



COMMONWEALTH CASINO COMMISSION

Commonwealth of the Northern Mariana Islands

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Minutes July 29, 2021

I. PRELIMINARIES:

A. Call to Order

Chairman Edward DeLeon Guerrero called the meeting to order at 10:06 am on Thursday, July 29, 2021 at the Commission's 2nd Floor Main Conference Room at the Springs Plaza in Gualo Rai, Saipan. The meeting was also on video conference.

B. Roll Call

Commissioners present at the meeting were: Edward DeLeon Guerrero (Chairman), Rafael Demapan (Vice Chairman), Ramon Dela Cruz (Secretary), and Mariano Taitano (Treasurer). Commissioner Diego Songao (Public Affairs) was not present in the meeting due to personal matters off-island. His absence was excused by the Chairman.

C. Adoption of Agenda

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

D. Adoption of Minutes: June 24, 2021

Commissioner Dela Cruz made a motion to adopt the minutes of the June 24, 2021 meeting, seconded by Commissioner Taitano.

Discussion: The Chairman noted that there are some items in the minutes that will require updates from IPI which he hopes will be covered during the meeting.

The motion to adopt the minutes was put to a vote and unanimously approved. The minutes of the June 24, 2021 meeting was adopted as presented.

II. PUBLIC COMMENTS

Assistant Attorney General Michael Ernest, the CCC's Legal Counsel, shared that he has given official notice to the Commission of his resignation, therefore, he will no longer represent the Commission. He said that while it has been his pleasure to represent the Commission since 2015, he will be moving away from the Office of the Attorney General (OAG) to the CNMI Public School System (PSS) where he will represent either the board or the Commissioner. He expressed his gratitude for the time spent with the Commission and for all that he has learned during his tenure, and that he is thankful to Ms. Ruth Ann Sakisat. He shared his appreciation to the Commission for the courtesy extended to him for the last five years and commented that he has high hopes for the gaming industry. He further added that he is obliged to his colleagues to include the present and previous managers, and the present and former Commissioners who have made his time with the Commission easier.

III. REPORTS:

A. Report by the Chairman

Chairman DeLeon Guerrero first thanked Vice Chairman Demapan for sitting in during his absence while he was out of the CNMI attending to personal matters.

The Chairman shared that he is saddened to see that IPI has yet to pay its 2020 annual exclusive license fee and its 2020 annual casino regulatory fee. He stressed his concern that another \$15.5M will be due on August 12, 2021 for the exclusive casino license fee, and that \$3.1M regulatory fee will be due on October 1, 2021. He further emphasized that IPI has not complied with numerous Commission orders a part of the recent final order which IPI appealed in the CNMI Superior Court. He noted that he would like to discuss these matters in executive session and have Legal Counsel provide a brief update on the status conference that was held on July 27, 2021.

The Chairman expressed his concern that critical staff are leaving the Commission primarily due to the lack of funding. He said while he is sad to see them go, he is pleased to hear that they have been recruited by other government agencies. The Chairman stated that Counsel Ernest's departure will also be a loss to the Commission. He described the early days of the Commission's establishment where he, Counsel Ernest, and Ms. Sakisat worked tirelessly to put together the framework of the Commission including the regulations. The Chairman shared that according to the University of Nevada, the estimated cost to put together the Commission's regulations was \$120,000. However, the Commission was able to complete the regulations within 30 days with little to no cost. He considered the task a great accomplishment, which was followed by the completion of the Minimum Internal Control Standards (MICS). All these tremendous work, he said, could not have been achieved without the help of Counsel Ernest. The Chairman further added that Counsel Ernest has gained invaluable knowledge on gaming through the training he received in the last six years. The Chairman noted that he has always believed that effective employees are all about completing the work and the product, which is what Counsel Ernest has always done. He expressed his appreciation to Counsel Ernest and added that he will be missed.

The Chairman stated that the Commission will soon be submitting its official position on internet gaming. He asked the Director to hold off on the financial projections portion until the staff is able to present it to the Commissioners. He said that there are a lot of ambiguities in reference to what type of internet gambling would be implemented, and who the intended recipients will be as far as licensees and the number of licenses that will be available. He added that this makes it difficult to pinpoint a true and realistic financial projection. Additionally, the Chairman pointed out that the recent ruling of the circuit court prohibiting the use of wire seems to be restricted to only sports betting and not lottery or casino. He advised that the Commission's comments focus only on the bill, and that if the legislature wishes to discuss the matter in greater detail, it would be nice to know what exactly they have in mind.

On behalf of the Commonwealth Casino Commission, the Commissioners and staff, the Chairman extended his most profound sympathy to the family of the late Ivan Blanco, CNMI House Representative. He shared that Representative Blanco was a close friend and associate of his, and that he and the late Ivan worked together as he guided him towards being the late Governor Eloy Inos' press secretary. The Chairman added that he communicated with Representative Blanco regularly, as he was a strong supporter of the Commission and its enforcement of the gaming regulations. He said that the news of Representative Blanco's untimely passing was heartfelt, and he extended his condolences to his wife, Carmen, their children, and their entire family.

