



COMMONWEALTH CASINO COMMISSION

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Minutes

June 21, 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

Acting Chairman Joseph C. Reyes called the meeting to order at 10:06 a.m. on June 21, 2016 at the Joeten-Kiyu Public Library (Technology Room) in Susupe, Saipan.

B. Roll Call

Commissioners present were: Joseph C. Reyes (Acting Chairman), Justin S. Manglona (Secretary), Alvaro A. Santos (Treasurer), and Martin DLG San Nicolas (PA & MR Officer). Acting Chair Reyes announced that Chairman Juan M. Sablan is off island, therefore he is excused. Also present were the Executive Director ("Director"), the Executive Assistant to the Commission, Ruth Ann P. Sakisat, and Legal Counsel, Michael L. Ernest and all Division Managers.

C. Adoption of Agenda

Commissioner Santos moved to adopt the agenda, seconded by Commissioner Manglona. However, the Director suggested the Miscellaneous Matters be entertained first before going through Executive Session to allow the guests who will be presenting to go first. Commissioner Manglona made a motion to amend the previous motion made by Commissioner Santos. His motion is to adopt the agenda with an amendment to move Miscellaneous Matters to item VI and the Executive Session to item VII. The motion was seconded by Commissioner San Nicolas. A roll call vote was called and all voted "yes". The agenda was unanimously approved as amended.

D. Adoption of Minutes

Commissioner Santos motioned to adopt the meeting minutes of March 4, 2016, seconded by Commissioner Manglona.

Discussion: Acting Chair Reyes requested that the Director provide the Commission updates on matters of concerns that were discussed during the March 4, 2016 meeting. Commissioner Santos suggested the Director take up the updates under his report. He also requested the Director do the same for the April 5, 2016 meeting minutes.

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

Commissioner Manglona moved to adopt the meeting minutes of April 5, 2016, seconded by Commissioner San Nicolas. Acting Chair Reyes noted that under item C, second paragraph on page 1, it stated, "The Vice Chairman offered a motion to adopt the agenda as amended, and seconded by Commissioner Reyes." Acting Chair Reyes pointed out that this is an error and it should be verified and corrected.

The adoption for the Minutes of April 5, 2016 was put to a vote and unanimously approved with the Acting Chairman's recommended change.

II. REPORTS

A. Report by the Acting Chairman

Acting Chair Reyes reported that Chairman Sablan is still off-island. He had to stay back and that he is in good health. He stated that Chairman Sablan would return soon. Acting Chair Reyes apologized that he did not have much to report and yielded to the Director.

B. Report by the Director

The Director reported the following matters:

Asian Trip: Four Commissioners and four staff went on the Asia trip. The trip was taken for multiple purposes including a trip to Macau for the G2E Conference and Expo, meeting with regulators in Macau, Singapore and the Philippines. The Commission was afforded the opportunity to conduct a presentation to the Macau and Hong Kong Imperial Pacific staff on the CNMI Casino Regulations and other

matters affecting casino laws. The group were also able to have an up-front review of the credit rating process and procedures. There were also discussions on the implications of using the Hong Kong dollars on the casino floor as it pertains to the pending junket applications.

The Director acknowledged Mr. Kwong and his staff from Macau, Hong Kong, Singapore and other parts for their logistical support provided to the Commission during the trip. He also acknowledged Mr. Mark Brown and his staff for their help in arranging the hotels accommodations, and Mr. Alfred Yue for his assistance in the logistics and for making sure that the Commission were responsible for all incurred costs. The Director acknowledged Mr. Vic Choi and his staff for accompanying the Commission to Singapore and the Philippines.

The Director mentioned that a lot was learned during the trip but there are two pending issues that are still in discussion. One of them was the junket operator license application. He announced that there are currently 17 applications still being examined to determine what would be the best way to complete the vetting processes so that CCC can expedite the issuance of a license to those found suitable.

The Director explained that they learned a lot from the folks in Macau on how they handle the vetting process of their V.I.P players. He noted that there will be a section on the agenda that would explain more on what is being proposed in the processing of the pending junket license application.

The Director added that the trip gave the Commission an insight on how other casino environment operate. He shared that they took the opportunity to visit The Venetian, The Galaxy, Marina Bay Sands of Singapore, and Solaire in the Philippines and other hotels. They met with some of the key employees from the different casinos, some of who are in charge of the day to day operations of the facilities. With the assistance of Alfred Yue, the group was able to witness the detailed operations of the junket V.I.P rooms. The insight would assist the Commission on how it would deal with junket applicants and in making a final decision whether or not the Hong Kong dollars will be allowed in the CNMI casino environment.

Director asked Ian Morrell, IT Manager to share his experience about the trip.

Ian explained that he found the G2E Conference and Expo to be enlightening. He liked that the group had the opportunity to speak with the different vendors including several that are anticipated to do business with Best Sunshine and the

Grand Mariana. He noted that he was impressed with the surveillance systems and their features. Overall, he found the trip to be a very good experience and a big help as far as what to look forward to when Grand Mariana comes opens.

