



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



MINUTES
January 22, 2016

I. PRELIMINARIES:

A. Call To Order.

Chairman Juan M. Sablan called the meeting to order at 10:10 A.M. on January 22, 2016 at the Commonwealth Casino Commission Conference Room at the Springs Plaza in Gualo Rai, Saipan.

Chairman Sablan welcomed Mr. Jerry Wen-Zhao Xie, who is the Chief Financial Officer visiting from the Hong Kong Company. He shared that Mr. Xie will be providing the Commission much needed financial information regarding the Grand Mariana Project.

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). Commissioner Martin DLG. San Nicolas (PA & MR Officer) was not present at the meeting due to a doctor's appointment he had to attend. Chairman Sablan excused Commissioner San Nicolas. 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 Public Comments up to item number II, Executive Session up to item number III and everything else would follow as it appears on the agenda. However, Chairman Sablan offered an amendment to Commissioner Santos' motion. The Chairman's motion was to move up item number IV. New Business A. Imperial Pacific International (CNMI), LLC-Financial Report (The Grand Mariana Project) to item number II, followed by III. Public Comments and IV. Executive Session and everything else subsequently following. Commissioner Manglona seconded the motion. It was put to a vote and unanimously approved as amended.

D. Adoption of Minutes. November 25, 2015

Commissioner Santos moved for the adoption of the November 25, 2015 minutes, seconded by Vice Chair Reyes. The motion was put to a vote and unanimously approved.

II. NEW BUSINESS:

A. Imperial Pacific International (CNMI), LLC - Financial Report (The Grand Mariana Project)

The Director apprised the audience that on December 3, 2015, the Chairman 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. In response to the Chairman's request, the Commission received a letter from Mr. Mark Brown (CEO) with Imperial Pacific's annual report attached. In addition to Mr. Brown's submission, the Commission also met with Mr. Jerry Xie who briefed the Commission on certain financial data. The Director allowed Mr. Xie to share with the public the progress of the Grand Mariana project and to answer any questions or concerns that the Commission may have.

Vice Chair Reyes inquired if a Construction Manager (CM) has already been identified to oversee the project. Mr. Brown replied that MCC is the main contractor servicing the project. Mr. Xie elaborated further and explained that Hsin Chong, a management company will aid MCC in the management of the construction on behalf of the owner together with the owner's in-house project management team. He elaborated that Hsin Chong Management Company is out of Hong Kong and that it is a publicly listed company with many casino projects in Macau. He shared that MCC is already on the project ground and their employees have valid working visas as opposed to Hsin Chong who is in the process of setting up their office on Saipan. The in-house project manager is MK.

Vice Chair Reyes stated that it is very important for these companies to collaboratively work with the involved CNMI Government agencies to ensure the smooth completion of this big project without any problems down the line. He pointed out infrastructure needs, traffic flow concerns and waste water demand among others, in addition to liquidated damages should the project not be completed on time as stated in the license agreement.

Counsel Alepuyo assured the Commission that although the contractors and construction manager are from a foreign jurisdiction, the Licensee is also working closely with the Hofschneider Engineering firm who are locally based. In addition, other government agencies such as Zoning, CRM and DPW are involved as they are the regulatory agencies that issue necessary permits, she explained. Counsel Alepuyo clarified that based on the License Agreement, the provision on liquidated damages does not apply to the initial phase (Grand Mariana) but rather Phase I.

III. PUBLIC COMMENTS:

Mr. Browne reported that as of today, BSI has 815 employees of which 65% are local. He shared that the temporary facility is now fully enclosed, however there is still the issue of persons under 21 transiting through the casino floor. He announced that with the temporary casino, the numbers have exceeded expectations. He informed the Commission that the Grand Mariana site is still on schedule. The casino block portion of the project and the beach front area will be open at the end of the year while the construction of the rooms are ongoing, he divulged.

