



COMMONWEALTH CASINO COMMISSION

Commonwealth of the Northern Mariana Islands

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Minutes December 29, 2021

I. PRELIMINARIES:

A. Call to Order

Chairman Edward DeLeon Guerrero called the meeting to order at 10:09 am on Wednesday, December 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.

The Chairman welcomed everyone and announced that this would be the last monthly meeting for the year. He then asked that only those who are vaccinated be allowed in the main conference room, while those who are unvaccinated are free to sit in the downstairs conference room or attend via video conference due to the ongoing threat of the pandemic.

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: November 24, 2021

Commissioner Dela Cruz made a motion to adopt the Minutes of meeting for November 24, 2021, as presented, seconded by Commissioner Taitano. The motion was put to a vote and unanimously approved. The Minutes of meeting for November 24, 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 required license fees. As mentioned, numerous times in previous Commission meetings, he reiterated that the Annual Exclusive Casino License Fee of \$15,502,570 was due on August 12, 2020, and again on August 12, 2021, which totals over \$31M. In addition, he said that 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. The Casino Regulatory Fee, he said, is set by Public Law 19-24 to cover employee and key employee license fees, gaming table fees, and slot machine fees. In total, he noted, IPI currently owes over \$37M.

Also mentioned in the previous Commission meeting, are the five enforcement actions received by the Commissioners listed as Complaint No. 2021-001 through -005, said the Chairman. He noted that all five complaints are seeking revocation of IPI's exclusive casino gaming license as part of the requested relief. The Chairman shared that the schedule for the administrative hearings will be discussed in today's meeting. He stated that he had hoped for IPI's Counsel's presence to discuss the matter, as well as any objections IPI may have with the consolidation of the five complaints into one for the purpose of the hearing.

The Chairman made a statement that since IPI has not paid the over six million dollars it owes in regulatory fees which the Commission needs for its operations, cost cutting measures continue to occur.

The Chairman shared that the continuing threat of the COVID-19 pandemic has caused a high surge in the number of positive cases. He encouraged everyone to get vaccinated and to get the booster shot if they are eligible. He said that to his understanding, there is a greater chance of being hospitalized for those who are unvaccinated. He added that if the Omicron variant were to reach Saipan, there's a high probability that it will spread even faster.

The Chairman reported that the CNMI government has automated its financial system as of October 1, 2021. The government has begun with migrating the purchase requisition process and contracts from the JD Edwards system to the new Munis system. He said that the next portion to be incorporated is the Human Resources, which is expected to begin sometime in January 2022. He noted, however, that when the Commission secures its own funding in the future, a separate system will be used for financial processes.

The Chairman reported that on Tuesday, December 21st, he, the Vice Chairman, the Executive Director, and DEI Manager of the Commission met with the Acting Secretary of Commerce and the DPW Director of Technical Services to discuss the removal of tower cranes 1, 5, and 6. He said that in the august letter from the Secretary of DPW, it was mentioned that his agency would contract a competent third-party to assess the condition of the cranes if IPI does not take action in its removal. In addition, the letter stated that IPI would be responsible for the cost in doing so. The Chairman added that after that letter, IPI began to attempt to remove the crane through the supervision of Mr. Jesse Aquiningoc. However, the removal efforts have come to a halt due to the corroded pins that IPI is unable to remove, even with the use of a hydraulic press machine that IPI purchased which has a 20-ton ability to pound the pins out.

The Chairman additionally shared that he received word that IPI cannot afford another machine costing \$10,000 which it needs and has the ability to pound 60-tons. He expressed that he finds it extremely frustrating and appalling that IPI cannot afford to spend even that amount when what's at stake are people's lives and their safety, especially at a time when they continue to request for an extension to build. He added that he was hoping that DPW would reiterate and strengthen their message to IPI as stated in their letter. The Chairman suggested that the next course of action would be to bring the matter to the attention of the Governor to see what he plans to do to move forward.

The Chairman reported that the Commission submitted a request for a legal opinion on House Local Bill 22-26, which aims to authorize, establish, and regulate casino gambling within the third senatorial district. He said that the legal opinion the Commission received stated that the local law would be unconstitutional because a sole casino licensee had already been established. He recommended the matter be discussed further in executive session.

