



**COMMONWEALTH CASINO COMMISSION**  
Commonwealth of the Northern Mariana Islands  
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**MINUTES**  
August 24, 2017

**I. PRELIMINARIES:**

- A. **CALL TO ORDER.** Chairman Juan M. Sablan called the special meeting to order at 10:10 a.m. on Thursday, August 24, 2017 at the Joeten-Kiyu Public Library (Technology Room) in Susupe, Saipan.
- B. **ROLL CALL.** Commissioners present at the meeting were: Juan M. Sablan (Chairman), Justin S. Manglona (Secretary), Alvaro A. Santos (Treasurer) and Martin DLG. San Nicolas (PA & MR Officer). Commissioner Joseph C. Reyes (Vice Chairman) was ill and unable to attend. His absence was excused by the Chairman.

Vice Chairman Joseph C. Reyes was present on August 25, 2017 for the continuation of meeting.

- C. **ADOPTION OF AGENDA.** Commissioner Manglona made a motion to amend the agenda by moving VI. New Business (A) Consideration of Stipulated Resolution of Complaint 17-001; Adoption of CCC Order Confirming Stipulated Resolution of Complaint 17-001, immediately after III. Public Comments. The motion was seconded by Commissioner San Nicolas and was put to a vote with a unanimous adoption.

**D. ADOPTION OF MINUTES. August 3, 2017**

Commissioner Manglona moved for the adoption of the minutes of meeting for August 3, 2017, seconded by Commissioner Santos.

**Discussion:**

Commissioner Santos asked Counsel Ernest to review paragraph 2 on page 4, and inquired whether he concurred with what was stated in the minutes.

*Vice Chair Reyes asked for clarification on whose responsibility it is to enforce the Casino License Agreement. Counsel Ernest explained that although the terms of the CLA indicate that only the Governor can enforce it, P.L. 18-56 states that the Commission through its regulations has the authority to ensure that the licensee honors all its legal, statutory and contractual obligations, which includes the CLA as it is clearly a contract. Therefore, he clarified that the Commission has statutory authority to enforce the terms of the contract, and that the Lottery Commission and the Licensee do not have the power to bargain away the Commission's authority which was granted by statute.*

Counsel Ernest explained that the minutes summarized what he stated and offered to elaborate further if necessary. Commissioner Santos requested for clarification as his understanding on the matter is that the Lottery and Casino Commission should work together, and that the Lottery Commission shall remain in existence. The Lottery Commission is the body that should be involved in any amendments to the Casino License Agreement (CLA), he said. Commissioner Santos then asked Counsel Ernest to explain the roles of the Governor and the Office of the Attorney General (OAG) in the CLA as he is still uncertain on what they are.

Counsel Ernest explained the following: Public Law 18-56 governs the creation of the CCC and it also set up the mechanism by which the Lottery Commission was to give the license to a bidder. The CLA which was issued by the Lottery Commission states that the Governor is empowered to enforce its terms and negotiate any amendments. The CCC is mentioned in the CLA but only to regulate the gaming aspects of the license. The OAG appears disinclined to honor the delegation of amendment authority to the Governor, and has been insisting that the Lottery Commission retains that authority. Who's right or who's wrong doesn't matter because both (Governor & AOG) parties are involved based on the signatures on all amendments except number 2. However, the CCC also has the authority to enforce the CLA based on P.L. 18-56, which states that the CCC is granted the authority to ensure that the licensee or anyone licensed under the CCC's authority follows the laws and regulations of the Commonwealth and the United States of America, as well as all contractual obligations. The CLA is clearly a contract between IPI and the CNMI Government broadly defined in a form of a license agreement. However, the Lottery Commission and the Licensee do not have the power to bargain away the Commission's authority which was granted by statute.

Commissioner Santos inquired if the Lottery Commission has the authority to delegate to the Governor the authority to enforce the terms and negotiate amendments of the CLA. Counsel Ernest stated that that remains a question but the answer appears to be "No" according to the AOG, but the explicit terms of the CLA says "Yes". He explained that this matter has not been tested in court and that he cannot give any advice contrary to the position of the Attorney General. As long as the Lottery Commission makes the amendments in a public open hearing, the OAG has no standing to challenge if not based on the merits of the action. If the Governor enters into the amendment himself without the Lottery Commission, that could be an invalid amendment subject to challenges. Any action taken in reliance of the illegal amendment would most likely be referred to the CCC for a decision and disposition, he said. Counsel Ernest advised that as long as both the Governor and the Lottery Commission are signatories on any amendments to the CLA, there won't be any pushbacks from AG's office. Chairman Sablan shared that H.B. 20-82, if passed, will clarify these powers.

The motion to adopt the minutes of the August 3, 2017 meeting was put to a vote and unanimously approved.

## **II. REPORTS:**

### **A. REPORT BY THE CHAIRMAN:**

The Chairman acknowledged the presence of representatives from J.M. Aquino, Mr. Matt Deleon Guerrero from the Governor's Office, the media and members of public.

The Chairman reported that the Commission, inclusive of himself and Commissioner Santos, met with IPI's financial team to discuss updates in reference to IPI's gaming receivables. He noted

that this type of meeting is held every month with the involvement of at least two Commissioners, the CCC Audit and Compliance team and IPI. During these meetings, in depth discussions are taken up on how much was collected and how much is still owed in gaming receivables and by whom, he explained.

The Chairman shared that the Commission met with Ms. Janina Maratita, the Governor's Representative assigned to write a White Paper for the US Congress on gaming in the CNMI. The Commission provided Ms. Maratita an abundance of information that would assist her in compiling her report including the Commission policy on compliance with Title 31 and Anti-Money Laundering regulations. He noted that Ms. Maratita was asked to provide the Commission a copy of the draft report for the Commission's review.

The Chairman reported that the Commission recently met with a former employee of IPI. He felt such practice should continue and is necessary to get some information on what is happening inside IPI. He said that the former employee provided the Commission lots of good information on what's happening on the gaming floor on a daily basis. He proposed that the Director look into establishing a policy on getting casino key employees and supervisors to come to the Commission to share their reasons for resigning. He added that it's important for the Commission to learn and understand the ongoing activities at IPI as this venture is a partnership. He said that the interest of the public must be protected at all times, and the Commission must ensure that the licensee is following all federal and local laws, Regulations and the Casino License Agreement.

