



COMMONWEALTH CASINO COMMISSION

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



MINUTES

October 17-18, 2016

I. PRELIMINARIES:

A. Call To Order.

Chairman Juan M. Sablan called the meeting to order at 10:10 A.M. on October 17, 2016 at the Joeten-Kiyu Public Library (Technology Room) in Susupe, Saipan.

B. Roll Call.

Commissioners present at the meeting were: Juan M. Sablan (Chairman), Joseph C. Reyes (Vice Chairman), Justin S. Manglona (Secretary) and Alvaro A. Santos (Treasurer) and Martin DLG. San Nicolas (PA & MR Officer). Also present were the Executive Director ("Director"), Edward C. Deleon Guerrero, the Executive Assistant to the Commission, Ruth Ann P. Sakisat, the Legal Counsel, Michael L. Ernest and the Executive Secretary Carmen B. Sablan.

C. Adoption of Agenda.

Commissioner Manglona offered a motion to amend the agenda by moving Item 2B Report by the Director to be discussed under section VII. Miscellaneous Matters as new Item 7F, moving Item 7A Status of the Bond Offering up to Section VI. Executive Session as new Item 6A, moving Report by the Legal Counsel down as Item 6B, moving Commission Personnel Matters down as Item 6C and adding new Item D. Financial. The motion was seconded by Vice Chairman Reyes, was put to a vote and was unanimously approved.

D. Adoption of the Minutes. September 15, 2016 & September 23, 2016.

Vice Chairman Reyes made a motion to adopt the Minutes of September 15, 2016 and September 23, 2016, and was seconded by Commissioner Santos. It was put to a vote and was unanimously approved.

II. REPORTS

A. Report by the Chairman

The Chairman reported that the Commission has met with IPI's Bertha Leon Guerrero, VP for Human Resources, regarding IPI's workforce plan. He and Commissioner Manglona have gone over the submitted material, rehearsed it a

few times and encouraged recommendations to be forwarded to the Chairman or the Director. The Chairman informed the Commission the IPI-HR has furnished a copy of their workforce plan to the Department of Labor.

The Chairman reported that he spoke with Mr. James Chua of DPAC over the telephone and was informed that the agreement has not been signed as of yet. He said that that DPAC is supposed to be in place prior to groundbreaking, but the signing of the agreement has been delayed for over a year now.

Chairman Sablan informed the Commission that he met with the Speaker of the House of Representatives, Mr. Rafael S. Demapan, last Friday, October 14, 2016, to discuss the pending bill that was submitted by the Commission. He said that the Speaker will try to address the Commission's pending bill before the next legislature comes in.

The Chairman informed the Commission that he and the Director have been signing Provisional Casino Vendor Licenses for vendors whose applications were reviewed by the Division of Enforcement and Investigations. He mentioned that IPI has been avoiding being sanctioned by the Commission by deactivating the accounts of vendors who have yet to be licensed by the Commission. He further encouraged a better working relationship between IPI and the CNMI government.

B. Report by the Executive Director (New Item 7F- 10/18/16)

III. PUBLIC COMMENTS

Mr. James Chua, Pacific Century Incorporated (DPAC), informed the Commission that IPI received the agreement last week and is currently reviewing its contents, and that he feels it would take some time before all parties sign it as the agreement is in itself quite complicated. He stated that his company has no issues with the agreement, and that they are just patiently waiting now. Mr. Chua informed the Commission that the AG's office created the contract and that the Governor's office has already reviewed the agreement. He said that he is unable to share further with the Commission as he is not quite familiar with the process. Mr. Charles McDonald, VP for Legal at IPI, informed the Commission that as Mr. Chua mentioned, IPI just recently acquired the contract agreement for review last week, and that IPI is currently getting ready to submit its comments on the agreement either today or tomorrow. He mentioned that the agreement contains several problematic terms which he would like to discuss further with the Commission in Executive Session. The Director made a clarification that IPI has been in receipt of the agreement since two (2) weeks ago, and not one week (1) as earlier stated by both Mr. Chua and Mr. McDonald. The Chairman suggested that IPI's attorneys and Mr. Chua work together. Mr. Chua informed the Commission that his company is openminded of the objective to help development by making sure that it is implemented according to schedule, but he cannot drive the process of the signing of the agreement because he is only the contractor.