The Director shared that Dallmeier is the company that Imperial Pacific is looking into contracting for the surveillance system for the Grand Mariana. It is helpful that the Commission has started the dialogue with Dallmeier so they can go through the process of being licensed to begin and prepare the monitoring and surveillance in the Grand Mariana project.

The Director asked Counsel Ernest to share his experience on the trip & thanked him for providing the training, and for being a panel for the Gaming Laboratories International (GLI).

Counsel Ernest said that the trip was very professionally rewarding and that he was honored to have been asked by the G2E to be a panel member. He added that the Commission meeting the other regulators was good and helpful if the CCC wants to reach out for specific information on specific people. He explained that what he learned was that Saipan is not Macau, not the Philippines, and not Singapore for so many different reasons. He continued that the CNMI is wholly unique and that majority of the decisions the Commission will make will not be the decisions that Macau, Singapore, or the Philippines would have made; because, their jurisdictions and the governmental set ups are just so different. As a result of the trip experience, he at least has a lot more confidence when someone says, "Well, you're wrong, Macau does it this way." His response would be, "Yes, but we're not Macau and here is why we're not Macau..."

Personnel: The Director introduced Charlie Atalig who is the Commission's newest employee and the Audit Manager. Charlie's effective date of employment was May 29. Charlie topped five different applicants. He was recruited from San Diego, California. Charlie's background includes 5 years of public accounting experience, working in one of the largest life science and technology firms. He has a bachelor's degree in accounting from San Diego State University, and a master's degree in accountancy also from San Diego State University. The Commission has assigned Charlie to look at all of the audit and financial matters involving IPI and to assist the Commission in its forecast. Acting Chair Reyes welcomed Charlie aboard and congratulated him as well.

The Director announced that Nancie-Rae Celis, Senior Investigator has submitted her resignation effective June 29th. She and her family are relocating to Washington

State for medical reasons. The CCC is sad to see her leave as she is an excellent employee. As a result of Nancie's resignation, the Commission has decided to do an in-house promotion for her replacement as a Senior Special Agent. The position is currently being announced with June 30 as the closing date for submission of applications. The position that's being vacated by whoever gets selected will be announced to the general public.

The Director announced that Juanette Sablan, Human Resource Officer and Sarah Cabrera, Administrative Specialist, have completed the training for timekeeper certification. The Commission now has two official timekeepers: Juanette is the official timekeeper and Sarah is the alternate.

The Director further informed the Commission that Vera Pangelinan, Accountant, has been assigned as Procurement Officer, and Ruth Ann, Executive Assistant to the Commission, is assigned the alternate. Ruth Ann is also assigned to be the primary person responsible for the transcription of minutes, and Sarah is the alternate.

Uniforms: Uniforms are being purchased for the new staff.

Grand Mariana: A letter was sent to Mr. Mark Brown confirming receipt of the CCC office layout at the Grand Mariana. The CCC is satisfied with the space and layout, however, there are concerns that there aren't any toilet facilities within the vicinity. Because some of the CCC staff will be on duty 24 hours, it would be necessary to have the restroom in the office or within accessible proximity. These concerns were transmitted to Mr. Mark Brown and Mr. Kwong.

Visitors: Mr. Phil Harrison from GLI will be visiting Saipan from June 27-28, 2016. On July 19-21, 2016, Mr. Brian Smith, an Agent for the Investigative Unit of the Nevada Gaming Control Board will be on Saipan to conduct an investigation on Mr. Matthew Harkness. Mr. Harkness is applying to work in Nevada. The CCC will be hosting Mr. Smith during his visit to Saipan. The CCC is trying to explore an avenue where the Nevada Gaming Control Board Academy can be utilized for the CCC Enforcement Officers training.

IPI Auditors: The CCC has been informed by IPI that Ernst & Young is in the process of being appointed to be the IPI audit firm. The appointment would replace Deloitte & Touche and Zhonghui Anda. There's no need to license Ernst & Young as indicated in Part 1000 of the Regulations. However, CCC will still require a list of names.

H.B. 19-20: Letters were sent to Department of Finance requesting Finance to provide the CCC information on Poker, Pachinko, and E-gaming. To date, no response has been received. This is in reference to a follow-up work on House Bill 19-20 as a result of the Legislature's attempt to move Poker, Pachinko, and E-gaming under the administrative oversight of the Casino Commission. Presently, oversight of these gaming devices are under the Department of Finance's jurisdiction. The lack of response from Finance is very alarming. If H.B. 19-20 is to be pursued any further by the Legislature and the Department of Finance still fails to respond, the matter will need to be brought up to the Governor.

Budget: For the FY 2017 Budget, the Governor had submitted 3 volumes: 1. Local Appropriations, 2. Corporations and Autonomous Agencies, 3. Federal Grants. The CCC is under Volume 2. The Governor's Office and the Planning and Budget placed the Commission under Corporations and Autonomous Agencies as a result of Public Law 19-24. The Commission's budget submission to the Governor was scanned in its entirety and incorporated as presented without any changes. The Commission's budget request is for three million dollars which is already part of P.L. 19-24 and the three hundred thousand plus dollars from licensing fees.

