



COMMONWEALTH CASINO COMMISSION

Commonwealth of the Northern Mariana Islands

P.O. Box 500237
Saipan, MP 96950



MINUTES

December 23, 2015

I. PRELIMINARIES:

A. Call To Order.

Chairman Juan M. Sablan called the meeting to order at 10:05 A.M. on December 23, 2015 at the Commonwealth Casino Commission Conference Room at the Springs Plaza in Gualo Rai, 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 and the Legal Counsel, Michael L. Ernest.

C. Adoption of Agenda.

Commissioner Santos offered a motion to amend the agenda by moving Miscellaneous up to item VI and Executive Session down to item VII. Commissioner Manglona seconded the motion. It was put to a vote and unanimously approved as amended.

D. Adoption of Minutes. November 13, 2015

Commissioner Santos moved to adopt the Minutes of November 13, 2015, seconded by Commissioner Manglona.

Discussion: Commissioner Santos asked the Director what the status was for the employee handbook. Director explained that the handbook project was temporarily put on hold because all able body including the Manager who is heading the development of the handbook, are currently busy with the processing of Casino Employee permit and licenses which are due to expire on December 31, 2015. He added that the previously, action on the handbook was suspended pending the outcome of H.B. 19-95 which is now P.L. 19-24. He reported that he plans to discuss the Commission's autonomy with the AG on their meeting next week. The CCC becoming autonomous would have a great impact on the handbook, he said. He informed the Commissioners that

the CCC is presently following the CNMI Government's Excepted Service Personnel Regulations and that there is no urgency for a handbook as it is necessary to obtain clarification on the extent of autonomy the CCC can fall under in addition to the anticipated reorganization of CCC personnel. He disclosed that the handbook is almost completed and Velma Lore, Administration Manager is taking the lead on the project. The Director noted that once the handbook is complete, it will first be reviewed by the Legal Counsel and then the Commissioners. The handbook will then have to be approved by the Commissioners, the Chairman stated.

Vice Chair Reyes reiterated the Director's position that clarification is necessary regarding the Commission becoming an autonomous government agency. He offered that it may be a good idea to also have the Legal Counsel render his legal opinion regarding the matter.

Commissioner Santos suggested that it may be a good idea to give the development of the handbook a few more months in order to have more time to discuss other personnel matters such as pay scales and personnel policies as it relates to the OPM's personnel policies. A target date of March was set to at least have the first draft available.

The Minutes of the November 13, 2015 was put to a vote and unanimously approved.

II. REPORTS:

A. Report by the Chairman:

The Chairman reported that on December 3, 2015 he wrote a letter to Mark Brown requesting a meeting with him and Mr. Jason Ji and other key officials of Imperial Pacific International to discuss in depth the financial capability and suitability of the Licensee to complete the Grand Mariana project. The scheduled date for this meeting is January 21, 2016, he stated. He elaborated that it is very important and within its statutory authority for the Commission to monitor the financial stability of the Licensee. He advised the Commissioners that once supporting financial documents are provided to the Commission, copies will be given to them for their review prior to the scheduled meeting date. He anticipates being provided supporting documents such as a letter of credit, bank account and financial statements.

The Chairman reported that on December 9, 2015, Ms. Elizabeth Chang who was the Corporate Director of Imperial Pacific out of Macau visited the Commission Office for an unscheduled meeting. Also present with her during the visit was Mr. Privick Proderly, a Representative from Morgan Stanley, Mr. Calfred Berkley of Prince Capitol Management Inc., and Editor of Asian casino journal. The purpose of their visit was to touch base with the Commission on the Licensee's efforts to secure more funding for its projects and to explore the Island of Saipan.

The Director elaborated that the group wanted to see how well regulated Best Sunshine was and that they spent almost two hours with the Commission going over some of the regulatory requirement and regime that the Commission already had in place. Discussion was also touched on whether Imperial Pacific will be listed on Wall Street in New York as it is currently listed as an index in Hong Kong. He hoped that the group left assured that the casino industry is heavily regulated and the regulatory regime is very solid. The group commented that an unregulated industry does not last very long, he shared. The Director asked the Editor of the Asian Casino Journal to share a copy of his article of his visit with the Commission when it's released.

