



# COMMONWEALTH CASINO COMMISSION

Commonwealth of the Northern Mariana Islands

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## Minutes November 24, 2021

### I. PRELIMINARIES:

#### A. Call to Order

Chairman Edward DeLeon Guerrero called the meeting to order at 10:02 am on Wednesday, November 24, 2021 at the Commission's 2<sup>nd</sup> 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).

#### C. Adoption of Agenda

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

#### D. Adoption of Minutes: October 28, 2021

Commissioner Dela Cruz made a motion to adopt the Minutes of meeting for October 28, 2021 as presented, seconded by Commissioner Taitano.

The Chairman stated that there are certain sections of the minutes that require follow up information and that he hopes that the Executive Director or a representative of IPI would be able to give the Commission an update on those pending matters.

The motion was put to a vote and unanimously approved. The Minutes of meeting for October 28, 2021 was adopted.

### II. PUBLIC COMMENTS. None

### III. REPORTS:

#### A. Report by the Chairman

The Chairman reported that IPI has continued its failure to pay the Annual Exclusive Casino License Fee of \$15,502,570 which was due on August 12, 2020 and again on August 12, 2021, which totals over \$31M. In addition, he said the Annual Casino Regulatory Fee of \$3,150,000 which was due on October 1, 2020 and again on October 1, 2021 has also not been paid. In combining these fees, he noted, IPI currently owes over \$37M.

The Chairman shared that the Commissioners received five enforcement actions listed as Complaint No. 2021-001 through -005. He noted that all five complaints are seeking revocation of IPI's exclusive casino gaming license as part of the requested relief. He added that IPI has timely responded to those complaints, and that their attorney signed off on the submission which was due by November 15, 2021. He asked Legal Counsel Keisha Blaise if there would be an issue if the five complaints were consolidated, to which she replied no. The Chairman said

that IPI and its attorney will also be asked if they had any objections to consolidating the five complaints. The Chairman shared that Assistant Attorney General (AAG) John Lowrey would likely be assigned to assist the Commissioners with the hearing once he returns from his vacation. He asked the Director and Counsel Blaise if they agree to having the administrative hearing in early or mid-February. The Director said he had no objections, but Counsel Blaise said she would prefer to have it at the end of February since she has trials scheduled beginning February 15<sup>th</sup>, for the entire week. The Chairman said that the Commission would like to give adequate notice to IPI in setting the hearing date, so the third week of February would be ideal. The Chairman noted that the dates will be finalized upon AAG Lowrey's return.

The Chairman announced that for the meeting, the Commission had asked that only those who are vaccinated be allowed in the main conference room, while those who are unvaccinated are free to sit in downstairs conference room or attend via video conference due to the ongoing threat of the pandemic.

The Chairman reported that the CNMI government has automated its financial system as of October 1, 2021. He noted, however, that there have been some glitches with the system, but so far, the Commission's accountant along with the Director have been successful in working on the purchase requisitions and other obligations through the new system referred to as Munis.

The Chairman shared that he and the Director met with the Secretary of the Department of Commerce (Lottery Commission Chairman), the Workman's Compensation Administrator, and the DPW Director for Technical Services to discuss IPI's request for extension and the workman's compensation issues. He said that he would like to hear what IPI has to say regarding the matter and noted that he received in-depth information from the Secretary.

The Chairman reported that the Commission has submitted a request for an opinion on House Local Bill 22-26 to the Office of the Attorney General. To date, the Commission has not received a response. He mentioned that perhaps Counsel Blaise could provide an update on the matter during executive session.

The Chairman announced that the next Commission meeting will be held on December 29, 2021.