The Chairman shared that the Commission also met with Mr. Kwong, IPI's former CEO, and discussions were exchanged on the outlook of IPI's future. Both agreed that Japan will be the CNMI's top competition in the gaming industry, but not with the junkets as Japan prohibits junket operations, he said. He noted that the CNMI lacks entertainment, something Japan has an abundance of. He said that the Commission also met with Counsel Chuck McDonald, to discuss issues that need to be addressed internally at IPI. The Chairman said that it would be a good idea for IPI's key staff to meet with the Commission every month before a scheduled meeting to itemize what documents are being requested and to set submission deadlines.

The Chairman announced that he met IPI's new General Counsel, Mr. Phil Tydingco. Mr. Tydingco retired in Guam and is now with IPI to assist in the area of compliance. He then reported that he and Commissioner Manglona, along with the Director and Counsel Ernest, met with the Chairman of the House Committee on Gaming. Chairman Joseph Deleon Guerrero shared that the Committee is presently awaiting comments from the private sector, including IPI, on the Commission's pending house bill. The Chairman anticipates taking action by the end of September but warned that there may be a need for some floor amendments. Commissioner Santos inquired what kind of floor amendments does the Committee intend to make. Counsel Ernest explained that the amendment he knows for sure is pertaining to the licensee's ability to write off uncollected gaming markers. H.B. 20-82 as it stands, proposes an absolute prohibition for write off. He further added that the Commonwealth's Regulations, although disfavored, offers flexibility and would allow it should the licensee be able to convince the Commission that it's in the Commonwealth's interest. He said that he spoke to the Legal Counsel of Revenue Tax, and he also believes that an absolute prohibition might be a problem. He explained that the floor amendment of HB 20-82 would be for the write off provision to conform with the Commonwealth's current regulation. Counsel Ernest informed the Commission that he will be draft the language on the matter, and forward it to the Legal Counsel of the House Committee on Gaming.

## **B. REPORT BY THE EXECUTIVE DIRECTOR:**

The Director reported the following:

**Budget:** The Commission still has a fund balance of \$898,663. The FY2018 Regulatory Fee should be received by October 1, 2017. Additionally, if the Senate approves the Commission's FY2018 budget as presented, there will be an additional \$550,000 from the casino regulatory fee fund. The Chairman recommended that funds in Account 7171 be earmarked for investigations and the construction of the Commission Office.

**CLA Amendment 5:** Allows IPI to include the cost associated with the Initial Gaming Facility (IGF) to be counted towards the minimum of 2 Billion Dollars as required by P.L. 18-56. IPI was requested for a complete accounting of what is being claimed as spent at the IGF thus far for its construction only. Any other expenses such as the yacht, cannot be counted towards the minimum required investment. Ms. Viola Alepuyo, VP of IPI's Special Projects, had earlier informed the Commission that an expense report was already submitted to the Department of Public Lands (DPL). Ms. Alepuyo was asked to also provide the Commission a copy. Counsel McDonald was reminded about the Commission's pending request. The Commission also advised Counsel McDonald to assign someone within IPI to concentrate on monitoring what expenses should be applied towards the 2 Billion Dollars minimum investment.

**Law Enforcement Training:** Five CCC Personnel are currently undergoing intensive training in Guam in the categories of investigation and interrogation techniques. The training will run throughout the week. The staff are anticipated to return in the weekend.

**2017 Labor Day:** Labor Day festivities for the entire CNMI Government is scheduled for Sunday, September 3, 2017 at the Garapan Fishing Base beginning 10:30 am. The CCC was assigned Tent No. 27 located right across the Marianas Medical Center. The Employee of the Year for each department will be recognized in this event, and the announcement of the overall Employee of the Year will also take place. Ms. Ruth Ann Sakisat was nominated as the CCC Employee of the Year.

**Junkets:** There are five (5) pending applications. Amerine Enterprises has been recruited to conduct the initial vetting to allow the Commission to expeditiously decide on the five pending junket applications, for the issuance of provisional licenses. Mr. Dennis Amerine received all documents required to begin this process. Due diligence reports will be delivered directly to the Commission within 15-30 days.

**Exit Interviews:** IPI always conducts exit interviews when employees quit. The Commission has taken a special interest to have a follow-up interview when it's a casino key employee. Based on the Regulations, every employee at IPI has an obligation to report any observed violations to the Regulations and the Minimum Internal Control Standards (MICS). If an employee fails to report a violation, it will be the same as if they're the one committing the violation.

**CCC Monitoring:** The Commission has been closely monitoring IPI's receivables and payables. Several vendors have informed the Commission that they have not been paid, and to verify if the claims are true, IPI was asked to provide the Commission their aging payables report. As part of the CCC's regulatory function, all payables and aging reports are being scrutinized. Any discovery of legitimate unpaid claims will be brought up to the Commission, and further discussed with the licensee. The three main functions as regulators is to ensure that funds coming in are properly

tracked and taxed, and to ensure that the parties involved in the industry are suitable, and to ensure the integrity of the gaming machines. All CCC Divisions have been extremely busy the past few months and moving forward.

**Parking at IPR:** Reports have been received by the Commission about the congestion in the Garapan area and the problem with parking. Prior to the Commission issuing approval for IPR to go live, the licensee was instructed to address the issue of parking. The Commission was disappointed to hear that several local IPI employees are having difficulties finding parking, and that some have also been subjected to receiving traffic tickets, and/or vehicles towed. This issue was once again brought to IPI's attention as it is their obligation to take care of their employees. The Commission sees this as a serious problem and expects IPI to resolve it at the earliest possible time.

**Tips:** IPI has a policy that dealers have communal tips that are shared amongst the dealers every payroll. It has come to the Commission's attention that the tips are not being distributed as authorized by the regulations particularly in the VIP rooms. IPI needs to immediately look into the participation of the marketing agents and hosts, and immediately cease all unauthorized practices that are nonconforming to the regulations. The Commission asks IPI for immediate compliance regarding tips.

**Lottery Commission:** The Lottery Commission was requested to provide the Commission all documents received while reviewing the initial applications pertaining to the issuance of the casino license. However, the documents have not been received. Possible reason could be that the Lottery Commission has no staff. The Secretary of Finance who is also the Secretary of the Lottery Commission, indicated that the documents have all been scanned but to date, none have been forwarded to the CCC.

