



# COMMONWEALTH CASINO COMMISSION

Commonwealth of the Northern Mariana Islands

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## MINUTES

October 30, 2019

### I. PRELIMINARIES:

#### A. Call to Order

Chairman Juan Sablan called the meeting to order at 10:12 am on Wednesday, October 30, 2019 at the Conference Room located on the 2<sup>nd</sup> Floor of the Commission's main office at the Springs Plaza in Gualo Rai, Saipan.

#### B. Roll Call

Commissioners present at the meeting were: Juan M. Sablan (Chairman), Joseph C. Reyes (Vice Chairman), Ramon M. Dela Cruz (Secretary), Alvaro A. Santos (Treasurer) and Diego M. Songao (Public Affairs/Media Relations).

#### C. Adoption of Agenda

Commissioner Dela Cruz made a motion to adopt the agenda, seconded by Commissioner Songao. The motion was put to a vote and unanimously approved.

#### D. Adoption of Minutes: September 26, 2019

Commissioner Santos made a motion to adopt the minutes of the September 26, 2019 meeting, seconded by Commissioner Songao. The motion was put to a vote and unanimously approved.

### II. REPORTS:

#### A. Report by the Chairman

Chairman Sablan reported that the Commission received a letter dated October 18, 2019 from Representative Ralph Yumul with an inquiry on IPI's compliance with the Community Benefit Fund. Representative Yumul, in the letter, asked that if payment has not been made, what steps have the Commission or the CNMI Lottery Commission taken to enforce the terms of Section 16 of the Casino License Agreement (CLA), and if none have been taken, he asked why not. The Chairman then shared that he and the Director are drafting a letter in response to Representative Yumul's inquiries. He noted that Commission had earlier this year in June drafted Commission Order 2019-004 which would require IPI to provide to the Commission certain financial information, and to update all its financial obligations to both the public and private vendors. However, he said the order was not adopted as the Commission instead decided to issue a letter to IPI with inquiries on IPI's ability to comply. The Chairman announced that to date, the Commission has not received a response from IPI to that letter. He noted that the deadline imposed by the Commission for IPI to respond is December 3, 2019. If a response is not received on that date, the Commission will have to revisit the order and take action in the December meeting.

Commissioner Santos commented that to his understanding, the arrangement for any payments for specific public purposes out of the Community Benefit Fund is within the

discretion of the Office of Governor. It will be the administration to relay the need to IPI who would in return disburse the funds. Commissioner Santos shared that he believes this matter is out of the Commission's hands. He said that in responding to Representative Yumul's letter, the Commission should reach out to the administration for the information. The Director informed the Commissioners that he asked Counsel Ernest to cover this issue in his report under executive session. He said that he believes that this is an issue that would be critical in the Commission's response to Representative Yumul as it is a unique situation being that the Community Benefit Fund is not a tax, and not fees, yet it was incorporated into an agreement sanctioned by the Government.

Commissioner Dela Cruz mentioned that he read in a newspaper article that IPI is claiming to have made overpayments in their BGRT. He asked if the issue has been resolved with the Department of Finance. The Director replied that he had hopes to hear clarification on this issue from the CFO but since the CFO is not present, he asked the VP of Compliance to update the Commission under IPI Financial Matters.

Vice Chairman Reyes asked if IPI is in compliance with previous Commissioner orders, to which the Director replied yes, but that there are a couple in which IPI is not in full compliance with. He added that there is a process to go through in which, if necessary, he will file a complaint with the Commission. He informed the Commission that a complaint is forthcoming on a related matter.

The Chairman updated the Commission on the status of HB 21-11 by sharing that he and the Director attended a meeting with the House of Representatives on October 28, 2019. He noted that the House Leadership held back discussions on the approval or disapproval of the bill as they are awaiting comments from IPI's. He added that the deadline for IPI to submit their comments is at the end of the week. Counsel Ernest mentioned that he believes the only real attention the bill requires is to Section 10, which made changes without the changes being noted, and should be fixed by House Counsel. He suggested the Director or the Commission draft a letter to point out the error. The Director asked that discussions on this matter be taken up under Old Business of the agenda.

**B. Report by the Executive Director**

**CCC Financial Updates:** The Director earlier distributed a spreadsheet detailing the CCC's current financial update. For the month of September 2019, he divulged that the expenses totaled \$197,677. He provided a percentage breakdown of the expenses:

1) Personnel Wages & Benefits	75%
2) Board Compensation	14%
3) Office Rental	5%
4) Utilities (CUC)	1%
5) Communications	1%
6) <u>All Other Operations Costs</u>	<u>4%</u>
	100%

The balance as of September 30, 2019 in Account 7079A:

1) Balance from Current Account	\$642,396
2) <u>Carryover from Previous Year</u>	<u>\$1,100,000</u>
<b>Subtotal Revenue</b>	<b>\$1,742,396</b>

**LESS:**

A) Personnel & Benefits (Oct - Dec 2019)	(\$579,342)
B) <u>CCC Office Rental (Oct '19 - Mar '21)</u>	<u>(\$180,000)</u>
<b>Subtotal Encumbrances</b>	<b>\$759,342</b>

**Estimated Total Amount Available** **\$983,054**

- 2019 CCCRF Fund (Paid on October 1, 2019) **\$3,000,000**  
With PL 21-08: CNMI FY2020 Budget Appropriations Act, the total available funds for FY2020 is **\$3,983,054**.