Mr. Xie reported that the Grand Mariana project is progressing well. He shared that in reference to availability of funds, the information is publicly available which he can divulge. In order to finance the project, there are many sources of funding. One source is capital market which is a norm in how a public company is financed, he said. MGM and Sands operate in a similar way, he stated. He added that those companies also go out and raise equity and bonds to finance their projects. He announced that Imperial Pacific has done two fund drives since they received their casino license. He explained that another source of funding is the operating cash. He added that their November and December 2015 turnover which was publicly announced showed healthy numbers by industry standards. Mr. Xie issued the following statement, "if we manage our business properly in terms of cost control and everything, and if we were able to maintain this momentum into 2016, we believe that there will be substantial profit from the operations itself which can be diverted for working capital purposes as well as for capital spending purposes for the Grand Mariana project".

He added that the company already spent millions of dollars on this project and that there is no turning back. Vice Chair Reyes emphasized the importance of getting DPAC on board. The Director advised Counsel Alepuyo that all workers and subcontractors must follow federal and CNMI laws. Workers are not allowed to come in as tourists and then stay to work at the project. Chairman Sablan cautioned on actions that may hamper the visa waiver program. The Director requested for a list of subcontractors.

Mr. Xie disclosed that the company has already raised three hundred million US dollars in terms of capital market from two fund drives held in December 2014 and August 2015 in which much of the money is being spent for the Grand Mariana project as well as other purposes in Saipan. He assured the Commission that Imperial Pacific is committed to Saipan and all their proposed projects on the island. Mr. Xie further explained that the apparent funding gap will be addressed in the next 6 months through capital market which will be the chunk of the funds in addition to operating cash flow. Mr. Brown had just returned from meeting investors in Japan, Korea and Hong Kong and will be heading to the US to meet more, he announced.

The Director wanted the Commissioners to know that contrary to what was published in the paper, Best Sunshine and Imperial Pacific and all its subsidiaries do pay BGRT from non-gaming and BGRT rate on the gross gaming revenue and employee withholding tax. In addition, the licensee has contributed a significant amount to the purchase of goods and services from local vendors. He felt it is very important for the record and the media to correct this misunderstanding. He noted that the Commission's auditor and compliance section are doing their due diligence to review all tax reports and financial records.

The Director asked Mr. Brown if the plans to open more VIP rooms is still in the planning phase. He noted that he understands that the VIP rooms bring in the bulk of the revenue. Mr. Brown explained that two more tables will be added where half of the bar is located. The other VIP room will be in the area where the slot machines are located, close to the bathroom. Mr. Xie explained that the expansion of the VIP area is necessary to give current players more VIP room for more comfort to enhance their player experience so they can become repeat customers. They might also bring in new players, he added. He noted that the space right now is very limited and sometimes there are clashes of schedules for players. At the Grand Mariana, he estimates VIP tables will probably account for roughly forty percent of the total table numbers.

Vice Chair Reyes inquired if BSI is having difficulty finding local workers. Mr. Brown divulged that presently sixty-five percent of the number of their employees are locals just in the temporary site and he feels that's a great number. However, he estimates the Grand Mariana will need about four thousand employees so it will be probably be a challenge to have the same percentage of local hire. However, he stated that they are committed to provide training to the local labor pool to stay within the sixty-five percent goal.

Commissioner Manglona shared that there are many individuals in Rota who are willing to relocate to work in the gaming industry here but their biggest concern is housing cost. Counsel Alepuyo disclosed that there are plans to offer training in both Rota and Tinian. She announced that many locals who are off island are submitting their resumes online to the company and some have actually returned and found employment with their company. She then announced the recent hiring of Mr. Dave Guerrero as the Director of Compliance.

The Director asked if there are any progress with the annual work plan with Department of Labor ("DOL"). Counsel Alepuyo reported that the people in charge with training have twice met with DOL. Rounds of meeting have also been conducted with NMTI and NMC and with PSS in week or so, she added. The Director informed BSI that the Commission met with Ms. Edith Deleon Guerrero of DOL to follow up on the license agreement and to address CCC licensing concerns for BSI employees who do not hold a US status. The Commission wanted to understand the different immigrations status and to clarify the periods of authorized labor, he explained.

