



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



MEETING MINUTES
July 14, 2016

Juan M. Sablan, Chairman
Joseph C. Reyes, Vice Chairman
Justin S. Manglona, Secretary
Alvaro A. Santos, Treasurer
Martin DLG San Nicolas, Public Affairs

I. PRELIMINARIES

A. Call to Order

Chairman Juan M. Sablan called the meeting to order at 10:08 A.M. on July 14, 2016 at the Joeten-Kiyu Public Library (Technology Room) in Susupe, Saipan.

B. Roll Call

Commissioners present were: Juan M. Sablan (Chairman), Joseph C. Reyes (Vice Chairman), Justin S. Manglona (Secretary), and Martin DLG. San Nicolas (PA & MR Officer). The Chairman announced that Commissioner Alvaro A. Santos (Treasurer) was absent due to an emergency he had to attend to, therefore he was excused. Also present were the Executive Director ("Director"), Edward C. Deleon Guerrero, the Executive Assistant to the Commission, Ruth Ann P. Sakisat, Legal Counsel, Michael L. Ernest and all Division Managers.

The Chairman welcomed all Representatives from Best Sunshine and thanked them for their attendance in every meeting. He also welcomed other member of the public who were in attendance.

C. Adoption of Agenda

Commissioner Manglona made a motion to amend the agenda to include the following:

- To add four additional names under number V. New Business item A. Casino Key Employee Provisional License. They are: (1) Chan, Chi Pang, (2) Evans, Teresa D., (3) Lo, Hoi Leong, (4) Ng, Tze Wan.
- To hold discussions under Miscellaneous on Imperial Pacific International's (IPI) response to the Director's July 13, 2016 request for updates with the exception of financial matters which will be discussed under executive session.
- To move Miscellaneous Matters up to number III and Executive Session up to number IV. All other items on the agenda will follow.

Commissioner San Nicolas seconded the motion. It was put to a vote and unanimously approved as amended.

D. Adoption of Minutes-April 26-28, 2016 and May 12, 2016

Vice Chair Reyes moved to adopt the April 26-28, 2016 minutes, seconded by Commissioner Manglona.

Discussions: Vice Chair Reyes asked the Executive Director for updates on the matter of salary cap exemption for Mr. Charlie Atalig and the purchase of computers and equipment for the Commission which he recommended to discuss further under the Executive Director's report. The Chairman asked for an update on Ms. Eileen Babauta's presentation on IPI's internship program, including information whether an agreement has already been reached with the Public School System (PSS) to begin training students in preparation for employment in the non-gaming areas at IPI. He recommended detailed language be included in the regulations on this subject matter. The Director informed the Chairman that there's already language in the regulations with regards to this program. He recommended further discussion be taken up under number IV. Item C. Consideration of comments on Casino Regulations.

The motion was put to a vote and unanimously approved.

Commissioner Manglona moved for the adoption of the May 12, 2016 minutes, seconded by Vice Chair Reyes.

Discussions: The Chairman referred to page 6 in which Mr. Paul Zak shared a concern regarding Best Sunshine's hiring practice. The Director suggested discussing this matter further under miscellaneous during IPI's update report.

The motion was put to a vote and unanimously approved.

II. REPORTS

A. Report by the Chairman

The Chairman announced that he tasked the Director to identify potential government land for the Commission to build its permanent office. He shared that he plans to appoint committees which will include a committee to look into the sites and logistics.

The Chairman touched a little on the meeting with Representative Joseph Lee Pan Guerrero which was held on Tuesday, July 12, 2016. He felt that some of Rep. Guerrero's questions were more financial questions and not so much related to Commerce and Tourism. Rep. Guerrero raised a concern that Best Sunshine is purchasing apartments making it difficult for local residents to find a place to live. The Chairman shared the same sentiment as Rep. Guerrero as he, as well wants to know whether this apartments are being purchased for staff housing or as future investments. He elaborated that the licensee should focus all its resources

to complete the Grand Mariana and the other phases. Diverting revenues for future investments other than what's in the license agreement is a major concern, he added.

The Chairman shared that continued review of the MICS and the Regulations are ongoing and that the Commission has received several concerns from BSI on both documents. He noted that it is important to hear BSI's inputs in addition to what the Commission is learning from all the training, conferences and workshops that have been attended. He felt these are necessary for the final product to be workable and abideable. He encouraged more training for Commissioners and staff which in return will assist the Commission in establishing good policies for the next forty years.