The Chairman announced that the next regular Commission meeting is scheduled for January 27, 2022. AAG Lowrey recommended that Counsel Blaise and IPI's Counsel send a proposed hearing schedule to the Commission, who would then base their decision on the request from both parties. After a short discussion amongst Commissioners and Counsel, the Chairman announced that the hearing dates are tentatively scheduled for March 28, 29, and 30, as requested by Counsel Blaise, who added that she will send a formal schedule with all

the anticipated deadlines. She further noted that IPI's Counsel did not object to the consolidation of the five complaints into one.

The Chairman announced that a luncheon will be held in the kitchen in celebration of the holidays.

B. Report by the Executive Director

The Director reported the following:

- **CCC Budget:** For the month of November 2021, the Commission's total expense was \$81,807.00.
 - 54.91% Personnel Wages and Benefits
 - 26.72% Board Compensation, Office Rental, and Other Operational Costs.
- **Staff Reduction:** The Director reported that there are currently 11 Commission staff, adding that the documents for the renewal of all 11 employment contracts are being routed. He hopes to receive the approvals within a week or two as they are currently on the Governor's desk for his review and approval.
- **Status of Judicial Review of IPI's Appeal:** The Director shared that on December 17, 2021, IPI's legal representatives submitted their reply to the Commission's December 2, 2021, briefing submittal. He mentioned that Counsel Blaise will be submitting a reply to IPI soon. He added that any questions on the matter be asked during the executive session.
- **House Local Bill 22-26:** The Director reported that the AG's opinion on HLB 22-26 is that the local bill cannot supersede Commonwealth law (PL 21-38). He further stated that the local law would be unconstitutional because an exclusive casino licensee has already been established and that it would violate Article I § 1, the Contracts Clause of the Commonwealth Constitution. He added that any concerns or questions can be addressed in executive session with Counsel Blaise.
- **Legal Services Request regarding Stay of the Commission Order:** The Director reported that the AG's response to this request will address the current ongoing legal case and some of the strategies against IPI. He said he will leave it to Counsel Blaise to explain the matter further during executive session.
- **Writ of Execution (Receivership):** The Director reported that on December 17, 2021, during the hearing on IPI's motion for the court to accept the \$2.45M supersedeas bond to stay the limited receivership, Chief Judge Ramona Manglona stated that the District Court is satisfied with IPI's report and granted the stay on the limited receivership until January 31, 2022. The Director shared that Judge Manglona ordered the parties to return to court for a status conference at 8:30 am on January 14, 2022. He added that during the December 17th hearing, the court heard from the receiver and other creditors while giving notice that the court will address the creditor's motion later. The Director noted that the receivership remains an issue to be alerted of as far as the development with the current case and other creditor cases in the future.

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. The Chairman asked if anyone at IPI is designated to follow-up on the matter. Mr. Tao replied yes.

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

Mr. Tao shared that Mr. Eric Poon, who is the head of IPI Construction, was unable to attend the meeting. He reported that he was made aware that IPI has done the maintenance on the 2 tower cranes, but due to equipment issues, the work had to be stopped. The Chairman stated that every month, the same issues are discussed and that he finds it very hard to understand why IPI is not taking this tower crane matter seriously. He then asked what happened to Mr. Poon and whether he had been furloughed. Mr. Tao answered that all IPI's leadership team is on part time status due to limited funding. He said that Mr. Poon was not furloughed and that he is still reporting to the office on an as needed basis.

The Chairman asked Mr. Tao what he knows about the equipment that is needed to remove the pins from the tower cranes. He asked if IPI can secure the funding needed to purchase the equipment, which costs \$10,000. Mr. Tao responded that IPI is currently requesting for the funds and that once received, the purchase will be made. The Chairman commented that he is unable to understand why IPI does not have readily available funding. He noted that \$300,000 should have been reserved for the purpose through the deferment of the September 2021 payment to the USDOL as per the settlement agreement. He added that he thought the point of requesting the deferment was so that IPI could use the funding to remove the tower cranes.