Commissioner Santos inquired if Best Sunshine is operating a junket operation on its own and whether it's marketing itself. Mr. Brown replied that BSI only offers a rolling program or a premium player program. Presently, they are running the 1.3 rolling program, he announced. However, the rate can be adjusted to adapt with the times, he added. Will the approved rolling chip program be any different from the junket, the Director asked. Mr. Brown explained that the only difference will be that credit is allocated to only one individual but the program itself will still be the same.

To address Commissioner Santos' inquiry on air travel, Mr. Brown shared that a VIP lounge is being built at the airport commuter terminal where the restaurant used to be for private jets to utilize. The Director inquired if BSI is expecting high rollers to arrive in their yachts? Mr. Xie explained that their yacht was not built for use in the Pacific Ocean as it is rougher than the Mediterranean. Even just the travel from Guam to Saipan was very rough which made the crew sick because their particular yacht was not built for high seas rather for the Mediterranean which is much calmer. The Director inquired where the other four yachts will be docked as space is limited at the port. Counsel Alepuyo announced that they are working with CPA to address that issue.

Commissioner Santos asked Mr. Brown if the master plans for the development of the integrated resorts have a supplement system of water supply in the event of a drought such as the desalination process. He remembered back to the time when the garment factories were around and the water supply was an issue in the community. Mr. Brown informed the Commissioners that discussions have come up with the Hong Kong office. He added that for the initial phase, they've received assurance from CUC that the island's water supply is sufficient to accommodate the Grand Mariana. For the other future developments, experts will be brought to assess the island, he said. Chairman Sablan recommended that an expert still be brought in to assess the water supply for the Grand Mariana because sometimes CUC's information is unreliable.

Commissioner Manglona raised a concern about the traffic congestion in the Garapan area. Counsel Alepuyo assured the Commission that the issue is being addressed by their company, DPW, Zoning and eight other regulatory agencies. There's a traffic plan to have one way streets in the entire downtown Garapan which still needs to be approved by CRM, Zoning and DPW, she said. She further disclosed that there are other ongoing projects in the Garapan area such as the upgrade of the sewer lines and other infrastructure improvements, all financially shouldered by Imperial Pacific.

IV. EXECUTIVE SESSION

Vice Chair Reyes moved to rise into executive session to discuss in further details the financial information for the Grand Mariana project. The motion was seconded by Commissioner Santos. It was put to a vote and all voted yes. Executive session began at 11:49 AM.

Commissioner Santos moved to rise out of executive session, seconded by Commissioner Manglona. The motion was put to a vote and all voted yes.

The Chairman immediately thereafter called for a recess at 12:43 PM. Meeting will reconvene at 2:30 PM, he announced.

The meeting reconvened at 2:40 PM.

V. REPORTS

A. Report by the Chairman

The Chairman reported that the Commission was paid a courtesy visit by Ms. Margaret Ji, who is the major investor of Imperial Pacific International and the mother of Mr. Jason Ji. Ms. Ji expressed her interest to stay on Saipan and wishes to make it her second home. He also shared that the Commission also met with Mr. Walter Macaranas (NAP) and Mr. Jesse Palacios (NMHC) to jointly find solutions on how to deter recipients of such programs to be prohibited from playing in casino. Vice Chair Reyes agreed with the Chairman's intention but commented that enforcing such prohibition might be very challenging. The Director offered that self-exclusion is another option as a condition of receiving such benefits. However, these proposals will have to be approved by the federal government, he stressed. Counsel Ernest advised that if that is the direction the Commission, NAP and NMHC are taking, it must be included in the regulations. He has started drafting regulations for self-exclusion for the Commissioners to review. The consequence for violating the self-inclusion provision would be a charge of trespassing to be prosecuted by the AG's Office and the mandatory minimum period will three years, he recommended. Commissioner Santos favored the idea as it shows social responsibility on the Commission's end.