B. Report by the Executive Director

The Director reported the following:

- **CCC Budget:** For the month of June 2021, the Commission's total expense was \$157,941.00.
 - 71.60% Personnel Wages & Benefits
 - 17.14% Board & Other Compensation
 - 11.26% Office Rental & Other Operational Costs
- **Staff Reduction:** The Director reported that aside from the terminations that were served last month, there have also been undesired resignations that will impact the organization, leaving those who were retained with more areas to cover. He said that some of the duties may not be as effectively carried out going forward, until such time that there are certain replacements.

As earlier announced, the Legal Counsel's last day with the Commission is August 7, 2021 as he will be leaving to join PSS. The Director said that it hurts to lose a Legal Counsel who has been trained and is fully up to date with all the issues the Commission is facing. He added that Ms. Keisha Blaise, Assistant Attorney General, has been assigned to the Commission by the Attorney General, but at a part-time basis only, due to the lack of their own human resources. The Director stated that the Commission needs a full-time legal counsel especially with the ongoing legal proceedings against IPI. He added that the very limited staff will be significantly taxed in labor to assist with compiling records and other legal preparations that a full-time lawyer could handle on his/her own with proper knowledge of the situation. While he cannot blame counsel for making requests to prepare for the battle in court, he shared concern that the extra workload will add stress to the already unstable work environment with the remaining staff. At the end of the day, the Director noted, the Commission needs a full-time lawyer who can devote their time and labor while being self-sufficient. He shared that he asked the AG for full-time legal service, but was informed that no one is available at this time to meet our needs.

The Director divulged that the entire audit division of the Commission and the Accountant will be leaving to join the Department of Finance. He said these undesired resignations will have a significant impact on the duties and functions of the Commission, while adding that he is disappointed, perturbed, and even speechless. He commented that that these employees are moving on to better their lives and the Commission will just have to pick up the pieces with the remaining staff until the positions are successfully replaced. He asked that if anyone knows of an experienced accountant that they can recommend, to please let the Commission know as soon as possible.

The Director mentioned that due to the recent resignations, there were several employees whose letters of termination were rescinded. The staff recalled will be assisting with the IT, DEI, and Compliance divisions. He added that the DEI and DPAL divisions were temporarily merged and will be headed by Mr. Vince Babauta, DEI Manager. He said this merger will be in effect until it is found necessary to separate. He noted that the Commission now has 14 employees until such time it is able to fill the auditor and accountant positions.

- **House Bill 22-47:** The Director shared that the final draft of the Commission's comments on HB 22-47 was completed and forwarded to the Commissioners for review before the final version is sent to the House Gaming Committee. He noted that they will discuss this item further in executive session.
- **Request for Documents:** The Director informed the Commission that Vice Chairperson Tina Sablan of the House Gaming Committee advised that the document request will be narrowed down and forwarded to the Commission later. He expressed his appreciation to her and the Committee in this gesture which will essentially reduce the burden on the remaining and very minimal staff at the Commission.

- **Status Conference:** The Director reported that the Status Conference in IPI's appeal of the Commission's final order and the suspension of its gaming license was held on July 27, 2021 at the Superior Court. He noted that Honorable Judge Wesley Bogdan presided over the hearing. He asked that Counsel Ernest or Counsel Blaise enlighten the Commission in terms of what was discussed and concluded, as well as to help them understand what it means going forward.

The Chairman called for a short recess due to a power outage, adding that the meeting will reconvene in about 20 minutes, or until such time that the generator is up and running or the CUC power is restored. Recess was called by the Chairman at 10:32 am.

Chairman DeLeon Guerrero called the meeting back to order at 10:58 am. The building generator was activated.

Counsel Ernest took a few minutes to introduce Assistant Attorney General Keisha Blaise, who he personally recommended as his replacement. He shared that Ms. Blaise comes from Massachusetts and is on the litigation team at the Office of the Attorney General's Civil Division. He added that she is an experienced trial litigator and is serving or has served in other agencies in the CNMI such as the Cannabis Commission and the Zoning Board so she is quite familiar with administrative procedures.

Chairman DeLeon Guerrero asked the Director to apprise the Commissioners of his conversation with the AG, specifically on the reason why a full-time attorney cannot be assigned to the Commission, and whether or not the present arrangement is only a temporary solution. The Director answered that initially, he asked the AG for assistance in taking over 50% of the legal counsel's salary due to the Commission's budget constraints. The AG informed him that their office also has limited resources at this time; therefore, he cannot commit to providing the Commission a full-time counsel.

The Chairman mentioned that the constitution restricts all executive branch and autonomous agencies to legal representation by the OAG, which means that the Commission does not have the luxury of soliciting its own attorney outside of the OAG. He added that the OAG is still obligated to provide a legal counsel even if the Commission does not pay. Furthermore, he advised the Director to continue discussions with the AG on the possibility of the Commission hiring a private attorney on a full-time basis, as opposed to only receiving part-time legal assistance from the OAG.

