



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



**MINUTES**  
September 25, 2015

**I. PRELIMINARIES:**

- A. **Call To Order.** Chairman Juan M. Sablan called the meeting to order at 10:18 a.m. on September 25, 2015 at the Commonwealth Casino Commission Conference Room at the Springs Plaza in Gualo Rai.
- B. **Roll Call.** Commissioners present at the meeting were: Juan M. Sablan (Chairman), Joseph C. Reyes (Vice Chairman), Alvaro A. Santos (Treasurer), and Martin DLG. San Nicolas (PA & MR Officer). Commissioner Justin S. Manglona was not present at the meeting. The Chairman announced that he was off island and therefore excused. Also present were the Acting Executive Director ("Director"), Velma A. Lore, the Executive Assistant to the Commission, Ruth Ann P. Sakisat and the Legal Counsel, Michael L. Ernest.
- C. **Adoption of Agenda.** Vice Chairman Reyes moved for the adoption of the agenda which was seconded by Commissioner San Nicolas.

Discussion: Commissioner Santos recommended that item B. under IV. Old Business be moved for discussion under item VI. Executive Session.

Vice Chairman Reyes moved to amend his previous motion and offered a motion as recommended by Commissioner Santos. The amended motion was seconded by Commissioner San Nicolas. It was put to a vote and unanimously approved.

- D. **Adoption of Minutes.** August 27, 2015  
Vice Chairman Reyes moved to adopt the minutes of August 27, 2015 meeting, seconded by Commissioner San Nicolas.

Discussion: Vice Chairman Reyes pointed out a word that was misspelled on page 6 under V. New Business, on the second line. The word "sited" should be spelled "cited". Ruth Ann noted the error and will make the necessary correction.

The motion was put to a vote and unanimously approved.

## II. REPORTS:

### A. Report by the Chairman

The Chairman reported that the Commissioners visited the House of Representatives on September 23, 2015 in hopes that the Commission's proposed bill will be entertained but unfortunately, it was not. He shared that he spoke with Speaker Deleon Guerrero who informed him that it will most likely be included in the September 28, 2015 session. The Chairman advised Commissioner San Nicolas to prepare for a return back to Saipan on the 28<sup>th</sup>. He then asked Ruth Ann if she was able to obtain a copy of the House Session agenda on Monday, September 28, 2015. Ruth Ann announced that she was informed by the House Clerk that it won't be ready till the afternoon and that as soon as she get it, she will provide copies to the Commissioners. The Chairman also shared that he paid a visit to Senate President Victor Hocog who informed him that he appointed Senator Jude Hofschneider and Senator Steve Mesngon to handle discussions with the House leadership with regards to the proposed bill before it is presented to the Senate. He emphasized that time is of the essence for this bill to be passed because the Commission's budget is dependent on it to be able to pay employees' salaries. He added that he has other concerns regarding the proposed bill which he will reserve for discussion under Executive Session. The Chairman asked the Commissioners to prepare and make themselves available for a possible three day house session. Vice Chairman Reyes requested if he can be provided a copy of the CNMI's Budget approved budget once the Governor signs it.

The Chairman thanked Vice Chairman Reyes for taking the initiative to testify to the JGO Committee while he was off island. Vice Chairman Reyes welcomed the Chairman back and announced that the JGO Committee report was already issued and was in our favor on the passage of HB 19-95. Vice Chairman Reyes commended Acting Director Velma Lore for being a part of the efforts in the passage of HB 19-95.

### B. Executive Director's Report

Acting Director Lore announced that the signage should be ready in a week. With that said, she requested if a photo can be taken of the Commissioners and staff in front of the signage for the website. She shared that the website is nearing completion with possible launching by the end of the day. However, it will only be for public access as employee access is still being worked on. The Chairman recommended inviting a Priest to bless the signage. Acting Director Lore announced that a soft opening is in the plans as mentioned by Director Deleon Guerrero in previous meetings. Vice Chairman Reyes shared that he's like for members of the Legislature to be invited to the soft opening. Chairman Sablan advised that photos of the Governor and Lt. Governor be obtained and displayed in the lobby before the soft opening. Acting Director Lore replied that she will follow up with the SAA for the portraits.