The Chairman asked Mr. Angela Hardesty to finalize their review of the MICS and to gather all their concerns which can be discussed in one final meeting. Previous concerns were supposed to be addressed and voted on during the July 14, 2016 meeting but discussions were suspended due to BSI's additional comments submitted to the Commission on July 8, 2016, he noted. He emphasized the importance of finalizing the MICS by the next Commission meeting.

Vice Chair Reyes suggested holding off on the issue of building a permanent office. He explained that it will be better to wait until the Commission has a better idea on the development and completion of the Grand Mariana. He agreed that it's a good plan but he felt strongly that now is not the time for the Commission to spend money on a building then realizing later down the line that more staffing and office space will be needed. He noted that better assessments should be done taking into consideration that the situation could change after the completion of the Grand Mariana. He recommended that funds should first be used for staff development and training.

The Chairman acknowledged Vice Chair Reyes' suggestion and added that the special committee he plans to create will look into the office requirement, logistics, land, loan, grants and other financial aspects surrounding the proposed building. He explained that it may take a few years before these plans materialize but noted that now is a good time to secure at least the land.

B. Report by the Director

The Director reported the following matters:

Financial: CCC expenses for the month of June is over \$100,000. The balance in Account 7170A is 1.3 million dollars. The letter in response to Chairman of Ways and Means Committee, Rep. Joseph Lee Guerrero highlights the specific amount of balances in the CCC's four accounts. The content of the response to Rep. Guerrero will be included as an official attachment to the minutes.

Vehicle: The Commission is preparing to put an ITB out for the purchase of a pick-up truck. The truck will be used to move equipment and gaming devices that are confiscated. The vehicle will be assigned to Enforcement & Investigations.

Office Equipment: The office equipment purchased through ITB are starting to arrive. All items should be received by the end of July.

IAGR: The IAGR 2016 Conference is scheduled for October 31-November 3, 2016 in Sidney, Australia. All Commissioners are jurisdictional voting members of IAGR. More information will be forthcoming.

Office Partition & Furniture: The RFP for office partitions and furniture closed on July 7, 2016. The RFP was announced in a local newspaper with only one submission as of the closing date. The procurement process has begun for Mechille Corporation. Delivery will be 50 days upon execution of the contract. The lease of our office space will expire in March 2017 but can be renewed at our option.

Personnel: When Nancie Ripple Celis resigned, her position was announced in-house. There were four interested individuals who applied internally. Upon review of credentials and the interviews, Patrick P. Sablan was selected to fill the position of Senior Special Agent. In line with Sablan's promotion, Julie A. Omar was promoted to replace Patrick as a Senior Special Agent. There will be an announcement in the paper which will run throughout the month for the position Julie will be vacating (Enforcement Agent II).

Training Programs: The first training program will run from August 16-18, 2016. The topic is US Title 31-Suspicious Activity & Risk Assessment. This will be a conference & expo which will be held in Las Vegas, Nevada. The registration fee is \$1,195. Calculations for the total trip package were provided to the Commissioners. Commissioners are welcomed to attend the training. The staff that are recommended to attend are: Chief Edward Cabrera, Senior Special Agent JB Cepeda, Compliance Manager Andrew Yeom, Compliance Officer Angie Mamaril, Audit Manager Charlie Atalig, and Legal Counsel Michael Ernest.

The second training will run from October 24-28, 2016. The topic is Casino Auditing I & II which will be held at the Stan Fulton Building, International Gaming Institute (UNLV) in Las Vegas, Nevada. A total cost calculation was also provided to the Commissioners. The staff that are recommended to attend are: Audit Manager Charlie Atalig, Senior Auditor Eleuterio G. Palacios "Jun", Financial Auditor Jolene Benavente, and Compliance Officer Angie Mamaril. Commissioners are again welcomed to attend. This training was brought to Director's attention by Audit Manager Charlie Atalig.

Upon completion of the audit training, the audit team will begin establishing audit schedules, procedures and strategies. However, before the CCC establishes its audit policy, a meeting with IPI's financial and compliance team should be arranged so that both parties can come up

with an understanding on what the law, regulations and the MICS require. Compliance to the MICS will be added as an additional component into the annual audit report.

Deloitte and Touche resigned as IPI's auditor. Ernest & Young took over. A meeting was held with Ernest & Young at the invitation of Audit Manager Charlie Atalig. The CCC looks forward to working with the newly selected auditors. The Ernest & Young team consist of a Senior Auditor who is a former regulator from the Nevada Gaming Control Board. Ernest & Young has the expertise to do both financial and compliance audits. The company is internationally recognized and they are familiar with the casino operations.