The Chairman of the House Ways & Means Committee, Representative Antonio P. Sablan sent a letter to the Chairman of the Commission inquiring what the projected BGRT from the casino licensee. A preliminary draft was prepared and is available to the Commissioners for their review. In the response, it was indicated that the Commission is not operating under the BGRT rather under a separate law budgeted by the casino regulatory fee fund. IPI's revenue was examined and worked on by the CCC's Audit and Compliance Division. Actual collections were reviewed, as well as industry standards in basing internal projections to include in the response. A letter has already been prepared for the Acting Chair Reyes' review and signature.

Acting Chair Reyes asked if there were any pending legal issues for the Director to inform the Commissioners about. The Director acknowledged that there's still the issue particularly in reference to the Legal Counsel. He explained that when a legislative initiative was passed making the Office of Attorney General an independent entity, it removed control of the AG from the Governor's Office. Under that initiative, which is now part of the Constitution, it requires that all legal advice be provided by the Office of the Attorney General for all executive branches and autonomous agencies. This means that no autonomous agency or the Governor's office can hire any attorney other than an Assistant Attorney General. The Commission is currently paying the salary of the Legal Counsel even though he

is an Assistant Attorney General by structure. His contract will expire in March 2017. The Director commented that this is problematic but it has not reached a point where it could be considered a concern. Other autonomous agencies are experiencing the same. The Director commented that the Commission needs to work with the AG either way because he signs every contract that comes out of the Commission whether it be for the purchase of goods and services or personnel contracts.

Acting Chair Reyes remarked that such an issue had been in existence for some time and would have to be resolved sooner rather than later. He said if there was ever to be a dialogue between the Governor and the Attorney General's Office, it would be best to put it up for discussions in hopes of finding a solution.

The Director felt sorry for the Legal Counsel because he has to answer to two bosses. He complimented Counsel Ernest for the excellent job he is doing especially with the creation of the Regulations and the Minimum Internal Control Standards (MICS) and for other services he has provided the Commission. The two hats Counsel Ernest is wearing is simply a Constitutional issue.

Website: The website is ready to go. Forms are being updated and once the process is done, they will be downloaded and the website can be launched.

March 4, 2016 Minutes Update: The Casino Commission Regulations is currently in effect as of March 28, 2016 for 120 days. The same Regulations was adopted for public announcement and comments for 30 days before permanent adoption. In the July 2016 meeting, there would have to be a motion for permanent adoption.

Expenses: The May 2016 expense report was provided to all Commissioners. The Commission purchased a 2016 Hyundai Santa Fe for the Division of Enforcement and Investigations. The ITB for computers and fingerprinting equipment was completed. A notice to proceed was issued to the winning vendor. All items should be received by mid-July. A request for proposal is being published for office furniture and partitions. Updates will be provided on the RFP in the coming meeting.

III. PUBLIC COMMENTS. - NONE

IV. OLD BUSINESS

A. Junket Operator's License Applications:

1. Update on Application Review and Processing Procedures

The Director reported that the Commission has 17 pending junket applications. Unfortunately, almost all 17 were submitted incomplete, he disclosed. Several of them made payments through a bank draft note, which is not accepted by the CNMI Treasurer. Most of the draft checks were already returned and some are still in the process of being returned, he explained. Instructions were given to those affected that payments should be made by wire transfer. In addition, they will all be required to resubmit the applications completed in its entirety.

The Commission during the visit to Macau were able to review the standards and operating procedures, and the credit and collection process as presented by Mr. Kwong and his staff. He said the Commission was very impressed with Mr. Kwong and his staff in the effort they are putting in vetting the player's credit worthiness. The Director shared that the process presented in Macau seemed to indicate that there is actually a very meticulous procedure on how they review and vet VIP players before they are issued credit. Knowing this information will assist the Commission in reviewing the credit worthiness and other financial background when vetting junket operators, he elaborated.

The Director added that the Commission has updated the junket operator license application form, which will be distributed to IPI with instructions and associated fees.

Commissioner Santos expressed that he liked the concept of the applicants being vetted first by the licensee. He found the licensee's process to be very structured which the Commission can emulate. After all, he shared, that they have the extensive experience in the industry. The Commission can also realize cost saving as a result of the licensee first doing the vetting process and clearing the applicants, therefore making it easier for the Commission. The Commission can approach this concept on an experimental basis for at least a year or two and adjustments can be made as new developments arise in that time frame.

2. Commission Assessment of Investigative fee: Minimum of \$6,000 US Dollars per applicant

The Director requested the Commission's approval for the assessment of the minimum of \$6,000 per applicant for investigative fee. Acting Chair Reyes asked if the \$6,000 fee was reasonable and how did that amount come about. The Director explained that in Macau, the investigative fee is \$100,000 HK dollars for junket operators. He elaborated that the \$6,000 is a minimum investigative

fee and should be assessed to junket operators, service providers, and casino vendors. If for any reason, there would be a need for more funds, which will be on a discretionary basis, the applicant will be informed early. If the Commission determines that there is no need to assess an investigative fee based on the applicant's excellent credit rating and clean preliminary background check, the investigative fee might not be necessary and the process could be quicker for a license to be issued. However, if a problem appears in the criminal background check and the credit check comes favorable, the Commission will still have to assess the \$6,000 investigative fee, the Director explained

Commissioner Manglona made a motion to assess a minimum of \$6,000 for all investigative fees (junket, service provider, vendor) if determined to be necessary by the Commission, seconded by Commissioner San Nicolas. The motion was put to a vote and unanimously approved.