Mr. Paul Zak, public citizen, informed the Commission that he heard that there was an incident last Saturday, October 15, 2016, at the construction site in which a crane fell on the street by Cha Café. Mr. Don Browne, VP of Operations at IPI, informed the Commission that construction workers were purposely dismantling one of their cranes to be sent back to Shanghai and that may be what Mr. Zak was referencing. He said that if a 200k-ton crane fell on the street, we would have all known about it. Mr. MK Lee, Project Manager for IPI, informed the Commission that there was an incident that occurred at the construction site around 5:00 A.M. in which a part of the crane did fall off while construction workers were dismantling the crane. He assured the Commission that they were able to clear the area before 8:00 A.M., and that no one was harmed or injured. He also informed the Commission that the incident has been documented and an investigation is ongoing. A formal report of the incident will be available for review by OSHA inspectors upon request.

IV. OLD BUSINESS

A. Commonwealth Casino Regulations - Public Comments

§ 175-10.1-205 Official Records; Fees for Copies:

(f) All payment of taxes, fees, deposits, and charges which are to be made to the Commonwealth Treasury shall be made by check payable to the order of the CNMI ~~Commonwealth~~ Treasurer and mailed to the Department of Finance with an original receipt delivered to the main office of the Commission or posted by certified mail to the mailing address of the Commission.

(g) All payment of fees, deposits, charges, or payments of any kind which are to be made to the Commonwealth Casino Commission shall be made by check payable to the order of the Commonwealth Casino Commission or the CNMI ~~Commonwealth~~ Treasurer and posted by certified mail to the mailing address of the Commission.

§ 175-10.1-1210 Payment of Fees and Deposits:

(c) The Annual License Fee required by 175-10.1-610 shall be paid by check made payable to the "CNMI ~~Commonwealth~~ Treasurer" with a notation in the "Memo" area listing the fee being paid, and mailed to the Commonwealth's Department of Finance. No check so presented shall be deemed payment until the Commission shall be satisfied that sufficient funds are contained in the account against which it is drawn. An original receipt must be forwarded to the Commission promptly via U.S. Mail. Nothing herein prevents the Commission from receiving payment reports from the Department of Finance; however, such reports do not alleviate the payor's responsibility to forward the original receipt to the Commission.

(d) All other fees shall be paid by check made payable to the "CNMI ~~Commonwealth~~ Treasurer" with a notation in the "Memo" area listing the fee being paid, and mailed to the Commission. No check so presented shall be deemed payment until the Commission shall be satisfied that sufficient funds are contained in the account against which it is drawn.

§ 175-10.1-1305 **Service Provider and Vendor License Requirements:**
(e) Casino Vendor Licenses pursuant to subsection (b) are not required for the following persons provided they engage solely in the following transactions:

- (7) Agencies or political subdivisions of the Commonwealth government;
- (8) Regulated public utilities.
- (9) Attorneys providing legal services;
- (10) Accountants providing accountancy services;
- (11) Insurance companies underwriting risk or selling policies of insurance;
- (12) Shipping companies providing transportation of goods;
- (13) Telecommunication companies providing communication service.

§ 175-10.1-1390 **Casino Vendor License**

- (9) Attorneys providing legal services;
- (10) Accountants providing accountancy services;
- (11) Insurance companies underwriting risk or selling policies of insurance;
- (12) Shipping companies providing transportation of goods;
- (13) Telecommunication companies providing communication service.

§ 175-10.1-590 **Compliance Committee:**

(b) The Committee must have at least one (1) independent person, acceptable to the Commission, not employed by the Company, (but who may be a paid outside consultant to the Company), who must have knowledge of applicable gaming laws and regulations. Notwithstanding the non-employee status of the independent member(s), the Executive Director may require the independent member(s) to secure licensure as if they were casino key employees or vendors.

§ 175-10.1-2510 **Definitions.** As used in this Part, unless the context plainly requires a different definition: (a) "offense" means a violation of any: federal, state or Commonwealth law; federal, state or Commonwealth Regulation; any order issued by the Commission; any Internal Control Standard approved by the Commission; or any Minimum Internal Control Standard ordered by the Commission. (b) "Person" means a person or business entity who is or who must be licensed, regulated or registered by the Commission, or who holds or is the beneficiary of a license issued by the Commission.

§ 175-10.1-2530 **Self-reporting Determination.** (a) The Commission, the Executive Director, or the Hearing Examiner, as the case may be, shall determine whether the licensee immediately, promptly or belatedly self-reported the offense (and the facts giving rise thereto) to the Commission, or whether the licensee failed to report the offense in a timely manner or at all.

§ 175-10.1-2635 **Methods, Procedures and Forms:**

(c) Every Junket Operator must provide to the Executive Director an exact copy of every tax or other document, form, or return filed with or provided to the Commonwealth's Secretary of Finance, the Department of Finance, or the Division of Revenue & Taxation within three (3) days of such filing or provision, without regard as to whether the document, form or return was filed or provided by the Junket Operator or on behalf of the operator by an agent or third party.