The Chairman applauded Best Sunshine for completing the enclosure of the gaming area in response to the smoking issue.

The Chairman announced that the BSI team and the Commission have completed their thorough review of the MICS. Mike Ernest will consolidate all the changes and provide a copy to the Commissioners for review, he added. He advised the Commissioner to be prepared to review a very extensive and comprehensive document. He anticipates action on the final MICS by the January 21, 2016 scheduled meeting date.

The Chairman reported that the Commission is unaware of the status of the three million dollars regulatory fee in the form of a check which was delivered to the Larrisa Larson, Secretary of Finance. Ms. Larson has not been cooperative and has not advised the CCC as to the status of the check and whether it was already deposited. He is concerned that funds are fast depleting and that the CCC's operations might be hampered without access to those funds. He announced that he wrote a letter to the Governor requesting a meeting regarding this matter. In the meantime, he advised Ruth Ann to hold back on any further expenses until there's clarity on the status of the check.

B. Report by the Executive Director

The Director reported on the following matters:

- Public Health visited the casino site and gave their approval that the licensee is in compliance with the Smoke Free Air Act with the recent enclosure of the gaming floor. Minor findings were pointed out such as the posting of no smoking signs in some areas. Two Alfastreet slot machines were moved into the restaurant and three machines were moved to the bar making those facilities gaming areas. As a result of this move, minors are now prohibited from entering the casino floor. Guests who patronize Duty Free who are less than 21 year of age cannot enter the casino floor to get to the bus pick up area. Vice Chair Reyes had more concerns on this matter which he wishes to discuss under executive session.
- A meeting with the Attorney General has been scheduled for December 29, 2015 at 10:30 AM at the AG's Office. This meeting was requested by the

Commission to seek clarity from the AG on P.L. 19-24 in regards to Open Government Act and the word Autonomy. The AG will provide guidance on what information should be private or public. What is being considered private as of now are the BGRT, daily drop, daily master report, and master vendor report. Guidance will be requested from the AG whether these reports can be released to the media. There are great concerns on releasing tax information as it is protected locally and federally. It was decided that the Chairman, Commissioner Santos, the Director and Legal Counsel Mike Ernest will attend the meeting with the AG.

- The Dr. Al-Alou, Landlord of Springs Plaza has approved the Commission's request to expand its office at the northern back end where SM Mart is presently occupying. That would be an additional 1,000 square foot which would house the enforcement and the audit & compliance divisions. Additionally, the additional space will allow for the expansion of the conference room by moving the west wall. It will be necessary to hire a contractor to complete the expansion project.
- The employees second 90 day term will be expiring in January with a few expiring in February. Renewals would have to be submitted as soon as there's clarification on the funding source. The renewal would then be for one year not to exceed December 31, 2016 for all employment contracts. The CCC was granted 35 FTE's of which 27 have already been filled. More discussions on the different positions, re-classification and salary adjustments will be discussed under executive session.
- The Website is ready thanks to the hard work of Ian Morrell who is the Commission's IT Specialist. The launching will coincide with the annual report which is projected to be completed by the end of January 2016. The annual report will cover the entire 2015 year. Tentative schedules are being looked at. The Chairman requested if the annual report can reflect a section specifically to show the impact of contribution from Best Sunshine. He recommended obtaining a report from Best Sunshine to assist with the compilation of the report. The extent of what information can be included on the annual report would depend on the outcome of the AG's meeting. Vice Chairman warned the Director to exercise caution with the disclosure of documents from the licensee to avoid possible litigation on violations of the confidentiality act.
- Casino employee identification cards are now being issued here at the office as capabilities have already been established with the ID machine provided by DPS and the personal cameras of Ian and Velma. The project was spear headed by Ian Morrell (IT) and the administrative staff of Velma Lore (Administration Manager), Frank Ada (Inspector) and Christine (Administrative Officer). Casino employees no longer have to go to DPS for ID's. These employees have been working 7 days a week, through the night to get ID's printed out before the expiration date of December 31, 2015. The Chairman advised the Director to purchase a camera for the

office. To date Best Sunshine has 635 active employees that have or will be going through license renewals.

