



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



MEETING MINUTES
September 15, 2016

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

I. PRELIMINARIES

A. Call to Order

Chairman Juan M. Sablan called the meeting to order at 10:10 A.M. on September 15, 2016 at the Joeten-Kiyu Public Library (Technology Room) in Susupe, Saipan.

B. Roll Call

Commissioners present were: Juan M. Sablan (Chairman), Joseph C. Reyes (Vice Chairman), Justin S. Manglona (Secretary), 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, Legal Counsel, Michael L. Ernest and all Division Managers.

C. Adoption of Agenda

Commissioner Manglona made a motion to rearrange the order of the agenda as follows:

- I. Preliminaries
- II. Public Comments
- III. Miscellaneous
- IV. New Business
- V. Executive Session
- VI. Reports
- VII. Old Business
- VIII. Adjournment

Vice Chair Reyes seconded the motion. It was put to a vote and unanimously approved as amended.

D. Adoption of Minutes-August 11-12, 2016

Commissioner Santos to adopt the meeting minutes of August 11 & 12, 2016, seconded by Commissioner Manglona.

Discussions: Vice Chair Reyes asked the Executive Director and the Chairman to provide updates to the Commission under their reports on any pending matters that were mentioned in the August 11 & 12, 2016 meeting minutes.

Commissioner Santos asked what the status was on the DPAC contract. He explained that on the minutes there was a recommendation that Counsel Ernest will participate in the drafting of the contract. Counsel Ernest replied that he had reviewed two drafts which he submitted specific comments and general comments on. He informed the Commission that the draft contract is with Mr. Wes Bogdan, the Lt. Governor's Legal Counsel. He said that he and Counsel Bogdan will be meeting to finalize the contract which could be executed before the end of September.

Commissioner Santos yielded his inquiry on the status of the random drug testing on IPI employees as it will be presented by Ms. Bertha Leon Guerrero of IPI.

The motion to adopt the minutes of meeting for August 11 & 12, 2016 was put to a vote and unanimously approved.

II. PUBLIC COMMENTS

Mr. Paul Zak, a member of the public in the gallery asked if he's allowed to ask questions during the meeting or will public comments be the only opportunity for him to do so.

Counsel Ernest shared a point of information that public comments is the time for the public to comment and not to ask questions to the members. The members are under no duty to answer any questions or to enter into a debate of any kind with the public, he clarified. Vice Chair Reyes invited Mr. Zak to submit questions in writing to the Commission.

III. MISCELLANEOUS MATTERS

A. Progress Report by Imperial Pacific International (CNMI), LLC

1. Personnel Training and Recruitment Efforts

Ms. Bertha Leon Guerrero presented a written report to the Commission (soft copy to be forwarded to Velma Lore) which contained information on the percentages of US and foreign contract workers, efforts on training and programs partnerships with other institutions, in-house training efforts being provided, and learning and development programs. She shared that on the

non-gaming operations, a program was initiated in general training in the areas of limousine service training, strategic leadership program, and accountability. She went on to report that for their internship program, they have partnered up with the Northern Marianas College (NMC) and some high schools. She explained that this program is primarily in the non-gaming operations due to restrictions imposed by the Commission on age requirements. She reported that the IPI Academy will hold its first class in Baccarat Dealing beginning September 19, 2016 from 6pm to 10pm for a total of 160 hours in 30 days. To date, there are 32 individuals that have showed interest of which a little over 20 have passed review and preliminary tests. The training will be conducted on the 4th Floor of the Bank of Guam, she said. Planning for future academy courses will include front line, mid-level, managerial and executive courses, she noted. She stated that she's aware and acknowledges that the course description and syllabus requires the Commission's approval.