Commissioner San Nicolas recommended that the names of the applicants be published in the local paper. Acting Chair Reyes advised the Director to seek the legal opinion on this matter.

V. NEW BUSINESS

A. Casino Key Employees - Provisional Licenses:

1. Cheang, Chong Meng ("Cheang")
2. Cheung, Chun-Chung Tony ("Cheung")
3. Choi, Tat Mong ("Choi")
4. Ho, Ka U ("Ho")
5. Lau, Ka Fong ("Lau")
6. Phuah, Kok Kian ("Phuah")
7. Wong, Hoi Po Paul ("Wong")
8. Yim, Ka Wing Gary ("Yim")
9. Mascio, Vincent Phillip ("Mascio")

Commissioner Manglona made a motion to approve the request to grant provisional licenses to the nine individuals listed above. The motion was seconded by Commissioner San Nicolas. It was put to a vote and unanimously approved.

VI. MISCELLANEOUS MATTERS

Acting Chair Reyes explained that Best Sunshine had been asked by the Commission for updates on several different topics. He advised that privileged, private or confidential information be withheld for discussion under executive session.

Acting Chair Reyes commented that it is important that the Commission works together with Imperial Pacific International (“IPI”). Establishing timelines are necessary not just for the licensee but for the Commission as well, he stressed. He noted that the casino project is presently the biggest project on the island and its fate will have a great effect on the people but most especially on the government who relies on the revenue being generated from this industry. He believes that the outcome will depend a lot on the working relationship between the Commission and the Licensee.

The Director mentioned that there are four items the Commission requested IPI to provide update information on: 1. Programs in the Making, 2. Grand Mariana Resort Completion Timeline, 3. Status of DPAC, 4. Other areas of concern. These inquiries were brought up to his attention by Acting Chair Reyes.

The Director informed the Commission that he received information from IPI that the Legal Counsel, Viola Alepuyo, would be presenting a response in reference to Acting Chair Reyes’ request for the update.

Counsel Alepuyo informed the Commission that instead of speaking on behalf of the company, she brought the people from IPI who are actually doing the work in the areas of concern to do the presentation.

Problem Gambler’s Program-presented by Mr. Bruce Loprete, Vice-President for Security & Surveillance and Ms. Esther Milne, Corporate Social Responsibility Manager.

Counsel Alepuyo asked Ms. Milne to provide a little background to the Commission as to why she was chosen to assist Mr. Loprete with the Problem Gambler’s Program. Ms. Milne informed the Commission that the company asked her to assist with this project due to her educational background in crime and family. She explained that there’s presently an in-house program that addresses gambling addiction but what IPI wanted to do was go beyond what was being offered in-house.

Mr. Loprete added that all employees have to attend a responsible gaming seminar on an annual basis. Additionally, they have to go through a full presentation on warning signs and how information should be given out to individuals, he disclosed. He shared that brochures have already been prepared and that the team is always looking for ways to update and improve them. Mr. Loprete elaborated that the content of the brochures includes information on where people can find information on responsible gaming. The brochures are available to all employees at IPI. He disclosed that the team is looking at adding new verbiage to all the advertisement that will be produced which will first have to go to management for full determination and possible changes

that they may see fit. The bottom line message that is being shared through the brochures is that you have to be 21 years of age to come into the casino and play. Other messages include that you must gamble responsibly, the national hotline telephone number and web address for National Gaming Institute in Washington, DC., he added.

Acting Chair Reyes inquired if these plans are still in the making. Mr. Loprete responded that the Problem Gambler's Program and the associated training have been in existence for the past ten months. Acting Chair Reyes asked if these messages are being disseminated to the public. Mr. Loprete replied that real outside advertisement is not being done but added that the brochures are being distributed in four different areas of the casino. There are also signage near the cage and at the player's club with the same messages.

Ms. Milne shared that presently there is no gambling addiction program in the CNMI. She added that even the Community Guidance Center (CGC) does not offer such a program. She said that Best Sunshine presently has an in-house program where the staff that work at the casino go through training in addition to the brochures being handed out to them, which are also made available to patrons of the casino. Vice Chair Reyes requested for a copy of the brochure for the Commission's file.

Mr. Loprete added that part of what they do is have a one on one interaction with a person who comes in and discloses that they have a gambling problem. One of the team members will sit down with the individual and explain the program to them. Because of the individual's admittance to a problem, he/she will be advised that entry to the casino will no longer be allowed regardless of the reason for their visit; to eat, drink, cash checks, gamble, or even to be with their significant other or friends. The procedure is to have that individual sign a self-exclusion form which shall be entered in their player tracking system, he elaborated. If the person violates the agreement and is found on the casino floor, security officers will be called and all gambling winnings will be confiscated. The individual may or may not be arrested for trespassing, he explained.