**White Paper:** The White Paper is a project that the Office of the Governor has taken up. During the last presentation to the US Congress during the 902 discussions, there was a concern by the US Congress that the gaming activities in the CNMI have reached a recognizable level warranting their concerns and interest particularly in VIP and junket operations. The White Paper, through the Governor's Chief of Staff, will assist the Government in identifying more about gaming, and in understanding more about junkets and how it affects the Commonwealth and the industry. The Commission provided Ms. Janina Maratita, a recent law school graduate, a lot of information to assist her in writing the White Paper. Ms. Maratita was given a deadline of August 31, 2017 by the Chief of Staff to complete her draft report. The Commission is interested to review the draft paper.

Mr. Matt Deleon Guerrero, Governor's Chief of Staff, explained the following: the purpose of the White Paper is to help clarify concerns by the US Congress. The CNMI is the first US jurisdiction to operate a Macau style gaming. A lot of the conversations that the CNMI is having with regards to the extension of labor is predicated on the dire need for additional labor, which is caused by the presence of the gaming industry, and the influx of Chinese and other tourists. A question raised is if the CNMI is asking for additional workers, and the workers are needed for the casino, how viable is the casino industry. The White Paper would provide the US Congress the framework in which to ask questions. It's also an effort to continue the conversation on the extension of the CW and transition programs.

**Mr. Kenneth Hines:** As part of IPI's efforts to boost compliance with the Bank Secrecy Act, Mr. Kenneth Hines, a former IRS Supervisor was hired. Mr. Hines has over 30 years of experience with the IRS, and was involved in the Tinian Dynasty bust. Mr. Hines has put some plans in motion

already, and the Commission intends to meet with him on a regular basis to go over the E & Y audit findings, and to review IPI's compliance with the MICS and the Regs. IPI must follow Title 31 requirements and any violations could endanger the industry.

### **III. PUBLIC COMMENTS:**

Mr. Paul Zak informed the Commission that President Donald Trump signed into law HR 339 which prohibits construction workers. He asked how this will affect the completion of the project since IPI can no longer bring in construction workers from China. He further inquired if IPI has a plan on how to address this issue. He then asked what DPAC's involvement is in all of this. He commented that he thought DPAC should be involved in scheduling, and overlooking the completion of the project. He shared his concern that HR 339 affects the entire CNMI, and not only the casino.

Counsel McDonald replied that the licensee has been anticipating the change in law, and have been planning for it by looking into other avenues to bring in qualified workers. The main source will be US workers and H2B workers, he said. In response to Mr. Zak's concern with DPAC, Counsel McDonald explained that the DPAC's role with the IGF has been minimized. He said the DPAC still exist, and are still working with IPI representatives but less on the IGF.

### **VI. NEW BUSINESS:**

***Note: Item below was moved up for discussion. Remaining items under VI. New Business will be discussed according to the approved agenda.***

- A. Consideration of Stipulated Resolution of Complaint 17-001; Adoption of CCC Order Confirming Stipulated Resolution of Complaint 17-001.**

Assistant Attorney General Michael Ernest represented Edward C. Deleon Guerrero, Commission Executive Director. Assistant Attorney General Kate Fuller represented the Commissioners. Gold Mantis was represented by Mr. Tiberius Mocanu and Mr. Stephen J. Nutting, Attorneys at Law.

Counsel Ernest presented the Commission with the following order for adoption for their consideration.



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**BEFORE THE COMMONWEALTH CASINO COMMISSION**

**EDWARD DELEON GUERRERO, in his  
 official capacity as Executive Director of  
 the Commonwealth Casino Commission,  
 Plaintiff-Petitioner,**  
 v.  
**GOLD MANTIS CONSTRUCTION  
 DECORATION (CNMI), LLC  
 #CCC-PCVL-2017-0004 (Provisional  
 Licensee)  
 Defendant/Respondent.**

**DEI # 17-0004(i)  
 COMPLAINT NO. 17-001  
 FINAL ORDER CONFIRMING  
 STIPULATED AGREEMENT**

**GOOD CAUSE SHOWN**, and after consideration at the August 24, 2017 public meeting of the Commission, the parties' stipulated resolution is hereby **CONFIRMED**. Provisional License #CCC-PCVL-2017-0004 is hereby reinstated. Licensee shall submit a completed application for a regular Casino Vendor License, with all supporting papers, within sixty (60) days of the entry of this Order. Licensee shall fully cooperate with the Executive Director by providing information regarding all employees, officers, managers, directors, etc. of the licensee and shall bar from further employment any person the Executive Director deems unfit for licensure. Licensee shall hire or retain a compliance officer who is well-versed in the laws and regulations of the United States of America and the Commonwealth of the Northern Mariana Islands. Licensee shall pay \$192,000.00 in settlement of all claims alleged in the First Amended Complaint and all other claims, known or unknown as of August 7, 2017.

This Order shall be published in the Commonwealth Register and be available for public review.

**SO ORDERED** this 24th day of August 2017.

For the Commonwealth Casino Commission,

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 Juan M. Sablan  
 Chairman

Commissioner Manglona moved for the approval of CCC Order Confirming Stipulated Resolution of Complaint 17-001, seconded by Commissioner San Nicolas. The motion was put to a vote and unanimously approved.

Commissioner Manglona made a motion to recess until 2:00 pm on Thursday, August 24, 2017. The motion was seconded by Commissioner San Nicolas. It was put to a vote and unanimously approved.

The Chairman called the meeting back to order at 2:04 pm on Thursday, August 24, 2017.

#### **IV. MISCELLANEOUS MATTERS-Casino Licensee (IPI) Updates:**

##### **A. Construction Progress - Imperial Pacific Resort & Hotel & Roadways**

Mr. Eric Poon, IPI Designer, provided the Commission hard copies of the IPR's construction progress report, and also shared the following:

The south of the building of the podium façade will be completed by the end of September 2017. After the podium façade, the work will move up to the tower.