Ms. Leon Guerrero elaborated further on Vice Chair Reyes concerns on manpower needs for the new casino resort. She explained that there's been aggressive recruitment efforts in both gaming and non-gaming areas through job fairs. She added that the non-gaming team have reached out to Guam, Marshall Islands, Pohnpei, and Majuro. For the gaming side, because of the lack of gaming skilled individuals in our region, the team has reached out to the Philippines, Macau, Malaysia, and Taiwan. She informed the Commission that the report provided shows statistics on the outcome of the job fairs. Ms. Leon Guerrero assured the Commission that the company is going out and aggressively seeking manpower for their operations. Company representatives including herself have even gone abroad to the US to reach out to locals who have been living out there, she said. She disclosed that they were able to obtain a few resumes from locals who already had plans to move back. The Chairman also suggested IPI reach out to the Retirees as there are still many with abled bodies.

Ms. Leon Guerrero explained that in reference to the Northern Marianas College (NMC), an agreement has not been finalized. She added that the company has instead initiated the opening of its own academy to cover training on the gaming side of the operations. She noted that NMC might be utilized for the Supervisory and Managerial type of skill training for the non-gaming side. In reference to the Northern Marianas Trade Institute (NMTI), their training facility might be used primarily for the food and beverage type of training such as chefs and housekeeping, she said. If these two entities will be pursued, it will only be for certification programs, she noted. However, Ms. Leon Guerrero stated that at this time, there is nothing final set in writing with the two entities. She explained that the company has

opted to first start with its academy for the gaming side of their training needs.

Ms. Leon Guerrero reported that she and her team had met with the Secretary of Labor (SoL), Ms. Edith Leon Guerrero and that they are working with her on the annual plan. Vice Chair Reyes recommended the company write a letter to the Commission about this issue and the outcome of the communications between the SoL and the company on the annual plan. In that way, the Commission has something on record that the company is working on resolving their continued violation of Regulations 655, he stressed. Ms. Leon Guerrero acknowledged Vice Chair Reyes' request.

Commissioner Santos advised Ms. Leon Guerrero that it may be best if she presented a summary report to the Commission on the developments of the annual plan during its monthly meetings in addition to written reports. He shared that he understands that there cannot be a concrete plan right now due to numerous factors affecting the conditions of manpower. Ms. Leon Guerrero agreed to provide the Commission a monthly status update report based on their meetings notes during their meetings with all parties involved in the development of the annual plan.

Commissioner Manglona reported that the Commission had met with officials of NMC and NMTI and they have disclosed that they have not heard back from the Licensee on their training proposals. He understands now that this may be a result of new information that the company has decided to open its own training academy, he commented. He strongly advised that the Commission be provided a copy of IPI's training program for review and approval.

The Director reminded Ms. Leon Guerrero to have all their employees visit the Commission office to renew their licenses before the September 30, 2016 deadline. He then asked Ms. Leon Guerrero to enlighten the Commission on why a high number of US and Local Workers resign or are being terminated. Ms. Leon Guerrero explained that the factors that would result in termination are based on performance and attendance. As far as resignation, she said that she does not sit individually with the person, therefore, she would not know their actual reason for resigning other than what they indicate on their resignation letter. Some employees chose not to complete an interview exit survey, she noted.

Chairman Sablan pointed out that it seems like the Commission is presented the same report each time about the annual plan, therefore prolonging the company's violation. He advised Ms. Leon Guerrero to actually come up with a plan and report to the Commission on a quarterly basis. He then went on to stress that the license agreement requires IPI to provide funding for

training through local educational and trade institutions. He pointed out that nowhere on the agreement does it say that the licensee can open its own training facility. His interpretation of local is NMC, PSS and NMTI. He announced that the information gathered from the meetings with NMC and NMTI was that they were very disappointed with the lack of feedback from IPI on the proposals they worked very hard to put together after numerous meetings. The Chairman advised IPI to revisit the agreement on this matter and to comply with what is mandated which is to provide funding to train local people.

Chairman Sablan inquired how the new drug testing policy is working out and what is the rate of positive returns. Ms. Leon Guerrero announced that there were several applicants who could not be offered employment due to positive pre-employment drug test results. With regards to the random drug testing, she reported that it has not been implemented due to the hectic schedules with license renewals which they focused on. She assured the Commission that once the random drug testing begins, the Commission will be provided reports without names on how many tests were randomly ordered and their results. The Chairman suggested extending the random drug testing to key employees as well as they should lead by example.