§ 175-10.1-2305 Persons Ineligible for Employment:

(b) The casino licensed under the Act must certify to the Commission yearly in a document signed by the Casino's chief executive or operating officer and chief financial officer that no financial consideration or payment has been made to any prohibited person in violation of this regulation.

§ 175-10.1-2730 Surveillance Room Access and Control. (a) Unless otherwise specifically authorized by CCC, access to the surveillance room is restricted to Surveillance and CCC personnel. Management higher than the Vice President for Surveillance and/or Vice President for Security may enter the room if accompanied by a CCC agent and their access shall be recorded on a Surveillance Ingress/Egress Log.

§ 175-10.1-2310 Commission Ineligible for Employment.

(a) No member, employee, or agent of the Commission shall knowingly be an employee of or have any business or financial association with or interest in any casino or casino service provider or vendor licensee under this title or any business reasonably related to such license.

(b) Cool off period. No member or employee of the Commission, except clerical employees of the Commission, shall work for or be a consultant to the casino licensee or any poker, pachinko or electronic gaming facility in the Commonwealth, which is regulated by the Commission for a period of one (1) year after separation from the Commission.

§ 175-10.1-1910 Temporary Licensure; Provisional Licensure:

(g) If the applicant withdraws his application for a ~~Casino Service Provider~~ Key Employee License required by § 175-10.1-1905, the Provisional License issued by the Executive Director pursuant to § 175-10.1-1910(e) shall immediately expire.

§ 175-10.1-905 Casino Service Provider Licenses:

(a) No casino service provider or vendor license shall be issued unless the individual qualification of each of the following persons shall have first been established to the satisfaction of the Commission: Each such casino service provider enterprise, its owners, its management personnel, its supervisory personnel, and its principal employees.

§ 175-10.1-310 Licenses Generally Required:

(e) An application for renewal as a casino key employee or a casino employee shall be accompanied by an offer for continued employment by the Casino Gaming Licensee. The ~~Casino Key Employee License and the Casino Employee~~ license shall be valid for the remainder of the fiscal year in which it was applied for and renewed before every third October 1 thereafter, unless the license is sooner suspended or revoked, the licensee's authorization to work in the United States expires, is terminated or revoked, or the licensee's employment with the Casino Gaming Licensee has ended. The ~~Casino Key Employee License and the Casino Employee~~ license shall be valid for the remainder of the fiscal year in which it was applied for and renewed before every other October 1 thereafter, unless the license is sooner suspended or revoked, the licensee's authorization to work in the United States expires, is terminated or revoked, or the licensee's

employment with the Casino Gaming Licensee has ended. By way of example, a Casino Key Employee license or casino Employee license applied for on December 31, 2015 is valid through September 30, 2017 and must be renewed ~~on or~~ before October 1, 2017. Key employee licensees must not begin work until they have been granted a provisional key employee license or a full key employee license by the Commission.

B. Commonwealth Casino Regulations - Approval and Adoption of Permanent Regulations

Vice Chairman Reyes moved for the approval and adoption of all the above changes to the regulations and that they be adopted as permanent regulations of the CCC, and was seconded by Commissioner Manglona. It was put to a vote and was unanimously approved.

V. NEW BUSINESS:

A. Proposed Order from Commission

Legal Counsel Mike Ernest read the draft Commission Order No.: 2016-001 to the Commission. Chairman Sablan asked Mr. Richard Chan, Chief Financial Officer at IPI, whether a month's worth of working capital includes payroll, in which Mr. Chan answered, yes. He estimated that IPI exhausts approximately \$4M in working capital per month. Vice Chairman Reyes and Commissioner Santos asked if ordering the licensee to reserve and make readily available two (2) months' worth of working capital at all times with a bank located within the CNMI as stipulated in the draft Commission Order is too much or too little. The Director proposed to the Commission to defer discussion until the November Commission meeting or the completion of the bond offer so that it has a better understanding of the licensee's financial status. Chairman Sablan said that the reason he hopes to address the Commission Order as soon as possible is because IPI's stocks have dropped and it may not be so popular in the financial market, but his main concern is for IPI workers not getting paid on time. Mr. McDonald informed the Commission that IPI currently reserves one (1) month's working capital in the bank, and not two (2). Legal Counsel Mike Ernest informed the Commission that he, CCC Compliance, IPI's Legal Counsel, CFO and Chief Compliance Officer have scheduled weekly Friday meetings at the Commission to monitor IPI's collection efforts of their past due accounts to which he described as being random, unfocused, and untargeted. He apologized to the Commission for not actively monitoring IPI's collection efforts in the past, and respectfully asked the Commission's forgiveness.