- Best Sunshine submitted a request that starting January 2, 2016, the slot machine drops will be 3 times (Monday, Thursday and Saturday) a week instead of daily. In Las Vegas, the slot drop is once a week so it's not out of the ordinary. The only thing this will affect is the Commission's ability to track it on a daily basis.
- The Commission is still processing four casino service provider applications for Laximo Technology, Aruze Gaming, Jade Entertainment and Vantiv Entertainment Solutions. Extra time is being taken in the review of these applications because these companies are from Asia and due diligence is being exercised. The Commission would have to decide if an ATM machine can be installed in the casino as one of the applicants (Vantiv) is the manufacturer of credit card and ATM machines. This may be an issue in reference to problem gambling and the importance of deterring the indigenous people from gambling. Credit card machines are not a problem for purchasing food and drinks but ATM machine has to be thoroughly thought through.
- Initially, Commission had one application for Casino Service Provider/Vendor. However, during the last meeting, Casino Vendor was separated. Casino Service Provider are the large slot machine manufactures while the casino vendor is not necessarily for gaming transactions. Casino vendor is anyone doing business with Imperial Pacific in excess amount of \$100,000.00 in any given year. If a casino vendor exceeds \$100,000.00 then they'll need to apply for a casino vendor license. One example is the company who constructed the enclosure wall at the casino. They did not have ample time to complete an application due to the deadline imposed on the licensee by the AG's Office. They were treated as a vendor who would have to apply for a license if the project cost will exceed \$100,000 or if they do any other projects for the licensee in one given year which would in total exceed \$100,000.00. The regulations which separated the casino service provider and the casino vendor were published on November 24, 2015. This provision would apply as of November 24, 2015 so forth and not retroactively. The threshold can be identified based on the monthly vendor list and that is how the Commission will monitor which vendor would need to apply for a license. R & V Construction who worked on the enclosure already paid the vendor license fee of \$3000 fee but have not submitted their application because they have not reached the \$100,000 threshold. Any other vendors who wish to do business with Best Sunshine would need to get clearance from the Commission before any project is started. He recognized Best Sunshine's effort for working with the vendors in making sure they comply with CCC Regulations.

- YWA Human Resources owned by Mr. Ben Fejeran is the only casino vendor who turned in an application and paid for the fee. The review of the application is almost complete, however, there is a tax related issue that needs to be discussed in executive session.
- The Casino Junket Application has been completed. The Commission has received numerous inquiries but the forms have not been distributed pending approval.
- On December 12, 2015, Imperial Pacific paid the Three Million Dollars in regulatory fee as mandated in Public Law 19-24 for Fiscal Year 2016. The law is clear that the Secretary of the Department of Finance (“SOF”) shall establish a separate account to receive this money. The check was hand delivered to the SOF by Legal Counsel Ernest. Prior to receiving the check, a letter was sent to the SOF on December 2, 2015 advising her of the anticipated receipt of the funds and to start preparing but no response has been received from her. Numerous follow-up were sent but to no avail. To date, the check has not been deposited in the bank nor has an account been established by DOF. Because of this delay, a request for a meeting with the Governor is pending.
- The JD Edwards System is up but the Commission is still waiting for Finance to train Velma, Angie and Juanette who will have access to the system. Ms. Bernie Palacios, Director of Finance and Accounting is aware of the Commission’s request for training. Unfortunately, only one person is assigned to train and her work schedule is full right now. Ruth Ann will follow up.