The Director informed the Chairman that from his discussions with the AG, it won't likely happen that way and that it wasn't clear whether the arrangement with the new counsel is temporary. He plans to request for another meeting as suggested by the Chairman to discuss this matter further. The Chairman agreed that the Commission needs full-time counsel especially with all the pending cases, noting that Counsel Blaise's representation is limited as she also represents other government agencies.

Counsel Blaise clarified that she is no longer representing the CNMI Cannabis Commission, noting that other than the Casino Commission, she only represents the Zoning Board. Counsel Ernest recommended that the Commission attempt to continue its present arrangement with the OAG and offer the same opportunity to Counsel Blaise either at full-time or three quarters so she can still help at the main office. He stated that he too believes the Commission needs more than a one-day lawyer. The Director clarified that the last time he spoke with the AG, his intention was to charge the Commission \$30,000, which may or may not translate to 50% of counsel's salary

but would only be considered part-time.

In an effort to maintain the foundation of the Commission, Vice Chairman Demapan suggested restoring the 16 hours that was cut due to austerity measures. The Director agreed, noting that he has given it some serious thought and consideration, and he hopes that by doing so, it will boost the morale of the retained staff. Commissioner Dela Cruz asked how many staff are remaining after the recent terminations and resignations, to which the Director replied 14, including himself and the legal counsel. He emphasized that the vacant auditor position still needs to be filled. The Chairman thanked the Director for his report and thanked the division managers who stayed behind.

IV. MISCELLANEOUS MATTERS:

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

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

a) Status of IPI's request for extension of the IGF construction deadline per CLA Amendment #6.

Mr. Tao Xing, IPI VP of Marketing and PR, reported that IPI submitted its extension request to the Governor, however, the Governor sought the AG's opinion which concluded that the governing body responsible for reviewing the request is the CNMI Lottery Commission. As a result, on July 8, 2021, IPI revised its request and addressed it to the Chairman of the Lottery Commission. To date, there's been no response to IPI's request and a meeting by the Lottery Commission has not been scheduled.

The Chairman asked Counsel Ernest if he had a copy of the AG's opinion on the matter, to which he responded that he's seen a copy but cannot release it without the permission of the Office of the Governor (client). He said his understanding is that the AG felt it was made clear by the legislature that going forward, the Casino Commission shall issue new licenses, but it was not made clear if it also had the authority to amend the current license. He noted that PL 21-38 did not conclusively state that the Commission should have authority over any amendments to the Casino License Agreement (CLA). Counsel Ernest pointed out that the codification of PL 21-38 was incorrect, noting that the Law Revision Commission (LRC) made a major error by removing one of the powers of the Commission that was explicitly granted. He explained that the law, as enacted, states that the Commission shall issue new licenses, but the LRC codified it as "shall not". When asked by the Chairman if this needs to be corrected, Counsel Ernest recommended that one of Counsel Blaise's first assignments for the Commission should be to get it corrected. He suggested that Counsel Blaise make contact with LRC and inform them that the legislative intent was quite clear, although he believes it was obviously a mistake by the LRC.

The Chairman stated that somewhere in the CLA, it is specified that the Governor has the authority to negotiate and handle the terms and conditions of the CLA. He further elaborated that since the Lottery Commission reports directly to the Governor, it makes a lot of sense that the Governor utilize that governing body to proceed with any requested amendments, as opposed to his office acting on the matter alone.

Counsel Ernest responded stating that no matter who handles the negotiations, ultimately both the Lottery Commission and Governor would have to sign off which has always been the AG's position on the matter.

The Chairman asked the Director to obtain a copy of the Governor's letter. Counsel Ernest interjected to inform the Chairman that he is in possession of the letter referenced as GOV21-150, dated June 25, 2021. He noted that it was given to him by Counsel Gil Birnbrich, who had no objection to its release to the Commission. Counsel Ernest clarified that he does not have permission to release a copy of the AG's opinion.

The Chairman inquired if the deadline of February 28 still stands, to which Mr. Tao replied yes. The Chairman asked if the Lottery Commission has mentioned any plans to meet and discuss IPI's request. Mr. Tao answered no, adding that they will follow-up on their request. The Chairman asked the Director to find out when the next Lottery Commission meeting will take place so that the Casino Commission can attend. He noted that IPI has a substantial amount of requests and would like to see whether or not they will be entertained and acted on. The Chairman then inquired if there will be any material impact on the pending litigation, should IPI's request be granted. Counsel Ernest advised that the Commissioners direct such inquiry to Counsel Lowrey, but noted that there may be no answer at this time because there is no way to tell what the Lottery Commission intends to do. He pointed out that in the last CLA amendment, the Lottery Commission explicitly went out of its way to state that their action was not affecting the ongoing enforcement complaints by the Commission. He further stated that there is no enforcement action right now against IPI regarding the completion date.

