



COMMONWEALTH CASINO COMMISSION
Commonwealth of the Northern Mariana Islands
Unit 13 & 14, Springs Plaza, Chalan Pale Arnold, Gualo Rai
P.O. Box 500237, Saipan, MP 96950
Telephone: +1 (670) 233-1857/58
Facsimile: +1 (670) 233-1856
E-mail: info@cnmicasinocommission.com



MINUTES
August 3, 2017

I. PRELIMINARIES:

- A. CALL TO ORDER.** Chairman Juan M. Sablan called the special meeting to order at 10:00 a.m. on Thursday, August 3, 2017 at the Joeten-Kiyu Public Library (Technology Room) in Susupe, Saipan. He welcomed several individuals from Imperial Pacific International (IPI): Mr. Mark Brown-Chairman, Mr. Henry Cheang-Chief Executive Officer, Mr. Kenneth Hines-Compliance Advisor and members of the public present in the gallery.
- B. ROLL CALL.** Commissioners present at the meeting 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).
- C. ADOPTION OF AGENDA.** Vice Chairman Reyes made a motion to adopt the agenda as presented. The motion was seconded by Commissioner Manglona and was put to a vote and unanimously approved.
- D. ADOPTION OF MINUTES. July 20, 2017**

Vice Chairman Reyes moved to adopt the minutes of meeting of July 20, 2017, seconded by Commissioner Manglona.

Discussion:

- Vice Chair Reyes requested for the Director to update the Commission under his report, some of the issues mentioned in the minutes.
- Chairman Sablan requested for Chief Cabrera to share a little about the recent training he attended in Singapore.

The motion to adopt the minutes of meeting of July 20, 2017 was put to a vote and unanimously approved.

II. REPORTS:

A. REPORT BY THE CHAIRMAN:

The Chairman reported that he met with IPI officials: Attorney Chuck McDonald and Mr. Henry Cheang and discussed several issues with regards to outstanding claims, the settlement agreement with Tropical Garden, and the unpaid wages for construction workers hired by IPI's prime

contractor, MCC and its subcontractors. He announced that he was informed that the Tropical Garden lawsuit has been settled. He said the unpaid wages for construction workers was put on hold because the U.S. Labor did not agree with the wage computation prepared and submitted by the CNMI Department of Labor. He noted that IPI was willing and ready to settle by paying out what was computed by the Department of Labor but that did not materialize. He disclosed that IPI cannot provide the Commission a date in which the wage issues will be resolved as it is in the hands of the U.S. Department of Labor now.

The Chairman shared that he, Commissioner Manglona and the Director met with Ms. Bertha Leon Guerrero, IPI VP of Human Resources, and discussed the employee's information she provided on July 17, 2017 to the Commission. He said that the Commission informed Ms. Leon Guerrero that more detailed information is needed in order for the Commission to make fair and intelligent decisions and recommendations. He noted that he plans to create a Committee within the Commission to review the documents submitted, and he asked the Director to appoint staff to assist with the review.

The Chairman reported that he attended the Lottery Commission meeting on July 31, 2017, and was able to make suggestions in regards to the proposed changes to the Casino License Agreement (CLA). He said that he suggested, on behalf of the Commission, that specific dates be indicated on Amendment 5, in reference to the completion of Phase I and Phase II of the Integrated Hotel/Resort Casino. As a result, the executed copy of the Casino License Agreement-Amendment 5, specified that Phase I shall be completed no later than August 13, 2023 and Phase II shall be completed no later than August 13, 2028. He added that the Commission finds that it may be very difficult to account for all expenses incurred to this point at the Initial Gaming Facility (IGF) because the Commission does not have IPI's expenditure reports and supporting documents. Additionally, he noted that the IGF is an on-going construction, and that there may be a need to hire a Forensic Accountant to review and compile the expenditure data. However, he expressed that doing such will be expensive and the question of who will shoulder the cost will be an issue. He said that through Amendment #5, the IGF was included in the \$2 Billion Dollar investment and the 2,000 room requirement.

The Chairman reported that all members of the Commonwealth Casino Commission, the Executive Director and CCC's key staff, met with the members of the newly formed Senate Standing Committee on Gaming. The meeting gave the Commission the opportunity to provide a brief presentation to the members on the current progress of the casino. The Commission also shared with the members of the Senate Committee on Gaming what the duties and responsibilities are of the Commission. The Commission presented the economic benefits being derived from the casino industry such as local/U.S. citizen employment and the increase in revenues from taxes collected. The Commission also noted the challenges involved in Asian gaming practices on a U.S. regulated environment. He said that the members were also informed that the Commission's regulatory oversight includes the monitoring of revenue on daily basis, in addition to an array of other issues concerning the administration and enforcement of the regulations, MICS, federal and local laws. The Chairman added that he asked the members to support House Bill 20-82 which is a bill that is important to the Commission, and very necessary to protect the industry and the public. He announced that the Commission plans to schedule another meeting in the next few weeks to provide the Senate Gaming Committee with a more detailed presentation on the role of each Division in the Commission.