Acting Chair Reyes inquired if there are any individuals on the self exclusion list. Mr. Loprete informed the Commission that there are presently nine that have signed up. The Director announced that those names are maintained at the Commission's surveillance office.

The Director asked Ms. Milne if there are existing poker addiction counseling programs being offered at the Commonwealth Mental Health Association, Domestic Violence, the

Ayuda Network. Ms. Milne replied that these entities do not have a program specifically for gambling addiction. Their programs cater to people who have drug and poker addiction. These agencies are taking an integrated and wholistic approach but nothing that specializes specifically on gambling. Ms. Milne expressed that the goal is to try to establish a program that will strictly focus on the issues of gambling because the dynamics involved are extensive. She noted that although there are many cases that show a correlation between drug use and gambling addiction, there are individuals who struggle only with gambling addiction. Unfortunately, she stated, that the CNMI does not have anyone on-island who specializes in gambling addiction. As a result, the team is looking at what they can do to enhance what is currently available by working collaboratively with CGC and the other agencies to determine whether there is any way that something could be created with a specific focus on gambling addiction.

The Director noted that the Commission has been concerned with this issue for many months. Several meetings between the Commission and the Licensee have been held to emphasize the importance of public announcements as indicated in the regulations. He said that one of the issues discussed was for the Commission and IPI to call a meeting with the different counseling services. He commented that it may be necessary to establish some kind of association with them with the industry possibly being asked to shoulder the cost of the program. He shared that the Commission during one of the trainings in Las Vegas, had the opportunity to visit a problem gambling facility which is being funded by the gaming industries in Las Vegas. In mentioning gaming industries, the Director pointed out that it could include Best Sunshine, Alter City, owners of poker parlors and eGaming establishments, all contributing a share to fund the problem gambling program. The Director mentioned that another resource that could be tapped into is the twenty million dollars community chest fund, which is due 60 days after the ground breaking of phase I. The Director added that if there's a way to tap into these funds prior to what is stated in the license agreement, a portion of it can be used to fund employment training and responsible gambling programs for the people that live in the CNMI, not for the visiting patrons of the gaming industry.

Counsel Alepuyo agreed that it's a great idea as it is one of the planning tools that are being looked into as far as tapping into the community benefit fund. However, she added, that there's still the appropriations process that they want to avoid. Counsel Alepuyo explained that it would be advisable for the government to create a non-profit agency where all the community benefit funds can go into, therefore, eliminating the appropriations process and the twenty-five percent reserved funding requirement.

Ms. Milne provided the Commission a copy of CGC's counseling proposal. Vice Chair Reyes asked Ms. Milne to provide the Commission a copy once the proposal for the program is finalized.

The Director informed the Commission that he assigned Velma Lore, CCC's Head of Administration to be involved in trying to help IPI and BSI with this program. Acting Chair Reyes thanked Ms. Milne and Mr. Loprete for their presentation.

CW: Counsel Alepuyo introduced Ms. Bertha Leon Guerrero, to update the Commission on matters concerning decisions by USCIS, the cap on contract worker (CW) and recruitment and training.

Ms. Leon Guerrero explained that the CW situation is not only affecting IPI but the entire CNMI. She will provide the Commission information on what IPI is going through. For the month of June, approximately a hundred employees were affected by the CW expiration. Their renewal request were sent out after May 5, 2016 and the notice from USCIS stating that they have reached the cap and are no longer accepting was received on May 23, 2016.

Acting Chair Reyes inquired if her report included data on non-gaming employees or is it focused on only casino employees. Ms. Leon Guerrero replied that she is only reporting on Best Sunshine Live employees. However, some of BSL employees are in the non-gaming areas but a majority of them are on the gaming side because that is where the operations currently exist, she shared.

Counsel Alepuyo commented that the whole USCIS situation was a little confusing. It started with a letter the company received stating that effective May 5, 2016, USCIS will no longer be accepting applications for renewal because they received so many that if they were to approve all of them, it would exceed the cap. Counsel Alepuyo noted that after receipt of the letter, she found it interesting that the USCIS approved two applications respectively received on May 23 and June 4. The confusion is that some of the employees were already informed that they were leaving. The community is devastated by the USCIS' decision especially for those who have lived in the CNMI for more than twenty years with children under 18 years old, she added. Counsel Alepuyo shared that the company has individuals in this situation. In order to alleviate the financial burden on their staff, the company is providing severance pay.