The Chairman asked Mr. Tao if there's update information on how IPI plans to finance the remainder of the project should their extension request be approved and for future developments. Mr. Tao answered that IPI is expecting feedback in terms of what additional information the Governor or his designee require, adding that their response will be compiled and presented upon hearing from the Lottery Commission. The Chairman emphasized that this seems to be a recurring and repetitive question that has not received a direct answer. He reminded IPI that in last month's Commission meeting, Mr. David Burger was straight forward in stating that IPI CNMI does not have any funding to continue with the project.

Mr. Tao retorted that he believes Mr. Burger was referring to the data he saw in relation to the 2020 annual audit report when he made the statement. However, Mr. Tao disclosed that moving forward, IPI will continue working with additional investors. He offered to keep the Commission updated with any new information on the matter.

Chairman DeLeon Guerrero reiterated Mr. Burger's statement that both the corporate auditor and the CNMI auditor were in no position to render an opinion. The audit report also stated that IPI CNMI is fully reliant on the parent company and does not have the ability to satisfy its obligations, said the Chairman. He then asked Mr. Tao if IPI Corporate office has shared any concrete information with him on how it plans to move forward financially. The Chairman also asked if IPI is trying to get investors, to which Mr. Tao replied that at this point, he is not aware of that information. He added that IPI is trying to finalize the annual report for 2020 for the listed company and hopefully the final result will be out by next month, which will include all the information that Mr. Burger made reference to. The Chairman asked if there is money for IPI to complete the project. Mr. Tao answered that they are still trying to finalize the plans including labor, which Mr. Eric Poon will provide an update on. He further noted that discussions are ongoing on how to go about sourcing the labor and materials, and what kind of management structure will be utilized, all while working simultaneously and daily with the Hong Kong corporate office to finalize the funding source.

Vice Chairman Demapan mentioned that sometime in the last weeks, the Commission met with the legislature and were asked about the integrity of the building structure.

Vice Chair voiced his concern on the safety of the cranes and asked if anyone is monitoring the issue. Mr. Tao replied that Mr. Poon would be the appropriate person to answer questions about the cranes. Commissioner Dela Cruz asked if there are any changes to the Stop Work Order that was issued by the court. He said that the reason he asks is because IPI still has a responsibility to ensure that the facility is safe for the neighboring establishments, especially with the typhoon season approaching. Additionally, he is concerned of the impact of corrosion due to salt water because of the structure's close proximity to the beach. He said that IPI needs to let the court know about the crane issues so they can be granted permission to enter the area to retrofit the cranes to ensure its safety.

Mr. Eric Poon (IPI Construction) and Mr. Jess Aquiningoc (Construction Site Manager), both introduced themselves to the Commission. Mr. Poon answered the Commissioner's questions regarding the three tower cranes at the IPR by explaining the following:

- There are three tower cranes standing right now; tower crane 5 is facing Joeten, tower crane 6 is facing the beach, and tower crane 1 is inside the construction site.
- After tower crane 5 was last operated this year, some maintenance work was done on it and it is now running good as some components are fairly new. Tower crane 5 was last operated in December 2020 and January 2021 when tower crane 4 was taken down.
- Tower crane 6 has not been used since 2019. The visual inspection conducted in May 2021 showed that there were rusted components that need to be taken cared of for safety reasons. Some maintenance work was performed on that tower crane immediately after it was inspected.
- At this moment, there are no risks or safety hazards surrounding the cranes.
- Tower crane 1 located in the construction site has not been used in seven months but being that it's been standing idle for that long, the accumulation of rust is very likely.

The Chairman asked if IPI would be in violation of the court's order if they were to enter the site to address the crane issues, to which Mr. Aquiningoc replied yes. The Chairman then asked if they've consulted with their legal counsel to seek the court's approval. Mr. Aquiningoc responded that it has only been Mr. Poon that he's consulted with regarding the need to remove the crane. He informed the Commission that he notified Mr. Poon that there were a lot of rusty components and that the crane must come down. Mr. Poon disclosed that IPI met with DPW at the beginning of the month (July 2021) and that they submitted their observation report regarding tower crane 6 which included their recommendation to take down the crane. Mr. Poon said that IPI has not notified their legal counsel because they wanted to first settle the matter with DPW in hopes of receiving a clear direction on the procedures and processes on how to safely remove the crane.

The Chairman asked if IPI has a forecast of the cost of removing the crane. Mr. Poon replied that they only have an estimation of how much it would cost for labor, transportation and equipment. The Chairman asked if DPW was involved in the removal of tower crane 4, and if IPI will procure the services of the same company for the removal of tower crane 6. Mr. Poon answered that they prefer that the same team handle the project, and noted that Mr. Aquiningoc would be in charge of the crane's removal. The Chairman once again advised Mr. Poon to have someone in their legal team bring this matter to the attention of the federal court and to request permission to enter the premises to resolve the crane issues before someone gets hurt. He asked the Executive Director to follow through with this issue.

Mr. Vince Babauta disclosed that on July 2, 2021, he and the Executive Director met with Mr. Poon and a representative of DPW specifically to discuss the crane issues. He stated that the issue of the cranes is always brought up in the meeting as it is a concern. He admitted that although not an expert, he knows that the cranes need maintenance, that they are rusty and that they are surrounded by overgrown vegetation. He noted that these are the issues discussed during the July 2nd meeting.