Ms. Leon Guerrero reported that she met with Ms. Merissa Rasa of Saipan Higher Education Financial Assistance (SHEFA) Office with respect to the employment opportunities at IPI. Ms. Rasa offered to incorporate IPI's flyers with information on job vacancies into the information that is passed out to SHEFA clients.

2. Construction Progress Report

Mr. Donald Browne reported the following:

Issues with the neighbors were resolved and that the construction is now moving quickly. The company has already paid 1.2 million dollars in import excise tax on construction materials including a fleet of vehicles for the movement of construction materials. There are 2.8 million pounds of Portland cement ready to be mixed and poured for all the floors and walls of the work site. There are 39,280,000 pounds of steel that have already arrived and erected or in the process of being erected. The anticipation is for the entire casino floor and the first three floors to be opened in the latter part of January 2017. The projected opening date for the hotel tower will be at the end of May 2017.

Vice Chairman Reyes asked if the Commission was already provided the full construction documents as requested during previous meetings. Mr. Don Browne replied that he can get copies of the floor plans to the Commission

but warned that the documents contain a mix of Chinese and English characters. He also said that the plans could change due to various reasons including problems encountered during construction. Mr. Browne then provided the Commission pictures of the construction progress. He disclosed that there are 855 construction workers and 33 Managers/Supervisors at present. Another 1500 construction workers are expected to arrive in October in line with the CW1 cap requirements. He announced that they have provided DPW their short and long term solution for the sewage; the long term solution being the ongoing construction of a lift station at the corner of Corporal Derrence Jack Street. There's also ongoing construction of the Garapan Canal Project which will pump the sewage down to lower base, he said. He added that this project will take longer but will be completed by the time the hotel tower opens.

Chairman asked what the completion percentage was for the project. Mr. Browne explained that the project is around twenty to thirty percent completed. He commented that it may not seem like much but the hardest parts which is the structure and the pouring of concrete are almost all complete and then the rest of the construction will move along much faster. He stated that the progress is really good at this point in time.

Vice Chair Reyes stressed that the Commission's awareness of the construction plans is very important as it will help in proper planning for additional personnel. He explained that the Commission is capped at 35 FTEs and that it may be necessary to request additional FTEs from the Governor, he said. These uncertainties cannot be addressed without the Commission being apprised of the construction plans. He again voiced concerns on the possible challenges of securing sufficient manpower for the new casino resort. Additionally, he emphasized the need for the Commission to know the surveillance plans for the new facility.

The Director informed Mr. Browne that the Commission is interested in sitting in the meetings with the contractors. Mr. Browne said that there have weekly meetings scheduled with the contractors and that he doesn't see a problem with the Commission attending. Furthermore, the Director echoed Vice Chair Reyes' concern whether IPI will have enough manpower for the opening of the Grand Mariana which is right around the corner.

Commissioner Manglona pointed out that there seems to be a discrepancy in the information provided to the Commission on the number of floors at the Grand Mariana. He explained that the construction plan indicated that there will be 14 stories but on the bond offering it's showing 16 stories. Mr. Browne clarified that fourteen is the correct number of floors. He anticipates that the full steel structure will be erected by the time the casino podium opens

in January 2017. He elaborated that the steel structure for the casino podium is already fully erected as well as part of the manor house or VIP Villa which consist of the first three floors of the project.

Chairman Sablan commented that it may be advisable to wait until the full facility opens before the casino podium opens. He stressed that he is concerned of the safety of clientele during the ongoing construction of the hotel tower as there will be active movement of equipment and materials in the vicinity. Mr. Browne assured the Commission that they are working with DPW on developing an egress plan to address these concerns.

Vice Chair Reyes asked if gaming equipment for the new casino have already been ordered. He explained that he is asking simply for the reason that Commission staff would have to know the timing to prepare to inspect, test and certify the new gaming equipment. Mr. Kwong replied that equipment have already been ordered. Mr. Browne added that N 15 Architects will be providing the prints for the staging area and the storage of equipment and gaming supplies. He informed the Commission that the assets at the T-Galleria will also be transferred to the new casino.