Ms. Leon Guerrero proceeded to report the July 2016 numbers which is the month the temporary casino opened its doors last year. She stated that a lot of the employees affected were the ones who came on board in June and July 2015. There is another

set of employees, a little over a hundred that may be affected in the July group. The company again received a notice on June 7, 2016 with the USCIS stating that all workers that fall in FY2016 count will be renewed but those that fall under the FY2015 count will be rejected, she explained. The letter noted that those in 2015 would have to re-apply effective October 2016 to be counted in the FY2017 numbers. She further explained that for all employees affected in June and July, two different types of petitions will be lodged; one is a re-petition to effectuate in October 2016 because it was unclear whether the previously submitted petitions will be rejected or returned, she said. She shared that to the company's surprise, some petitions actually came back approved. As a result, they opted to gamble with July petitions to see if the USCIS would grant approval for them as well. She explained that they continued the necessary renewal process through several re-petitions in order to expedite and lock in the numbers for FY2017. Ms. Leon Guerrero further explained that when the June 7, 2016 notice was received, management decided to try lodging petitions for the July set in hopes that some will be approved and the employees won't all have to be sent home. As a result, packages were broken up and sent separately based on 2015 and 2016 hiring dates. As of this date, the company has not received any information on those petitions. Counsel Alepuyo commented that it's also good that no rejections have come back.

Counsel Alepuyo applauded Ms. Leon Guerrero and her HR team for all the effort asserted in addressing this emergency situation. They were working different shifts, 7 days a week, 24 hours a day to the point that it became a race to the USCIS office to get the applications in, she shared. The situation even reached a point where two people were flown to California hand carrying some 400 applications for FedEx in California to deliver to the USCIS Office. Ms. Leon Guerrero explained that the goal was to get all the petitions in prior to their expiration. She explained that this situation was unexpected as this is the first time the CNMI has reached the cap and it did cause a lot of confusion.

The Director asked if any of the petitions were denied with a June expiration. Ms. Leon Guerrero clarified that there were no denials, only rejections which were eventually returned back to them. The Director inquired if these rejections were in the same package as some of those approved and she responded yes. She gave an example of 50 petitions that were lodged of which thirty were rejected and twenty were approved. All fifty were sent out the same day comprised of different categories.

The Director asked how the July expirations were handled. Ms. Leon Guerrero informed the Commission that two packages were already sent. The Director inquired

if they were classified as new employees to be effective October 2016 and Ms. Leon Guerrero replied yes.

The Director asked Counsel Alepuyo if the CW situation will force the closure of the mass gaming area with focus on just the VIP gaming . Counsel Alepuyo replied that that's an area of specific operations and she would have to defer issuing any comments until she consults with the people who handle it. She elaborated that her role is to provide support to the licensee and that she is unable to divulge information that has not been shared with her.

The Director asked if there were any efforts to hire US workers that are dealers. Counsel Alepuyo replied that one of the topics of discussion with management was to consider looking into the ten casinos that were closing down in Puerto Rico. The proposed plan is to send a recruitment team there to assess the possibility. Counsel Alepuyo explained that she cannot say at this time if the recruitment efforts in Puerto Rico will succeed.

Counsel Alepuyo reminded the Commission that in the beginning, there was a huge number of recruit from the US. The company spent \$1 million on recruitment before the casino opened in July 2015. They were able to hire and bring in 168 employees from the US. Of that 168, the company lost half in August due to Typhoon Soudelor. With almost a year passed, less than forty employees from that group remain on island, she disclosed.

The Director asked how the CW situation has affected the construction and the completion of the Grand Marina. Counsel Alepuyo stated that the problem is indeed a serious one. She announced that the Saipan Chamber of Commerce, HANMI, and SHRM have all spoken in a press release disclosing that they consulted with Best Sunshine and that Best Sunshine agreed to pull back the CW applications for the construction employees. Counsel Alepuyo informed the Commission that the information released by the three agencies was absolutely false. She asked for the record to reflect that not once was IPI consulted about the CW situation in reference to the Grand Mariana project. She shared that in order for the construction to be in full operations, 930 constructions workers are needed. The current numbers are less at 439, she said. As of Thursday, June 16, 2016, the Bureau of Environmental Coastal Quality (BECQ) granted approval for the construction to operate on a 24-hour basis. However, due to the lack of construction workers, the operations is unable to run on a 24 hours cycle.

The Director asked if there's been any consultation with the contractor to switch the construction workers from CW and H visas. Counsel Alepuyo replied that they had consulted with the contractor but unfortunately, the regulations by Homeland Security on the H2b visa do not allow Chinese construction workers under the program. She explained that there is a very narrow section in the regulations that only the Secretary of Homeland Security could approve such conversion if it will be in the best interest of the United States. The Director commented that China from his understanding is not recognized in the category H visas because it is a non-treaty country. He further shared that he heard that Mr. Gulick, the Regional Director, had publicly stated that as a Regional Director, he can make the discretionary decision to approve a waiver. Counsel Alepuyo stated that if the regulations are read carefully on the specific issue, the Regional Director of USCIS does not have the authority to grant any waivers. Only the Secretary of Homeland Security is authorized to do so, she said. The Director replied that it could be possible that Mr. Gulick was consulted because he publicly stated that he had the discretion to allow non-treaty countries to apply for H Visa. The Director advised Counsel Alepuyo to look into this matter further because it may be the only solution to the CW dilemma. The Director commented that there might be a need to revisit the license agreement if the circumstances at hand prevents the licensee from satisfying the requirements of the present agreement. A proactive approach might be in order and it's better not to wait until it's too late, he stressed.