#### B. Report by the Executive Director

The Director reported the following:

- **CCC Budget:** For the month of October 2021, the Commission's total expense was \$84,522.00.
  - 56.35% Personnel Wages and Benefits
  - 43.65% Board Compensation, Office Rental, and Other Operational Costs
- **Staff Reduction:** The Director reported that there are currently 11 Commission staff and that headcount would likely remain the same for the foreseeable future. He added that the employment contracts for all the staff will be renewed for another year.
- **Status of Judicial Review of IPI's Appeal:** The Director shared that IPI's legal representatives submitted their briefing on the suspension appeal to the Superior Court on November 5, 2021. With the extension being granted, he added that the Commission has until December 2, 2021 to submit its defense. He noted that the Commissioners will have a chance to review the draft before it is submitted, and that Counsel Blaise can explain further and respond to any questions. Counsel Blaise stated that she will have a rough draft ready by the end of the week.

- **CCC Enforcement Actions:** The Director shared that on November 15, 2021 IPI submitted their formal notice of defense on all five of the complaints. He said the notices were reviewed, authorized, and transmitted by a CNMI licensed attorney and are now in compliance with the Administrative Procedure Act (APA), as required by the law and the regulations.
- **Writ of Execution (Receivership):** The Director reported that the Commission's IT and DEI Divisions have been monitoring the movement of IPI's gaming assets for auction on a daily basis. He said he and the team have been in constant communication with the Clear Management team in an effort to collectively manage the movement of these assets as carefully as possible leading up to the auction. He noted that they will acquire copies of all the bills of sale in order to track all of the items and who they are sold to. He said by doing this, the Commission will be able to mitigate the unlicensed business applications in this jurisdiction as much as possible.

The Director mentioned that IPI has recently asked the federal court to vacate the receivership because they came up with over \$2M in funding which is owed to USA Fanter. The Chairman asked if there's confirmation that the funds will be made available to pay USA Fanter. Counsel Blaise answered that she is unsure what they have come up with, noting that there is a scheduled hearing on Friday, November 26, 2021 in which she can find out more.

The Chairman shared that to his knowledge, IPI came up with \$2.1M to be deposited to either USA Fanter or the federal court to be held in trust pending the appeal to the Ninth Circuit Court. He said if the Ninth Circuit decides in IPI's favor, the money will be returned to them. He said that the \$2.1M is more than what could be recovered from auctioning and selling off the gaming equipment, which may lose its value.

#### 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, reported that there's still no response from the Lottery Commission on IPI's extension request. He noted that they also don't have information as to when the Lottery Commission will hold its next meeting.

The Chairman asked Mr. Tao if he was authorized by IPI CNMI and IPIHL to appear before the Commission, Mr. Tao replied yes. The Chairman shared his concern about IPI's financial capabilities as it pertains to Public Law 18-56 which specifically requires IPI to be financially suitable. He noted that it is the Commission's responsibility to monitor and report on that suitability. The Commission, he said, received an opinion from the Attorney General that defines financial suitability as being able to pay debts as they become due. The Chairman said unfortunately, that is not happening with IPI. He elaborated that IPI's debts seem to be mounting in different areas, in fees owed to the government, in the federal court, vendors, and others. In a previous meeting, it was pointed out that IPI's own audit report showed that they have over \$1B in accounts receivable, of which \$700M is considered doubtful. Further stated in the report is that IPI has a \$500M loan facility, of which \$350M is available as needed, the Chairman said.

The Chairman stated that even the Secretary of Commerce, Mr. Edward Deleon Guerrero, has shared his concern about IPI's finances and its ability to complete the

project. In IPI's request for extension, there was only mention of \$2.1M which is far less than what is needed to complete the facility, the Chairman said. He asked how IPI can expect the Lottery Commission to grant them a five year extension when they have shown no proof that they have the necessary funding to complete the project. Mr. Tao responded by suggesting that a meeting be set up with IPI's auditor to better answer the Commission's questions.

When asked by the Chairman whether the \$300M is still collectable, and if the \$350M is still available, Mr. Tao answered that he would be happy to set up a meeting with the Hong Kong office to discuss those specifics, especially since IPI is now operating with limited staffing. The Chairman asked if IPI has an estimate of how much is needed to complete the project. Mr. Tao answered that it would be around \$200M to \$300M according to the last time they calculated, which might be an outdated figure. The Chairman asked where IPI found funding in the amount of \$2.1M that it plans to use to stop the auction. Mr. Tao replied that he isn't aware of the source. The Chairman said it would be a good idea to have someone from IPI's corporate office appear before the Lottery Commission to discuss IPI's financial situation.