The Chairman asked the Director to make a note that for future budgeting, he recommends the Commission try to keep the actual expenses in line with the amount proposed. The Director pointed out that most of the budget items are fixed, such as personnel cost and office rental expenses, but other items listed as operational costs, need to have some flexibility as there are times when urgent needs arise. He added that the Commission's spending remains conservative.

Commissioner Santos inquired on the drop in the collection of licensing fees. The Director explained that there have not been many new applicants, as some licenses require renewal every two to three years, which greatly impacts revenue collections. He explained that Non-Gaming Vendor Licenses are renewed every 3 years, and Gaming and Junket Licenses are renewed every 2 years.

Vice Chairman Reyes asked if the budget for Professional Services is still available. The Director replied yes, and noted that it will be put to use soon for employee training. He added that although funds have always been available, the Commission was unable use them due to the directive on austerity measures. Vice Chairman Reyes shared that he is concerned and apprehensive about hiring new employees if the Commission will not be able to train them because of the austerity restrictions currently in place. The Director assured the Commission that he received approval from the Governor to fill the vacant and new positions, and provide the necessary training.

**Personnel Matters:** As previously mentioned, the CCC has several vacant positions that the Governor has approved to be filled. The Job Vacancy Announcement has been published and the closing date is November 12, 2019. There are 9 positions announced, of which 7 are to be refilled and 2 are new positions.

Vice Chairman Reyes asked if the personnel assigned to the casino are entitled to night differential pay since the operations there run 24 hours. The Director replied no, but since the Commission now has its own Personnel Regulations, this is something the Commission can discuss and incorporate into the personnel regulations through an amendment, possibly also including typhoon and hazardous pay. At the same time, the Director cautioned about increased personnel cost since the Commission's resources are finite unlike other government agencies where they can go back to the legislature and ask for additional funds. He informed Commissioners that in the meantime, employees are allowed to earn compensatory time for incidences such as typhoon. The Director added that he will continue to review this matter with the HR as he knows that the employees do deserve it.

The Chairman suggested that as the phases of IPI's projects are completed, the Commission should look into procuring and utilizing monitoring systems as opposed to hiring additional staff. The Director agreed and added that if the Commission takes over regulation of the poker and e-gaming establishments, they may need to take the same route in relying on technology for monitoring purposes.

The Director further reported that the JVAs have been posted in the newspaper, on the CCC website and posted on the bulletin boards of several government agencies including OPM.

**IPI/IPR Gaming Operations:** There are currently a total of 268 active Electronic Gaming Machines (EGMs) and 74 Table Games. Of the 74 table games, 30 of them are VIP Baccarat tables.

**Thanksgiving Day:** Falls on November 28<sup>th</sup> this year. Tentative schedule for the next Commission meeting is Wednesday, November 26, 2019. The CCC also plans to have a Thanksgiving Luncheon for the Commissioners and staff on Thursday, November 27, 2019. Arrangements are being made for lunch to be held at the Magellan at PIC. The Director thanked the Commissioners and Managers for their contributions to fund the Luncheon as a

token of appreciation to all the hardworking staff of the CCC. He also noted that any leftover funds will be applied towards the Christmas/New Year events.

**CCC December Meeting:** Scheduled for Thursday, December 19, 2019.

**CCC Christmas/New Year Party:** Scheduled for Friday, December 20, 2019. Details are forthcoming. The Director announced that he plans to invite the members of the Commonwealth Cannabis Commission to join the Casino Commission for the Christmas party. He felt it was an appropriate gesture since the CCC is sharing the office with them.

**Pending Documents:** On September 3, 2019, a letter from the Chairman and Executive Director of the CCC was sent to IPI's CEO Mr. Mark Brown and CFO Mr. Ed Chen. The letter is requesting IPI to provide the Commission with financial statements demonstrating IPI's financial suitability. A response to that letter is due on or before December 3, 2019.

The Commission also requested an update Organizational Chart from IPI and a copy of Mr. Mark Brown's amended employment contract that reflects the amended organization chart, both of which are due on or before December 2, 2019.

**Communications from the Legislature:** As mentioned earlier by Chairman Sablan, the Commission is in receipt of a letter from Chairman Ralph Yumul regarding IPI's compliance with the Community Benefit Fund payment. He added that he would like Counsel Ernest explain a little about the legal ramifications should the CCC pursue a complaint or related action.

**Gaming Financial Performance for September 30, 2019:** IPI's Gaming Financial Performance reports were distributed to the Commissioners. As mentioned in previous Commission meetings, the Director reminded the Commissioners that the information on the report is not subject to public disclosure as it is not listed as an item in PL 19-24. He asked that if the Commission decides to dispose of the report, to give it to one of the CCC staff for shredding as opposed to throwing it in the trash. He also asked that if the Commissioners have the file stored electronically, that they keep it confidential and not forward it to anyone, as it is considered an internal record and highly confidential.

**CCC Annual Report:** The Director thanked the hardworking staff and managers of the CCC for their collaborative effort in putting together the Annual Report. He shared that the Legislature passed PL 20-83, which requires each government agency to prepare a Citizen Centric Report within 30 days after the closing of the fiscal year. The report should only be 4 pages and not more, to be submitted to the Office of the Public Auditor. The Director proudly announced that the CCC completed the Citizen Centric Report and have distributed copies of it to the Commissioners. However, he asked that the Commissioners take an updated group photo which will be used to replace the photo in the third page, bottom left.