Commissioner Santos made a motion to discuss the proposed Commission Order in further detail in Executive Session, and was seconded by Vice Chairman Reyes. It was put to a vote and was unanimously approved.

B. Casino Key Employee - Regulator License:

The Director informed the Commission that the following CKEs have submitted their applications which have been thoroughly reviewed by the CCC Enforcement and

Investigations Division and is now before the Commission for approval.

1. Kwong, Yiu Ling (“Mr. Kwong”) - Chief Operations Officer (COO); 2. Cheang, Ka Hou (“Henry”) - SVP of Electronic Gaming (EVP-Corporate); 3. Chew, Chia Teck (“Teck”) - Assistant VP of Surveillance; 4. Ng, Lok Lan (“Cecilia”) - VP of Gaming Projects & Administration; 5. Ho, Ieng Kun (“Jack”) - SVP of Table Games

Vice Chairman Reyes made a motion to approve and grant Regular Casino Key Employee Licenses to the above listed individuals, and was seconded by Commissioner Santos. It was put to a vote and was unanimously approved.

C. Casino Service Provider - Gaming:

1. Regular License: Aruze Gaming America Incorporation (Gaming Machines & Peripherals)

Vice Chairman Reyes made a motion to approve and grant Regular Casino Service Provider License to Aruze Gaming America Incorporation, and was seconded by Commissioner Santos. It was put to a vote and was unanimously approved.

2. Provisional License: Dallmeier Electronic (Surveillance Monitors & Related Equipment) Issued 10/07/16

D. Casino Vendor - Provisional Licenses (Non-Gaming): Valid for one (1) year

The Director reported that so far, the turnaround period has been 1-2 days, and that he expects all entities on the IPI master vendor lists with the exception of all government and exempted agencies to apply for a PCVL in order to conduct legal business with the licensee. The Director informed the Commission that the following have been approved and issued Provisional Casino Vendor Licenses and is listed below for informational purposes only:

1. Tropical Laundry & Linen Company, Ltd. (Dry Cleaning & Laundry): Issued 9/28/16
2. Taro Leaf, Inc. (Public Relations & Marketing): Issued 9/28/16
3. Saipan Ice & Water Company, Inc. (Bottled Water & Ice): Issued 9/28/16
4. Hofschneider Engineering Corporation (Engineering, Construction, etc.): Issued 10/03/16
5. D’ Elegance Enterprises, Inc. (Food Catering Services/Restaurant): Issued 10/05/16
6. J.C. Tenorio Enterprises, Inc. (Retail/Wholesale General Merchandise, Deli & Bakery): Issued 10/11/16
7. Yaong Corporation (Retail/Wholesale Food Stuff & Restaurant Supplies): Issued 10/11/16
8. Joeten Motor Company, Inc. (Auto/Trucks/Vans/Etc.: Sales, Lease, & Service): Issued 10/12/16
9. MCC International Saipan Ltd., Company (Construction): Issued 10/12/16
10. DFS Saipan Limited - T Galleria (Sales of Duty-Free Goods: Gaming

- Credits/Comps): Issued 10/12/16
11. YWA Human Resources CNMI, Corp. (Manpower Services) - (*) Six (6) Month License: Issued 10/12/16
 12. Marianas Enterprises Limited (Construction Consultancy/Manpower): Issued 10/12/16
 13. Sun & Surf Ltd - National Office Supply (Office Supplies, Equipment, Furniture): Issued 10/12/16
 14. Saipan Stevedore Company, Inc. (Stevedoring & Terminal Services, etc.): Issued 10/12/16

Commissioner Santos made a motion to discuss YWA Human Resources CNMI, Corp. in further detail in Executive Session, and was seconded by Vice Chairman Reyes. It was put to a vote and was unanimously approved.

Vice Chairman Reyes made a motion to recess for lunch until 2:00 P.M., and was seconded by Commissioner Santos. It was put to a vote and was unanimously approved.

Chairman Sablan called the meeting back to order at 2:02 P.M. He welcomed Ms. Viola Elizabeth Alepuyo, and Mr. Joaquin DLG. Torres to the meeting.

Commissioner Manglona offered a motion to amend the sequence of the agenda by moving down and discussing Items B, C, D and E under section VII. Miscellaneous Matters and then returning to Executive Session. The motion was seconded by Vice Chairman Reyes, was put to a vote and was unanimously approved.

VI. EXECUTIVE SESSION:

Commissioner Manglona made a motion to move into Executive Session to discuss the bond offering, financial matters and the report from Legal Counsel, and was seconded by Commissioner Santos. It was put to an individual vote, and was unanimously approved at 3:35 P.M.