Mr. Tao reported that the monthly payments due to the US Department of Labor continue to be paid, adding that they just issued them a check yesterday, November 23, 2021, for the October payment. The Chairman asked about the September payment, Mr. Tao explained that it was reserved for the crane project.

The Chairman asked who is handling IPI's finance department since Ms. Frances Mafnas had recently resigned. Mr. Tao replied that Ms. Mafnas is still helping out. When asked by the Chairman about the audit report for the year ended December 31, 2020, Mr. Tao said that he doesn't have an update, but that there should be an announcement soon. The Chairman advised the Director to keep himself updated on this matter, as the regulations require IPI to submit the audit within 120 days of the end of the calendar year, which would mean they are not in compliance with that requirement.

The Chairman asked Mr. Tao if he is involved in the receivership as far as the movement and inspections of the machines. Mr. Tao replied yes. Mr. Tao stated that part of the reason IPI wants to stop the receivership is because if it cannot get the fair market value for those machines, it would be better if IPI puts up the security instead. The Chairman asked if there is any IPI employee still on board that handles gaming, Mr. Tao replied no, they are all on furlough. The Chairman then asked if there is anyone at IPI competent enough to assist Clear Management in handling the receivership. Mr. Tao answered that Clear Management is fairly independent in terms of their assessment, but that they are collaborating in matters of security and inventory.

**b) Status of Tower Cranes 1, 5 and 6 at IPR**

Mr. Eric Poon, IPI Construction, reported that the removal of tower crane 6 is still ongoing and that they have run into many problems. He said they had to stop the operation four times in the past two weeks due to weather issues. He further noted that they have been sending weekly reports to DPW and the CCC, and that the final draft of the tower crane 5 removal will also be submitted soon.

The Chairman asked if IPI has enough manpower and if the proper equipment needed to dismantle tower crane 6 is available. Mr. Poon replied yes, adding that they purchased a special tool to remove the pins, which is one of the issues they are currently facing. He explained that they would usually use a hammer to remove the pins, but for some reason it wasn't working, so the alternative was to purchase and utilize an hydraulic press. The Chairman mentioned that the Commission saw the photos provided by DEI, and it appears that the entire assembly is already rusted. He

said he is worried about the rust holding on to a massive weight and asked if the engineers working on it are confident that the hydraulic press will be able to remove the pins. Mr. Poon replied yes, adding that he checked in with them before the meeting and they had already fabricated special brackets to work along with the hydraulic press.

The Chairman mentioned that IPI had requested for the deferment of the September 2021 payment to the US Department of Labor and had agreed that the funds would be used to dismantle the tower cranes. He asked Mr. Poon if he has any knowledge whether IPI is in default of that agreement, to which he answered no.

The Chairman asked how IPI plans to use tower crane 5 to assist in the dismantling of tower crane 6. Mr. Poon replied that they have a jacking frame that will be used to jack the crane up section by section to a certain height. He explained that they will have to rotate the arm parallel to the building and then jack it down to remove the pins one by one. The Chairman asked if Mr. Poon is comfortable with the plan, to which he answered yes. Mr. Poon said that as long as they follow the steps to take the crane down safely, they should be fine. He added that they have a safety team currently working to secure and test the hydraulic press.

The Chairman asked Mr. Poon if he has had previous experience in tower crane projects, to which he replied no. He then asked if anyone has ever discussed what could potentially go wrong. Mr. Poon answered yes, noting that they have taken the time to ensure the tower crane is secured, adding that they have also reinforced the hand rail to make sure people can walk along safely on the catwalk.

Vice Chairman Demapan asked if there has been any notice informing the public of this project, so that they are aware when passing through the area. Mr. Poon answered yes, that IPI issued a public notice in the newspaper before the start of the project. He added that they also have signalmen on the ground to notify the crew above to stop while pedestrians or vehicles are passing. The Chairman asked if they included an end date of the project in their public notice. Mr. Poon answered no, adding that the expected completion date was November 19, 2021 but it is still a moving target as it is ongoing. Commissioner Dela Cruz asked how many more weeks IPI anticipates until the crane is completely dismantled. Mr. Poon answered that he is unsure, but noted that if the new method of removing the pins works out, they should be able to take everything down within two weeks.