The Chairman inquired when the cottages at the beach side will be completed. Mr. Poon replied that the west side of the façade should be completed by the end of the year. The stone work is ninety percent complete, so they've begun working on the molding. Based on the report, there are 60 management staff, and 563 construction workers. Mr. Poon shared that lack of construction workers remains a big issue. However, IPI continues to look for possible solutions, including a recent visit to Guam to interview several potential constructors. He pointed out that Guam contractors are also concerned about having enough labor to do the project in Saipan as they have big projects in Guam as well. The Chairman suggested IPI look into other jurisdictions aside from Guam. He said that if the project is delayed any further, there may be a need for amendment no. 6 to the CLA. Counsel McDonald said that IPI is searching for a big contractor to continue the project. With Saipan being in a remote area, the most advisable approach is to deal with a Guam contractor who may be able to hire workers from the U.S., and will be easily mobilized to Saipan, he said. Mr. Poon shared that IPI is still pushing for the August 2018 completion date. The workers at the construction site, including himself, are being pushed to the maximum capacity in order to meet the target deadline, he said. He explained that most of the materials are already on island, and are being stored several in several IPI warehouses.

In response to the Director's inquiry, Mr. Poon shared that the anticipated opening of the second floor of the casino is May 2018. He further stated that IPI is working very closely with all other government permitting agencies.

The Chairman inquired if there are any plans to rectify the road situation and all the potholes. Counsel McDonald informed the Commission that US Fanter was contracted to work on the roads. However, he went ahead and raised the Commission concerns to IPI's construction team, and they've agreed to address the potholes.

Based on the progress report, a statutory issue listed is the preparation of rain water filtration system design modification by civil engineer to BECQ. Mr. Poon reported that the filtration system



has been ordered and delivery will be around 10-12 weeks. Once the unit arrives, it will be installed and connected to all the pipes. Mr. Poon asked the Commission to allow Dr. Ken Shankweiler of JM Aquino PC to report further on the road construction matters.

Chairman Sablan asked Mr. Poon if the target completion date of August 2018 is still a reasonable date considering the lack of manpower and without hiring a big contractor. Mr. Poon said that it would all depend on how many workers and sub-contractors the potential big contractor can put together. Counsel McDonald informed the Commission that there are still workers from MCC working at the project site. He noted that IPI intends to retain MCC until such time a big contractor is identified. He said MCC has the history of the building and the background knowledge of it, and a smooth transition is necessary.

The Director asked who would decide what contractor to hire. Counsel McDonald replied that it would be the Board's decision. The Chairman hopes at least one contractor can be identified by the next Commission meeting.

The Chairman asked what the status is on the seismic bracings. Mr. Poon replied that the basement should be a hundred percent completed by the end of August. For the casino side, IPI will be submitting a request for the Commission's review and approval.

Dr. Ken Shankweiler, Project Consultant with JM Aquino explained that he is personally involved as the Project Consultant for the offsite improvement projects. He said that he is familiar of the other areas and will do his best to answer the Commission's questions. He then listed down the products and services that were contracted to JM Aquino.

- Contract administrator for offsite improvements such as water, sewer, electric, power and the streets.
- Project Manager for the infiltration system. The infiltration system contract for the complete drainage of the entire hotel is pending.
- Holds the contract for the design of the railings at the offload area located next to Fiesta Resort which belongs to the CNMI. The area is a canal and its railing, leading down to the beach are dilapidated.
- Provides special inspectors who are responsible for inspecting and certifying structural steel, concrete and welding aspects of the project. All of the requirements and specifications as designed by the engineering firm are being met. Special Inspector services are being provided on an as needed basis.

The Director inquired when construction of the canal will be completed. Dr. Shankweiler replied that the canals are completed and covered. US Fanter installed the basis and conduits for the street lamps. The remaining completion work on the canal is the responsibility of IPR's landscaping team.

The Director then inquired when the road will be completed. Dr. Shankweiler explained that: Part A (from Beach Road to the first gate of the Hotel/Casino): Start 09-01-17 /Finish 09-15-17; Part B (from Ginger St. to Coral Ave): Start 11-15-17 /Finish 11-30-17. The delayed completion date of Part B of the road project is because of the need to install the continues deflective separator (CDS unit) which is the filtration system for the canal water. He said this type of unit has yet to be used in this part of the world. He explained that BECQ recommended the system for filtering of trash that that comes from the entire downtown Garapan area. He said that if a good job is not done in filtering out the trash, the outflow area will be filled up and eventually run off to the beach. He noted that it is the responsibility of IPR, BECQ and CRM to figure out the CDS unit and how it will

work. He further explained that entire project was designed by Hofschneider Engineering a long time ago, and the contractor now is concerned whether the unit will work because the affected area, if dug four feet, will reach sea water which is a big problem.

The Director asked if Hofschneider Engineering took into consideration the sea water level when they did their design. Dr. Shankweiler said that they did but now with the actual construction of the canal, the contractors are beginning to see the challenges, especially with the elevation. Because of the contractor's concerns, the project had to be re-examined readdressed by all involved. He announced that all of this was already done, and as IPR reported, the CDS unit was already ordered and is on its way.

The Director inquired if a traffic light will be installed at the IPR intersection. Dr. Shankweiler informed the Commission that the traffic light project at the intersection into IPR was recalled from USA Fanter's contract and transferred to DPW. This was a result of an agreement between IPI and DPW after DPW contracted an individual to do a traffic study. DPW will also be responsible with the road improvement on beach road including the traffic lights, he said.

Chairman Sablan asked who will be responsible for maintaining and servicing the CDS unit. Dr. Shankweiler replied that to his understanding, IPI has the responsibility for the first five years, and the CNMI will take over after that. Counsel McDonald interjected that it might only be the first two years but he'll have to verify. Chairman Sablan is concerned that it may be too much work for DPW should the CNMI takeover. He said that he knows of other canals that are not properly maintained by the government, and he is afraid of the affect it will have on all the businesses in the Garapan area should the canal in the Garapan area overflows. He applauded IPI for all their contributions, with the road and canal improvements, and the sewer line which will run all the way to the Sadog Tasi plant. Chairman Sablan inquired if other business will be allowed to hook up to the sewer line. Dr. Shankweiler responded that the fourteen-inch sewer line will only be dedicated to IPI until such time it is turned over to CUC.