III. PUBLIC COMMENTS:

Mr. Alfred Yu explained that the group who visited the Commission were on island on a fact finding mission and due diligence on behalf of investors who are interested in the island and its new casino industry, the Government and the Regulatory Agency. According to Mr. Yu, the group was very satisfied with the Commission’s responses to all their questions and they were all very shock and impressed with the temporary casino. The group also met with the Director of the Marianas Visitors Authority Mr. Perry Tenorio to gain information on the tourist industry.

Mr. Yu disclosed that the Representative from Morgan Stanley was probably involved in the visit as a Representative of their clients/investors who are thinking of investing in Imperial Pacific International by purchasing stocks or providing financial assistance with IPI’s projects.

Mr. Charles McDonald, Legal Counsel for BSI, announced that the Department of Public Health (“DPH”) visited the casino numerous times but did not issue a violation. They did, however issue a citation for the employee room not having a no smoking sign. That problem was immediately fixed, he explained. The casino is in full compliance of the Smoke Free Air Act, he said. As a result of the enclosure, no

persons under 21 are permitted to enter the casino.

The Director advised Mr. McDonald that the lease agreement with the Landlord may need to be revisited and modified to comply with the law. Additionally, he added that it is also necessary for the parties on the lease to amend the section which states that in the event of a default, the contents of the casino floor may revert to Duty Free. That, he emphasized, is prohibited by law because casino equipment cannot revert to the Landlord as they are licensed equipment by the CCC. Mr. McDonald acknowledged the Director's concern. The Director also disclosed that the Commission is looking into the possibility that Duty Free may need to apply for a casino vendor license because it is doing business with the Licensee in excess of \$100,000.00. This may also apply to the Bank of Guam building owners as the Landlord.

Vice Chair Reyes expressed a different view of this matter. He stressed that Duty Free is only a landlord and is not doing any type of transactions in relation to gaming. He pointed out that if this is the case, then every land owner who has done business with the licensee should be subject to the same requirement. This, he felt, will be such a big task for the Commission to tackle which may be unnecessary as it does not directly involve gaming.

Legal Counsel Ernest commented that since the regulations have not been final in adoption yet, it will be very easy for the Commission to include an exemption for seller and lessor of real property along with other type of business as the Commission deems fit. Other vendor types may include: utilities, landlords, insurance companies, hotels, and banks, the Director suggested. More may be identified under miscellaneous matter in which time the Commission will entertain a motion for exemption on certain types of vendors.

Mr. McDonald requested to review a copy of the junket application which will be entertained later on the agenda. The Director lend Mr. McDonald his copy for review.

Commissioner Manglona moved for a recess, seconded by Commissioner San Nicolas. The motion was put to a vote and unanimously approved. The Chairman announced that the meeting will resume at 2:00 PM.

The Chairman called the meeting back to order at 2:07 PM. All Commissioners were present.

IV. OLD BUSINESS:

A. Public Law 19-24

The Chairman announced that P.L. 19-24 has limited the Commission's authority to license certain categories of employees. A list of what type of employees is listed in the law. Additionally, the Chairman commented that P.L. 19-24 also limited the regulatory fee the CCC can impose on the licensee. The amount, he

felt, may be insufficient to cover cost for licensing, investigations, equipment certification and auditing in addition to the CCC's operating expenses. The Chairman requested for the Legal Counsel Ernest to incorporate the changes in P.L. 19-24 in the regulations.

The Director elaborated that the Attorney General noted that one of the issues of concerns is that H.B. 19-95 was an appropriations bill. With that said, the Acting Governor treated it as such and proceeded to sign it into law as P.L. 19-24, he disclosed. Because it was an appropriations bill, the Acting Governor chose to line item veto certain areas of the bill such as the non-refundable credit, the provision that provides that the Legislature would have the ultimate revocation of authority, the provision in reference to casino employees being considered essential employees during austerity or emergency period. He agreed that we are essential but there was an error in the language which included the Commissioners as employees, the Director stressed. If that provision remains in the law, someone may challenge the issue of double dipping for the retirees who are part of the Commission. He added that the very important part of the law is that it increased Commissioner's terms from 4 years to 6 years and the compensation from \$40,000 to \$65,000 per year. Those, he felt were substantive impacts of P.L. 19-24. He congratulated the Commissioners on both changes.