The third training is ongoing and it's in computers. It's being provided here in the CNMI at the Northern Marianas College (NMC). IT Manager Ian Morrell and his Assistant Jerome Bermudes are attending the training which will run from July 11-August 5, 2016.

Development Planning Advisory Committee (DPAC): Based on the announced RFP, four vendors submitted but only three were reviewed. The status of why the fourth submission was not reviewed is unknown. The Committee comprised of Public Works (DPW), Bureau of Environmental Coastal Quality (BECQ), and Mr. Chris Fryling (IPI Representative) have met several times and have completed their review and recommendation to the Governor. The companies are: Pacific Century Inc., Martech Services Inc. and Rim Architect. The recommendation is now before the Governor for a decision on which company will be awarded the DPAC contract. Commissioners will be informed once a selection is made.

Visitors: Mr. Brian Smith, Special Agent from the Nevada Gaming Control Board will be arriving on Saipan on July 19, 2016 and he will be on island until the 21st. The CCC's investigative staff have been assigned to accompany Mr. Smith while he investigates Mr. Matthew Harkness who is applying for a key employee license with the Nevada Gaming Control Board. The CCC will use this opportunity to try to establish a relationship for the use of Nevada Gaming Control Board's training academy in addition to trying to set up a meeting with the board and the CCC staff who will be attending the US Title 31 conference in August. Audit Manager Charlie Atalig had already begun initiating communications with the audit component of the Nevada Gaming Control Board to arrange on the job training for the staff who will be in Las Vegas for the FinCEN training. Ms. Diana Presson, Liaison Officer, is checking with the Nevada Gaming Control Board Chairman if the issue of confidentiality within Nevada laws would allow CCC staff to receive on the job training in audit and enforcement & investigation areas.

HB 19-20: The CCC is still waiting for an official response from Department of Finance on a request for various information affecting poker, pachinko and e-Gaming. Information will be transmitted to the Commissioners upon receipt.

IPI Correspondences: A letter from IPI was received on June 29, 2016 requesting for the Commission to allow the introduction of Hong Kong dollars in the VIP Room. Discussions with

the Legal Counsel are ongoing to determine whether the regulations can be amended to include IPI's request as part of public comment.

CCC's Future Office: Four locations have been identified but only two met the final selections as potentially good areas. The process is to first secure public land by requesting the Governor and the Department of Public Lands to transfer ownership to the Commission. The next step will be to seek funding for the construction of the building whether through a USDA loan, grant or institutional loan or combination of all available resources. The permanent office should meet the Commission's needs for the next thirty-eight years. All future expansions will be factored in to accommodate poker, pachinko and eGaming including the completion of all phases of the casino projects. Satellite surveillance offices, solar power, generator, adequate parking spaces and back up water catchments will all be incorporated in the plans for the new building.

In light of some concerns brought up regarding P.L. 19-24 specifically on the issue of autonomy, Counsel Ernest stated that the Attorney General's position is that all the line item veto in P.L. 19-24 are not valid. P.L. 19-24 was enacted as written.

Health Insurance Benefits: The CNMI Government in its personnel fringe benefits on the health insurance has been amended and was retroactively applied to January 1, 2016. The shortfall is around \$4,724 per month for 14 employees who are availing of the GHLI program. The CCC has adequate funds to cover the additional employer share.

III. MISCELLANEOUS - IPI Updates

Mr. Charles MacDonald introduced himself and announced that the IPI Team are present and prepared to respond to the Commission's questions. He, however, announced that he will only provide an update on the construction progress of the Grand Mariana Hotel and Resort project.

Charles MacDonald-IPI Legal Counsel reported the following: The forecast date for the completion of the first phase (Podium) of the Grand Mariana is still set for January 2017. That will consist of the casino, some presidential suites, dining area and back of the house operations. Phase 2 which will be the full casino hotel resort is forecasted to open in April 2017. Work is progressing but some delays are being encountered such as the lack of cement. Those delays are being addressed by working with outside contractors to bring in an immediate supply of cement.

Other issues include disagreements and disputes with the neighboring businesses regarding air rights. The issue has been slowing down the operations of two cranes. The affected parties are in negotiations at this time and this matter will soon be resolved.