The Director asked if JM Aquino still holds the contract as the structural engineer for the IPR. Dr. Shankweiler replied that JM Aquino only has a contract to provide special inspectors. The Director asked Dr. Shankweiler if there's any problem associated with the integrity of the structure if left sitting for an extended period of time. He further asked if there's any time frame, and whether it should be covered up. Dr. Shankweiler said that he has limited experience in that area but to his knowledge, based on discussions with others in his firm, it shouldn't be a problem. He shared that the IPR was designed by two of the most reputable engineering firms in the US. He added that in his opinion, there's no building on the island that has been design with the same integrity as IPR.

Chairman Sablan commented that there are concerns about the materials being used and if the specifications were followed. Dr. Shankweiler explained that JM Aquino has the complete specifications from IPI and Hofschneider Engineering of everything that's in the structure which have been referred to and confirmed by their special inspectors. He reported that JM Aquino special inspectors were involved since earlier in the project, in making sure that every welder's certification is up to date, of which a copy along with a photo is maintained in the Office of JM Aquino. He said that every inspector that works on site is required to compile a daily report which is forwarded to DPW Safety Division on a biweekly basis. DPW, in return, would refer back questions to JM Aquino which is proof that they're reviewing the reports, he said.

The Director raised a concern about flooding in the basement parking in the event of typhoon. He asked if the integrity of the building will be affected should this occur. Dr. Shankweiler offered no answer to the Director's concern because he is not qualified to comment on such a matter. The

Director asked Mr. Poon if IPI had any mechanisms in place, such as pumps, to address flooding in the basement. Mr. Poon replied he is aware that the building has proper drainage system, but that he is not aware if the water will be pumped to the canal or the ocean. He is sure that their mechanical plumbing engineers designed a way to address the issue. Dr. Shankweiler informed the Commission that JM Aquino has a pending contract for the infiltration system for the drainage of IPR. He believes their Engineers in Guam are looking into the drainage of the basement, and the path of where the water will go. He said JM Aquino is in the final stages of finalizing the contract.

Commissioner San Nicolas shared his concerns on the integrity of the welding of the building considering the constructions workers were found to be tourist and may have not been certified. Dr. Shankweiler assured the Commission that all welders were required to present their welding licenses. He believed it's impossible for the welders to have a US certified welder license if they're illegal aliens. Dr. Shankweiler stated that JM Aquino is not Imperial Pacific and they are not MCC; they are a respected professional engineering firm in Guam, CNMI and in the Philippines, who do not employ constructions workers. It is the job of their special inspectors to ensure that whoever is doing the welding is certified to do so. The Director noted that there may be a need for CCC Compliance staff to look into the certification records of the welders.

Dr. Shankweiler assured the Commission that the structure of the IPR building is sound, and that there were no cutting corners in their job as special inspectors. Commissioner Manglona thanked Dr. Shankweiler for his presentation and his assurance on the structure.

**B. IPI Personnel - Training and Recruitment of U.S. Workers & Employee Compensation**

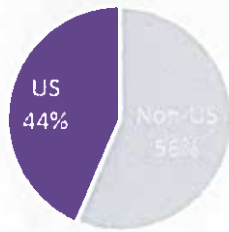
Ms. Maggie Attao, Assistant Director of Human Resources, IPI, presented on behalf of Ms. Bertha Leon Guerrero. Ms. Attao requested for the Commission to refer to the copy of IPI's HR July 2017 Dashboard which was earlier provided to the Commission.

Ms. Attao announced that IPI will be starting a new dealer academy on August 28, 2017 with 17 candidates already enrolled. Temporary CCC licenses have already been requested for the candidates.

## HR Dashboard July 2017



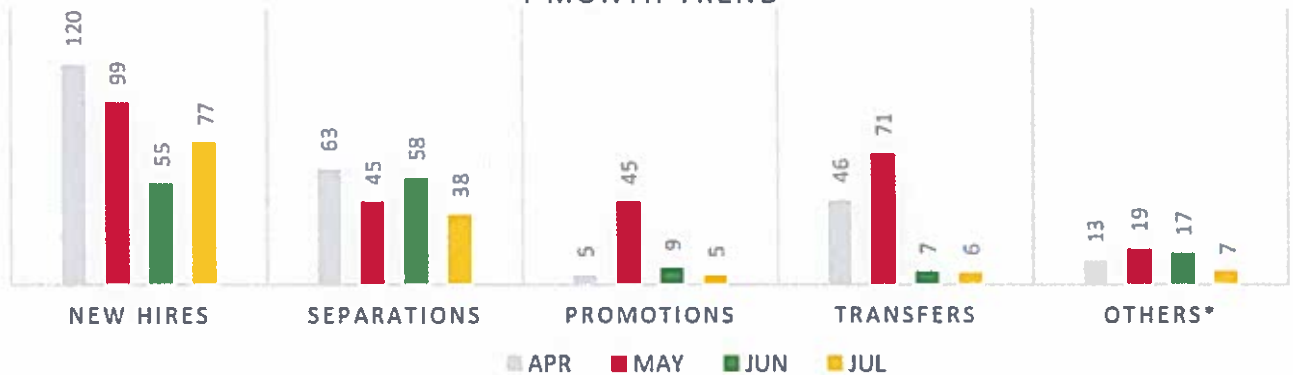
Headcount by Percentage



Headcount by Category



EMPLOYEE MOVEMENT  
4 MONTH TREND



Ms. Renee Acosta, Assistant Manager of Learning & Development, IPI, covered the Learning & Development portion of the HR Dashboard for July 2017.

Chairman Sablan requested that the Commission be provided credentials for all trainers/instructors and the curriculum for all training programs. The Director noted that the regulations requires that all training

program be sanctioned by the Commission. Ms. Acosta announced that Ms. Carmen Hassleback is a licensed and certified trainer for EEOC and she handles all the EEOC trainings for IPI.