Vice Chairman Reyes asked if there were any reports from IPI in regards to Section 18, Amendment 8 of the CLA. The Director replied that the Commission has not received anything and suggested that the CFO be allowed to provide an update on the matter.

### III. PUBLIC COMMENTS

Mr. Paul Zak, member of the public, asked if there is an update on the Community Benefit Fund. The Chairman replied that the Commission will discuss the matter during executive session and report back as needed.

### IV. MISCELLANEOUS MATTERS:

A. Casino Licensee -- Imperial Pacific International (CNMI), LLC ("IPI") -- Updates:

1. Imperial Pacific Resort & Hotel ("IPR"):

- Update on IPR's Construction
- Update on the partial opening of the Villas

Mr. Eric Poon, Assistant Vice President of Construction, presented the Commission with the Imperial Pacific Resort Construction Progress report which covers up to the period of October 28, 2019. Please refer to Exhibit 1.

Mr. Poon first reported on the partial opening of the villas by stating that DPW has conducted their final inspection on the East Wing Hotel Main Lobby and the Level 1 & 2 back-of-house offices. DPW has already issued IPI the Conditional Occupancy Permit for the areas mentioned. Mr. Poon noted as indicated in the report, that level 3 & 4 rooms are finished. He added that the amenities in the standard suites have already been set up. He also shared that there are a few items that need to be taken care of per DPW's concern, and once they are addressed, DPW will conduct a final inspection. Mr. Poon is hopeful that DPW will also grant the Conditional Occupancy Permit for levels 3 & 4 after the final inspection. He added that after receiving the DPW permits, they expect to receive a Conditional Fire Permit from the Department of Fire. Chairman Sablan asked if the sprinkler system is working, to which Mr. Poon replied yes. Mr. Poon reported that the recent typhoons Hagibis and Bualoi have interrupted the construction schedule and caused damage to the exterior stone work of the Resort Hotel.

Commissioner Dela Cruz asked what conditions are stated in the DPW Conditional Occupancy Permit. Mr. Poon replied that the property as a whole must be completed, and as soon as it is, DPW will combine the different permits into one final Occupancy Permit. He noted that the areas which currently have conditional permits are the main lobby, mass gaming area and the back-of-house. The restaurants have their own Occupancy Permits already as they are standalone facilities.

The Chairman inquired if the target completion date has changed. Mr. Poon answered that they still expect to complete the resort hotel at the end of this year. Chairman Sablan clarified that he is asking specifically about the completion of the villas, to which Mr. Poon replied they should be finished sometime in November. He noted that they are working with the operations team in ensuring that everything is ready for the guests (levels 3 and 4). He added that they expect to have a soft opening for level 1 very soon. The Director asked for clarification on where the 6 villas are located. Mr. Poon answered that level 1 is the main lobby and the 6 villas are apart of levels 3 and 4.

Mr. Poon reported that the North Forecourt is about 90 percent completed, including the main water feature. He announced that the stonework in the courtyard is about 95 percent complete. Vice Chairman Reyes asked if there are plans as far as the internment of the ancestral remains. Mr. Poon answered that they have discussed it, but no date has been finalized.

Mr. Poon reported on the manpower by sharing a breakdown of the H2B Workers: 314 Taiwanese, 12 Thai, 57 Australians and 150 Mongolian. He added that there is a total of 107 local manpower provided by Fritz Pacific, which brings the overall total of construction workers to 640. Vice Chairman Reyes asked if the Sicilian workers are still on board, as they are not specified in the Progress Report. Mr. Poon replied yes, they have about 3 or 4 and are included in the count under Australian.

Commissioner Santos asked what kind of skills does IPI need which prompted them to reach out to countries such as Romania and Italy. Mr. Poon replied that they need highly-skilled individuals for painting and wallpaper installation. He specified that they have leather wallpaper that needs to be installed, and it requires a special skill as it isn't the same as installing regular wallpaper. For this specific reason, the company decided to recruit from Italy and Mongolia, and so far, they are very happy with their work.

Chairman Sablan asked if they will continue to recruit construction workers to which Mr. Poon answered yes. He reported that they are processing another batch of Mongolian workers as of meeting date. The Chairman reminded Mr. Poon that the Commission is still waiting for the contract and information on the structural engineering firm who took over after the resignation of JM Aquino. Mr. Poon acknowledged the Chairman's reminder.

Commissioner Santos asked if the CDS system is working properly and if there were any issues during the last two typhoons particularly the overflow he observed in front of the hospital that runs through the canal in front of the casino. Mr. Poon confirmed that the CDS is working properly and there were no concerns or issues with back up or overflow. The Director shared that the water from the hospital is directed to the American Memorial Park to a settlement basin there. Chairman Sablan asked whose responsibility it is to maintain the CDS system and how often. Mr. Poon answered that IPI had a meeting with BECQ to update them on the status of the job site and one of the topics is the CDS System. He disclosed that as soon as the CDS units are inspected by DPW, they will take over.

The Director asked if there were any impact to the cranes or the supplies due to the recent typhoons. Mr. Poon responded that they were fortunate that there were no major damages to the structure or equipment and supplies.