Vice Chair Reyes emphasized the importance in getting clarification on the word "Autonomous" and how it will work for the CCC. He also requested clarification whether or not the Executive Director can indeed hire or fire the Commission's Counsel as stated in the law when the Counsel is under the Attorney General. That section is confusing and a legal opinion may be necessary, he said. The Director explained that regardless, all contracts need the approval of the AG.

Vice Chair Reyes advised the Director to push on the setting of account for the regulatory fee because the CCC is losing money in terms of interest with the check sitting on the shelf or in the drawer of the Secretary of Finance.

The Chairman issued a statement that with the higher compensation, it is very important for all Commissioners to be present at each meeting.

B. UNLV International Gaming Institute Training Seminar

The Director shared that in the last few weeks he has been in communication with Mr. Dennis Amerine and Mr. Bo Bernhart. The tentative dates set for the training is February 22 to March 4, 2016. It will be a 10 day training with Saturday and Sunday off. At the end of the training, certificates will be issued by the University of Nevada Las Vegas ("UNLV"), he said. The Commission has been searching for a training venue and the best one found thus far is the Joeten-Kiyu Library. There are two rooms presently undergoing renovation which shall be completed before the training dates. The Commission has already reserved one of the training rooms at the Library.

The UNLV already provided course descriptions but the Commission requested for several changes to focus a little more on investigations. Copies will be provided to the Commissioners for review once an amended description is received. The number of participants will be around 45 which will consist of Commission employees & Commissioners, Rota Commissioners, Tinian Commissioners and possible 3 participants from Best Sunshine. The Director explained that once the University finalizes the schedule and cost, the Commission will let the visiting participants know. The initial cost was estimated at \$154,000.00 but it is not final, he said. The Chairman stated that he would like for all Commission employees to be trained. Additionally, the Chairman emphasized the importance of following the CNMI Procurement Regulations when executing the contract with UNLV.

Vice Chairman Reyes suggested extending a courtesy invitation to the Legislature. The Director commented that they may attend to observe but certificates will not be issued to them or the cost will increase.

The Director suggested that March 4, 2016 could also be reserved for the Office Grand Opening to coincide with the issuance of the training certificates and the launching of the website.

Ultimately, Vice Chairman Reyes made a motion to budget the training cost at \$154,000 giving the Chairman and the Executive Director the authority to review and approve the contract once finalized by UNLV. Any amount above \$154,000 will have to be referred back to the Commissioners for consideration. Commissioner Santos seconded the motion. The motion was put to a vote and unanimously approved.

V. NEW BUSINESS:

A. Casino Commission FY2016 Budget

The Commission's FY2016 Budget was approved as presented by the Executive Director. A copy is on file for anyone who wishes to review.

B. Adoption of Casino Junket Operator License Application Form

The Director announced that in developing the form for the Casino Junket Operator License Application, he looked at Pennsylvania, Mississippi and Philippines and found Mississippi to be more reasonable and workable to the Commission's needs and regulations. He announced that the CCC's form is modeled to the Mississippi version. He added that Junket Regulations are already being published in the CCC's Regulations as Part 2600.

Vice Chairman Reyes moved to adopt the Casino Junket Operator License Application Form with a change in the disclosure of periods of employment from 10 years to 6 years. The motion was seconded by Commissioner San Nicolas. It was put to a vote and unanimously approved as amended.

VI. MISCELLANEOUS MATTERS

The Director requested to discuss and act on the following matters:

A. Rolling Chip Program

Vice Chair Reyes moved to approve the Rolling Chip Program as presented by Best Sunshine Live, seconded by Commissioner Manglona. It was noted that any changes to the Rolling Chip Program after its approval would have to be brought back to the Commission for review and approval anew. The motion was put to a vote and unanimously approved. A copy is on file.