Chairman Sablan inquired if a site for the storage and testing of the new equipment has already been identified. Mr. Browne assured the Commission that they will submit a full written request before they take delivery of the new devices. The Director requested that once the lease agreement for the property that would house the gaming equipment and the educational facility is finalized, the Commission should be provided the information. The Director advised that gaming devices and equipment must not be purchased from an unlicensed vendor.

The Chairman requested that reports or documents from the licensee must be received by the Commission at least a week ahead of a scheduled meeting date so that members can have ample time to review such documens in order to make educated decision on matters brought before them for action.

3. Others

Responsible Gaming-Ms. Esther Milne reported that the self-exclusion program is ongoing and that training for staff is still being provided. However, to date there is still no one on island who is a certified problem gambling counselor. The plans to establish a non-profit organization has not materialized as she is still working on the process of recruitment. She shared that searching for members has proven to be more difficult than she expected, in our society. One of the criteria in selecting a member is that the individual must be neutral; neither for or against gambling. In some

cases, there's a conflict of interest involved and some just do not want to commit their free time. Ms. Milne said that out of the fifty names on the list she started with four months ago, only two have agreed to sit on the board. It's been very challenging, she stated. What makes creating this program more difficult is that there are no statistics and data to work on, she said. Under the self-exclusion program, only nine have signed up in the past year, she shared. Ms. Milne announced that her research continues and has even been extended into gathering data through the drug court. Vice Chair Reyes agreed that it is important to gather data in preparation to create such a necessary and important program. He thanked Ms. Milne for putting a lot of effort into this endeavor.

The Director informed Ms. Milne that there's information on this issue learned from training Vegas that the Commission can share with her. He said that there may be other funding mechanisms to fund this program such as the community chest fund. The funds could also be used to assist in developing base line data in order to create a substantive program.

On another matter, the Director informed Mr. Kwon, Mr. Don Browne and Mr. Vic Choi that the Commission has been observing criminal behavior in the VIP Room which will not be tolerated. He specified that this is in relation to the incident in which a VIP player assaulted his spouse which is an arrestable and imprisonable offence. The Director advised that this information should be disseminated to dealers, pit supervisors and security that such type of criminal activity will not be tolerated.

The Director then advised IPI to always notify and remind their players that if they plan to bring in \$10,000.00 or more, they must properly and meticulously declare such movement of currency on the required declaration form. Although not taxable, it is important and necessary to comply with both local and federal laws.

4. MICS

Vice Chair Reyes moved to adopt the addition of Section 18 under Chapter 5 of the Minimum Internal Control Standards (MICS) as follows:

Chapter 5 - Information Technology

18.01 The Casino Licensee shall ensure the CCC is provided at least 7 days advanced written notice of any proposed Gaming System configuration, programming changes or upgrades to critical files.

18.02 The Casino Licensee shall ensure the CCC is provided at least 7 days advanced written notice of any proposed database scripts and database fixes on the Casino gaming system production databases.

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

IV. NEW BUSINESS:

A. Casino Key Employee - Provisional & Regular Licenses:

Provisional: 1. Chan, Kin Man, 2. Chu, Wai Seng, 3. Ho, Ka U, 4. Kwan, Kwok Hong, 5. Morrow, Laurence Scott, 6. Sutherland, Robert Lynn, 7. Xu, Bo Chuan, 8. Butcher, Kelly M., 9. Mascio, Vincent Phillip

Regular: 1. Alepuyo, Ellsbeth Viola, 2. Brown, Mark Anthony, 3. Browne, Donald Robert, 4. Decker, Caren Michelle, 5. Guerrero, Dave Bernard, 6. Hallmark, Donavon Darel, 7. McDonald, Charles Henry, 8. Xia, Yuki Yu, 9. Xing, Tao

Vice Chair Reyes moved to approve the issuance of provisional and regular licenses to the casino employees listed above. The motion was seconded by Commissioner Manglona. It was put to a vote and unanimously approved as amended.