The Director asked if the IPR facility has the ability to provide its own power and water to the building, to which Mr. Poon replied yes. He said that that IPR's Facility Management is doing a good job maintaining the power and water despite of power outages by CUC. The Director asked if the running water at the villas will be potable. Mr. Poon replied yes, but noted that they will still put up signs and also provide bottled water for the guests just in case.

The Director asked if the H2B workers are all employees of IPI, and if they are assigned anywhere else other than IPR. Mr. Poon replied that they are in fact IPI employees and that he is not aware of them working at any other project. The Director then asked if there have been any language barriers with the foreign workers, to which Mr. Poon replied that they have had some challenges, but they are getting more translators to assist particularly for the Mongolians.

## 2. IPI Personnel - Resident Employment Objectives & CLA Annual Plan

Ms. Maggie Attao, VP of Human Resources, reported that she met with the CNMI DOL on October 29, 2019, and discussed what is expected from IPI. Mr. James Ulloa and Mr. Eugene Tebuteb offered their support in reviewing IPI's workforce plans and see what areas they can provide assistance in terms of identifying qualified US workforce that could potentially assume the entry level positions, or even high-level positions. She noted that the DOL understands how challenging it is as they have also not been able to refer workers for some basic positions. Ms. Attao added that they have agreed to meet on a monthly basis.

Chairman Sablan asked Ms. Attao if IPI has put together a plan as they are required to submit on a quarterly basis. Ms. Attao replied that in that attempt, she has been working with DOL. She thanked the Commission for their patience as she puts the plan together. She also noted that the previous plan had included all the phases of the project, however she would only like to focus on what they have ongoing right now, and include the other phases as they come. Ms. Attao shared that she worked with the former VP of HR, Ms. Bertha Leon Guerrero, on the previous numbers which were reported in September and the numbers are still the same.

Vice Chairman Reyes asked if there are plans for additional workers to be brought in to which Ms. Attao replied yes. She announced that they will again start actively recruiting to staff the operations for the resort. Vice Chairman Reyes asked if IPI has checked in with NMTI for potential candidates. Ms. Attao responded that the Learning and Development team are working closely with NMTI as well as the high schools. She noted that in the meantime, they have procured the services of a manpower agency to cover

the housekeeping portion for the villas.

Chairman Sablan asked if IPI is also working with NMC in regards to providing training programs. Ms. Attao mentioned that there is a Casino Management Program that IPI was attempting to work out with NMC in launching, but it has been put on hold at the moment. She noted that the project would have been a big investment and NMC is expecting IPI to shoulder the full cost of running the program which is challenging for the company at this time. She added that in the meantime, they are focusing on other training programs that are less costly. She said that eventually, as IPI continues to grow, they will then revisit NMC's proposal.

The Director informed Ms. Attao that the reason the Resident Employment Objectives and the CLA Annual Plan are included in the agenda every month is because it is an integral part of the CLA. Whether or not IPI has the money to fund the program was never a part of the CCC's responsibility in assuring compliance with the CLA, he emphasized. He stated that the CCC has been very concerned about the fact that maybe IPI does not fully understand that particular provision, which they agreed to. He suggested that the HR team sits down and figures out how they could comply with the requirements by working with DOL and the other training institutions. He recommended Ms. Attao set aside some time to start drafting a preliminary annual plan, and if needed, obtain the assistance of Ms. Velma Lore, CCC P&L Manager, as she may be able to assist. The Director noted that he is aware that IPI is trying to save money, but part of the purpose of having the casino here is the employment opportunity for the local workforce, and he wants to ensure that it remains a priority.

The Chairman asked if there were any mass resignations in a specific department recently. Ms. Attao replied that there have been quite a few from the construction side, which are individuals who have been on the island for a while after being renewed and extended a few times, but are now ready to go home to their families. She shared that they also received 3 resignations from the Compliance department.

### 3. Responsible Gaming Program

Ms. Attao reported that they have trained 214 employees on the Responsible Gaming Program in the past month. The Learning and Development team continues to push employees to attend as it is a requirement.

### 4. Compliance Committee

Ms. Caren Decker, VP of Compliance and Gaming Audit first asked if the Commission had any questions on the Compliance Committee's September 6<sup>th</sup> meeting minutes which was submitted.

Chairman Sablan reminded Ms. Decker that in last month's meeting he asked that compliance include in their report violations of the regulations, MICS and the law which are not included in the minutes. Ms. Decker responded that the committee did have discussions in the October meeting, but the report submitted is for September. She noted that the October minutes will reflect that discussion as well as management responses.

The Director shared with Ms. Decker that most of what was reported to the Commission under the former VP of Compliance were operational violations or monitoring reports. But the Commission has asked IPI to revisit the original intent of why the Compliance Committee is in existence. He noted that the Commission would like to see them report on their compliance with the gaming laws, PL 18-56 and PL 19-24, as well as the regulations, the MICS and the CLA. The Director then asked about the management responses that will be submitted with the report, and whether they will have additional attachments to support the responses. Ms. Decker explained that they have already submitted a packet of all the violations which included each department's violations. She noted that they will further include the management responses from each department head in the next report.