Mr. Babauta went back to Mr. Poon's earlier statement that the cranes are no immediate concerns regarding the safety of the cranes. He asked if it is really safe to be standing anywhere next to the cranes, and if there have been any incidents of falling parts from the crane. Mr. Aquiningoc replied that there was a recent incident of the arm rails falling. Mr. Babauta pointed out that these types of issues are what IPI should be covering in their presentation. He stressed that this type of incident is what prompted an inspection and that he is thankful that it occurred so now it is known that the cranes need attention. He added that he is grateful that no one was injured considering how long of an arm the tower cranes have. Mr. Aquiningoc shared that the arm for tower crane 6 extends 40 meters and the arm for tower crane 5 extends 60 meters. Mr. Aquiningoc explained that there are 5 sections, each section weighing 13 tons.

The Chairman asked Mr. Babauta what DPW's response was during discussions on the crane. Mr. Babauta explained that DPW basically stated that they have no role in the dismantling of the crane. He explained that DPW's role is in enforcing compliance of the building code, and that what they would need from IPI is the listing of the people who would perform the work of dismantling the crane. Mr. Babauta divulged that during the meeting, the Director advised IPI to seek the assistance of OSHA. Their involvement would only assist in ensuring the safety of all parties, he said.

The Chairman inquired on the name of the company who removed tower crane 4 and if it would be the same company who will work on tower crane 6. Mr. Aquiningoc replied that it was AM Group who was in charge of the tower crane 4 project, and that he believes the manpower is still available. The Chairman asked if AM Group is aware of the OSHA requirements, to which Mr. Aquiningoc replied yes. He then asked how much time remains before tower crane 6 collapses; Mr. Aquiningoc said that he estimates about 3 months. The Chairman emphasized the importance and urgency of addressing this matter immediately and alerting management of the situation. Mr. Poon assured the Commission that IPI is on top of the matter and that they will soon get started on the crane project. The Chairman asked how much of an impact the removal of tower crane 6 will have on construction. Mr. Poon answered that the plan is not to remove tower crane 6 in its entirety but to only replace parts. He stated that the parts that need replacement can be done prior to the resumption of construction as another inspection of all tower cranes would be necessary. The only work they will do with tower crane 6 is to remove the arm and the jib boom holding the counterweight. Mr. Aquiningoc assured the Commission that the mass and the turntable are still in good shape. Mr. Poon disclosed that there are spare parts from tower crane 4 that can be utilized. The Chairman advised that Attorney Mr. Michael Dotts be informed of the situation and that the approval of the federal court is secured before moving forward with the project. The Chairman also recommended that tower crane 1 and 5 be assessed to ensure that no one gets injured during the process.

Commissioner Dela Cruz suggested that in addition to requesting approval to repair the cranes, IPI should also request to enter the facility to inspect the condition of the gaming machines and other equipment. The Chairman asked Mr. Poon if he is aware of the court order requiring IPI to assemble the machines in the basement for the purpose of the auction. Mr. Poon replied yes, but noted that construction is not involved in the matter. The Chairman asked Mr. Tao the same question, to which he

replied that as of right now, the court asked that no one be allowed to enter the site. He explained that any need for entry into facility would require a 24-hours advance notice and the court marshal's approval. Additionally, a log of all activities performed must be in place upon entry into the facility, said Mr. Tao.

The Chairman asked the Director if the Commission was involved in the recent walkthrough of the facility. The Director replied yes, adding that all the managers and the Counsels Ernest and Blaise participated. He said they were invited by IPI's CEO, Mr. Ray Yumul. Mr. Babauta explained that the intention of the walkthrough was for representative from USA Fanter and their attorneys to enter and observe the equipment and other items listed on the inventory. He noted that there was a marshal present during the walkthrough. The Chairman commented that the court's order conflicts with the Commission's regulatory responsibility to have unimpeded access to the facility. Counsel Ernest responded saying that the federal court is enforcing its judgements and can do whatever it wants. He said he believes the Commission has shown great deference and respect to the court, so they would likely look with favor upon any request. He further noted that no one informed the court or the marshals that there was an issue of impediment, and if it would be made an issue, then the AG's office can step in and ask the court for a modification of its order, or ask the marshals for written permission to enter. The Chairman said he sees no problems with the other assets, just the gaming equipment whose movements are restricted which the Commission regulates. He noted that he has not seen the order, but suggested that the Director work with legal counsel to seek modification from the federal court, particularly as it pertains to regulating the gaming equipment. Counsel Ernest advised that the matter be discussed further in executive session.