Amendments:

1. Mascio, Vincent Phillip moved up to provisional license under number 9.
2. Badal, Mark Kris deleted from the list.

B. Casino Service Providers - Regular Licenses:

1. Jade Entertainment (Gaming Equipment and Peripheral Gaming Equipment)
2. Vantiv Gaming Solutions Limited Liability Company (Payment Platform Processing System)

Commissioner Santos moved to approve the issuance of Regular Casino Service Provider Licenses to the applicants listed above, seconded by Vice Chair Reyes. The motion was put to a vote and unanimously approved.

C. IPI's Request to Pledge the Casino License and Other Collaterals as Security

The Director explained that IPI submitted a request for the Commission's consideration to approve their intent to pledge the casino license for the purpose of securing additional financing. He then introduced Mr. Vic Choi (Counsel), Mr. Kwong (COO), Mr. Chuck McDonald (Counsel) and Mr. Michael Dotts (Counsel) who will be talking more about the pledge to the Commission.

Counsel Dotts explained that there are security reasons that prevents him from discussing this issue in an open meeting. He requested that this matter be taken up under executive session where he'd be able to answer any questions. However, he shared basic information that it is very common for large casinos to

obtain what's called Secured Debt Financing where assets are pledged as security to obtain financing, he said. Counsel Ernest informed the Commission and IPI Representatives that for a resolution to be binding, it must be done in public. The Director added that the bond documents were provided to the Commission yesterday and that it is time sensitive and is not for public disclosure at this time.

After the Executive Session, Vice Chair Reyes moved to approve Resolution 16-002, seconded by Commissioner Manglona. It was put to a vote and unanimously approved as amended. *(Please make a note that at the advice of Counsel Ernest and the Director, this action was recalled due to the lack of a 72-hour notice since this item was publicized in the agenda. Counsel Ernest stated that it could be considered a technical issue and such action could be deemed null and void due to the fact that the specific item on the agenda has only been published for 48-hours as of meeting time)*

The Commissioners decided to recess the September 15, 2016 meeting and to revisit item C under New Business on the following day, September 16, 2016 in order to allow for the 72-hours publication requirement. A motion to recess was made by Commissioner Manglona, seconded by Commissioner Santos. It was put to a vote and unanimously approved.

SEPTEMBER 20, 2016 MEETING CONTINUATION

The Commission returned to regular meeting on September 20, 2016 at 3:00 pm at the Governor's Office Conference Room in Capitol Hill to continue discussions on IPI's request to pledge the casino license and other collateral as security.

After several days of deliberation on the matter, Commissioner Santos made a motion to approve the Commonwealth Casino Commission's consent to pledge IPI's assets as stated in Resolution 2016-003. It was seconded by Commissioner Manglona and put to a roll vote with all members voting yes.

V. EXECUTIVE SESSION

SEPTEMBER 15, 2016:

Vice Chair Reyes moved to rise into executive session to discuss sensitive financial matters with Representatives from IPI, seconded by Commissioner Santos. The motion was put to a roll call vote and all voted yes. Executive session began at 11:54 am.

Vice Chair Reyes moved to get out of executive session, seconded by Commissioner Manglona. It was put to a roll call vote and all voted yes. Executive Session ended at 1:51 pm on September 15, 2016.

Commissioner Santos moved to go on lunch recess until 2:45 pm, seconded by Vice Chair Reyes. It was put to a vote and unanimously approved. Lunch recess started at 1:55 pm.

The Chairman called the meeting back to order at 2:55 pm.

The Chairman reported that during executive session, financial matters surrounding IPI's request to pledge the casino license and other collateral as security was discussed in detail and at length. Additionally, Commission personnel matters was also discussed and resolved.

SEPTEMBER 16, 2016:

Vice Chair Reyes moved to rise into executive session to discuss legal matters with Counsel Ernest, seconded by Commissioner Manglona. The motion was put to a roll call vote and all voted yes. Executive session began at 11:20 am.

Commissioner Manglona moved to get out of executive session, seconded by Commissioner San Nicolas. The motion was put to a vote and unanimously approved. Executive session ended at 11:40 am.