B. Report by the Executive Director

The Director reported on the following matters:

Budget: The 3 million dollars has been secured. The Commission now has three accounts connected to operations: 1) Account No. 7170 derived from the original, non-refundable two million dollars application fee which was shared with the Lottery Commission. Lottery Commission used a little over \$500,000.00 from those funds, 2) Account No. 7170A is the account the 3 million dollars regulatory fee went into, 3) Account No. 7171 is the account where all the various licensing fees go into with a present estimated balance of a little over \$300,000. He suggested requesting the Secretary of Finance to consolidate account 7170 into Account 7170A. The Commission's FY2017 Budget which is due at the end of February will potentially include funds from all three accounts. 4) Account No. 4 is from the \$1,000.00 appropriated for FY2016. The funds from this account will be used in the fourth quarter for office supplies. The funds in account no. 7171 will be available for FY2017.

Staff: Public Law 19-24 authorized 35 FTE. 9 positions will be announced on the newspaper for the next three Fridays. A list of the job vacancies will be posted at various locations to include CNMI Labor and the Office of the Governor. The goal is to try to get all the employees on board before the UNLV training. Commissioner Santos will sit in the interview for the Audit Manager. All employment contracts will be renewed up to December 31, 2016 and on a yearly basis thereafter. The reason behind the inability to offer a contract beyond a year is that the funds will be locked in. The Commissioners favored a contract of 2 years.

Commissioner Santos suggested investing on a short term basis at least 1.5 million to make the cash flow work for the Commission instead of the funds sitting in a low interest bearing account. This, he offered, can be discussed further another time. Director announced that at this present time, the Commission does not have the authority to put the funds in the bank and that it must be handled by Department of Finance. Vice Chair Reyes again emphasized the word autonomy and asked Counsel Ernest to issue a legal opinion on the issue of autonomy. The Director shared that Counsel Ernest was already tasked to research the matter of autonomy and the Open Government Act in Washington State and all amendments. Director suggested reviewing this issue at a later time after further research.

Procurement: The Landlord has given the green light to extend the Commission office by another 1,000 square foot in the back area presently occupied by SM Mart. That area would be for the Commissioners. Rooms will be larger than the present size. The Audit Manager and one more staff can also be stationed in the Commissioner's area. The conference room will be extended another five feet in length so there's more area for gallery chairs. A big smart TV will be purchased for the conference. Other expenses will be for computers for staff, renovation costs, fingerprint and badging system, furniture for new Commissioners office, uniforms and radio (connected to Homeland Security). The radios are for Enforcement Agents, the Director and the Chairman.

Best Sunshine requested to start a table game called Casino War which is still being reviewed. More information will be forthcoming. Movement of 20 Alfastreet machines are ongoing. They were found to be unpopular. Six new machines were purchased from IGT and will request for approval will be submitted to the Commission.

Others: Speaker Rafael Demapan has requested for arrangements to be made for the Minority Members to visit the casino. The visit date is scheduled for Wednesday, January 27, 2016.

Best Sunshine is preparing to revise their handbook to include provisions on drug use or drug testing. With the CCC, pre-employment drug testing is required and random drug testing is being researched.

The regulations are being revisited with regards to licensing of owners to see and

access financial documents. As it stands, unlicensed persons, including the owners, are prohibited from accessing financial information.

The Director requested that the Casino Service Provider licensing procedures be revisited to allow the granting of provisional licenses to non US license holders on a case by case basis depending on the urgency or need of the licensee. The Director will include this on the next meeting agenda for action by the Commissioners.

Mr. Dennis Amerine will arriving in the CNMI to do a project for Tinian Casino Gaming Control Commission. He would like to introduce him to the Commissioners and possibly host him for lunch.