Commissioner Taitano asked Mr. Babauta if he noticed flooding on the gaming floor during the walkthrough. Mr. Babauta responded that in his opinion, the gaming floor is the safest place to store the equipment, as the basement is where flooding typically occurs. The Director clarified that Commissioner Taitano might be referring to the Gaming Technologies Solution (GTS) room. Mr. Leonard Leon, Compliance Division Manager, clarified that the GTS room is where the machines are brought to after being taken from the casino floor for repair and storage. He said the GTS room is located in the basement, but cannot be accessed due to flooding that leads to the room. The Chairman asked if any pictures were taken during the walkthrough, to which Mr. Leon replied yes. The Chairman asked if the Commission office at the casino is still in good condition. Mr. Babauta replied that the office is closed because there's no power. He added that during his last visit to the casino office, he asked IPI to ensure that the office is secured. He also noted that during his last visit, he detected a strong odor most likely due to poor ventilation.

The Chairman asked Mr. Poon if he is working closely with Mr. Tao on following up with the Lottery Commission on the amendment request, to which Mr. Poon replied yes and that he's working with the CEO and Mr. Tao. He shared that he plans to contact Mr. Edward Deleon Guerrero, Secretary of Commerce, to find out when they plan to call a meeting.

Commissioner Taitano asked if there is 24/7 security at the casino, Mr. Poon replied yes. The Chairman asked Mr. Poon if there are still materials stored in warehouses. Mr. Poon replied yes, noting that they have plumbing and mechanical materials. The Chairman asked Mr. Poon about IPI's plans to acquire the manpower to move forward. Mr. Poon answered that there have been talks with local contractors to seek their help, but that's all that can be done at this time since construction activities have discontinued. The Chairman asked if anyone at IPI is discussing phases one and two since IPI is in the planning process. Mr. Poon answered that at this time, the focus is only on the Garapan project. The Chairman reminded IPI about the deadlines that

were stipulated in the CLA. The Chairman thanked Mr. Poon for his presentation on IPI's construction matters.

2. IPI Personnel Matters:

- a) Status of Employee Payroll
- b) Status of unpaid payroll & severance pay for employees already off-island
- c) Others

Ms. Redie Dela Cruz, IPI HR Director, first reported that payroll is ongoing and being made timely. She noted that they are expecting the distribution of the next payroll on Friday at 10:00 am for the employees who are actively working. The Chairman asked how many employees remain at IPI, to which she replied less than forty, most of whom are security workers.

Ms. Dela Cruz explained that as reported in previous meetings, IPI has not paid its obligations to separated employees since July 2020. She said there are no changes to update the Commission, noting that it has been reported to USDOL in the District Court in the Stewart v. IPI case. She disclosed that IPI has undergone some H2B compliance audit investigations and that sometime in January 2021, the 2020 investigation for H2Bs with USDOL was completed. She said that as part of the Stewart vs. IPI case and the H2B investigations, IPI included information on separations as far as benefits payout. She shared that the 2020 H2B investigation is being appealed and a settlement conference is pending which should take place sometime in September 2021. The Chairman asked if there's a sanction by USDOL that IPI is appealing. Ms. Dela Cruz divulged that there's a determined amount that the USDOL concluded as a result of the investigations. The Chairman inquired if this is pertaining to the 5 or 6 workers that have been reported in the media. Ms. Dela Cruz replied that it is a totally separate matter.

The Chairman asked if granted a green light to continue construction, would IPI have the manpower to do so and where would the workers come from. Ms. Dela Cruz acknowledged that IPI cannot hire foreign workers due to a disbarment issue with the USDOL which will remain in effect for five years. She noted that IPI would have to seek local workforce once they are given a green light to proceed with construction. The Chairman asked Ms. Dela Cruz if she had any idea where the funding will come from. Ms. Dela Cruz replied no, adding that she is not involved in the financial aspects of IPI. The Chairman asked if IPI has looked into manpower either locally or from the US mainland, considering that their request for extension is already with the Lottery Commission. Ms. Dela Cruz replied that as far as HR is concerned, they have not sought out any manpower agencies, adding that she's aware that the construction team have had discussions with local contractors. However, there's no way of telling when that's actually going to happen, she added.

The Chairman asked Ms. Dela Cruz if she is still getting paid on a timely basis, to which she replied yes. He then inquired if the services of the Guam payroll company are still being utilized. Ms. Dela Cruz replied no, adding that they are now using IPI's account with a local bank. She further noted, in response to the Chairman's question, that their funding has been coming from Hong Kong on a timely manner.

Vice Chairman Demapan inquired on the number of complaints against IPI with the USDOL. Ms. Dela Cruz clarified that her involvement with USDOL is on the case that seeks to ensure that IPI is in compliance with the H2B program. She noted that the other case: Stewart v. IPI, which started this year, is for the unpaid wages for those who have filed complaints. She noted that she's unsure of the numbers as she's only been involved in the investigations regarding the H2B workers. She clarified that the case involving the 7 workers has nothing to do with USDOL and that they filed their

complaints separately as individuals.