Commissioner Manglona made a motion to move out of Executive Session and was seconded by Commissioner San Nicolas. It was put to vote, and was unanimously approved at 5:30 P.M.

- A. Status of Bond Offering
- B. Report by the Legal Counsel
- B. Commission Personnel Matters
- C. Financial Matters

VII. MISCELLANEOUS MATTERS:

- A. Status of the Bond Offering (Executive Session)
- B. Workforce Plan: Personnel Training, Employment & Recruitment Efforts

Ms. Bertha Leon Guerrero reported to the Commission that she and her HR team at IPI recently completed their workforce plan, and reminded the Commission that it is an organic document as it is constantly changing. She said that IPI has been collaborating with the Department of Labor (DOL) in putting their workforce plan together. She informed the Commission that the IPI workforce plan consists of a 5-year Plan and is currently working with Ms. Edith Guerrero from DOL the in the formulation of an annual specific workforce plan. Ms. Leon Guerrero submitted copies of the IPI workforce plan to the Commission inclusive of their position listings and training budget. She explained that as of their last meeting on Friday, October 14, 2016, Ms. Guerrero of DOL has requested for several other documents such as a list of all positions filled by CWs and a plan on how to transition U.S. citizens into those positions. Vice Chairman Reyes inquired whether IPI's HR has been in contact with the Northern Marianas College and the Northern Marianas Trades Institute, and Ms. Leon Guerrero replied that she has not sat down with either institution to discuss the workforce plan in detail as she has been focusing in finalizing it with DOL first. As part of IPI's effort to recruit U.S. citizens for employment, she said that IPI is offering internship programs as well as an employee referral program that will provide incentives for current IPI employees who refer people to IPI. She explained that one of the difficulties in recruiting from the U.S. is the concern over healthcare services that Saipan lacks in comparison to those in abundance stateside.

C. Construction Progress Report - Grand Mariana Project

Mr. MK Lee informed the Commission that Phase One will be completed by the end of January 2017. He explained that Phase One is basically the mass gaming area including all the supporting facilities such as a restaurant, the basement, staff dining area, kitchen, uniform room, etc. He said that the CCC office, surveillance room, cash/chip room etc. will also be ready to support the mass gaming area. He informed the Commission that the construction progress at the site has been a little delayed due to heavy rains these past couple of months; he recorded around 50 rainy days this year that have impacted the construction progress to a certain extent. He mentioned that the island's cement companies have a limited capacity of producing more than 800-1,000 bags per day due to the constant machine breakdowns. Mr. Lee reported that IPI has just recently settled the air rights disputes with neighboring businesses on September 7, 2016, and that prior to that, the construction progress suffered close to four months due to all the legal disputes with regard to the use of the cranes. He explained that many parts needed for the completion of Phase One is on island such as the escalators and elevators, and that it is just a matter of assembling all the parts now. He concluded his report by informing the Commission that they are pushing for an end of January 2017 opening, but cannot say that he is a hundred percent sure it will happen as many factors are involved. The Director inquired about the sewage and drainage for Phase One, and Mr. Lee replied that they have been working in collaboration with CUC in building a permanent plant in Garapan that will be connected before Phase One is completed. The Director asked that Mr. MK Lee join the Commission meeting every month to provide the Commission with the latest updates with the construction progress to which Mr. Lee acquiesced. Mr. Lee informed the Commission that he will prepare project progress percentages for

the Commission's next meeting.

D. Responsible Gaming - Problem Gambling

Ms. Esther Milne, IPI CSR Representative, informed the Commission that IPI is in full compliance in meeting the requirements of the Self Exclusion Program, the staff training is being done by security and surveillance, and that they are in the process of revamping the training materials to include additional information and details. She reported that they are working on a systematic program for training employees. In regards to the non-profit, she informed the Commission that it is still in progress as was discussed at the last Commission meeting, the implementation of the program is dependent on the statistics and the numbers of people with gambling addiction. She said that she has been researching and communicating with off-island non-profits who have the numbers. She informed the Commission that the CNMI lacks statistics for gambling addiction, and that most of the statistics available are for drug and alcohol addiction instead. She said that it is difficult to forecast a number as they are still operating from a temporary casino facility.

Vice Chairman Reyes made a motion to recess until 10:00 A.M., Tuesday, October 18, 2016 and was seconded by Commissioner Manglona. It was put to vote, and was unanimously approved at 5:31 P.M.



The Chairman called the meeting back to order on Tuesday, October 18, 2016 at 10:05 am at the Joeten-Kiyu Public Library.

