Velma. Once a color is selected, the Commissioners will be informed before any purchase requisition is prepared.
- Director announced the hiring of Angie Mamaril as the Accountant. Ms. Mamaril prepared a report updating the Commission's financial status from the \$1.5 million balance from the Lottery Commission. After all obligations are subtracted, there will be a balance of about \$355,000.
- The Director announced the hiring of Ian Morrell as the System Administrator. He is developing and designing a website which will be forwarded to the Commissioners for review. He will coordinate a date to take the photos of all the Commissioners to be used on website and the conference room wall portraits. He will also need the bio-data of each Commissioner. He will create email addresses

for all CCC staff and Commissioners that will fit into the website. Ian will be in charge of maintaining the website. The Commission will realize a lot of savings by having an in-house website designer.

- He announced that Ian and Andrew received training from Mario (GLI) and his partner. The training ran for a week and they are now comfortable and familiar in doing the EGM testing.
- The Legal Counsel has been working very hard with the amendments to P.L. 18-56. The Director thanked him for his diligence in this process.
- The Director announced that the review of the MICS is a major task. Various jurisdictions were used as references. The Office of Ernest & Young recommended the Missouri version to use as a model. For the meantime, BSI was allowed to use their own internal controls. He is confident that the MICS will be ready for adoption by the next meeting. He advised the Commissioners to continue reviewing the draft MICS.
- The Director briefly discussed an incident on the casino floor with regards to an irate patron carrying a knife in his backpack who was subsequently arrested by DPS. This is a safety issue for patrons, CCC employees and BSL employees. He recommended a joint meeting be organized with DPS and the BSL Security team for the establishment of better operating procedures.
- The Commission has received several applications from casino vendors/providers for the regular license. He tasked both divisions to assign their senior staff to begin the vetting process. So far, 10 provisional licenses were issued.
- With regards to the audit and compliance, the Director announced that the two auditors, Jun Palacios and Andrew Yeom and the Financial Analyst, Allan Dela Cruz, were tasked to start looking into and focusing on the daily master report for the gaming table, zone report, the slot, the CTR and the SAR. CCC staff has prepared a confidential summary report covering the period of July 26 to August 23 on the Baccarat table game. This report is strictly confidential.
- The CCC is working with Revenue & Tax in trying to understand the tax rate for the gross gaming revenue. It is the understanding that the tax percentage for the gross gaming revenue is treated the same as the Business Gross Revenue.
- He shared that an Auditing firm is preparing to submit a proposal to BSI and they needed some information from the Commission such as a copy of the MICS and whether financial statements need to be prepared in accordance with accounting principles generally accepted in the United States of America or other accounting principles. The Director advised BSI that the CCC did not release a copy of the MICS because it is still in its draft form in addition to its confidential nature. He recommended that BSI require the auditing firm to sign a confidentiality agreement. In the event BSI does decide to release requested documents, the Commission should be advised as to which document was released.
- Phone system has not been installed due to the unreliable power situation that could cause major damages to the system. The Chairman recommended we hold off on the installation until regular power is restored.
- Best Sunshine Live Update-386 casino employee and 20 casino key employee have already been licensed. The numbers will continue to increase. He advised BSI to provide all pending documents such as police report and child support declarations. Mr. Harkness responded to Commissioner Santos' inquiry on how

they determine who the key employees are which is not necessarily based on the position title but more on what their responsibilities are. The Director informed the Commissioners that the CCC has allowed BSI to identify who they feel is a key employee and a list of 20 names was provided to the Commission. Should the Commission feel that there are others that should be considered key employees, the matter would be brought up to BSI's attention.

- The Director reported that the regulations was revisited to authorized gaming machine which are GLI approved, not necessarily only GLI11 approved. The GLI team would have to return back to Saipan to retest and recertify the progressive machines. Other testing standards accepted by the CCC are the BMM and SIQ as long as GLI11 was met. Ian has tested the SIQ with the EGM and he can also test the Alfastreet machines before for approval is granted for its operations. He recommended that when GLI returns, technical training could be provided to the CCC as well as BSI.