Commissioner Dela Cruz asked for the identity of the attorney assisting with the FinCEN inquiries. Ms. Dela Cruz replied that she is not involved in the FinCEN case and she is not aware if finance is involved either, as it was never mentioned to her. Commissioner Dela Cruz asked the Chairman if the Commission can get a copy of the investigative report from the USDOL on the foreign workers issue. Counsel Ernest interjected that to his understanding, PL 18-56 allows the Commission to inspect any document and that he does not believe permission is needed. He said that out of courtesy, the Commission has always made it a point to first extend the request to IPI to provide the Commission a copy. Counsel Ernest suggested that the Director write a letter of request to IPI. The Chairman asked Ms. Dela Cruz if she has a copy of the investigative report, to which she replied yes. Commissioner Dela Cruz asked the Director to obtain a copy.

The Chairman asked Ms. Dela Cruz about the status of the severance pay and wages still owed to the former IPI employees. Ms. Dela Cruz answered that HR has accounted for all outstanding obligations for its current and separated employees, but that IPI is working closely with the attorneys in the appeal that was filed with the administrative judge for USDOL. IPI is awaiting the outcome of that appeal, she said.

The Chairman asked who is representing IPI as their legal counsel. Ms. Dela Cruz answered that the USDOL case is being handled by Attorney Michael Dotts. She disclosed that for matters pertaining to the Writ of Execution, of which there are 3 against IPI, Attorney Stephen Nutting is representing IPI. The Chairman asked who is representing IPI with the vendor lawsuits, Ms. Dela Cruz answered that she has no knowledge about that, but Finance might. The Chairman then asked Ms. Dela Cruz if she is optimistic of IPI's ability to recoup and recover. Ms. Dela Cruz replied that she is hopeful, which is why she is still with the company.

The Chairman asked if the corporate office is being helpful in addressing its current obligations. Ms. Dela Cruz answered that her number one priority is payroll, and since that is coming out on time, she's had no issues, and no need to directly reach out to corporate. She noted that she has the executive team above her, who she reaches out to, which is led by Mr. Yumul, Mr. Tao and Ms. Mafnas.

Commissioner Dela Cruz mentioned that in numerous meetings, he requested for IPI to provide the Commission with a list of employees that have been repatriated and have not been paid. He said the Commission is still waiting, and asked if IPI has any objection in providing the information. Ms. Dela Cruz said that if the Commission is willing to accept just the names and separation dates, she is able to provide the list with the permission of the CEO.

Mr. Babauta asked for clarification if furloughed employees are still considered active. Ms. Dela Cruz replied yes, they are still active. She explained that there are only two categories: active or separated, and furlough would fall under active, although they are unpaid.

B. IPI Financial Matters

The Chairman asked if the cage at the IPR is empty and shut down, to which Mr. Tao replied yes. The Chairman then asked if all of the chips are secured, and if IPI is monitoring the unredeemed chips that people out there may still be holding on to. Mr. Tao said he will have to consult with finance on the matter and report back to the Commission at a later time.

The Chairman asked for an update on the accounts receivables, and if there are any other accounts other than those from China. Mr. Tao replied that he has no update and that he is not aware of any other accounts. He explained that the local finance team is not really involved in collections, adding that they are relying on the Hong Kong and Macau team. He further noted that IPI CNMI has been receiving funding from Hong Kong as it is not generating any revenue locally. The Chairman asked how much is IPI's typical operating costs on a monthly basis. Mr. Tao answered that it is probably under one million. The Chairman asked Mr. Tao if he is optimistic that there will be enough funds to satisfy all of IPI's current obligations. Mr. Tao responded that the Hong Kong office is trying their best to do so, but in terms of the local finance department, its role is limited to providing information and working with local vendors to submit all the documents.

The Chairman asked how IPI would proceed if the gaming equipment is auctioned off. Mr. Tao answered that it would definitely be bad for business, but that IPI is still actively working on its opening plans, with hopes that everything goes in the right direction in terms of arrivals. The Chairman asked if IPI is even aware if it would be allowed to reopen as it cannot go live unless each machine is retested and recertified. He asked Mr. Tao if he's aware of any plans for an auction to which he replied no, stating that they were asked to stay away from the facility and that is exactly what they are doing. The Chairman asked if the lawyers and the federal court would have to be contacted if there are plans to enter the property to access the cranes. Mr. Poon responded that they will need to seek clarification on that matter.

The Chairman asked where the funding for the crane removal would come from. Mr. Tao answered that they are finalizing the numbers and once completed, they will go through the proper channels of their Hong Kong office to request for funding. The Chairman reiterated his earlier suggestion that the Director contact DPW's Building Code division to notify them that this is an urgent issue.

Commissioner Taitano asked if anyone is familiar with a Mr. Yu Chi Fai, who is the Director of Credit and Collection and holds a CKE license. Ms. Dela Cruz responded that Mr. Fai does in fact hold a CKE, but she was recently informed by the Commission that his license had expired. She noted that she then reached out to the Hong Kong team in an attempt to retrieve Mr. Fai's license, but found out that he is no longer employed with IPIH and nobody seems to know how to get in contact with him nor do they have any of his contact information. The Chairman asked how IPI can be sure that this individual did not collect the gaming debts and just walked away from the company. Mr. Tao said that while he doesn't have all the details, he would assume that the collection process would involve the wiring of funds into a company account, which is managed by the Hong Kong finance office. The Chairman then asked if it is a normal business practice for the company to issue a notice when employees, especially at high levels, leave the company. Ms. Dela Cruz said they normally do, but the IPIH HR team was also let go and that was probably not done.