The Chairman inquired with Acting Director Lore the progress of the Confidentiality Agreement for employees which he has been requesting. He then asked the Legal Counsel to look into this and to assist in drafting an agreement for employees and

the Commissioner to sign. He emphasized the importance of getting this done because a lot of confidential information is being shared by the licensee which should not be discussed outside of the office. Commissioner San Nicolas also requested that a policy be established for the enforcement officers detailed to the casino surveillance office. He felt that our enforcement personnel will often times see things through the surveillance camera that should not be shared with outside people. He added that a policy is necessary to uphold the privacy of the casino customers. Commissioner San Nicolas shared an experience in Tinian in which an employee who had access to the gaming floor was taking photos which caused domestic problems with spouse when the photos were released. He feels strongly about the Commission developing and approving policies to prevent incidents such as what transpired in Tinian.

The Chairman advised Acting Director Lore and Enforcement Manager Ed Cabrera to inform our enforcement officers at the casino floor that they are not authorized to release any information to anyone, not even the media and that they should refer the person inquiring to the Director, himself or Commission San Nicolas who is the PA & MR Officer. Additionally, they are not authorized to take photos of any of the casino patrons.

Acting Director Lore announced that the personnel manual that she and the HR Officer are working on will include policies on social media. She shared that Commissioner Santos was asked to join in the personnel committee to review the manual once the draft is completed.

Vice Chairman Reyes inquired there have been any applicants for the position of Audit and Compliance Manager. Acting Director Lore responded that there haven't been any. The Chairman explained that the position was initially advertised with a salary beyond the salary cap of \$50,000. He explained that the proposed bill included a provision to exempt the position of Audit and Compliance Manager from the salary cap. He pointed out that if that does not go through, then an alternative would be to go to the Governor to request the legislature to exempt the position. He added, that until such time, the compensation for the Audit and Compliance Manager cannot exceed \$50,000 and the likelihood of finding applicants with such a low salary will be very challenging. In the event the Governor fails to get the Legislature's approval, the Commission would have to enter into a contract with a private firm to conduct the audits. The Chairman added that the urgency to hire an Audit Manager would be determined by the Director.

Vice Chairman Reyes asked the Acting Director the status of uniforms. Acting Director Lore informed the Commissioners that thus far only one vendor submitted a quotation. However, she and the Director decided to put it on hold due to the budget issue. Vice Chairman Reyes asked what type of auditing principles would Best Sunshine International ("BSI") have to follow. Legal Counsel Mike informed the Commissioners that it would have to be General Accounting Principles as stated in the regs. Vice Chairman requested for an update every meeting of employee licenses issued to BSI. Acting Director Lore shared that she and other staff in her division met with BSI Human Resource department and that the working relationship

has been great. Through the meeting, many of the discrepancies have been addressed and all applications and attachments are complied with.

Chairman Sablan inquired if there is any new information on the recruitment of workers from the Philippines. Acting Director Lore shared that that no new information has been received but Ms. Angela informed the Commissioners that BSI expects to recruit approximately 60 employees from the Philippines who are mainly dealers. Mr. Viola Alepuyo added that the USCIS has already approved the petition of the 60 employees but that there is one more step that needs to be done at the Philippine Embassy before they can enter Saipan. She assured the Commission that as soon as the employees arrive, they will immediately submit their applications for license.

Acting Director Lore announced that she brought up the lottery issue to Viola Alepuyo who is presently looking into the matter. Ms. Alepuyo informed the Commission that their committee is also meeting on the matter.

### **III. PUBLIC COMMENTS. None**

### **IV. OLD BUSINESS**

- A. **GLI Final Audit & Certification of Casino Gaming Equipment & GLI Training**  
The Chairman announced that a copy of the GLI Training proposal was presented to the Commissioners for review. In addition to the training, GLI still needs to conduct its final audit and certification of the remaining machines which they were unable to do when they were in Saipan back in August. The new proposal includes new topics that the Director felt were more in accordance with GLI's expertise instead of UNLV. There will be two trainers from GLI. The Chairman added that the referenced proposal was addressed to BSI as they will shoulder the cost and that the Commission was only provided a copy. Acting Director Lore added that to her understanding, Mr. Brown is in communication with GLI in determining the date of the training. She shared that the training will be for all CCC Enforcement Officers, Investigators and Inspectors and some other personnel and Commissioners. However, the schedule has yet to be finalized. The Chairman asked Acting Director Lore that there's a deadline for the final audit and certification to be done and stressed the need for BSI to comply with the date. However, should an extension be necessary, BSI must submit a request to the Commission for approval.
- B. **House Bill# 19-95**  
Agenda was amended for this item to be discussed under Executive Session.