Vice Chair Reyes made a motion to recess subject to the call of the Chair, seconded by Commissioner San Nicolas. It was put to a vote and unanimously approved. Recess began at 11:45 am.

VI. REPORTS

A. Report by the Chairman

The Chairman reported that he and Vice Chair Reyes recently attended a Title 31 training in Las Vegas, Nevada. He announced that he is very pleased that IPI also sent representatives to attend. He commented that this type of training is very important as it covers the necessity to comply with federal laws such as Anti-Money Laundering. He noted that any violations could result in hefty fines and/or criminal prosecution. The Chairman also shared that the Commissioners also attended a Law Conference: Regulating Land-Based Casino in Las Vegas as well. As earlier reported, he and Commissioner Manglona attended a meeting with both NMC and NMTI officials. He asked the licensee to work closely with these two entities to train our locals who should be top priority for employment in the industry.

The Chairman shared that the Office of the Attorney General's Office has already issued an opinion on the Open Government Act. He encouraged all Commissioners to read the document and to comply with its requirements.

The Chairman announced that the Commission drafted a new house bill removing everything related to e-gaming, poker and pachinko. However, the bill has not been pre-numbered as it has not been entertained by the Legislature as of yet. The Commission has been informed by Speaker Rafael Demapan that

the likelihood of entertaining the proposed bill is slim due to the legislature's busy schedule with the budget. The Chairman commented that once the budget is passed, we can then find out if the bill will be entertained in this 19th Legislature or will it be stalled till after the election.

B. Report by the Executive Director

The Director reported the following:

Proposed House Bill-House Bill 19-20 has been sitting in the House for over two months. Some members of the legislature find the bill to be too political and controversial. At the instructions of the Commissioners, Counsel Ernest drafted a new bill removing any mention of e-gaming, poker and pachinko. That bill is now in the hands of the Speaker.

Expenses: In the month of August 2016, \$253,000 was spent.

Funding Balance: There's funding balance of \$776,894.00 in the regulatory fee fund as of September 15, 2016. Public Law 19-24 requires IPI to pay the \$3,000,000.00 regulatory fee on or before October 1 of each year so that amount is expected to be received soon. The Commission has no access to the actual balance of Account 7170 which derived from the two million dollars application fee. Funds in this account were shared with the Lottery Commission. The Secretary of Finance blocked the Commission's access to the JD Edwards and has also prevented the Commission from obtaining hard copy reports on the balance. The Commission finds this action to be unlawful. However, according to the AG's Office, this issue is not a legal issue rather a finance issue. This is one of the reasons why the Commission is interested to meet with the Governor once he returns from his trip. The funds in Account 7170 should have already been transferred to Account 7170A as required by Public Law 19-24.

Under Account 7170A, the balance in this account is \$776,000.00. Under Account No. 7171, payments of fees for service provider, vendor, junket licenses were lumped into the same account as the 15 million dollars exclusive casino license fee with different sub-categories. According to our own independent tracking, that account has \$330,000. Under the local appropriation, the CNMI Government gave the Commission \$1000 of which 1 percent is allocated for the Public Auditor. Remaining funds in this account were already exhausted in the purchase of office supplies.

Commissioner Santos commented that it should be the Executive Director confronting the Secretary of Finance about this issue. He recommended he pay her a visit as soon as possible to have this matter resolved. Commissioner

Santos is very frustrated with the Secretary's attitude which shows a lack of professionalism and respect for the Commission. The Director strongly believes that all attempts have been taken to try and resolve this issue directly with the Secretary in which all have failed. He agreed with the Chairman that it is time to bring this matter to the Governor's attention.

Personnel: Mr. Luis Taisakan Iguel was selected to fill the position of Enforcement Agent II. His employment with the Commission began on August 29, 2016. Mr. Robert Guerrero, Enforcement Agent II, submitted his resignation letter with an effective date of September 16, 2016. Mr. Guerrero will be working for the Office of the Public Auditor. To replace Robert, Mr. Nokki Saralu will be promoted and Nokki's Enforcement Agent I replacement will be recruited from the most qualified applicant from previous JVs.