The project site has around 770 employees of which majority are CW's. The number is anticipated to increase to about 1500 in the next two months. That will help speed up the construction so that the casino portion can be opened at the targeted date. IPI has started

some petitions for H2 visa in the construction category to minimize the impact on the CW visa cap. Even with all the issues, the forecast still remains the same as it is too early to tell if it will be affected. The company, however is pushing hard to stay on track by bringing in more workers and by running a 24 hour operations including the hiring of three more IPI staff to monitor the construction operations and to help assist the CM with the general oversight. The Construction Manager (“CM”)at the site is HCCG Building and Civil Engineering Saipan Limited and they’re on site at all times when there’s construction work going on. The company’s structural engineer is currently Coffman Engineers Inc. and the Special Inspector for the steel structure is JM Aquino PC.

The Director informed Counsel McDonald that a designated CM is required to be on site at all times. In the case of a firm, the firm must assign a critical staff be it a civil engineer or an electrical engineer to take the lead in being the CM on behalf of the firm, he explained. Furthermore, the CM then incorporates other professional or specialized staff to assure completion on behalf of the owner. He advised Counsel McDonald to pin down the name of the person that is required to be on the construction site as the lead CM, he said.

Counsel McDonald continued to report the following:

There are no violations since March 2016. The current violations are still being resolved by the relevant government agencies. Hofschneider Engineering is still involved in the project but their main focus is the canal project which is presently in the permitting phase. They are also assisting in the upgrade of the sewer system in which permits have already been secured and the notice to proceed was already received from the Bureau of Environmental Coastal Quality (“BECQ”). The company is now coordinating the ordering and the approval of materials to be used with the Commonwealth Utilities Corporation (“CUC”). CUC already approved the drawings and the plans for the sewer improvement project covering almost two miles beginning on Hibiscus Street all the way across the Saipan Port entrance where there’s a lift station. The current estimated cost for the sewer improvement project is five million. In addition to the canal and sewer system improvement projects, the company is also working on the archeological recovery with the Historic Preservation Office (“HPO”). The contract for the canal and the sewer improvement projects have not been awarded but the company is currently accepting tenders.

Counsel McDonald further announced that last week the company had a public hearing for the amendment to their major siting permit to increase the number of rooms at the Grand Mariana from 250 to 373. The company felt that the public hearing went well as there was no major opposition. The internal management team of IPI at the construction site are focusing on safety and environmental issues and are assisting the contractor in its oversight in making sure that all regulations and permits are being followed. Additionally, inspectors from the different government offices frequently visit the construction site. The formation of DPAC will help facilitate this process. Vice Chair Reyes commented that the ongoing air rights issue probably would have been resolved sooner if a DPAC was already on board.

The construction progress as of July 2016 is as follows: piling-completed; excavation and lateral support-99% complete; podium steel structure-80% complete; overall project-24% complete.

The Chairman requested for the Commission to be provided a copy of the construction and CM contracts.

The Chairman announced for the record to reflect the presence of Commissioner Santos.

In response to Commissioner Manglona's inquiry about the traffic, Counsel McDonald announced that he is not aware if anything is being done at this time about the traffic congestion in the affected area but he did disclose that the company has plans to improve the traffic flow and to install street lights.

Ms. Angela Hardesty announced that there is no update at this time on the IPI's organizational chart per CEO Mark Brown. Chairman Sablan shared that he is a bit concerned about the duplicate functions in the areas of security and human resource based on the previously submitted IPI organizational chart. He asked Ms. Hardesty to clarify whether this structure is indeed only temporary in preparation of the opening of the Grand Mariana. Ms. Hardesty replied that the only information she can provide the Commission is that the organizational chart has not be finalized and that she does not know when it will be.

Commissioner Santos asked Ms. Hardesty her opinion whether the number of employee turnover is more than normal from the bottom up or mostly at the top. Ms. Hardesty's response is that she is not sure what normal is because the company is fairly new and it does not have past history. She noted that the CW situation has greatly impacted their staffing but like any business, turnovers are normal. She elaborated that in her 27 years of experience in the gaming industry, the number of turnover is quite high. However, on Saipan there is only one casino as opposed to her past experience where there are multiple casinos in one area and employees tend to jump from casino to casino looking for better opportunities.