Roll Call: Chairman Juan M. Sablan, Vice Chairman Joseph C. Reyes, Secretary Justin S. Manglona, Treasurer Alvaro A. Santos and Commissioner Martin DLG. San Nicolas.

The Chairman asked the Executive Director to share his report first. After the Director's report, IPI's proposed legislation in the collection of gaming debts will be discussed.

E. Other-None

F. Report by the Executive Director

The Executive Director reported the following:

Expense: For the month of September 2016, the Commission spent close to \$250,000. The balance in account 7170A from the regulatory fee fund is \$513.00.00.

Budget Appropriations: The Legislature recently passed Public Law 19-68 which is FY 2017 Budget Appropriation Act. In the budget appropriations, the Casino Commission received its annual \$3 million Regulatory Fee Fund in addition to Local Appropriations in the amount of \$1,000. The additional funding source under

Account 7171 remains unclear as the amount in this account wasn't reflected in PL 19-68. Funds in this account are derived from fees collected for the Casino Service Provider, Casino Vendors, Junket License Application and others. This will be one of the topics to discuss with the Governor to request the use of his reprogramming authority to transfer the funds to the Commission for its use. In requesting for this account to be included in the Commission budget appropriation, no specific amount will be indicated rather only the funding sources as the amount continues to change as more fees are paid. One problem with Account 7171 is that it is the same account being used for IPI's \$15 million Annual License Fee. The different fees have been added in this account under different sub-account numbers. Further discussions with the Governor is necessary to resolve this issue.

Commissioner Santos asked if the Governor spoke to the Secretary of Finance (SOF) regarding this issue since it was brought up to his attention during their September 20, 2016 meeting. The Director replied that he is not aware that they did. He explained that several attempts have been made to resolve this issue directly with her but to no avail. Commissioner Santos asked the Director if he has personally met with the SOF to discuss this issue. The Director responded that he has not had the chance to meet with the SOF in reference to this particular matter and that the Commission is awaiting the Governor's intervention. Commissioner Santos commented that the Commission does not need to wait for the Governor as he has other more pressing matters to deal with and that it is the Executive Director's responsibility to make every effort to meet with the SOF to iron out this problem. He shared his frustration that this issue has dragged on way too long and that it should have been taken care of at the Commission's level.

The Chairman offered to accompany the Director to meet with the SOF. The Director explained that all the Commissioners are aware of the difficulties involved when it comes to dealing with the SOF. He added that several attempts have been made in writing and in person, going as far as sitting around waiting for an audience with her. He said that the Governor was supposed to take some serious action on this matter and it could have and would have occurred had it not been for the incident that occurred on that September 20, 2016 meeting with him. The Director commented that he does not appreciate the insinuation of dereliction of duty.

The Director elaborated that the issue at hand with regards to Account 7170 is that the funds should have been transferred to the Commission when Public Law 19-24 was passed as it clearly states that any balance from Account 7170 should be transferred. Counsel Ernest noted that it was very important that the transfer was done before the Budget Appropriation Act was passed. Now that the FY 2017 Budget was passed, he holds a different opinion and feels that to whom the money belongs to depends on what the budget states. He noted that in his legal opinion, the funds may need to be reprogrammed if not already programmed for another department's use. The Chairman asked the Director to look into this matter further. Commissioner Santos stated that in his opinion, the reprogramming of such funds may not be necessary. An internal memorandum from the SOF should be sufficient as long as it explains why the funds were transferred, he added.

The Director disclosed that under Account 7171, there's \$330,791 as of September 30, 2016. This amount continues to grow as more fees are paid. The actual balance of Account 7170 is unknown due to the Commission's inability to view the account in the JD Edwards.

Vice Chairman Reyes pointed out what could be an error on the Master Vendor List for September 2016 provided by IPI. He explained that the list indicates \$6 million dollars in two separate \$3 million dollars for the casino regulatory fee. The Director asked Mr. Richard Chan to look into this discrepancy. Counsel McDonald explained that this most definitely is an error resulting from the first check being voided due to wrong payee. Vice Chair asked Counsel McDonald to note down the two different dates in which the checks were cut. The Director advised Mr. Chan to get this matter straightened out and corrected.

Commissioner Santos recommended that Audit Manager Charlie Atalig take an active role in dissolving miscommunications with the Commission's account with the Department of Finance. He would like for Manager Atalig to see all the movement and transfers within accounts. Commissioner Santos favors Charlie being the main fiscal person within the Commission.

Personnel: All employees contract will expire on December 31, 2016. The processing of contract renewals will commence within October. The new contracts will begin on January 1, 2017 through December 31, 2017.