The Director commented that he hopes that in the future, the Commission will be able to have discussions with the Compliance Committee in executive session on certain issues pertaining to the gaming laws. Commissioner Santos stated that he believes what the Director and Chairman are requesting is beyond the scope of the Compliance Committee's ability, such as the accounts payable and other financial obligations. He suggested that they separate these compliance issues from the Compliance Committee and bring it before the CEO and the CFO. The Director agreed with Commissioner Santos but noted that there should still be an inclusion of the Compliance Committee on these issues. He added that Ms. Decker should also be made aware of the issues regarding compliance outside of operational matters, because those bigger issues have a larger impact on having the license revoked. Commissioner Songao suggested the Commission write to IPI noting the expectations of the Compliance Committee.

Chairman Sablan mentioned that Ms. Maggie Attao reported that there were 3 resignations in the Compliance department. He asked Ms. Decker if the loss of the three employees will hamper her division's ability to carry out the functions of the department, and if there are plans to hire replacements. Ms. Decker answered that she's been working with HR to recruit employees to fill those vacant positions. She is not privy to the reasons behind the resignations of the three individuals. She assured the Commission that the department is not behind on any of their reports as a result.

Commissioner Dela Cruz made a motion to recess until 2:00 pm, seconded by Commissioner Santos. The motion was put to a vote and unanimously approved. Recess was called by the Chairman at 12:10 pm on Wednesday, October 30, 2019.

The Chairman called the meeting back to order at 2:09 pm on Wednesday, October 30, 2019. All Commissioners were present.

#### 5. IPI Financial Matters

The Chairman asked Mr. Ed Chen if there were any updates on the potential loan from the Japan company as it's been several months since the Commission were informed about the loan. Mr. Ed Chen replied that the company is still working with the lenders and requested that further discussion on the matter be taken up under executive session. However, Counsel Ernest disclosed that this matter needs to be divulged in open session and he advised Mr. Chen to seek his lawyer's advice on what type of financial information is appropriate during public session. Mr. Phil Tydingco, IPI's Counsel, informed Mr. Chen that he already answered the Chairman's question that the loan is still a work in progress.

The Chairman reminded Mr. Chen that December 3, 2019 is the deadline for IPI to respond to the Commission's letter requesting for IPI's Financial Statement. He further added that the Commission is contemplating revisiting an earlier order that was put on hold pending the outcome of documents submitted by IPI on the Commission September 4, 2019 letter. Mr. Chen acknowledged receipt of the letter and informed the Chairman that IPI is working on the request.

Commissioner Santos inquired if IPI's present financial situation can sustain the remainder of its operations and construction in the absence of the loan. He inquired if the Commission should be worried and asked Mr. Chen if he can provide an outlook on things. Mr. Chen replied that he is optimistic on how things will turn out. Commissioner Santos informed Mr. Chen that he will hold him to his word.

Commissioner Dela Cruz asked Mr. Chen if the dispute between the government and IPI on how much BGRT is actually owed been resolved. Mr. Chen replied that the matter is still being negotiated and has not been finalized. Commissioner Santos inquired if the sources of income are still from mass gaming, loans, and collection of receivables to which Mr. Chen replied yes.



Chairman Sablan reminded Mr. Chen that the regulations require that the licensee submit to the Commission their forecast of cash flow on a quarterly basis. He informed Mr. Chen that the Commission has not received the required document. Mr. Chen informed the Chairman that he will work on submitting the document.

Chairman Sablan informed Mr. Chen that the Commission received a letter from Representative Ralph Yumul, Chairman of the House Committee on Gaming, with questions on the Community Benefit Fund. Counsel Tydingco informed the Commissioners that this issue is something they are trying to iron out with the government. Chairman Sablan asked Counsel Tydingco if IPI has plans to request for an amendment to the CLA. Counsel Tydingco replied that the Executive Director had also suggested it to IPI and although it's a good idea, another government body holds that jurisdiction which is something they have to work on. Chairman Sablan commented that it may be a good idea to consider an amendment to the CLA as soon as possible. He believes that the main focus at this time should be to complete the IPR facility and withhold from any form of charitable donations until the building is complete. He also suggested that IPI dispose of all its unused fixed assets and divert the proceeds for the completion of the Garapan project.

Vice Chairman Reyes commended Mr. Chen and his staff and commented that in spite of the company's financial challenges, it continues to move forward with construction and its operations. He questioned how this could be possible considering how things are looking on the reports being received by the Commission. Vice Chair Reyes asked Mr. Chen to lay everything on the table and be open so that the Commission and everyone around can be at ease and out of the dark on what's happening, as well as possible relieve for him from some of the headaches he's faced with every day. Mr. Chen said that IPI is working very closely with the Commission and that the Commissioners are doing a very good job monitoring the operations. He said that in the two years and one month that he has been with the company, financial inquiries are always brought up. He acknowledged that there are many challenges and commented that the company is working very hard in moving forward with the project. He added that new companies often experience challenges but they just have to move forward.

Vice Chairman Reyes shared that he was once optimistic about the cash infusion from a Korean lender that was put on the table but the proposal has failed. The Commission on several occasions asked for a forecast, however, such forecast was not provided. He added that he wants to better understand how a CFO can manage to move forward everyday while still being faced with these issues. He further added that the Commission is in the dark by not knowing where the sources of funds are coming from. He disclosed that the Commission has met with Mr. Jason Ji (major shareholder) and the impression received was that he was genuine and humble but to this day, nothing has changed.