Mr. Dave Guerrero, IPI's Compliance Officer reported the following on Anti-Money Laundering (AML):

The four pillars for an AML program is to have internal controls, ongoing AML training, designated individuals in charge of AML day to day compliance and independent testing to test if the AML program is strong or weak. Currently IPI's compliance department is tasked with the AML compliance on a day to day basis, however, there's been some discussions on hiring an AML Recoding Officer ("RO") who will take over the function. The Hong Kong Senior Management is considering this option. IPI currently has internal controls to detect money-laundering in addition to the monthly instructor led training in AML and automated transaction monitoring system. Additionally, the company will soon implement the "Know Your Customer" ("KYC") process which will include a form that the patron has to sign to attest to information being provided. The monthly training is being offered to new and existing employees. The Company is also in the process of contracting Casino Essentials to provide web based training in Title 31,

Bank Secrecy Act (BSA), AML, Currency Transaction Report (CTR) and Suspicious Activity Report (SAR) and other trainings required such as sexual harassment, problem gaming and others. To satisfy the fourth pillar, the company contracted Ernst & Young to do IPI's audit and to also review their AML program. The new auditors will be on island at the end of July to commence the audit.

Mr. Guerrero also informed the Commissioners that the overall AML policy is still being revised per the MICS and its implementation to the various departments. He shared that there's a draft of the standard operating procedures as it pertains to risk rating of Politically Exposed Persons (PEPS) which takes a look at a number of factors such as country risk, occupation risk, industry risk and corruption perception index (CPI) which is maintained by Transparency International or transparency.org.

The Director asked what country the projected guest players will come from particularly in VIP. Mr. Guerrero responded that most of their players are from China, Macau and other Asian countries. He added that as it stands, China is not listed as a high risk country on the Office of Foreign Assets Control (OFAC) or the Financial Action Task Force (FATF) websites.

The Director asked Mr. Guerrero who within IPI is in charge of the spearheading the KYC program. Mr. Guerrero replied that currently he is spearheading the project in conjunction with discussions with Mr. Vic Choi and Mr. Luciano. The Director commented that the KYC program will be a concern and a problem if someone assigned does not speak Chinese as it will be difficult to know the clients who are predominantly Chinese. Mr. Guerrero explained that the patron will be required to complete the necessary KYC forms prior to entering the casino just like the present process with the granting of credit. The intent of the policy is for the process to occur before the patron enters the casino, he elaborated. The Chairman agreed that it's very important for the company to know their clients. Mr. Guerrero shared that the company has marketing agents who are Chinese speakers in Hong Kong and Macau and they initiate the VIP vetting process which includes gathering information for the completion of the KYC form. The Chairman stressed that the company should put serious emphasis on manpower and training of their AML and BSA compliance division. He noted that any violation of these federal requirements can cause the casino to collapse. He thanked Mr. Guerrero for updating the Commission on these matters.

Ms. Bertha Leon Guerrero, Vice President of Human Resource at IPI reported the following:

The efforts on recruitments are still the same as reported during the Commission's June meeting which are through job fairs and vacancy announcements through the Department of Labor website. The ongoing job fairs are mostly in the non-gaming operations and the goal is to get the pool of skilled qualified applicants in preparation for the opening of the Grand Mariana.

Ms. Leon Guerrero went back to a concern brought up by the Chairman with regards to a comment by Mr. Zak on BSI's recruitment practice and announced that she unaware of the

incident but gladly look into it. She added that the recruitment process is handled by a couple of teams: gaming and non-gaming. She explained that it's more difficult to secure skilled knowledge individuals on the gaming side as opposed to the non-gaming side where there are more experienced individuals on island. She noted that she's been informed that some job announcements do indicate a start-up date of October or December. The Chairman asked what the numbers are on people who applied during the last job fair. Ms. Leon Guerrero replied that she does have the information as it is in the non-gaming area but she can get it and forward it to the Commission. The Chairman asked if the report can be categorized by local US and Non-US.

Ms. Leon Guerrero reported on the following update on the impact of CW cap:

The company had received information that USCIS will consider and accept applications for employees who were hired within the FY2016 from October 1, 2015 to date. As a result, the company already petitioned for renewals their June and July expirees and around fifty employees have already been renewed from the June applications. Vice Chair Reyes inquired how many employees the Grand Mariana will need in both gaming and non-gaming positions. Ms. Leon Guerrero replied that the number is 3,000 for the complete opening but around 1,500 for the partial opening in January 2017 to include gaming and non-gaming. She apologized that she didn't have the number readily available for the required gaming positions. The Director reminded Ms. Leon Guerrero to provide the Commission a statistical report on the number of individuals who have applied at BSI and the results of their applications. He asked that the report be categorized by Local, US and Non-US. He further requested IPI to assist the Commission by thoroughly vetting their employees before they present themselves to the Commission for licensing. The situation to be avoided is the incurrence of expenses to bring the employee to Saipan only to find out that the Commission cannot issue a license due to the discovery of derogatory information on the applicant, he said. It could be imprinted in the contract that the individual must pass the Commission's suitability test, he added.