There will be five (5) new FTEs under the new budget. The Human Resource Officer is working closely with the Director and Division Managers in the preparation of position descriptions for the new positions. There's a need for two additional staff in the Compliance Division as there's a need to put more resources in that area in relation to the Licensee's compliance with the law, regulations and the MICS. The Commission will be informed once the Commission is prepared with the Job Vacancy Announcements.

The Chairman announced that he spoke with Manager Atalig about his division's need for additional staffing. He emphasized that a strong audit team is necessary in looking into the various financial activities of the casino industry. The Chairman noted that every bit of financial document should be scrutinized to ensure that the Commonwealth is receiving its fair share of tax revenues. The Director replied that all divisions need more staff but the funding is not enough at this time. He explained that the Commission has 3 full-time auditors who are very capable in handling the present operations of the casino. Should there be more funding available in the future, more auditors can be hired to add to the team of three, he said.

Training: Several Commissioners and some staff attended the FINCen training in Las Vegas. Five staff from the Enforcement and Investigations Division attended the Pre-Licensing Investigations training also in Las Vegas. Chief Cabrera informed the Director that the recent training was one of the most important training attended by the Commission's staff. It may be necessary to require the same

training for all enforcement, investigators and inspectors to undergo either by sending them off island or bringing the instructors to Saipan to maximize the exposure. The audit team lead by Manager Atalig and Ms. Angie Mamaril, Compliance Officer, will be departing to Las Vegas on October 19, 2016 to attend the Casino Audit I and Casino Audit II courses being offered at the UNLV International Gaming Institute. When Charlie and the team come back, one of the objective is to develop a strategy on how to establish internal audit and procedures. All of the financial matters within the Commission is being handled by the Commission Accountant, Ms. Vera Pangelinan with the help of Ruth Ann and the Director in tracking the internal accounting of the office. Manager Atalig and his audit team focus primarily on the licensee.

The International Association of Gaming Regulators (IAGR) 2016 Annual Conference is scheduled for October 31 - November 3, 2016 in Sydney, Australia. All Commissioners are jurisdictional voting members of IAGR. Their membership runs from March 31, 2016 through June 30, 2017. The team who will be attending the Sydney conference will be departing on October 27, 2016.

Proposed Contract with Outside Consultants: The Commission has been working with Mr. Dennis Amerine in terms of looking at contractual services to do multiple activities. One of the areas is the junket operator due diligence. Other training services being looked into is a follow to casino audit program and developing effective interagency communication and cooperation. The Commission is also seeking additional training program on table games play procedures and cheating techniques. Proposals have been received. There are two approaches that could be taken: one is to sole-source the vetting to one company and the other is to announce it publicly through request for proposals from different vendors. The Director asked the Commissioners to review the proposal which was forwarded online and hard copies provided. He stressed that the proposal amount not be disclosed as a bid may be requested for these services. The Chairman noted that the Commission must comply with the CNMI Procurement Regulations.

Discussion with the Governor: The Commission has been inquiring with the different banks on the types of corporate card being offered. The Governor is in support of allowing the Commission to have its own corporate card and to have its own account. The Commission has requested public land from the Governor. A letter of request to Public Lands will be prepared for the Commission's review. The preferred lot will be the one next to the Retirement Fund as it is larger and flatter. Funding for the building will be through a loan through Rural Development, Federal Grants, and local funding sources. It may take around four years before this dream materializes.

The Director announced that SM Store offered to switch office spaces with the Commission. Presently they are occupying 6,000 square feet of space at the southern end of the Springs Plaza. They, in return, will take over the 4,000 square feet the Commission is presently occupying. Vice Chair Reyes asked the Director how much the relocation and the renovation will cost and who will pay for it. Additionally, he asked how much for the additional rental payment. The Director

explained that the cost for the in-office renovation will be at the Commission's expense. The additional cost for rental will be around \$1,600 per month for a total of \$57,600 per year, he said. The Commission is presently paying \$.80 per square foot. An official estimate for the renovation has yet to be obtained, he replied. He explained that he wanted to run the idea by the Commissioners before any further action is taken. He added that this is a good solution to the current over-crowding in the present office space. The Chairman agreed with the Director that the tight working spaces can be a hazard. He is in concurrence with the Director that the Commission does need a bigger office space to accommodate the growing staff and added that the remaining funding from FY 2016 can be used to cover this project. Also, once the funds are transferred from Account 7170, that could also be used, he said. The Director will verify will the Office of Procurement and Supply if the lease agreement can just be renewed with the additional square footage or will the Commission need to put out another RFP. He announced that the current budget already includes the rental cost for the additional 2,000 square foot he's proposing. Vice Chairman Reyes agreed that office expansion is needed but cautioned that the area being proposed next to Bank of Hawaii is highly congested. Commissioner Manglona also recommended the Director also look into the NMI Retirement Fund Building.