Acting Chair Reyes called for lunch recess at 12:05 pm. He called the meeting back to order at 2:10 p.m.

DPAC: Counsel Alepuyo reported the following: the casino license agreement provides that there shall be a DPAC formed who will advise the Governor as well as the licensee on the development of the construction. The licensee has submitted the name of their representative a year ago which is Mr. Paul Steelman. The Government, in their second attempt, has issued an RFP for its representative. Information has been received that there are four submissions to the government's RFP. The DPAC RFP selection committee will be comprised of three representatives: two from the government with very specific roles, and one from the licensee who is a licensed architectural engineer. The Governor's Chief of Staff was informed that the licensee has chosen N15 to be their representative and Mr. Chris Fryling as the licensed architect. Mr. Fryling is presently on vacation but he will return on July 21, 2016 to participate in the review of the RFP submissions. However, no meeting has been set.

Acting Chair Reyes noted that the DPAC is totally different and separate from a construction manager but having both at the construction site is equally important

and necessary. The Director informed the Commission that he received information that the three RFP submissions are from Pacific Century (Sonya Dancoe), MarTech (Patrick Leon Guerrero), and Rim International.

The Director asked Counsel Ernest for his legal opinion whether it is a conflict for the licensee to have one of their vendors, specifically Mr. Chris Fryling from N15 participate in the DPAC selection committee for the government's representative. Counsel Ernest replied that although it appears that it could be a conflict, it is waivable as long as the governor believes it should be. Counsel Alepuyo disagreed with Counsel Ernest and explained that she already looked into this matter and concluded that Mr. Fryling's role will only be to assist the government, on behalf of the licensee, in selecting who will be the most suitable vendor to represent the government in the DPAC. She stated that what would be problematic is if N15, as their contracted architect on record tried to submit an RFP to become the DPAC representative. She further stated that her company did the vetting and determined that there is no conflict. Counsel Ernest agreed with Counsel Alepuyo's analysis and ultimately concurred that there shouldn't be a problem with N15 representing the licensee in the DPAC RFP selection committee.

Completion Dates: Counsel Alepuyo commented that from a legal aspect, there are two dates that are the most important in regards to completion dates. The first is April 2017, which is the expiration date for the DFS T-Galleria lease agreement. She explained that there are no plans to go beyond April 2017 on the DFS lease and once the casino at the Grand Mariana is completed, the one in DFS will be discontinued as both cannot be operated at the same time. The second most important date is August 2017, which is the drop-dead deadline for the completion of the Grand Mariana project as stated in the license agreement.

Acting Chair Reyes inquired how many stories will the Grand Mariana have. Counsel Alepuyo replied that there will be fourteen stories. Vice Chair Reyes then asked what the estimated budget was to complete the project. She said the last submission to zoning was a little over \$197 million for the construction portion only. This amount does not include cost for the resort's interior and others.

Mr. Kwong, Chief Operating Officer (COO) of the casino, informed the Commission that they have adjusted the opening date of the casino to January 25, 2017. He explained that the plan is to gradually open the resort beginning with the ground floor and the second floor. The opening of the remainder areas of the resort would depend on the construction timeline. The plan is to simultaneously open the hotel and the

casino in January 2017 with the remainder of the high rise hotel to be completed in the next three months.

The Director asked Mr. Kwong if Hsin Chong Construction Group Ltd. (HCCG) is still the company assisting them with the different construction phases and Mr. Kwong replied yes. Mr. Kwong explained that construction always has delays. He gave an example in Macau in which there are three ongoing construction sites, and some of them delayed up to a year. He said that no one can actually tell until the construction is completed. Commissioner Santos asked Mr. Kwong if those kinds of delays in Macau are similar to the ones being experienced here on Saipan such as with workforce availability. Mr. Kwong responded that in Macau, it's most the frequent changes in interior designs. The Director asked if the estimated project cost for the full completion of the Grand Mariana is still at \$550 million. Mr. Kwong apologized and replied that he does not have that information.

The Director reminded Mr. Kwong about the importance of having good security and surveillance systems in the new casino. He further asked if there were any updates from Dallmeier on the proposed surveillance. He requested to be allowed to go over the proposal when available. He advised that the company would need to be licensed by the Commission. He suggested that the Commission's surveillance staff be involved particularly when the casino begins to train their staff on the new system. It would be a good idea for the Commission's staff to be included in the training as well, as the Commission would do the same in extending an invitation to the licensee when there's training being offered by the Commission, he commented. The Director noted that the Commission's surveillance team and the licensee's security team have already established a very close working relationship. Mr. Kwong agreed with the Director.