IV. OLD BUSINESS:

- A. Continuing GLI Audit of Casino Gaming Equipment (CS-CNMI-20150429-2)
The Director announced that this matter was discussed earlier. He added to the earlier discussion and explained that when the CCC approved the operation of the 30 machines, a condition was imposed that BSI must have GLI provide the final audit and certifications of those machine within 60 days from August 22, 2015. The books on certification cannot be closed until those documents are provided.

- B. Public Law 18-56 - Discussion on status of proposed amendments
The Chairman recommended that this item not be discussed until the Commissioners have had a chance to review the version prepared by the Legislature. He shared that he will call meetings with each Commission on alternating days to do a thorough review of the House version of the proposed amendments.

The Director advised that the Commission be prepared to testify before the House as they will have questions. He announced that the proposed amendments has been pre-filed through House Bill 19-95. Some areas that were changed are on the Commissioners salary from \$75,000 to \$65,000. Also, a dollar figure was placed as the salary cap of management positions initially intended to be determined by the Commission. Additionally, he noted that language was added that whatever money if left from the 3 million after the fiscal year ends will be diverted to the SNILD.

The Chairman advised the Commissioners to review the draft bill and submit comments by Tuesday, September 1. The Director shared that he anticipates the House will entertain the amendments by the first week of September so we should be prepared with our comments.

- C. GLI Technical Training Proposal
The Director announced that GLI had submitted a training proposal a few months back but they submitted another one in the amount of \$6,800 which included

some exclusions. He wrote to GLI with a request to include the items not in the scope of work such as the inspection and verification of casino monitoring equipment, inspection and verification of casino jackpot equipment, inspection and verification of non-gaming equipment and inspection and verification of casino signage. As he mentioned earlier, the Director has asked BSI to jointly coordinate this training with GLI when they return back to Saipan to complete the final audit and certification of the gaming machines. He also recommended inviting the members of Department of Finance handling the e-gaming to join the training. The cost of the training will be shared jointly between BSI and the Commission since BSI would still have to bring back GLI to complete their audit.

Vice Chairman Reyes moved to approve the GLI Training Proposal with the cost to be negotiated at the discretion of the Chairman with the additional topics being requested. Motion was seconded by Commissioner Santos. It was put to a vote and unanimously approved.

D. UNLV Training Proposal

The Director recommended that this item be deferred until such time there's clarity with the Commission's budget.

Vice Chairman moved to defer action on this item. Commissioner Santos seconded and the motion was put to a vote with a unanimous approval.

V. NEW BUSINESS

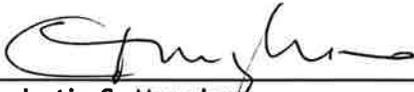
A. Adoption of Emergency Casino Regulations - Junket Operations

Legal Counsel Michael Ernest cited sections of P.L. 18-56 in relation to the Commission's statutory duties to adopt regulations. He recommended that the Commission adopt the emergency regulations and also adopt it for publication for public comments on the Commonwealth Register. He did not recommend the Commission adopt the junket regulations for emergency publication but do so for publication for public comments. He emphasized that in this way, the public can get involved and as the Commission's Counsel, he felt it will be better defense in the event the regulations are challenged for not being in compliant with the law.

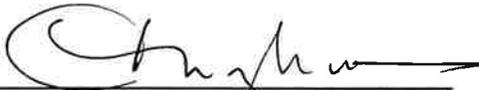
Commissioner San Nicolas commented that he respects Counsel's recommendation but would like more time to thoroughly review the junket regulations, therefore, he will not vote to act on the proposed junket regulations at this time. He agreed with Vice Chairman Reyes statement earlier in which he prefers to defer action on the junket regulations.

Commissioner Santos offered a motion to suspend action on the proposed junket regulations until such time all parties including Commissioner San Nicolas has had the chance to review it, as well as for BSI Officials on Saipan and Hong Kong to revisit it and submit their supplemental comments. Vice Chairman Reyes seconded the motion. It was put to a vote and unanimously approved.

The Chairman will call another meeting on September 10, 2015 in which the

Concurred by:  Date: 9/21/15
Justin S. Mangloha
Commission Secretary

APPROVED AND ADOPTED ON: 25th day of September, 2015.

 Date: 9/25/15
Justin S. Mangloha
Commission Secretary