### **V. NEW BUSINESS.**

- A. **Casino Regulatory Fee Schedule: Extension of Due Date**  
Vice Chairman Reyes moved to adopt Resolution 2015-002, seconded by Commissioner Santos. (Please see copy of Resolution and Order)

Discussion: Vice Chairman Reyes inquired if fees collected by the Commission from this point on can be deposited into the account the Governor established for the Commission under the FY2016 Budget with an opening amount of \$1,000. Legal Counsel Mike explained that as it stands in P.L. 18-56, every fee collected by the Commission is general fund and must be appropriated to the Commission. Absence the passage of HB 19-95, the Commission has no authority to spend any of the fees collected. The Legal Counsel pointed out that the most disturbing part of the budget is that the Commission was granted zero FTE's which only means that the Commission will have no employees. In response to Vice Chairman Reyes' inquiry, no deposits can be made to the account, he explained. The only way the account can receive funds, is if the Governor reprograms money to it. Again, he emphasized that it would be unclear what the money can be used for because the FTE has been zeroed out. Basically, he shared, that since the Commissioners are not considered employees of the government, funds can be used for their \$20 an hour compensation for meetings attended or for office supply needs. Commissioner Santos requested clarification from the Legal Counsel by asking if the FTE issue will be moot if HB 19-95 is passed. The Legal Counsel said yes, it will be mooted out.

The motion to adopt Resolution 2015-002 was put to a vote and unanimously approved. Legal Counsel Mike asked that the newly adopted resolution be signed immediately and that only the Chairman needs to sign Commission Order Number 2015-002 which goes with the resolution, unless the other Commissioners want to sign the order as well. Ultimately, only the Chairman signed the order.

#### B. Junket Regulations

The Chairman explained that the Junket Regulations were previously adopted but that the Commission decided to revisit a section of the junket to make necessary changes after hearing the Licensee's concerns on the fees being charged. He offered his recommendation to remove the fee requirement under item c, Section 175-10.1-2640 of the Junket Regulations. He shared that he feels the licensee should first be given a chance to grow and for the Commission to experience BSI's growth from their junket operations before any fee is assessed.

Commissioner Santos made a motion for the emergency adoption of the junket regulations with the elimination of the provision under Required Fees, Section 175-10.1-2640 Part C. Commissioner San Nicolas seconded the motion. The motion was put to a vote and unanimously approved.

Commissioner Santos made another motion to adopt the junket regulations as amended for publication in the register for public comments. Vice Chairman Reyes seconded the motion.

Discussion: Commissioner San Nicolas inquired with the Legal Counsel if BSI's junket agreements is something the Commission should look into. Legal Counsel Mike informed the Commissioners that in would in the best interest of the Commission to scrutinize any and all agreements with regards to the licensee's junket operations. Commissioner San Nicolas pointed out his concern that the Commission is unable to comment prior to execution of the agreement rather

until after it's executed. He felt this does not give the Commission the opportunity to voice its concerns. Legal Counsel stated that if the Commission is not happy with what's on the agreement, they can always amend the regulations to make sure that the agreement conforms to their concerns. He emphasized the importance for the CCC's investigative staff to thoroughly review all agreements and to ensure that all documents are in compliance with the statute and the regulations.

Commissioner Santos asked Commissioner San Nicolas in his experience, is there a standard agreement between junket operators and licensee. Commissioner San Nicolas responded that Tinian only had one operator so he is unable to answer whether that would be constituted as standard. He is unaware of junket agreements in the casino industry as a whole. He recommended Commissioner Santos divert his question to Mr. Alfred Yue. Mr. Yue explained that most junket agreements involve provisions on rebate, fund money or turn over requirement. Commissioner Santos asked if there is a standard language on agreements at such that can be found in Macau and Nevada. Mr. Yue replied that he does not believe there's anything in Nevada but responded that he is aware that Macau does have.

Vice Chairman Reyes inquired if the Gross Gaming Revenue is similar to Business Gross Revenue. The Chairman explained that the gaming revenues should be separated from non-gaming. Vice Chairman Reyes pointed out a provision on the junket regulations which states that that no money expended on any complimentary item or service shall be deducted from the Gross Gaming Revenues. He questioned whether this provision is in terms with what is allowed by the law as a tax deductible item. Legal Counsel Mike explained that his understanding of the tax law is that such expense could be deductible at the end of the year as an expense when their corporate tax is filed. Vice Chairman Reyes elaborated that BSI has been donating a lot to the community and he is concerned whether these are eligible tax deductible donations against the business gross revenue. He understands that this issue is not in the Commission's jurisdiction but he is concerned about revenue being hampered. Legal Counsel Mike strongly believes that this should not affect the BGR, however, it will affect the licensee's annual corporate taxes.