CCC Schedule of Activities & Events: Thanksgiving Appreciation Dinner has been scheduled for Wednesday, November 23, 2016 at the Carolinian Utt. It will be Pot-Luck style.

The Christmans Party is scheduled for Thursday, December 22, 2016 at the PIC Charley's Cabaret. The cost per head is \$28.00.

The Director asked the Commissioners to save the dates.

Manager Atalig and his team started to conduct un-announced inspections and audits of the chip and cash inventory. This is in reference to the newly implement minimum bankroll requirement. If the Commissioners are interested, there's a report on the findings which can be shared but must be kept strictly confidential.

Documentations on the Grand Mariana specifically the A & E prints were already provided to the Commission about a week ago. The licensee has also provided the updated EGM and the table layout of the Grand Mariana. Also submitted to the Commission are the camera layouts. These documents are strictly confidential and should not be shared with the public.

The Commission has received a copy of the lease agreement for the facility to be used for test beds. There were some issues on the agreement that were brought to IPI's attention and changes to the lease agreement may be necessary. He informed IPI that in the future, it would be advisable for the Commission to review the agreement to ensure that it complies with all regulations.

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G. Gaming Debt Acts of 2016

The Chairman announced that IPI has prepared a bill that they would like introduced in the Legislature. He shared that he briefly discussed the bill with the Director and Counsel Ernest and the Commission is not in a position to support the bill at this time. He asked Representatives from IPI to explain this bill further as it relates to their experience. The Chairman's asked the following questions:

Will the players that are considered whales return to play at Best Sunshine if the bill is passed? Counsel McDonald explained the following: the draft bill is based off Nevada legislation. The basic framework for the bill is already in the CNMI. It basically expands the CNMI's bad check statute. If passed, it would make signing a bad marker somewhat the same as issuing a bad check. The key feature to the bill that would protect from chasing the whale is that the AG can only act after the licensee has proven that they've exhausted every effort to collect. A formal complaint will then be sent to the AG to proceed against the patron with the bad debt. Counsel McDonald believes the bill will work especially with the safeguard of requiring a formal complaint from the licensee before the AG can intervene. There's a benefit to the CNMI when bad debts are chased as BGRT are paid on the winnings. Additionally, with this bill in place, not many debts will be written off.

Counsel Ernest disclosed that he has not been authorized by the Attorney General to comment on the bill. His comments are his own which he shared as follows:

As a citizen, he feels the bill is ridiculous. Speaking as an Attorney for the Office of the Attorney General, he strongly believes that there is no way the AG's Office will allow Best Sunshine to tell the AG's Office what to do and who and when to prosecute. Counsel Ernest further stated that this bill is a special interest litigation and an unfunded liability to the AG's Office.

The Director asked Counsel McDonald if the bill will still be acceptable to IPI if the provision needing their formal complaint for the AG to act is removed. McDonald stated that it will be problematic. He added that Counsel Ernest's concerns can be addressed where the bill will not only serve Best Sunshine but also other e-gaming and poker establishment. In this way, it is not a special interest legislation. He also noted that the company is also willing to shoulder all cost for collection. He explained that the proposed bill is only their first draft and it's a working document.

The Director commented that the most the Commission can do is to leave it alone, not get involved until such time the legislature seeks the Commission's opinion. Counsel Ernest sees this as an attempt to push one of their cost of business onto the people of the Commonwealth. He stated that the licensee has made no attempts to collect the debts.

The Chairman advised IPI to do what they feel is necessary but to be very cautious with doing anything that would chase the whales. Counsel McDonald will work on an amended draft and submit a copy to the Commission for comments.

Vice Chair Reyes moved to rise into executive session to discuss legal matters and financial matters. The motion was seconded by Commissioner Manglona. It was put to a roll call vote and all voted yes. Executive session began at 11:36 am.

Commissioner Manglona made a motion 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 2:17 pm.


VIII. ADJOURNMENT.

Vice Chairman Reyes moved to adjourn the meeting. Commissioner Manglona seconded the motion. It was put to a vote and unanimously approved. The meeting was adjourned at 2:25 P.M. on October 18, 2016.

Prepared by:  Date: 11/15/16
Carmen Ann B. Sablan
Executive Secretary

Concurred by:  Date: 11/15/16
Justin S. Manglona
Commission Secretary

APPROVED AND ADOPTED ON: 23rd day of November, 2016.

 Date: 11/23/16
Justin S. Manglona
Commission Secretary