Commissioner Manglona moved to recess until 1:30 pm, seconded by Commissioner Santos. The motion was put to a vote and unanimously approved. Recess began at 12:02 pm.

The Chairman call the meeting back to order at 1:31 pm. Ms. Leon Guerrero continued her report by explaining the following:

The employee training program includes continued dealer training. Upon completion of the training, the employee is given a test. A certification will be granted if test is passed followed by the submission of a license application to the Commission.

Another training program being looked into is in surveillance, however, HR has not received feedback from IPI's Security and Surveillance team.

There's ongoing collaboration with NMC on the internship program. There are no interns at IPI at this time.

Dialogue has been initiated over the phone with the CNMI Scholarship Office and SHEFA, however, a meeting has not been set for the agencies to sit down and go over the plans and the intent of the licensee which is to encourage and entice new graduates who are recipients of the scholarship to entertain employment opportunities at BSI. Scholarship Office has agreed to share about forty percent of the names of scholarship recipients with BSI. The other sixty percent have not signed a consent to release forms, therefore, scholarship is prohibited from releasing their names.

The Director asked Ms. Leon Guerrero if the Commission's surveillance staff can be included in the in-house surveillance training if and when it materializes.

The Chairman emphasized the importance of training the locals to fill as many positions as possible. He also added that there should be an aggressive recruitment campaign with the recent high school graduates. He noted that the license agreement states that the licensee should shoulder the training costs. Counsel McDonald explained that there are already training programs in place but an expansion might be necessary as the opening of the Grand Mariana is fast approaching. He noted that the agreement does not specify an amount to be invested in training. He shared that one of the issues with training is that there's no space available. He said most of the dealers being trained are CW as there aren't many locals that are applying for the gaming positions.

The Chairman then inquired if an agreement was already reached with NMC with regards to training partnership with them. Ms. Leon Guerrero mentioned that there was an agreement forwarded to them but she is not aware if it's been signed as there were several provisions that need to be addressed by the IPI's Legal Counsel and NMC. She offered to keep the Commissioners informed on the status of this matter. The Director raised a concern about the Acting President's name appearing on the master vendor list as a Consultant. He inquired if this could be the reason why the MOU is taking so long between IPI and NMC. He stressed that the Chairman and the Commissioners are very serious in following up on IPI's training program. He commented that it might be a good idea to look into the possibility of tapping into the 20 million community chest fund to fund the training and internship programs. He also suggested the company offer scholarships as an incentive to assist the students who are participating in the programs.

Commissioner Manglona commented that the licensee should continue its efforts to train and hire locals but at the same time continue its recruitment of US workers from the states as a backup plan. He added that it will be a great challenge to find 3,000 workers by April 2017. Commissioner Santos thanked BSI and the other institutions for their efforts in training the locals. He pointed out that the Commission should not discount the fact that some of our locals have poor work ethics and habits. He agreed that the paradigm needs to change but that it may take some time.

The Director informed Ms. Leon Guerrero that the Commission recognizes the tremendous work she and her team have been doing in reference to Human Resource especially with the recent

adoption of the HR Program. He asked what the status is with their program and has it been running smoothly. Ms. Leon Guerrero responded that they are continuing to follow the existing handbook with policies and procedures in place. She noted that the document is fluid as they are always open for consideration to amendments to better improve the policy. She added that pre-employment drug testing is ongoing. Potential employees are required to take a drug test at least two days after an offer of employment at either Marianas Medical Center or at the Diagnostic Lab, she said.

Commissioner Manglona inquired if the certification granted to dealers by BSI after training is good for employment opportunities in Las Vegas or other casinos. Mr. Loprete replied that in Las Vegas dealers are required to audition for a job by doing a hands on demonstration to the supervisor of the casino. It's not so much receiving a certification on paper when it comes to this type of position, he added. Ms. Leon Guerrero explained that the certification issued to dealers is only used as a supporting document when the employee applies for a casino license. It does not serve any other purpose, she explained. Ms. Velma Lore, Manager of Administration clarified that dealers are not issued licenses until a certification is received from BSI. She further added that the Commission has been informed that dealer trainees are not permitted on the casino floor until they are licensed by the Commission.