The Chairman asked if IPI has people on board who are certified to use the hydraulic press. Mr. Poon replied yes, stating that they have a mechanic and several electricians. The Chairman inquired where and how much did IPI pay for the hydraulic press. Mr. Poon replied that they got it locally and it cost less than a thousand dollars. He explained that it works by applying 20 tons of pressure to push an object.

The Chairman asked who would assist IPI in reconstructing the crane when construction resumes. Mr. Poon replied that he doesn't know yet, but it could be a new contractor. The Chairman asked if the crane belongs to IPI, to which Mr. Poon replied yes.

The Chairman asked if there is an update on the leak situation. He elaborated that whenever it rains, water seeps in through the top of the roof and down into the building. Mr. Poon stated that they have done maintenance on the leak and the drain is working now, so there aren't any leak issues at this time but they will continue to monitor.

The Chairman mentioned that there was public concern about the concrete work attached to the outside of the building which seems to be separating. Mr. Poon

explained that it is called a joint bubble, which is a joint between two panels to allow movement and to prevent cracking.

The Chairman reiterated the urgency of removing the cranes for the safety of the community and the employees of IPI.

**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, reported that IPI was not able to secure any vendors on-island or off-island to provide workman's compensation insurance. The Chairman asked if there is a record of the off-island denials, Ms. Dela Cruz replied that they will provide a courtesy copy once they gather the documents. When asked by the Chairman about the reasons these insurance companies denied coverage to IPI, Ms. Dela Cruz replied that it is stated in the supporting documents for the on-island carriers that were previously provided to the Commission. As for the off-island carriers, she stated that they just do not provide coverage to the CNMI.

The Chairman mentioned that the Workman's Compensation Commission sent a letter to IPI stating that it owed \$1,600 in penalties which IPI has not yet paid. Ms. Dela Cruz stated that she is not privy to the finance details. The Chairman asked if IPI currently has health insurance offered to its employees, to which Ms. Dela Cruz replied no. When asked by the Chairman, Ms. Dela Cruz confirmed that if there is an accident at the workplace, IPI would be responsible for the employee's medical costs.

Commissioner Taitano asked if Ms. Frances Mafnas is still with IPI. Ms. Dela Cruz divulged that Ms. Mafnas remains an IPI employee, but in a different capacity. She explained that Ms. Mafnas has agreed to stay on a limited term basis, to serve as the special projects auditor. For now, Ms. Mafnas is still transitioning, but IPI hasn't looked into hiring a replacement just yet, Ms. Dela Cruz said.

The Chairman asked if Attorney Joey San Nicolas is a currently employed with IPI as their Legal Counsel, Ms. Dela Cruz replied no.

Ms. Dela Cruz shared that all IPI employees continue to be paid on a timely basis.

**B. IPI Financial Matters:**

- 1. Status of IPI's FINAL Annual Audit Report (for the year ended December 31, 2020)  
There was no update on this matter.
- 2. Status of the 2020 & 2021 Annual Exclusive Casino License Fees. Due Aug 12<sup>th</sup> each year  
There was no update on this matter.
- 3. Status of the 2020 & 2021 Annual Casino Regulatory Fees. Due Oct 1<sup>st</sup> each year  
There was no update on this matter.

**C. Other Miscellaneous Matters - None**

**V. OLD BUSINES:**

- A. House Local Bill No. 22-26 *"To authorize, establish, and regulate casino gambling within the Third Senatorial District"*

The Chairman restated that he requested for a legal opinion from the AG in regard to this local bill. He said to his understanding, casino gambling in the CNMI needs to be authorized by Commonwealth law or by local initiative, and that a House local bill does not fit any of those categories. The legal opinion still has not been issued, he said.