B. REPORT BY THE EXECUTIVE DIRECTOR:

The Director announced that this special meeting was called by the Commission to specifically address the findings and assessments in the report by Ernst & Young. He elaborated that because the content of the report is sensitive in nature, discussions on the matter will be taken up under executive session. He advised IPI to make the determination on who in their organization should be present for executive session.

The Director then reported the following:

FY 2018 Budget: The House of Representative recently passed House Bill 20-105, FY2018 Budget Appropriation Bill which is now with the Senate for their consideration. The budget request submitted by the Commission in February was adopted in its entirety as follows:

A	Local Funding	\$	1,090.00
B	P.L. 19-24 CCRF Fund (IPI)	\$	3,000,000.00
C	P.L. 19-24 CCRF Fund (Fees)	\$	550,000.00
D	Full-Time Employees (FTE)		44

The Commission’s FY2018 Amended Budget Request which included additional FTE’s and funding to regulate the poker, pachinko and e-gaming were not included in the final house version because the authority to handle poker, pachinko and e-gaming has not been transferred to the Commission.

Casino License Agreement (CLA): There’s miscommunication from the media with regards to the action taken by the Lottery Commission in the imposition of deadlines for the completion of the Imperial Pacific Resort (IPR), also known as the Initial Gaming Facility (IGF). All three media circuits have reported that IPI was granted up to the year 2023 to complete the IGF, which is incorrect information. For clarification, the Director explained that CLA Amendment#5 extended the completion of Phase 1 to no later than August 13, 2023. Phase 1 is the proposed project in the North at the Kan Pacific site. Phase 2 is being proposed somewhere in the southern part of Saipan, and the completion date for that project is August 13, 2028. He pointed out that the IGF is not phase 1, therefore, the completion date is not August 13, 2023. The newspaper reported the wrong information and they must be corrected as it is causing confusion, which is apparent in the comments being circulated in the public. He further shared that Amendment#5 allowed for the cost associated with IPR and the number of rooms built to be included in the minimum \$2 Billion Dollars investment requirement. An issue that was brought up is how does the Commission account for all expenditures associated with IPR. Ms. Viola Alepuyo, IPI Legal Counsel, informed the Commission that the figures were submitted to the Department of Public Lands (DPL). A copy was requested from Counsel Alepuyo of what was submitted to DPL in reference to the accounting of deductions towards the \$2 Billion Dollars investment, the Director said. Commissioner Santos recommended the Director start preparing press releases from the Commission or hold press conferences to prevent future misinterpretation and miscommunication.

The Director went on to share that Amendment#5 clarified that the first half of the \$20 Million Dollars community chest fund will be due on or before January 1, 2018, with the remaining half on or before June 1, 2018. Beginning on or before October 1, 2019 and every year thereafter, the Licensee shall contribute the full \$20 Million Dollars to the community chest fund. He elaborated that there was also clarification on how the \$20 million will be spent, which is on education, scholarships, infrastructure, health care, employee retirement benefits. Other programs are permitted but will be determined by IPI and the Governor, he noted. The Lottery and Casino

Commission and the Legislature have little to say in how the \$20 million will be distributed, and the funds cannot be deposited to the general fund, he announced. Counsel Ernest interjected that the Commission does have somewhat of a limited oversight in the disbursement of the \$20 million. He explained that if an amount from the proceeds of the \$20 million are to be paid directly to the people and not out of the general fund, the payee should be licensed by the Commission for anything over \$250,000 as per Commission regulations. Only charitable donations to non-profit organizations and government community benefit programs are exempted from the licensure requirement, he noted.

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.

Vice Chairman Reyes shared his concern that he does not understand how the new deadlines were established in the absence of an implementation schedule and without the involvement of Development Plan Advisory Committee (DPAC). He expressed frustration that the licensee has yet to provide the implementation schedule for the IGF. He once again requested for IPI to submit the implementation schedule to the Commission, and for DPAC to be involved in the matter. Dave Guerrero, IPI AVP of Compliance, informed the Commission that following the last meeting, the construction plans and the dragon installation plans were submitted to the Commission. Chairman Sablan requested that IPI provide the Commission a detailed analysis on the project all the way to the deadline of August 2018. He said that this matter will be discussed further on the next Commission meeting scheduled for August 24, 2017.