Vice Chairman Reyes asked Mr. Chen if he knows a certain individual named Su Hong Tao. Mr. Chen said that he is not familiar with the Chinese name. Vice Chair went on to explain that he received information that Mr. Su Hong Tao is in partnership with Mr. Ji on the IPR project.

Commissioner Santos inquired if IPI is still struggling to collect on the outstanding receivables and whether they're finding it more difficult to as opposed to a year or two ago. Mr. Chen responded that it is more challenging now due to the macroeconomic situation in China. Vice Chair Reyes asked if the receivables were coordinated out of Hong Kong to which Mr. Chen replied that the receivables are part of IPI Saipan books but are eventually consolidated with the Hong Kong Holding Company and will be reflected in the Corporate Consolidated Report. Vice Chair Reyes voiced that he is concerned that gaming debts may have already been paid in Hong Kong but remain in the books of IPI CNMI possibly to derail from tax liabilities. Vice Chairman Reyes then inquired if any of the accounts payables are being paid out of the Hong Kong office making it untraceable. Mr. Chen agreed that there are times when the Hong Kong office pays for expenses incurred by and on behalf of the IPI CNMI office. He added that it is a normal practice because the

corporate office has the funds to do so, he said.

Commissioner Songao asked Mr. Chen if IPI has changed their policies due the challenges they are facing in collecting receivables, particularly policies on extension of credit. Mr. Chen responded that now they have tightened the granting of credit as opposed to before, and they are more aggressive in their collection efforts. Commissioner Dela Cruz asked for the status on collections as well as how much has been collected. Counsel Tydingco disclosed that IPI has filed some lawsuits but the service issue is problematic. IPI has since hired a mainland Chinese firm to assist in transmitting the service and complaint to the central authority, he said. However, IPI has not received feedback on whether the complaints were accepted because of the issue of gambling being illegal in mainland China. He divulged that the complaint was listed as a line of credit debt but it is possible that they might have seen it as it was, a gambling debt, and was not entertained. He added that majority of the debtors listed addresses in mainland China making it difficult to file the cases, some of which were transferred back to IPI by the firm they hired as they could no longer do anything about it. He explained that until they can perfect service, defaults can't really be filed. In light of the challenges of collection, Director Deleon Guerrero asked if IPI is still granting credit to patrons from mainland China or only the ones with assets outside of mainland China. The Director recalled that the Commission was shown the process of granting credit during a visit to Macau in which former CEO Mr. Kwon and Mr. Brown were informed that credit should not be issued to patrons who do not have assets outside of mainland China. At the time, the Commission was comfortable as they were assured by both gentlemen that credits will only be issued to patrons who have assets in Hong Kong, Macau or elsewhere, and not just completely in mainland China. However, the Director added that now two, three years down the line, information is being received from the licensee that they are unable to collect. Counsel Tydingco replied that he made no mention of where the debtors assets are as he only mentioned the need to perfect service. Mr. Chen replied that he could not comment on the issuance of credit as it is the role of the credit and marketing department.

The Director expressed that IPI's financial obligations are mounting and that the Commission is still waiting to receive IPI's financial statements to show the ability to satisfy its obligations. He added that the Commission has its own calculations on what IPI's cash requirement should be, even though certain amounts are being disputed. He reminded IPI that the Commission is expecting to receive the financial statements on or before December 3, 2019. He disclosed that the Commission is very concerned about IPI's tax issues, CLA obligations, vendor payments and the issuance and collection of credits. The Commission in an attempt to assist IPI improve cash flow, recently approved four junkets, but none of which are in operations yet, he said. The Director commented that one of the four recently approved junkets disclosed that he engaged in junket operations a few months back but the Commission has no record of it, which the Commission will need to follow up with IPI on the matter. He stated that the CFO should be able to track such financial movements and properly report the transactions. Mr. Chen replied by informing the Commission that he already submitted financial statements of activities that have occurred. Additionally, he said that the only junket operation is from Bing Bang Entertainment and he is not aware of any other.

The Director inquired if IPI is financially capable to deliver what is required of the gaming law and the Casino License Agreement (CLA). Mr. Chen commented that this question often arises and the answer should be based on the Commission's judgment of the financial statements being submitted, and that it should not derive from whether he says yes or no. The Director informed Mr. Chen that he did not understand his answer as it is unclear.

The Director then inquired if the major investor has sold any of its shares since the Amendment No. 8 of the CLA. Mr. Chen replied no. He also asked if any gaming debts have been paid outside of the commonwealth by a third party. Mr. Chen replied that he is not aware of any as it is not shown in the IPI CNMI system which he controls nor in the IPI books. Vice Chairman Reyes asked that the Commission be informed if there are any new information on the sales of shares as allowed in CLA, Amendment No. 8.

The Director asked who decides on the granting of credit and how much a patron gets if the CFO is not involved. This issue is something that needs to be looked into further by the Commission because it's the credits that builds up the receivables and the uncollectible receivables, he said. He noted that some of the individuals in the credit and marketing division that were previously licensed now have expired licenses. He is contemplating for the Commission to revisit licensure particularly since the majority shareholder has been authorized to divest the fifty-one percent to no less than ten percent. He said that the more the ownership goes down to the ten percent level, the more the Commission may want to look into the composition of the board of directors and how they're elected. The Director emphasized that there's an issue of releasing gaming information to board members who are unlicensed members.