After a lengthy discussion, the motion was put to a vote and unanimously approved.

- VI. EXECUTIVE SESSION.** Commissioner Santos moved to rise into executive session to to consult with Counsel regarding the proposed House Bill 19-95 and some other matter not pertaining to the Legal Counsel in which Counsel will be excused midway through the session. The motion was seconded by Commissioner San Nicolas. The motion was put to a vote: Chairman Juan Sablan-yes, Vice Chairman Joseph Reyes-yes, Treasurer Alvaro Santos-yes, and Commissioner Martin San Nicolas-yes. Executive session began at 11:03 pm.

The Chairman called the meeting back to order and out of executive session at 12:07 pm.

## VII. MISCELLANEOUS MATTERS.

The Chairman informed the Commissioners that he requested for Ms. Viola Alepuyo's presence for this meeting so that she can brief the Commission on the agreement between the Lottery Commission and Imperial Pacific LLC. dba Best Sunshine International concerning the issue on multiple sites. Ms. Alepuyo stated that she was only involved with the agreement at end discussions. She added that she was not a party during the negotiation phase. Chairman Sablan asked Ms. Alepuyo to elaborate further on the three sites as stated in the agreement.

Ms. Alepuyo shared the following: During negotiation for the casino license agreement, part of the undertakings for the licensee was to determine if there was any feasible land in order to build not only the casino but also the integrated resort. The agreement stated that gaming can only be twenty percent of the integrated resort. The integrated resort should have shops, hotel rooms, retail space, and others. P.L. 18-56 mandates that the licensee has to invest in 2,000 hotel rooms which should be at least 5-6 Stars international standard. The Licensee did an analysis of Saipan and found that it was difficult to find a suitable piece of land to build all 2,000 rooms in addition to the retail space, the restaurants and the gaming area. In light of this finding, she added, the parties went back to the table and discussed the possibility of splitting the project into two which would be a more feasible solution. The Lottery Commission inquired how long it would take if two sites were to be built. The licensee advised that it could take 5 to 8 years. The Lottery Commission, however, felt that was too long of a wait as the CNMI was in dire need of revenues which is when talks for a third site came about. The third site would be the initial gaming facility which should be on an extensive piece of land with good access to quality beach. The agreement further stated that the parties agree that there are challenges in inquiring the required land and that the licensee is authorized to use up to a total of three development sites to obtain the required land and that all game activities authorized under this casino license is limited to those development sites. Ms. Alepuyo explained that that's the history behind the three sites. Furthermore, she stressed that the law existed before the license agreement was entered into by the two parties. She added that the agreement was vetted by Attorney James Stump and signed by the Attorney General. Ms. Alepuyo stated that she is comfortable that the agreement conforms with the law and that she is ready to defend any litigations in court should it come to that. Legal Counsel Mike shared his concern that P.L. 18-56 may not have authorized multiple casino sites but added that it is out of the Commission's hands because it is a decision to be made by the Legislature and the Court should this issue be challenged. He further stated that the day this issue becomes ripe is when gaming will be offered in two sites, in which there might be possible challenges through lawsuits against the Executive Director. Vice Chairman Reyes inquired if the agreement can be amended to address this matter. Ms. Alepuyo explained that if this issue becomes a problem with the proposed changes to P.L. 18-56, then she suggests that the proposed bill include the exact language as stated in the license agreement. The Chairman mentioned that this may only be a concern in the Senate and if the licensee is comfortable that the license agreement does not violate the statute, then they will just allow the legislative process to take place on the proposed bill. Ms. Alepuyo offered to contact Senator Hofschneider and Senator Mesngon to address any concerns they may

have on the multiple casino sites.

**VII. ADJOURNMENT.** Vice Chairman Reyes moved to adjourn the meeting the meeting. Commissioner San Nicolas seconded the motion. It was put to a vote and unanimously approved. The meeting was adjourned at 12:27 pm.

Prepared by:  Date: 11/09/15  
Ruth Ann P. Sakisat  
Executive Assistant to the Commission

Concurred by:  Date: 11/13/15  
Justin S. Manglona  
Commission Secretary

APPROVED AND ADOPTED ON: 13<sup>th</sup> day of November, 2015.

 Date: 11/13/15  
Justin S. Manglona  
Commission Secretary