## LEARNING & DEVELOPMENT

A summary of the trainings, workshops and courses completed by IPI employees are provided below:

Training / Workshop / Course	Participants			
	MAY	JUN	JUL	AUG
Alcohol Beverage Tobacco Control	8	30	0	
ARC First Aid, CPR & AED	14	0	0	13
Aspiring Leadership Program - Module 1	17	0	0	5
Aspiring Leadership Program - Module 2	15	0	0	6
Aspiring Leadership Program - Module 3	10	15	0	
Aspiring Leadership Program - Module 4	0	9	9	
Aspiring Leadership Program - Module 5	0	0	15	
Basic Courtesy Mandarin for Beginners	37	14	23	8
Confidentiality & Non-disclosure Training	0	340	63	26
Culture of Safety	19	0	0	
Customer Service Training	10	30	0	
EEOC	103	51	107	16
EEOC for Supervisors & Above	5	23	0	8
Effective Behavior-based Interviewing Skills	0	0	8	
Effective Performance Appraisal Interview Workshop	0	0	8	
Employee Handbook Orientation	0	65	201	17
Image Building & Personal Branding	12	0	0	
Opera Training	0	17	0	
Orientation	3	0	3	
Orientation & Guest Services	99	55	77	17
Red Rock - Intensive	32	0	0	
Red Rock - Inventory	18	0	0	
Red Rock - Invoicing	0	0	0	
Red Rock - Normal End User	44	0	0	
Serve Safe Training & Examination	0	0	4	
Title 31 / AML	200	142	134	87
Together We Care - Module 1	6	10	0	6
Together We Care - Module 2	0	13	0	
Together We Care - Module 3	0	0	9	
Together We Care - Module 4	10	0	5	
Trainer's Club Kick-off Meeting	0	0	9	
Train the Trainer	13	0	0	

\*As of  
8/18/2017

### Dealer Program

11 graduates from our 3<sup>rd</sup> Dealer Academy and 10 graduates from our 4<sup>th</sup> Dealer Academy have become official employees of Imperial Pacific International (CNMI), LLC.

The Director asked if IPI HR if they had any knowledge of any discrimination in wages. The Director further explained that his question is in relation to employees being paid differently but are doing the same job. Ms. Attao replied that since she's been at IPI, most of the employees hired locally without direct experience in the casino industry or the field that they're in, are being paid at the same level. The employees that are brought in, who are more seasoned and experienced in the casino or hotel industry, are compensated a little bit higher. In return, those brought in with experience, will train the current local workers, she explained.

The Director inquired what the procedure is for promotions. Are promotions offered to a selected group of out of the Commonwealth employees or are they equally given to all eligible employees in the Commonwealth. Ms. Attao replied that promotions are requested by each department head, and that her only involvement is when the request comes to her. Chairman Sablan asked if the company had an annual increment pay scale or program. Ms. Attao responded that there wasn't any. The Chairman shared that the Commission has received complaints of unfair wages, and the Commission just wants to know if there's validity in their claims. The Commission also wants to partner up with the company to assist in the avoidance of any violations of local and federal laws, he said. The Director asked who makes the final decision on promotions. Ms. Attao said it was the HR Department out of the corporate office as they would also need to certify the funds.

Chairman Sablan encouraged IPI to continue aggressive efforts in the recruitment of US employees, and to also reach out to retirees.

### C. Responsible Gaming Program

Ms. Esther Milne, Legal & Compliance, IPI, reported the Preliminary Problem Gambling Survey results are available for the Commission. She announced that the survey which began on the first week of July has ended with a total of 584 results. Of the 584, 48.62% are females and 48.28% are males. The highest ethnicity of gamblers is Chamorro at 50.86%. The highest concentration of gamblers is Kagman at 11.94%.

Ms. Milne announced that an individual has been identified to do the compilation and analyze the results. She hopes that by the next Commission meeting, a summary will be available. Ms. Milne asked the Commission to review the survey results that was provided and to direct any questions to her attention.

***Note: A copy of the survey is available at the Commission's Office for viewing.***

The Chairman commented that the gambling problem on Saipan, percentage wise, is higher than Las Vegas. The Director recommended that IPI communicate with the Government to possibly dedicate a portion of the 20 million community chest fund for Responsible Gaming programs.

### D. Other Miscellaneous Matters: None

## V. OLD BUSINESS:

### A. Imperial Pacific International (CNMI), LLC: Organizational Chart

The Director explained that there's a pending request to IPI to provide the Commission with an updated organizational chart, including any changes due to promotions. He said that previous conversations with Mr. Mark Brown was that he will be updating the Commission during this

scheduled meeting, however, Mr. Brown could not make it back in time to Saipan from Macau due to bad weather. The Director requested to defer this item until Mr. Brown's return.

**B. Revenue Sharing Option & Rebate Agreement - Request for Approval**

Mr. Andrew Yeom, Manager of Compliance, CCC provided the Commissioners a power point presentation of the different scenarios related to the Revenue Sharing Option & Rebate Program. This model is being requested by IPI in order for their business to grow through junket operators. Below is a sample from his presentation.