Mr. Tao mentioned that IPI was in the process of funding the limited receivership. He said that to accomplish that, it needed sufficient funding for security so that the property isn't auctioned off. The Chairman asked if a portion of the deferred settlement payment was used to prevent the receivership. Mr. Tao clarified that the funds were actually not available. All that was done was the shifting of the payment schedule, which they are still on time with. The Chairman asked the Director if he and Legal Counsel could investigate the matter further because he is not understanding why IPI does not have the funding from the deferred payment. Mr. Tao disclosed that IPI has two more payments to make: \$164,000 in January 2022 and \$135,000 in February 2022 to satisfy the judgement. He also noted that the monthly payment to USDOL is only \$164,000.

The Chairman inquired who has been handling IPI's finances since Ms. Frances Mafnas' resignation. Mr. Tao replied that Ms. Mafnas is still employed at IPI on a part time basis just like the rest of management and that she continues to handle the financial matters. The Chairman asked who signs IPI's checks, to which Mr. Tao responded that both Ms. Redie Dela Cruz, HR Director and Mr. Howyo Chi, Property Manager, are signatories.

The Chairman asked when IPI plans to remove tower cranes 1, 5, and 6. Mr. Tao replied that once they have the equipment, they will resume the removal project. He assured that the team is ready, but because of the weather and other issues, the work has been on and off. He noted that the team was fairly consistent in taking down the crane until they ran into some technical issues. The Chairman told Mr. Tao that although the team is consistently working and keeping safety in mind, time is not on IPI's side. He reminded Mr. Tao that some of the work done to allow the team to go up safely are not intended to be permanent, and if the removal project is not resumed soon, it may no longer be safe to go up again.

Mr. Tao informed the Commission that they are unable to immediately proceed because they need the equipment to remove the pins, and without that, having the workers on site would be a waste of money. The Chairman asked when they plan to get the equipment, Mr. Tao replied that it will soon be ordered. Mr. Tao stated that it would cost about \$2,000 a day to lease the equipment, and they would need about a week to remove all the pins. The Chairman commented that since the outright purchase of the equipment would be \$10,000, IPI should just purchase it to reduce costs. Mr. Tao agreed and informed the Chairman that that's the plan.

The Chairman asked who gave the order to stop the crane removal project. Mr. Tao replied that it was a technical issue that caused the stoppage of the work. The Chairman said that to his understanding, the current equipment was still working but it was taking longer. He said someone had to have given the order, and he would like to know who it is. The Chairman emphasized that the person who ordered the stoppage may be subjected to a charge of criminal negligence. He said that he would like to know the identity of the person because he/she should be held responsible if someone gets injured. He said he was very disturbed when he read the report by one of the Commission's investigators who went on site and noticed that most of the pins had already been removed. The Chairman inquired if the structure is secure enough to be considered safe and if the pins that were removed were replaced, to which Mr. Tao replied yes.

Commissioner Dela Cruz stated that he finds IPI highly negligent for not continuing the work. He emphasized that the CNMI is in typhoon season, and that the cranes can cause a lot of destruction if a typhoon were to hit. He suggested that the Commission work with DPW to set a firm timeline for the complete removal of the cranes because we cannot continue to wait for IPI.

Commissioner Taitano suggested to the Chairman that the Commission request from the federal court a breakdown of how the \$164,000 was spent which was initially meant for the September 2021 USDOL payment. He noted that those funds were supposed to have been redirected towards the cost of removing the tower cranes. He mentioned that since Mr. Aquiningoc is in attendance, he would like to hear from him about the crane situation. The Chairman asked the Director to work with Legal Counsel in obtaining a copy of the final judgement on the distribution.

Mr. Jesse Aquiningoc, IPI Construction Site Manager, reported that his team worked on the crane for two days and then stopped because of the shortage of funding and the slow movement of the pins. He shared that the crane's lifespan is only 3 years, but the crane has been standing for about 6 years. He disclosed that temporary repairs were made to ensure that his team who are on top were safe, but if the work is not resumed in the next 3 weeks, the same repairs will have to be repeated as they were not meant to be permanent. He said what will happen is as they climb, the steps will collapse because the grating is rusted. While he is concerned about the safety of his men, Mr. Aquiningoc emphasized he is equally concerned for the public. He said security personnel is present on site to ensure that people are redirected to walk on the Joeten side instead of the construction site.

The Chairman asked if the cranes belong to IPI, to which Mr. Aquiningoc replied yes. Mr. Aquiningoc disclosed that had the work continued and not stopped, all the pins would have already been removed, the crane jacked down, and the removal of the arms and the jib in process. When asked by the Chairman about the equipment, Mr. Aquiningoc said that Seafix has the equipment, which would cost \$1,500 a day to rent or \$10,000 for outright purchase.