## **VI. NEW BUSINESS:**

### **A. Notification of Issuance of Provisional Casino Gaming Vendor Licenses:**

- 1. Aristocrat Technologies Macau, Limited (Aristocrat).** Manufacturer and distributor of Electronic Gaming Machines. Provisional License expires on 1/31/2022.

The Chairman shared that provisional licenses are normally signed by himself and the Director. Placing this item on the agenda is to duly notify the Commission of the issuance of a Provisional Casino Gaming Vendor License to Aristocrat Technologies Macau, Limited which is set to expire on January 31, 2022.

### **B. Recommended for Approval for a two (2) year Regular Casino Gaming Vendor License.**

- 1. International Gaming Technology ("IGT").** Manufacturer and distributor of electronic gaming equipment and related products and services. Initial 2-year Regular Casino Gaming Vendor License will expire on 1/31/22.
- 2. Konami Gaming, Inc.** Manufacturing, development, sales, installation and service of gaming equipment and custom Casino Management Systems. Initial 2-year Regular Casino Gaming Vendor License will expire on 1/31/22.
- 3. Gaming Laboratories International, LLC ("GLI").** Development of electronic gaming machine standards and related gaming service provider. Initial 2-year Regular Casino Gaming Vendor License will expire on 1/31/22.
- 4. BMM Australia Pty, Ltd (dba: Testlabs).** Testing of Computer and Gaming Systems. Initial 2-year Regular Casino Gaming Vendor License will expire on 11/28/2021.

The Director shared a brief background of the four vendors as mentioned above and recommended them for approval by the Commission.

Commissioner Taitano made a motion to approve the issuance of the two (2) year Regular Casino Gaming Vendor License to International Game Technology, Konami Gaming, Inc., Gaming Laboratories International, LLC, and BMM Australia Pty, Ltd. The motion was seconded by Vice Chairman Demapan, was put to a vote, and unanimously approved.

## **VII. EXECUTIVE SESSION:**

Commissioner Taitano moved to rise into executive session to consult with Legal Counsel and to receive reports from the Commission's Compliance, Audit, and Enforcement Divisions, and to discuss some personnel matters. The motion was seconded by Commissioner Dela Cruz and was put to a roll call vote with all Commissioners voting yes. [Enter: 11:28 am]

- A. Consult with Legal Counsel**
- B. Report by the CCC Divisions (Compliance, Audit and Enforcement)**
- C. CCC Personnel Matters**

Commissioner Dela Cruz moved to exit executive session and return to plenary session, seconded by Commissioner Taitano. The motion was put to a vote and unanimously approved. [Exit: 12:00 pm]

The Chairman summarized that during the executive session, the Commissioners consulted with Legal Counsel on pending legal matters, received reports from the various CCC divisions, and discussed personnel matters, including the renewal of employee contracts.

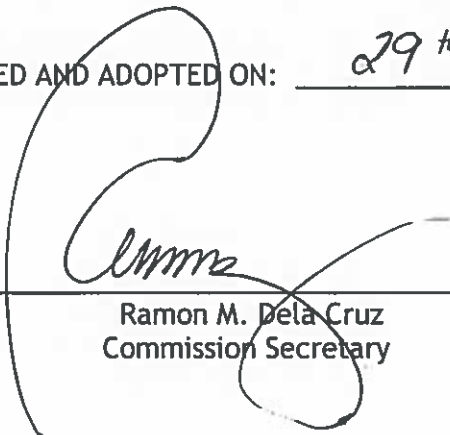
VIII. ADJOURNMENT

Commissioner Taitano moved to adjourn the meeting, seconded by Vice Chairman Demapan. The motion was put to a vote and unanimously approved. The meeting was adjourned at 12:03 pm on Wednesday, November 24, 2021.

Prepared by:  Date: 12/21/2021  
Elicia San Nicolas, Executive Secretary

And  Date: 12/21/2021  
Ruth Ann P. Sakisat, Executive Assistant

APPROVED AND ADOPTED ON: 29<sup>th</sup> day of December, 2021.

 Date: 12/29/2021  
Ramon M. Dela Cruz  
Commission Secretary