ROLLING REBATE VS PROFIT SHARE VS HYBRID MODEL ANALYSIS											
PREPARED BY COMPLIANCE DIV. (As of 8/23/2017)											
REVENUE BEFORE TAX			STANDARD ROLLING REBATE MODEL				BGRT TOTAL	PROFIT SHARE MODEL			BGRT TOTAL
VIP ROLL			TURN OVER	REV. AMOUNT FOR EACH PARTY		(5% OF) \$285,000,000	SHARE	REV. AMOUNT FOR EACH PARTY		(5% OF) \$285,000,000	
VOLUME	HOLD %	GROSS REV.	RATE (%)	JUNKET	IPI (CASINO)	(+5% OF) \$190,000,000	RATE (%)	JUNKET	IPI (CASINO)	(+5% OF) \$190,950,000	
10,000,000.0	2.85%	\$285,000,000	1.90%	\$190,000,000	\$95,000,000	\$23,750,000	0.7%	\$190,950,000	\$94,050,000	\$23,797,500	
ANNUAL TOTAL		\$1,420,000,000		\$1,280,000,000	\$1,140,000,000	\$285,000,000		\$2,291,400,000	\$1,128,600,000	\$285,570,000	
HYBRID (ROLLING REBATE + PROFIT SHARE) MODEL											
ROLLING FOR JUNKET		PROFIT SHARE FOR JUNKET		HYBRID REV. TOTAL		BGRT FOR EACH PARTY		BGRT TOTAL			
TURN OVER	REVENUE	SHARE	REVENUE	REV. AMOUNT FOR EACH PARTY		(5% OF) \$189,725,000	(5% OF) \$285,000,000	(5% OF) \$189,725,000			
RATE (%)	AMOUNT	RATE (%)	AMOUNT	JUNKET	IPI (CASINO)	JUNKET	IPI (CASINO)	(+5% OF) \$285,000,000			
0.80%	\$80,000,000	38.5%	\$109,725,000	\$189,725,000	\$95,275,000	\$9,486,250	\$14,250,000	\$23,736,250			
ANNUAL TOTAL		\$960,000,000	\$1,316,700,000	\$2,276,700,000	\$1,143,300,000	\$133,815,000	\$171,000,000	\$284,815,000			
CONCLUSION											
CASE	JUNKET	MAXIMUM CEILING									
STUDY	PROMOTION	OPTION 1		OPTION 2		OPTION 3					
NO.	MODEL	T/O RATE	SHARE RATE	T/O RATE	SHARE RATE	T/O RATE	SHARE RATE				
CASE 1	R. REBATE MODEL	1.90%	0.00%								
	P. SHARE MODEL	0.00%	67.00%								
	HYBRID MODEL	0.80%	38.50%	0.70%	40.00%	0.60%	45.00%				
CASE 2	R. REBATE MODEL	2.00%	0.00%	THIS REBATE MODEL'S RATE IS FOR INFORMATION ONLY, NOT A SUBJECT FOR INCREASE! (NO OPTIONS ARE ALLOWED)							
	P. SHARE MODEL	0.00%	70.00%								
	HYBRID MODEL	0.90%	38.00%	0.80%	41.00%	0.70%	45.00%				
CASE 3	R. REBATE MODEL	2.14%	0.00%	THIS REBATE MODEL'S RATE IS FOR INFORMATION ONLY, NOT A SUBJECT FOR INCREASE! (NO OPTIONS ARE ALLOWED)							
	P. SHARE MODEL	0.00%	75.00%								
	HYBRID MODEL	1.00%	39.00%	0.90%	43.00%	0.80%	45.00%				

The Chairman recommended deferring this item since there is only one junket operator at this time. He also noted that it would be advisable to wait for Amerine Enterprises vetting results on the pending junket applications.

Commissioner Santos made a motion to defer this matter until the next meeting, seconded by Commissioner Manglona. The motion was put to a vote and unanimously approved.



Commissioner Manglona moved to recess until 10:30 am on Friday, August 25, 2017, seconded by Commissioner Santos. The motion was put to a vote and unanimously approved.

Chairman called the meeting back to order on Friday, August 25<sup>th</sup> 2017 at 10:35 a.m. at the Joeten Kiyu Public Library (Technology Room) in Susupe, Saipan. All five Commissioners were present.

## VI. NEW BUSINESS:

### B. Proposed Amendment to §175-10.1-1805 (b) for publication in Commonwealth Register for Public Comments § 175-10.1-1805(b)

(b) Without limiting the generality of the foregoing, the following acts or omissions, in addition to any other act or omission deemed an unsuitable method by the Commission, ~~may be determined to be~~ are unsuitable methods of operation:

- (1) Failure to exercise discretion and sound judgment to prevent incidents which might reflect on the repute of the Commonwealth and act as a detriment to the development of the industry.
- (2) Permitting persons who are visibly intoxicated to participate in gaming activity.
- (3) Complimentary service of intoxicating beverages in the casino area to persons who are visibly intoxicated.
- (4) Failure to conduct advertising and public relations activities in accordance with decency, dignity, good taste, honesty and inoffensiveness, including, but not limited to, advertising that is false or materially misleading.
- (5) Catering to, assisting, employing or associating with, either socially or in business affairs, persons of notorious or unsavory reputation or who have extensive police records, or persons who have defied congressional investigative committees, or other officially constituted bodies acting on behalf of the United States, or any state, or commonwealth or territory, or persons who are associated with or support subversive movements, or the employing either directly or through a contract, or any other means, of any firm or individual in any capacity where the repute of the Commonwealth or the gaming industry is liable to be damaged because of the unsuitability of the firm or individual or because of the unethical methods of operation of the firm or individual.
- (6) Employing in a position for which the individual could be required to be licensed as a key employee pursuant to the provisions of these regulations, any person who has been denied a Commonwealth gaming license on the grounds of unsuitability or who has failed or refused to apply for licensing as a key employee when so requested by the Commission.
- (7) Employing in any gaming operation any person whom the Commission or any court has found guilty of cheating or using any improper device in connection with any game, whether as a licensee, dealer, or player at a licensed game or device; as well as any person whose conduct of a licensed game as a dealer or other employee of a licensee resulted in revocation or suspension of the license of such licensee.
- (8) Failure to comply with or make provision for compliance with all federal, Commonwealth, state and local laws and regulations and with all Commission approved conditions and limitations pertaining to the operations of a licensed establishment including, without limiting the generality of the foregoing, payment of all license fees, withholding any payroll taxes, liquor and entertainment taxes. The Commission in the exercise of its sound discretion can make its own determination of whether or not the licensee has failed to comply with the aforementioned, but any such determination shall make use of the established precedents in



interpreting the language of the applicable statutes. Nothing in this section shall be deemed to affect any right to judicial review.

- (9)(i) Possessing or permitting to remain in or upon any licensed premises any cards, dice, mechanical device or any cheating device whatever, the use of which is prohibited by statute or regulation, or
- (ii) Conducting, carrying on, operating or dealing any cheating or thieving game or device on the premises, either knowingly or unknowingly, which may have in any manner been marked, tampered with or otherwise placed in a condition, or operated in a manner, which tends to deceive the public or which might make the game more liable to win or lose, or which tends to alter the normal random selection of criteria which determine the results of the game.
- (10) Failure to conduct gaming operations in accordance with proper standards of custom, decorum and decency, or permit any type of conduct in the gaming establishment which reflects or tends to reflect on the repute of the Commonwealth and act as a detriment to the gaming industry.
- (11) Issuing credit to a patron to enable the patron to satisfy a debt owed to another licensee or person, including an affiliate of the licensee.
- (12) Whenever a licensed game, machine or gaming activity is available for play by the public, failing to have a licensed employee of the licensee present on the premises to supervise the operation of the game, machine or activity;
- (13) Denying any Commission member or agent, upon proper and lawful demand, access to, inspection or disclosure of any portion or aspect of a gaming establishment as authorized by applicable statutes and regulation.
- (14) Failure to immediately provide information when requested or demanded by an employee, agent or Member of the Commonwealth Casino Commission.
- (15) Failure to honor a contractual obligation owed to a service provider, vendor, employee or other person without sufficient (in the discretion of the Executive Director) legal or equitable justification.
- (16) Failure to timely honor a contractual obligation owed to a service provider, vendor, employee or other person without sufficient (in the discretion of the Executive Director) legal or equitable justification.
- (17) Operating any game or conducting any gaming activity in a manner not approved by the Commission or in a manner violative of an applicable law, regulation, internal control or rule of the game.