Senate Committee on Gaming: It was agreed that follow-up meeting is necessary with the Senate Gaming Committee. The members will be invited to the Commission's office to be briefed on confidential information such as IPI's performance. The Committee requested for a written report, however, the Director said he will ask them to just refer to the meeting transcripts as most of the discussions were verbatim and not written. The Senate's request as to what the Commission recommended to the Lottery Commission is strictly Attorney-Client privilege information, therefore, a report will not be provided on that matter. The Senate Committee on Gaming also expressed an interest in visiting the IPR facility. A schedule will be coordinated with the Commission's enforcement team.

Junket Applications: The Commission issued one provisional junket license, and five more are pending. The contract between IPI and Amerine Enterprise has been signed for Mr. Dennis Amerine to conduct the due diligence investigation on the applicants. The indemnification agreement was already signed by the applicant and by IPI. The Commission is now preparing for Mr. Amerine to sign the Confidentiality Agreement with the Commission, followed by the transfer of files to him for the vetting to begin. The Commission should expect to receive some results directly from Amerine Enterprise within 15-30 days from the date the vetting begins. If the results come back that there was nothing found to be unsuitable, the Commission will then issue a one-year provisional junket license, and request for the \$6,000 investigative fee for the continued vetting for the issuance of the regular junket license. An applicant must show financial suitability to be a guarantor, and if that's not met, the Commission may issue a junket license as a promoter only.

The Director noted that the Commission is revisiting its regulations, and is considering proposing a categorized type of junket licenses based on the financial resources of the applicant.

IPI Matters: IPI is requesting that the San Antonio Warehouse (SAW) be used as their permanent training site for gaming and non-gaming employee training. The issues that need to be examined are the curriculum to be offered and the credentials of the instructors of which both have to be approved by the Commission. The other matter of concern is the security of the back of the house, already classified by the Commission as secured testbed facility. Access to the back of the house for non-employees/trainees who may or may not be hired needs to be discussed further with IPI as it concerns the security of IPI assets. Eventually, all non-gaming employees will be required to register with the Commission.

On the opening date, there were some problems with regards to Fortune Pai Gao Poker Game and the angel brand playing cards that were used. A resolution is being sought on this issue but in the meantime, the Commission has authorized the use of the older version cards that were being used at the BSL so that the games can resume. The proper cards have been ordered and a three-month timeframe was imposed for IPI to replace the old cards.

In light of the numerous complaints brought to the Commission's attention on possible unfair wage practices, the Commission has requested for IPI HR to provide a list of all position titles and corresponding pay rates with no names to be included. Additionally, the Commission is requesting for HR's policy on compensation and pay scale levels. The Commission intends to do a position audit to determine if there's any truth to some employees receiving different pay for the same position. Should any discrepancies be identified, clarification will be sought from IPI. The numerous complaints warrant the Commission attention on the matter. The Commission hopes the complaints have no merit but it will be in the best interest that it's looked into.

Law Enforcement Training: Chief Cabrera reported that he and two other individuals attended the Casino Crimes Practitioners Investigations Workshop in Singapore from July 17 through July 20. The workshop was hosted by the Criminal Investigations Division of the Singapore Police Force. There were 14 other participants from the Singapore Police, Macau Judiciary Police and Australian Federal Police. The training was outstanding as it was very relevant to what the Commission does as enforcement officers. Topics of the workshop included but were not limited to: method of cheating, cheating aides, game protection, methods of cheating on tables, and collusion between patrons and dealers. The training also allowed the participants to go through case studies of actual cases investigated by the Casino Criminal Investigations Division (CCID). The workshop included an onsite visit and access to the surveillance room at the Marina Bay Sands. The Marina Bay Sands casino was very impressive, and the operator is very much aware of its responsibility to comply with the Singapore Casino Regulatory Authority (CRA) or be faced with fines if a violation occurs. The other benefit of the training is the networking and creating partnership and collaboration with other gaming jurisdictions in attendance.

Chief Cabrera further reported that on August 20, he and several staff from the Commission's Enforcement & Investigations Division will be departing to Guam to attend an interrogation training. The normal interview technique is the aggressive way, however, the training being offered in Guam is more of a non-confrontational method.

Chairman Sablan asked IPI if they've experienced any cases of theft or collusion between a dealer and a player, and if training is being provided to casino employees on how to identify collusion. Mr. Henry Cheang, IPI Chief Executive Officer, replied that there have not been any cases of theft

or collusion, and that the casino has very good security and surveillance coverage that would be able to pick up any cheating activities. He assured the Commission that training is being provided to employees on how to detect cheating whether through collusion or other methods. He noted that compared to the past, the casino system now is very advanced and anomalies can easily be detected. Mr. Mark Brown, IPI Chairman of Saipan Projects, added that in his career, he has never experienced surveillance catching cheating as it happened. It's normally hours or days later after back tracking the surveillance footage, he said. He pointed out that there's so much activity happening at one time on the gaming floor making it quite difficult to catch cheating, which is why having good surveillance is very important. Chief Cabrera added in order for surveillance and enforcement agents to have the ability to detect cheating, they, themselves must learn how to play all the different types of table games. It's important for both the Casino and the Commission to train their Security/Surveillance and Enforcement Agents in playing the game, otherwise, how else will they know when cheating is occurring.