Chairman Sablan returned to the issue on the accounts receivables which shows as ninety percent uncollectible. He suggested that IPI offer the patrons a discount in order to collect at least a portion of what's due rather than nothing at all. He noted that he has not seen any payments in the last few months based on the submission of the monthly reports, and that he is concerned that payments are being made in Hong Kong but are not reflected in the reports. Mr. Chen replied that he has been cooperating with the Commission but if it's not in IPI books, he cannot report on it.

Vice Chair Reyes asked Mr. Chen why have junkets if they are not operating. Mr. Chen replied that hotel rooms and facilities is one issue. He said that his assumption is that the operators are also still trying to understand the environment, the requirements and the personnel they need in order to operate. The Director also noted that the restrictions on meeting the Title 31 requirement is not practiced in junkets in Asia. This is the first set up in which Asian junkets are operating in US soil, he said. Mr. Chen agreed that all the requirements and regulations are different than that of the Philippine or Macau.

The Director asked if IPI is using any of its funds for projects outside of IPR such as at the Imperial Casha in Tanapag. Mr. Chen replied no, as it is not funds from the IPI books. The Director then asked if IPI is using its employees and workers for project in Tanapag to which Mr. Chen replied that he is not aware of any.

Chairman Sablan inquired if the guarantor's front money was offset against the patron's liabilities. Mr. Chen replied that some of the guarantees were cancelled out against some debts and some were not. In some cases, he said that some guarantors guarantee more than the money deposited. Counsel Tydingco explained that what Mr. Chen is saying is that there may be other reasons why an offset was not done and why the company did not chose to sue the guarantor. He is not aware that any of the guarantors have been sued. The Director asked if he, as General Counsel, considered going after the guarantors. Counsel Tydingco replied that there's always consideration but whether the company does so or not is not up to him. Counsel Ernest reminded IPI that there's regulations that require them to collect ten percent of the receivables but if the licensee is not going after the guarantors, they must make a good faith effort to collect in compliance with the regulations. Counsel Tydingco replied that he does not have the answer to Counsel Ernest's question and that he has to sit down and review the referral of the first several hundred of the debtors. He said that not every single one of the transactions had a guarantor. He thanked Counsel Ernest for sighting the regulations and said that the Commission's points are well taken.

6. Other IPI Updates - None

B. Other Miscellaneous Matters - None

**V. OLD BUSINESS:**

A. Update on House Bill 21-11, HS1

Chairman Sablan informed the Commission that he asked Counsel Ernest to review the present draft of HB 21-11 and the previous HB 20-82 that the Commission recommended for passage. He asked the Commissioners to review the findings prepared by Counsel Ernest.

Counsel Ernest explained that there were very few changes from the Senate version (HB 20-82, HD1, SD1) to the new substitute version (HB 21-11, HS1). He noted that the Commission did not get everything it wanted, and that the House also added some provisions that the Commission had not yet considered, particularly Sections 10 and 11. Sections 3 & 4 of the original bill were deleted, one of which would have taken SNILD's authority to tax the casino away. Sections were also deleted regarding the open government act and working meetings. One addition that the Commission did not ask for but is in the bill is the authority to issue new gaming licenses, an authority which will be taken away from the Lottery Commission. Vice Chair Reyes asked if this action will essentially abolish the Lottery Commission. Counsel Ernest replied that it will not abolish the Lottery Commission as it has its own separate existence in the code but what it might do is strip away from the Lottery Commission the ability to act on any further amendments to the CLA. However, at this point, the Lottery Commission's ability to amend the CLA is not stated anywhere in the law but only assumed since they granted the license to begin with. He said that at common law, the body that grants the license is the body that has the ability to amend it. Counsel Ernest announced that the new bill will make the Master Vendor List a publicly accessible document as it will require the Commission to make public any checks that IPI writes excluding the amount. He pointed out that this change was not requested by the Commission nor the Office of the Attorney General.

Counsel Ernest explained that his main concern is in Section 10 which was poorly drafted. The section states that 4CMC 2314 is amended thusly, however, it does not show any amendments, instead it was changed as there were no re-appeal or re-enactment. He believes that this section will need clarification and possibly a floor amendment otherwise it will greatly confuse things. He further explained that one of the changes that was made but not marked is the deletion of the six-months statute of limitations. He stated that if Section 10 is done correctly, it will work out very well for the Commission.

Counsel Ernest announced that another thing the Commission will need to do should the bill become law is to create a separate file for all the applications of all applicants. The files must show what the application was for and the action taken by the Commission on it. In the same section, the Commission is precluded from putting any information about the applicant. He noted that every movement on the processing of the application must be noted.

Counsel Ernest disclosed that IPI was given two weeks to comment on the bill but he is not sure beginning what date. Commissioner Dela Cruz requested for clarification on the issue of SNILD imposing tax. He asked whether SNILD has the authority to amend the casino enabling statute absent the other members of the legislature. Counsel Ernest replied that there's already a current section of the law, therefore, the commonwealth code states that the regulation of gaming is a local issue. He further stated that the section which takes away SNILD's ability was inserted because gaming in the Commonwealth is pursuant to commonwealth wide law. He further explained that currently there's a commonwealth wide law that states what gaming is in the third senatorial district but there's also a commonwealth wide law that states that gaming is a local issue and can be regulated by the local delegation. He said that the Commission in the last three years has attempted to straighten out the ambiguity by stating that gaming should only be a local issue in the first and second senatorial districts. He added that the bill passed both houses in the 20<sup>th</sup> Legislature but was not enacted due to the super majority requirement of the lame duck session of the constitution. He added that the 21<sup>st</sup> House of Representatives felt differently and have stripped the section out of HB 21-11. There were no comments from the Attorney General on that particular section of the bill, he said.