The Chairman asked how IPI will set up their business now in light of China's criminalization of off-shore gambling, and the fact that IPI CNMI is 100% reliant on funding from the Hong Kong office. Mr. Tao said that extensive discussions are ongoing internally regarding the reopening plans, and IPI's first move would be to shift its business model from VIP or exclusive gaming to mass gaming. He added that IPI's second option would be to invest heavily in the Japan, Korea, Taiwan, and other markets.

The Chairman asked if the IPI corporate office is still in good financial standing, to which Mr. Tao replied to have no knowledge about. He stated that the answer will soon come in its annual report. The Chairman asked Mr. Tao if he is monitoring the stocks in terms of how much the corporate holdings is worth. Mr. Tao replied that it has been very static, and that it has been the same price for a long time.

- c. Other Miscellaneous Matters - None.

Commissioner Dela Cruz made a motion to recess until 2:00 pm, seconded by Commissioner Taitano. The motion was put to a vote and unanimously approved. Recess began at 12:26 pm.

Chairman DeLeon Guerrero called the meeting back to order at 2:10 pm.

V. OLD BUSINESS: None.

VI. NEW BUSINESS:

A. Casino Regulations for Final Adoption - § 175-10.1-2655 Sunset Provision

The Chairman asked that if adopted, would the regulations be effective immediately. Counsel Ernest answered that it would take effect ten days from the date of publication in the register. The Chairman then asked if any public comments were received. Counsel Ernest said that he is not aware of any, as he was told that there weren't any written or oral comments received. He said he was also told that the licensee had expressed an interest in commenting but when he inquired further, he was told that no comment was received. The Chairman asked if the comments would normally be forwarded to the AG, or to the originating agency. Counsel Ernest explained that comments would go to the agency, as they are the ones making the change and it is up to them to consider the comments. He confirmed that the draft transmittal that was prepared affirmatively states that no comments were received.

Commissioner Taitano made a motion to adopt §175-10.1-2655, the Sunset Provision, as final casino regulations. The motion was seconded by Commissioner Dela Cruz, was put to a vote and unanimously approved.

The Chairman asked Counsels if it would be appropriate to receive the Compliance Division's presentation on its findings on internet gaming and its financial projections during the executive session. Counsel Ernest answered that since the financial projections aren't specific to any person or entity, and since they are not specifically tied to IPI, that the presentation should be done during public session. The Director shared his concerns that the figures the Commission plans to present are not 100% accurate. In addition, the Commission wants to avoid being perceived by the public as trying to advocate for internet gambling. Counsel Ernest stated that there is nothing to stop the Director from meeting with the Chairman and expressing his concerns, but generally, the topic would be a matter of public concern. The Chairman agreed and suggested that the matter be entertained in next month's meeting as an item under New Business of the agenda. He asked that the Director disseminate the presentation in writing and that if a Commissioner has a question, he can individually approach the Director for clarification. Counsel Ernest explained that doing it that way would not be a problem, however, the document presented would have to be made available to the public. He noted that the preference is that it be handed to the Commissioners during the public meeting so there's no accusation that there's an attempt to have a meeting that isn't noticed.

VII. EXECUTIVE SESSION:

Commissioner Dela Cruz made a motion to enter into executive session to consult with Legal Counsel, to hear reports by the CCC's Compliance, Audit and Enforcement Divisions, and to discuss personnel matters. The motion was seconded by Vice Chair Demapan, and was put to a roll call vote with all Commissioners voting yes. Executive session began at 2:20 pm.

- A. Consult with Legal Counsel
- B. IPI's Appeal of the CCC Final Orders
- C. Report by the CCC Divisions (Compliance, Audit and Enforcement)
- D. CCC Personnel Matters

Commissioner Taitano made a motion to exit from executive session, seconded by Commissioner Dela Cruz. The motion was put to a vote and unanimously approved. Chairman DeLeon Guerrero called the meeting back to order at 3:46 pm.

The Chairman summarized that during the executive session, the Commissioners had the opportunity to discuss with Legal Counsels some of the ongoing cases with IPI, although there was minimal discussion surrounding IPI's appeal. He added that not too much was discussed on personnel matters because it was discussed earlier in the public meeting in addition to Counsel Ernest's farewell address to the Commission.


VIII. ADJOURNMENT

Commissioner Dela Cruz made a motion to adjourn the meeting, seconded by Vice Chairman Demapan. The motion was put to a vote and unanimously approved. Meeting was adjourned at 3:48 pm on Thursday, July 29, 2021.

Prepared by:  Date: 8/23/2021
Elicia San Nicolas, Executive Secretary

And  Date: 8/23/2021
Ruth Ann P. Sakisat, Executive Assistant

APPROVED AND ADOPTED ON: 26th day of August, 2021.

 Date: 8/26/2021
Ramon M. Dela Cruz
Commission Secretary