Training: The Enforcement team consisting of Chief Cabrera, Senior Special Agent JB Cepeda, Senior Special Agent Patrick Sablan, Special Agent Reno Celis and Investigative Analyst Allan Dela Cruz will be departing to Las Vegas to attend the Pre-Licensing Financial & Background Investigation course at the UNLV International Gaming Institute which will run from September 28-30, 2016. The team will be departing on September 24 and returning on October 3, 2016. Aside from attending the course, the team will be doing some networking with the Nevada Gaming Control Board.

The Audit team consisting of Audit Manager Charlie Atalig, Senior Auditor Eleuterio Palacios, Financial Auditor Jolene Benavente and Compliance Officer Angelita Mamaril will be departing to Las Vegas to attend courses in Casino Auditing I & II which will run from October 24-28, 2016 at the UNLV International Gaming Institute. When the team returns, the Commission can then develop its audit plan.

Development Planning Advisory Committee (DPAC): Mr. Chua, the vendor selected, met with the Governor's staff, the AG's Office and the CCC Legal Counsel. The DPAC contract is presently being drafted with the Governor's Legal Counsel taking the lead. The signatories of the contract will be IPI, the Governor and the Contractor.

Miscellaneous: IPI's request for new chip design and \$1 million dollar chips is still being reviewed. There are specific items on the regulations that IPI must first provide responses to. GPI, the company supplying the chips was already licensed by the Commission. It may be necessary for the Commission to visit their facility in Southern France to document the procedural requirement in the processing facility. The Chairman feels there won't be a need to send any staff to the chip factory. More training should be focused in the technology aspect of our regulatory functions, he stated.

IPI is looking into a German Company to provide the surveillance system for the new casino resort. Dallmeier has invited IPI and the Commission to visit their facility and to undergo extensive training on how the system works and the work flow of it all. However, the company must first apply for a casino vendor license. The Commission is looking to send Mr. Ian Morrell, IT Manager to this training and a few other participants to be determined at a later.

The MICS will come into effect on October 1, 2016. Counsel Ernest will update the prints for distribution.

The Director reminded IPI about the necessity to fully comply with the regulations. One of the sections that continues to concern the Commission is the unlicensed vendors. These are vendors who transact \$100,00.00 or more in any given year with the Licensee who are not included in the list of exemption. These vendors must obtain a vendor license from the Commission. Continued violation can result in sanctions and hefty fines for each violation. IPI is to stop making payments to these vendors until they obtain the necessary license and come in compliance with the regulations.

Discussions have been initiated with Amerine Enterprise through Mr. Dennis Amerine who the Commission is looking into working with in addressing multiple areas such as vetting of junket operators, enhanced anti-money laundering program, audits of machines to determine compliance with the minimum payout requirements, among others. The Commission will put a list together of what it needs which will need to be published for every vendor to see in compliance with the Procurement Policy.

The Chairman commented that the Commission should look into taking up the Nevada Gaming Control Board's offer to come to Saipan to provide training to Commission staff. He added that by bringing the trainer here, expenses could cut down drastically.

VII. OLD BUSINESS

A. Proposed Junket Agreement between IPI and Junket Operators

Commissioner Santos made a motion to approve in principal the junket agreement and allowing the Executive Director the flexibility to make changes as needed. The motion was seconded by Commissioner Manglona. It was put to a vote and unanimously approved.

MEETING CONTINUATION, FRIDAY, SEPTEMBER 16, 2016

Chairman Sablan called the meeting back to order on Friday, September 16, 2016 at 10:27 am at the Joeten-Kiyu Public Library (Technology Room) in Susupe. All five members were present.

The Chairman recommended the agenda be revisited and amended to include Angel Playing Cards under IV. New Business as number 3 for approval on the issuance of a regular casino service provider License at the request of Chief Cabrera. The regular license will be good for two years.