Commissioner Manglona motioned to adopt the proposed amendments to the Regulations under §175-10.1-1805 (b), numbers 14, 15, 16 and 17, for publication in Commonwealth Register for Public Comments. The motion was seconded by Commissioner San Nicolas. It was put to a vote and unanimously approved.

**C. Approval of Regular Junket Operator License (2-year License: 09/01/17 - 08/31/2019) \* Big Bang Entertainment, LLC (Du Young Jang). Provisional License will expire on 08/31/17**

The Director informed the Commission that Big Bang Entertainment, LLC (Mr. Du Young Jang) is the only Junket Operator that the Commission has issued a provisional license. Most of Mr. Jang's clients are South Koreans and Japanese. He said that although there were some allegations of unsuitability, the CCC Enforcement and Investigation Division found those to have already been settled.

The Director explained that Big Bang is required to submit their monthly BGRT to the Commission. The CCC Audit and Investigations team review the documents upon receipt. It was discovered that IPI's reports and Big Bang's were not consistent as Mr. Jang, on his report, subtracted the payout which junkets are not eligible to do. The proper way is for the entire gross to be reported, he said. The Director pointed out that there are two main reasons he and the Enforcement & Investigations are recommending approval. The first reason is that Big Bang is the only junket operator and if not granted a license, there will be no more junkets. The second reason is that Mr. Jang has been in compliance, and has been very conscientious as evident in his immediate response to the finding. Mr. Jang has also undergone anti-money laundering training and received his certification which are all in favor for the approval of his regular junket operator license.

The Director noted that Mr. Jang was issued a green card by the U.S. Homeland Security. That would not have been possible if he had issues with his background check. This shows that he was properly vetted by the issuing authorities.

Commissioner Santos asked Agent JB Cepeda if he had a copy of Mr. Jang's supporting documents for Schedule E and F, listed under Fixed Assets of the investigative report. Agent Cepeda informed the Commission that Mr. Jang submitted several lease agreements, but he would need to review the file to provide the information. Commissioner Santos recommended the Commission request Mr. Jang to provide appraisal reports for all the real estate owned as it is important to put value on the properties. He also advised that the Commission requests for documents to support any claims of ownership for vehicles.

The Chairman expressed concern that Big Bang Entertainment is a fairly new company, and it is important for the Commission to have all required financial statements, both personal and business. Such documents are needed in order for the Commission to make a determination on his application especially in relation to his debt to net ratio, he said. He noted that it is also very important to look into the applicant's tax reporting. He noted that in the future, the Commissioners should receive documents at least a month or two ahead of time to allow the Commissioners ample time to digest and make sound decisions.

The Director assured the Commission that should it be decided to grant Big Bang a 2-year junket operator license; the investigation will still be ongoing. He explained that on the agreement, it is stated that should something surface making Mr. Jang unsuitable, the Commission can always revoke his license. He explained that should the license be approved, one of the recommendations would be to require Big Bang Entertainment to have all its LLC documents incorporated, and be in compliance with the CCC Regulations. He informed the Commission that IPI was asked to refrain from making changes to an approved junket agreement without the Commission's approval. The Director noted that although the Commission would be licensing the LLC, investigations are also focused on Mr. Jang in terms of financing because of the company's limited financial history. The Director said that more thought should also be placed on the issue of how much the individual should be required to put into the LLC. Counsel Ernest suggested that should the Commission grant the license, it should be a condition that the licensee amend its operating agreement and articles of organization to have languages required by the Executive Director.

Commissioner Santos emphasized the importance of having complete documentation. He said that the Commission should avoid blindly accepting documentation that may bear false claims. He commented that once all proper documents are complete, he would be willing to support the decision to grant Big Bang a junket license.

Commissioner Manglona made a motion to approve the 2-year license for Big Bang Entertainment, LLC subject to the conditions that they amend their operating agreement and articles of organization to have the language required by the Executive Director, and verification of information listed under Schedule E & F, including all personal financial information, and proper vetting by CCC Investigative Team. Commissioner San Nicolas seconded the motion and was put to a vote with 4 yes votes. Vice Chairman Reyes abstained from voting due to conflict.

- D. Notification of Provisional Casino Key Employee (“CKE”) License: (1:02:11)
- Mr. Kenneth James Hines (“Ken”) - Vice President for Compliance. Issued on 08/11/17
  - Ms. Catherine Samaras - Vice President of Internal Controls. Issued on 08/15/17

*The above were included in the agenda for notification purposes only.*

**VII. EXECUTIVE SESSION:**

Commissioner Manglona moved to enter into Executive Session to hear the Legal Counsel’s report and to discuss IPI financial matters. The motion was seconded by Commissioner Santos and was put to a roll call vote with all voting yes. Executive Session began at 12:05 p.m.

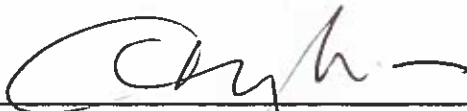
Commissioner Manglona made a motion to exit executive session, seconded by Commissioner Santos. The motion was put to a vote and unanimously approved.

The Chairman called the meeting back to order at 12:30 p.m.


**VIII. ADJOURNMENT:**

Commissioner Manglona moved to adjourn the meeting, seconded by Vice Chairman Reyes. The motion was put to a vote and unanimously approved. The meeting was adjourned at 12:31 pm on Friday, August 25, 2017.

Prepared by:  Date: 9/18/17  
Ruth Ann P. Sakisat  
Executive Assistant to the Commission

Concurred by:  Date: 9/18/17  
Justin S. Manglona  
Commission Secretary

APPROVED AND ADOPTED ON: 21<sup>st</sup> day of September, 2017.

 Date: 9/21/17  
Justin S. Manglona  
Commission Secretary