B. Casino Service Provider License: Two -Year Licenses

Vice Chair Reyes moved to approve the Two-Year Casino Service Provider Licenses for SHFL Entertainment (Asia) Limited, TCS John Huxley America, Inc. and IGT. The motion was seconded by Commissioner San Nicolas. It was put to a vote and unanimously approved.

C. Casino Key Employees' Provisional Licenses

This matter will be discussed in length under executive session.

Commissioner Reyes moved to approve the provisional casino key employee licenses of Mark Brown, Donald R. Browne, Donovan L. Hallmark, Angela L. Hardesty, and Bruce G. Loprete. The motion was seconded by Commissioner Manglona.

Discussion: Commissioner Santos inquired how long the provisional license would be valid for. The Director announced that these provisional licenses will be good for one year. However, the key employees will be asked to submit the regular applications (Part II) within sixty days.

The motion was put to a vote and unanimously approved.

D. Gaming Areas

The Director explained that by Best Sunshine putting up the walls, it declared the entire casino as gaming area including the restaurant and the bar. Therefore, persons under 21 years of age are not permitted in the casino as it is considered gaming floor. The Director explained that this matter was included on the agenda for the Commission to define what is considered gaming area. Gaming areas will not include the office at the back, receiving area, and the employee lounge, he stated.

Vice Chair Reyes moved to approve the definition of gaming areas as the entire enclosed area at the T-Galleria where gaming occurs including the cashier's cage.

The motion was seconded by Commissioner San Nicolas. It was put to a vote and unanimously approved.

E. CCC Uniform and Badge

The Director announced that the CCC will procure uniforms for the staff. The staff have recommended a charcoal gray long sleeve shirt and navy blue pants.

F. Identification (ID) Badge

The Director presented several different ID samples for the Commissioners to choose from. He shared that each division and Commissioners ID's will be identified by different colors.

VII. EXECUTIVE SESSION

Commissioner Manglona moved to rise into executive session to discuss personnel matters and confidential key employee investigative matters with the Legal Counsel. The motion was seconded by Commissioner San Nicolas. It was put to individual vote and all voted yes. Executive session began at 3:43 PM.

Commissioner Santos moved to return to regular session, seconded by Commissioner Manglona. Motion was put to a vote and unanimously approved. The Chairman called the regular meeting back to order at 5:41 PM.

Commissioner Santos moved to extend for another 60 days any casino employee, key employee, vendor or casino service provider application that is expiring on December 31, 2015. Vice Chair Reyes seconded the motion. It was put to a vote and unanimously approved.

Action on vendor license exemptions will be discussed on the next meeting pending proper identification and language on what type of business should be exempted. The Legal Counsel was asked to come up with the language.

Vice Chair Reyes moved to recess, seconded by Commissioner Manglona. The motion was put to a vote and unanimously approved. The Chairman called a recess at 5:50 pm on December 23, 2016.

The Chairman called the meeting back to order on Monday, December 28, 2015 at 2:00 PM. Members present were Chairman Juan M. Sablan, Vice Chair Joseph C. Reyes, Commissioner Alvaro A. Santos and Commissioner Martin DLG. San Nicolas. Commissioner Justin S. Manglona was off island and was therefore excused by the Chairman.

As of meeting date, the Commission has received information that the SOF already deposited the three million dollar check which required a \$100 fee for expedited clearing because it was from a bank other than Bank of Guam.

VIII. ADJOURNMENT.

Vice Chairman Reyes moved to adjourn the meeting. Commissioner San Nicolas seconded the motion. It was put to a vote and unanimously approved. The meeting was adjourned at 3:49 P.M. on December 28, 2015.

Prepared by:  Date: 2/16/16
Ruth Ann P. Sakisat
Executive Assistant to the Commission

Concurred by:  Date: 2/18/16
Justin S. Manglona
Commission Secretary

APPROVED AND ADOPTED ON: 19th day of February, 2016.

 Date: 2/19/16
Justin S. Manglona
Commission Secretary