Counsel Ernest advised that adding the Angel Playing Cards to the agenda should only be for the purpose of discussion as it was not published in the agenda. At the advice of Counsel, Angel Playing Cards cannot be approved for the issuance of a Regular Casino Service Provider License at this time. However, the Executive Director and the Chairman can use the authority previously granted to them to extend the Provisional Casino Service Provider License of Angel Playing Cards.

The Chairman also recommended to add under the miscellaneous agenda discussions on IPI's new chip design and the \$1 million dollar chips. Counsel Ernest again advised the Commission that no action can be taken with regards to the chips because it was not published on the agenda.

The Director commented that he sees no problem for these two items to be entertained on the Commission's next meeting.

BANKROLL:

The Chairman asked Audit Manager Charlie Atalig to revisit the proposed minimum bankroll. Charlie explained to everyone that his presentation is the same as his August 11, 2016 presentation during the Commission's meeting. He again shared the same power point presentation on the proposed formula along with instructions. He covered the definition, authority, and walkthrough the formula modeled after Nevada's formula with the proposed change of including an unredeemed cash chip liability and a change from 1% to 2% of the percentage of GGR bankroll requirement. He explained that there's been on-going discussions with the Commission and Imperial Pacific as to the different elements of the bankroll formula. The audit division's recommendation for a percentage of unredeemed cash chips to be added to the formula is seventy-five percent at this time. He announced that the Commission received for review and consideration IPI's bankroll proposal from Mr. Richard Chan. He elaborated that imposing a required minimum bankroll amount ensures that the casino has sufficient funds to pay its winners as required in the Commission Regulations.

Charlie announced that he and his team did a test based on Nevada's bankroll formula and they came up with a minimum bankroll requirement of 5.5 million dollars that should be on hand at

the casino and 8.4 million dollars that should be available the next business day. The Director recommended adding this item on the next meeting agenda for action.

The Chairman asked IPI to limit its expenditures to the basic necessities so that funding sources can be committed to completing the Grand Mariana. He explained that he noticed unrelated expenses in the monthly master vendor list. He said he can't stress enough how necessary it is for the Licensee to focus all its financial resources to complete the Grand Mariana as stated in the license agreement.

DPAC:

Mr. James Chua of Pacific Century announced that his company was selected by the Governor on July 19, 2016 to be the DPAC representative. To his knowledge, the Governor's Office is currently drafting the contract. He shared with the Commission some key tasks that his company must perform. He noted them as follows:

- 1) Assist in the implementation of the initial gaming facility and integrated resorts.
- 2) Monitor the progress on a weekly basis.
- 3) Provide weekly reports to the Governor.
- 4) Ensure compliance and address issue pertaining to lack of compliance.

He explained that his company's role is to assist the Licensee and the CNMI to successfully develop the gaming industry for the benefit of the people of the CNMI. His company is not asking for authority rather providing advisory services only. He shared that his company was established in the CNMI since 1993 and that he holds a Bachelor's Degree in Management. He also has extensive experience in integrated resorts. He disclosed that the funding for the DPAC project is only \$400,000 a year. That amount, he said, will run out fast. Mr. Chua informed the Commission that the targeted date for the execution of the contract is mid-October. The Director asked Mr. Chua to provide updated status to Commission on a regular basis. Mr. Chua announced that he looks forward to working with the Commission.

VIII. ADJOURNMENT

Vice Chairman Reyes moved to adjourn the meeting, seconded by Commissioner Santos. It was put to a vote and unanimously approved. The meeting was adjourned at 5:28 pm on September 20, 2016.

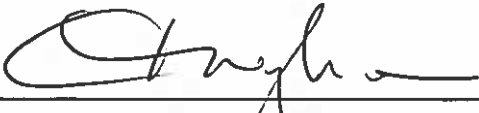
Prepared by: _____




Ruth Ann P. Sakisat
Executive Assistant to the Commission

Date: _____

10/12/16

Concurred by:  Date: 10/12/16
Justin S. Manglona
Commission Secretary

APPROVED AND ADOPTED ON: 17th day of October, 2016.

 Date: 10/17/16
Justin S. Manglona
Commission Secretary