An update on Responsible Gaming Program was presented by Mr. Bruce Loprete and Ms. Bertha Leon Guerrero.

In response to Director's inquiry on who will take over when he separates from the company, Mr. Loprete announced that there are a number of people involved in the program including Ms. Hardesty and Ms. Jemma Chong who oversee the program. He assured the Commission that the program is not going to die and that training will continue and will grow as time goes on. He shared that verbiage to attach to collateral has been forwarded to the company's attorneys for review and approval. Upon approval, the Commission will be given the opportunity to see what will be displayed on the ads, he noted. Ms. Leon Guerrero added that another option being discussed is the creation of a non-profit responsible gaming organization. The Chairman asked when this organization will be formed. Ms. Leon Guerrero shared that Ms. Milne had looked into some programs in Las Vegas with the idea of possibly mimicking what is already in place there. She said that it is most likely that the people who will create the non-profit the organization will look into this further. The Director shared that the Commissioners were able to visit one of the problem gambling treatment centers in Las Vegas. The treatment center was being funded by the industry itself, he said. He elaborated that the experience and exposure to the treatment center showed the Commissioners that this type of addiction is very different from alcohol, drugs and any other time of addiction as it affects a different part of the brain as explained by the psychiatrist in the center. The Director again stressed that the responsible gaming program should cater to the people that live on the islands and not the ones that come in to visit and play.

IV. EXECUTIVE SESSION

Commissioner Manglona moved to amend the agenda to move up the order of business by entertaining executive session before the other items remaining on the agenda; and to rise into executive session to discuss IPI's financial status, report by Legal Counsel and personnel matters. The motion was seconded by Commissioner Santos. A roll call vote was called and all voted yes. Executive session began at 2:34 pm.

Commissioner Manglona moved to get out of executive session, seconded by Vice Chair Reyes. The motion was put to a vote and unanimously approved. Executive session ended at 4:00 pm.

Commissioner Manglona then moved to recess the meeting until Friday, July 15, 2016 at 9:00 am, seconded by Vice Chair Reyes. It was put to a vote and unanimously approved. Recess began at 4:00 pm on July 14, 2016.

The Chairman called the meeting back to order on Friday, July 15, 2016 at 9:00 am at the Joeten-Kiyu Public Library (Technology Room).

Commissioner Manglona made a motion to rise into executive session to discuss the report by the Legal Counsel and personnel Matters. The motion was seconded by Vice Chair Reyes. A roll call vote was called and all voted yes. Executive session began at 9:05 am.

Vice Chair Reyes moved to rise out of executive session, seconded by Commissioner Manglona. The motion was put to a vote and unanimously approved. The Chairman called the regular meeting back to order at 10:01 am.

V. PUBLIC COMMENTS - None

VI. OLD BUSINESS

- A. Casino Minimum Internal Control Standards (MICS) - Update
This item was deferred.
- B. Commission Future Office Facility Plans
This item was discussed under the Executive Director's Report.

VII. NEW BUSINESS

A. Casino Key Employees - Provisional Licenses

- | | |
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| 1. Chan, Chi Pang "Victor" | 8. Ng, Tze Wan |
| 2. Chao, Choi Teng "Elaine" | 9. Saw, Chun Howe "Howe" |
| 3. Evans, Teresa D. "Hampton" | 10. Tan, Jaik Hun "Ronald" |
| 4. Leong, Wai Weng "Kelvin" | 11. Teng, Soi I. "Marco" |

5. Lo, Hoi Leong "Vincent"
6. Luong, Chi Huy "Michael"
7. Ng, Ka Fung Gary "Gary"

12. Wong, Kam Yin "Patrick"
13. Yu, Chi Fai "Chester"

Vice Chair Reyes made a motion to approve the granting of provisional key employee licenses for the 13 individuals listed above, seconded by Commissioner Santos. The motion was put to a vote and unanimously approved.