III. PUBLIC COMMENTS: None

IV. OLD BUSINESS:

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

The Director explained that this item was included in the agenda because the Commission was hearing of several changes in the company's structure, however, the organization chart was not updated and provided to the Commission. He announced that the new CEO provided the Commission a draft copy of the proposed organizational chart just the day before the scheduled meeting. He noted that the Commission has always been concerned that there is only one licensee that should be operating the casino, yet decisions are being made through interferences from corporate company officials. He said that in previous cases, officials from the corporate office have actually come on island and participated in the day to day activities of the casino. He explained that in a normal US corporate structure, because there is only one licensee, there should only be one head of the company whether it's a Chief Executive Officer, Chairman or President who will be responsible for the operations and will be accountable to the CLA.

The Director added that the Commission is also very concerned with the Credit and Collection as it relates to the organizational chart. He noted that a resolution to this problem is for the Commission to start requesting job descriptions, and do a thorough review of them as part of the licensure process for key employees. He said that the Commission will only grant approval for licensure if the job description indicates that the key employee reports to the head of IPI CNMI, LLC and not the corporate office.

The Director informed IPI that in order for the newly proposed organizational chart to be official, it must be signed and dated by the Chairman and the Board of Directors who approved the chart. He said that everyone affected by the change in the organizational chart must immediately visit the Commission to update their status. The Director added that the Commission looks forward to receiving the signed organizational chart.

B. IPI Compliance Issues

Chairman Sablan inquired on the status of IPI's compliance with Commission Order 2017-001 with regards to Title 31/AML training for IPI's management, casino employees, owners, members of

the board of directors, attorneys, gaming and marketing employees, and employees engaged in collection activities. Mr. Dave Guerrero informed the Commission that he himself provided training to the Hong Kong Corporate Office through video teleconferencing. He noted that the training is the same kind being offered to the employees on Saipan who are being licensed by the Commission. IPI is continuing its efforts to provide AML training to its employees until such time Casino Essentials comes in to take over in a more instructor led setting.

Chairman Sablan asked when Casino Essentials will take over. Mr. Guerrero explained that there's a proposal in place but it's execution is on hold due to IPI's concern that the training should also be provided in Mandarin and Tagalog. Mr. Guerrero said that IPI offered to provide the resources but Casino Essentials opted to provide the training themselves in the other two requested languages. He noted that the cause of the delay is on Casino Essentials part because of the need to get the content of their training translated. He assured the Commission that the company is ready to sign the contract once Casino Essentials meets their needs.

The Director announced that the Commission has many concerns in reference to IPI's compliance which is the reason for his earlier request to defer this item. He asked that all compliance concerns be discussed with IPI at a later date, and with the new compliance advisor and the VP of Compliance. The Director set September's meeting date to revisit this issue. He will work with the Commissions Compliance and Audit Divisions to compile the list of concerns that the Commission would like to discuss with IPI.

Vice Chairman Reyes made a motion to recess until 2:00 pm on August 3, 2017. The motion was seconded by Commissioner Santos, was put to a vote, and unanimously approved. Recess began at 11:45 a.m.

Chairman Sablan called the meeting back to order at 2:01 p.m. on August 3, 2017.

V. NEW BUSINESS: None

VI. EXECUTIVE SESSION

Commissioner Santos moved to rise into executive session to hear the Legal Counsel's report and to discuss IPI AML Compliance Audit and other Financial matters. The motion was seconded by Commissioner Manglona. It was put to a roll call vote with all Commissioners voting yes. Executive session began at 2:03 pm.

Vice Chairman Reyes made a motion to exit executive session at 4:02 pm, seconded by Commissioner Manglona. It was put to a vote and unanimously approved.


Chairman Sablan called the regular meeting back to order at 4:02 pm on August 3, 2017.

VII. MISCELLANEOUS: None


VIII. ADJOURNMENT:

Vice Chairman Reyes moved to adjourn the meeting, seconded by Commissioner Manglona. The motion was put to a vote and unanimously approved. The meeting was adjourned at 4:04 pm on Thursday, August 3, 2017.

Prepared by  Date: 8/21/17
Ruth Ann P. Sakisat
Executive Assistant to the Commission

Concurred by:  Date: 8/21/17
Justin S. Manglona
Commission Secretary

.....
APPROVED AND ADOPTED ON: 24TH day of August, 2017.

 Date: 8/24/17
Justin S. Manglona
Commission Secretary