Commissioner Manglona noted that he is very concerned with Counsel Alepuyo's statement regarding the DFS lease agreement deadline. His concern is what will happen if the Grand Mariana is not completed by the April 2017 deadline due to the CW problem. He is curious whether the licensee is required to restore the T-Galleria back to its original design prior to the renovation to accommodate the temporary casino. Counsel Alepuyo disclosed that the lease agreement does not require them to restore the facility to its original design. She believes that DFS might chose to keep the design as is after the casino closes. Counsel Alepuyo said that even with all the challenges that may affect the anticipated January 25, 2017 opening date, there's a four-month cushion giving the licensee a little wiggle room in the event that the project will go beyond the targeted date.

BSI Training: Counsel Alepuyo reported the following: Training and HR departments at BSI are trying to use NMTIT and NMC to come up with a training program that would offer a certification that could eventually lead to a degree. NMTIT is being encouraged to spear head the certification program and to collaborate with NMC by transferring the hours possibly leading up to a degree at NMC. The two entities are also being advised to look into what type of training programs are being offered in Las Vegas for this type of industry in order to model the CNMI's program. Acting Chair Reyes added that UNLV already has something in place. Counsel Alepuyo said that they tried to reach out to them but UNLV said that they would need to directly hear from the school (NMC & NMTIT). As a result, she said that their training department had approached NMC and NMTIT with information on who to contact at UNLV to get the process started. NMC presently offers a course program in hospitality but there are no programs in gaming, she shared. The same with NMTIT who offer certification through its robust program in culinary where they have a partnership with the different hotels in which students receive hands on training from the Chefs. Counsel Alepuyo closed by stating that the licensee is willing to provide assistance to NMC and NMTIT as required in the license agreement especially in the gaming side as it does not exist. She announced that Mr. John Long and Ms. Bertha Leon Guerrero are spearheading the training program.

Vice Chair Reyes asked if there's any feedback from the rating agencies who visited the island in April. Counsel Alepuyo responded that they have not heard from them.

The Director inquired if DPL's concern regarding the licensee's financial stability in reference to the lease has been addressed. Counsel Alepuyo announced that she sent the Hong Kong Office a request for an update. She shared that she met with DPL Secretary a week ago and she mentioned that if her office does not receive the requested information in writing, she will issue a letter to the licensee. The Director requested that a copy of the letter be provided to the Commission.

Announcements by the Executive Director:

The next Commission meeting should be held in the early part of July in order for the Commission to meet the 120 days deadline for the permanent adoption of the Regulations.

- Mr. Phil Harrison will be arriving on Saipan on June 27, 2016.
- A meeting will be scheduled with Mr. Brian Smith of the Nevada Gaming Control Board. The meeting will allow the Commission to connect with the Nevada

Gaming Control Board through Mr. Smith in hopes of getting them to open their training academy to Commission staff.

- There are several trainings that are being looked into by the Commissioners and staff members. More information will be gathered next week or so including all cost associated with the proposed training.
- Budget hearings are on-going at the Legislature with the House Ways and Means Committee, however, the Commission has not been called to appear as of yet.
- A letter of response has been prepared in response to Representative Antonio P. Sablan's June 14, 2016 letter. If there are no objections, that letter would need to be signed by Acting Chair Reyes then delivered.
- The Commission staff have started what is called the "Biggest Loser" contest. The fee to join is \$50 dollars. The Commissioners are welcomed to join.

Charlie added that his division was also exploring training options and are going to put together a training package for the Commission's review. The Director agreed that all staff need training but the Commission has to be mindful about proper scheduling so that the operations is not disrupted.

Counsel Ernest raised his concern about an email that was sent out by the Director to all Commissioners on the HR proposed policies. He shared that one of the reasons he was late to the meeting is that the AG's Office was earlier having internal discussions regarding the Open Government Act as it involves open meetings. The AG's office is trying to solve these internal problems so that they can give the Commissioners the guidance and clarity they've been asking for. He explained that in the situation like the email circulation of the proposed HR policies, it is wholly proper for the Executive Director to solicit information from his managers, and it is wholly proper for him to provide the Commissioners with information. It becomes problematic when the members start responding to the email by replying to all, therefore allowing all of them to see what's being said, he emphasized. He said in this case, the Attorney General's Office will have declared such action as an illegal meeting. He advised that in the future, it will be more appropriate and in compliance to send any questions or concerns to him or the Director.

VII. EXECUTIVE SESSION

Commissioner Santos moved to rise into Executive Session to discuss IPI's Financial and Tax Report summary and to consult with Legal Counsel Ernest. The motion was seconded by Commissioner Manglona and was put to a roll call vote with all four Commissioners voting yes. Executive Session began at 2:21 pm.

Commissioner Santos made a motion to move out of executive session, seconded by Commissioner Manglona. It was put to a vote and unanimously approved.

During executive session, Acting Chair Reyes summarized that Charlie Atalig, CCC Audit Manager, conducted a presentation on the licensee's tax return as shown in their submission of Form 704. He noted that the Commission, through its Executive Director, will forward all concerns to the licensee.

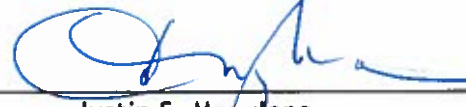
VIII. ADJOURNMENT

Commissioner Manglona 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 3:28 p.m. on June 21, 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