B. Recommendations by the Chairman - Action Plan

The Chairman shared that while he was in the Philippines he had a lot of time to study particularly reading up on Anthony Cabot's Regulating Land-Based Casino Book. What he found is that there might be a need to implement following matters into the Regulations. He explained as follows:

1. **Require IPI to submit to the Commission a written Anti-Money Laundering Policy**
Having this policy in place is very necessary.
2. **Require IPI to establish a Compliance Committee**
It is necessary for the Compliance Committee to monitor and ensure compliance with US Title 31, Bank Secrecy Act (BSA), Internal Revenue Service Manual, CNMI Federal and Local Laws, the Rules and Regulations and the MICS.
3. **Include language in the Regulations in reference to Problem Gambling**
The language is "The casino licensee shall demonstrate their commitment and efforts to combat compulsive gambling and a dedication to community mitigation, and shall recognize that the privilege of licensure bears a responsibility to identify, address and minimize any potential negative consequences of their business operation."
4. **Implement an audit plan for the Commission's audit BSI and IPI**
By statute, the Commission is authorized to audit the financial record of the licensee. The Commission's Manager of Audit can spearhead this mission and more manpower can be assigned to his division for this purpose.
5. **To establish a Bank Roll formula**
Based on the book, he shared that it suggests to design a bank roll based on debt to service ratio or the number of days of cash on hand for operations. Charlie Atalig, Manager of Audit explained that part 560 in the accounting procedures has a provision that states that the Commission can adopt and revise a bank roll formula. His team had looked into other jurisdictions and found Nevada's formula to be ideal for bank roll as a model but modify it to fit our jurisdiction. He elaborated that Nevada takes out 1% based on last year's total gross gaming revenue. Additionally, they also have a formula based on the number of tables and the type of games and if gaming revenue exceeds the gross gaming threshold, \$100,000 is applied as a minimum bank roll per table.

Charlie informed the Commissioners that they will be given a copy of their review once the draft is finished.

6. To include “Gaming Crimes” in the draft House Bil 19-20.

Counsel Ernest explained that in the CNMI, there is no law on cheating. The only statute close to gaming crimes is theft by deception. However, it is very broad and subject to interpretation, he said. In Las Vegas, past posting is an actual technical crime in Las Vegas. He explained that it means late betting or making a bet after the time when no more bets are to be taken. This, he said, is considered cheating. The Chairman asked Counsel Ernest to draft language to be included in House Bill 19-20.

7. To require IPI to update the Commission on the financing of the Grand Mariana and to determine whether IPI will be required to float bonds or provide an alternate funding guarantee.

C. Consideration of comments on Casino Regulations

The Chairman asked the Commissioners to refer to their latest draft of the Regulations in which areas that were changed by Counsel Ernest are reflected in highlights or underlines. He advised the Commissioners to review them and submit their inputs to Counsel Ernest before the Regulations are finalized for the emergency publication.

Audit Manager Charlie Atalig proposed that the Commission add the following section and language on the Regulations:

§175-10.1-1855(d): Collection of Gaming Credit

The casino gaming licensee and its agents shall be required to collect at a minimum the greater of one million dollars or ten percent of the gaming credit within 90 days of the settled gaming credit from each respective patron. If the casino gaming licensee fails to collect this required minimum, the casino gaming licensee must provide within 30 days after the 90 days minimum amount collection period the following: a scheduled listing of patrons who failed to pay this minimum amount and balances due to the casino gaming licensee and copies of the documentation substantiating good faith efforts in the collection of debts.

The Commissioners agreed with Mr. Atalig’s recommendation and advised Counsel Ernest to include the language in the Regulations.

In reference to §175-10.1-655 Local Training and Hiring Requirement, the Chairman asked the Director to write a letter to IPI to request for a finalized copy of their training program. He commented that all he’s been hearing are plans but there’s no final product yet nor is there a training program in place both which are long overdue.

After a lengthily discussion, Commissioner Manglona made a motion to approve the extension of the Regulations as amended and in consideration of the public comments on an emergency basis for another 120 days. The motion was seconded by Vice Chair Reyes and was put to a vote and unanimously approved.

Additionally, Vice Chair Reyes moved to adopt the Regulations as amended for publication for public comments, seconded by Commissioner Manglona. The motion was put to a vote and unanimously approved.

D. Permanent Adoption of Casino Regulations (as amended)
This item was deferred.


VIII. ADJOURNMENT

Vice Chair Reyes moved to adjourn the meeting, seconded by Commissioner Santos. It was put to a vote and unanimously approved. The meeting was adjourned at 11:24 am on July 15, 2016.

Prepared by:  Date: 8/8/16
Ruth Ann P. Sakisat
Executive Assistant to the Commission

Concurred by:  Date: 8/8/16
Justin S. Manglona
Commission Secretary

APPROVED AND ADOPTED ON: 11th day of August, 2016.

 Date: 8/11/16
Justin S. Manglona
Commission Secretary