The Director asked if there would be a structural problem amending a bill without going through the process and procedures of underlining. Counsel Ernest said that yes, as there will be a question whether the section is repealed or reenacted wholly. The Director pointed out that there were several changes that were not underlined to show that they're new. Counsel

Ernest said that it may have been simply a cutting and pasting error and agreed that it should be brought to their attention in a simple letter as it should not be a big deal.

Chairman Sablan commented that the Commission should seek clarity on the SNILD's authority and to just allow the House to move forward with the rest of bill since majority of what the Commission asked for is in the bill. Upon verifying, Ms. Cathy Salas, IPI Legal Manager, informed the Commission that Chairman Ralph Yumul approved a 30-day extension but it is unclear from what date. She said that Chairman Yumul is presently off island and has not been able to provide IPI with an official approval to their request for extension. The Director announced that he will prepare a letter pointing out only the technical issues of the bill. Counsel Ernest advised against any amendments at this point in time and let it move forward to the Senate.

#### B. Other Old Business Matters

### VI. NEW BUSINESS:

#### A. Approval of Casino Key Employee License (2-years):

- 1) **Mr. Phillip James Tydingco.** General Counsel, Imperial Pacific International (CNMI), LLC ("IPI"). Current Provisional CKE License expires on 11/09/19.

The Director informed the Commissioners that Mr. Tydingco's current provisional license will expire on November 9, 2019 which is before the Commission's next meeting. He added that the suitability review has been completed, and that some of the issues raised earlier have been provided by Mr. Tydingco. He further noted that the Division of Enforcement & Investigations along with the Commission have recommended approval of Mr. Tydingco's 2-year Casino Key Employee license.

Commissioner Dela Cruz moved to approve the 2-year Casino Key Employee license of Mr. Phillip James Tydingco, seconded by Vice Chair Reyes. The motion was put to a vote and unanimously approved.

#### B. Approval of Application for regular Casino Service Provider License (2-years):

- 1) **Aristocrat Technologies Macau, Limited (Aristocrat).** Manufacturer and distributor of Electronic Gaming Machines. Provisional License expires on 08/19/20.

The Director informed the Commissioners that Aristocrat currently has four different licenses which the Commission consolidating into one. The license being presented for approval is a consolidation of various licenses. He added that although their current provisional license will not expire until August 19, 2020, he does not see a reason to hold of approval since the CCC had already completed its suitability review, and are recommending that the Commission proceeds in awarding their regular Casino Service Provider 2-year license.

Commissioner Songao made a motion to approve the 2-year Casino Service Provider License for Aristocrat Technologies Macau, Limited, seconded by Commissioner Dela Cruz. The motion was put to a vote and unanimously approved.

#### C. Renewal of Regular Casino Vendor License - Non-Gaming Vendor (3-years):

- 1) **DFS Limited (dba: T Galleria).** General merchandise and retailer of Duty-Free products. Initial 3-year Casino Vendor License will expire on 11/21/19.

The Director shared that the CCC has done its due diligence in the background investigation of DFS Limited. He noted that although they had come across a few issues, the CCC was able to resolve it during a meeting that were held with Ms. Marian Pierce. He therefore recommends the approval of DFS Limited's 3-year Regular Casino Vendor License.

Commissioner Santos asked what exactly does DFS supplies to IPI. The Director answered that they do not have any business with them right now, but what they have are display watches in the IPI lobby. He added that DFS is trying to arrange an agreement with IPI where they could offer complimentary gifts.

Vice Chairman Reyes made a motion to approve the 3-year Casino Vendor License for DFS Limited, seconded by Commissioner Santos. The motion was put to a vote and unanimously approved.

D. 2019 Citizen-Centric Report. The CCC 2019 Annual Report per Public Law 20-83.

The Director shared that the CNMI passed Public Law 20-83, which requires each government agency to prepare a report to be submitted 30 days after September 30, 2019. He noted that the law was patterned after the Guam law, except unlike Guam, the CNMI Judiciary and the Legislature were exempted. He further noted that the report will be submitted to OPA on October 31, 2019, and copies will be distributed to the Governor, Lieutenant Governor, the Senate and the House.

E. Other - None

VII. EXECUTIVE SESSION:

A. Report by the Legal Counsel - None

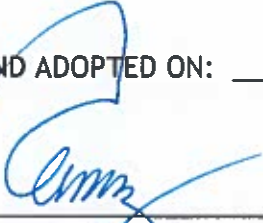
VIII. ADJOURNMENT

Commissioner Santos made a motion to adjourn the meeting, seconded by Vice Chairman Reyes. The motion was put to a vote and unanimously approved. Meeting was adjourned at 3:57 pm on Wednesday, October 30, 2019.

Prepared by:  Date: 11/21/19  
Elicia San Nicolas, Executive Secretary

And  Date: 11/21/19  
Ruth Ann P. Sakisat, Executive Assistant

APPROVED AND ADOPTED ON: 26<sup>th</sup> day of November, 2019.

 Date: 11/26/19  
Ramon M. Dela Cruz  
Commission Secretary