Counsel Ernest announced that he drafted a bill that would take care of the Commissioners being employees issue during budget shut down as stated in P.L. 19-24 which he will provide Commissioners for review. The Director announced that P.L. 19-24 is a law in its entirety and that the Governor's line item veto are void.

Director inquired with Counsel Ernest if the Commission has the authority to promulgate regulations to allow minors in the casino for transiting purposes only in a clearly marked pathway. Counsel Ernest responded that it could but once that is done, the AG's Office and Public Health will most likely issue violations for minors in smoking areas. Chairman Sablan referred to page 18 of P.L. 18-56 as the basis to allow transiting of minors. Counsel Ernest replied that the provision only applies to employees under 21 who are licensed by the Commission. The Director informed the Commission that Ms. Marianne Pierce will be submitting a letter to the Commission requesting for an exemption on the regulations for minors to transit through the casino to get to the bus area. The Director also added that there's a draft house bill that Speaker Demapan brought to his attention for this purpose. The Speaker advised the Commission that it would better if this issue could be addressed through regulations rather than through law, he said. Counsel Ernest commented that it will be better for the Commission to allow the legislature to handle this issue. The Chairman agreed with Counsel Ernest and added that the Commission does not need any more negative attention.

VI. OLD BUSINESS:

A. UNLV International Gaming Institute - Casino Regulatory Enforcement Training

The Director announced that the current agreement with the UNLV is that two instructors will be conducting the two-week training tentatively scheduled for February 22 through March 4, 2016. The maximum number of participants allowed is 45. The Rota and Tinian Commissioners are aware and have reserved 5 slots but no formal communications have been initiated between the Commission and them until more concrete details are received from the UNLV on the figures. He shared that the contract is still being negotiated and an issue that was already

ironed out was who will be responsible to produce the training materials. The Director was happy to share that UNLV has agreed to produce the materials and to pay for the shipping cost here. More details are forthcoming as far as the required payment schedule and other details, he said. The contract for the training will be executed between only the Commission and the UNLV, he announced. The amount of the contract approved by the Commission is \$150,000.00 for 45 participants and it will be the Commission's discretion who to invite. How to extract payments from outside participants needs to be discussed further at a later time, the Director commented. Vice Chair Reyes shared his concern whether it will be appropriate for the Commission to use its funds to pay for Rota and Tinian Commissioners participation. Counsel Ernest replied that it could be considered joint sponsorship and they can contribute to the training in other ways. The Director explained that if the Commission acting as a majority decide to extend a certain number of seats out of the 45 to our neighboring regulators that is the Commission's discretion.

For the record, Vice Chair Reyes made a motion to accommodate the expenses for the Rota and Tinian participants should they be unable to pay. Commissioner Manglona seconded the motion. It was put to a vote and unanimously approved.

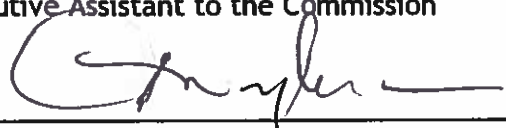
Vice Chair Reyes requested if the Legislature can be extended a courtesy invitation to observe in the training.

VII. MISCELLANEOUS MATTERS: None

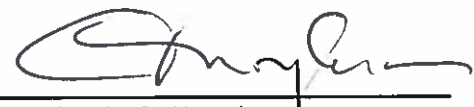
VIII. ADJOURNMENT.

Commissioner Santos moved to adjourn, seconded by Commissioner Manglona. It was put to a vote and unanimously approved. The meeting was adjourned at 5:02 P.M. on January 22, 2016.

Prepared by:  Date: 02/29/16
Ruth Ann P. Sakisat
Executive Assistant to the Commission

Concurred by:  Date: 2/29/16
Justin S. Manglona
Commission Secretary

APPROVED AND ADOPTED ON: 4th day of March, 2016.

 Date: 2/7/16
Justin S. Manglona
Commission Secretary