The Chairman asked Mr. Aquiningoc when the cranes are coming down, to which he replied that it is entirely up to IPI, and that his team is in place and ready to work.

The Chairman asked if they are prohibited to work, and Mr. Aquiningoc's reply was yes. He divulged that he already lost two of his men who left to Guam to find work. He stressed that if IPI waits any longer, the rest of the team will be gone and there will be a need to regroup. He stated there will be additional costs to redo the repairs that were initially done.

Vice Chairman Demapan asked who gave the order for them to stop the work. Mr. Aquiningoc replied that he was called by Mr. Ray Yumul, IPI CEO, to stop all work because there are no funds. He added that Mr. Yumul was even worried about not making payroll.

Vice Chairman Demapan asked if IPI gave proper safety notices or signs to the public informing them of the danger of passing through that street. Mr. Aquiningoc replied yes, adding that Mr. Poon even notified the surrounding businesses.

Commissioner Taitano shared that he is disappointed that this project is taking too long. The Chairman recommended that he, the Vice Chairman, and the Director meet with the Governor to bring this matter to his attention.

The Chairman asked if IPI staff or anyone else has been injured during the removal process, to which Mr. Aquiningoc replied to no. The Chairman asked if Mr. Carlos Camacho is the Safety Officer. Mr. Aquiningoc replied yes, adding that he is certified as OSHA 30. The Chairman asked if Mr. Camacho had any recommendations on the removal. Mr. Aquiningoc shared that Mr. Camacho was strongly urging him to push management to bring the crane down.

The Chairman said he would like to discuss the matter further in executive session as he is very concerned about the criminal negligence involved in the decision to stop the removal. He said that a lack of funding should not be an excuse used by IPI in this situation.

2. IPI Personnel Matters:

a) Status of Employee Payroll

Ms. Redie Dela Cruz, IPI HR Director, reported that the employee payroll continues to be paid and that there are no challenges as far as the distribution of payroll.

b) Status of unpaid payroll & severance pay for employees already off-island

When asked for a status, Ms. Dela Cruz explained that the process requires a lot of work. She stated that it's not just a matter of plugging in numbers of accrual and obligating the funds for IPI to pay out the benefits to the employee. She stressed that it's a very daunting task to cover approximately 2,000 employees, with 2 years' worth of payroll information to verify to ensure the accuracy of the accrual amount that is due. She added that it's even made more difficult with the reduction of operational hours and that there are other matters of priority, so time is not on her side. As far as the estimated time for completion, she noted that she is uncertain at this point. The Chairman asked if it would take months or even years to complete, Ms. Dela Cruz said that she expects to be done within weeks, likely at the end of January 2022.

The Chairman asked if any of the IPI employees have health insurance, to which Ms. Dela Cruz replied to no. The Chairman then asked what would happen if any of the employees working on the cranes get injured. Ms. Dela Cruz answered that IPI would have to self-pay, and that would mean IPI would handle 100% of the medical expenses. She added, however, that billing matters would have to be addressed by another IPI representative.

Commissioner Dela Cruz asked how many employees are on the payroll, to which Ms. Dela Cruz replied 40 active employees who are working on a part time basis. Commissioner Dela Cruz asked about Mr. Poon's status with the company, Ms. Dela Cruz answered that he is not furloughed, and his status is part time on an as-needed basis.

The Chairman shared concern about Mr. Poon's absence from work while they are in the middle of the crane removal. He said that he expects that whoever is leading the IPI management team call Mr. Poon back to duty as he is very much needed at this time.

c) Others

The Chairman asked Ms. Dela Cruz if she is still an active employee. Ms. Dela Cruz replied yes but only on a part time basis. When asked by the Chairman if the tower crane team is also part time, Ms. Dela Cruz stated that they are a special projects team, so they are separate from the operations headcount, and that they are not on a part time basis.

The Chairman asked Ms. Dela Cruz if she's aware that two of the tower crane team members left. She replied that HR has not been officially informed, but that she will obtain the separated employees' information from Mr. Poon.

The Chairman asked where the money is coming from to fund IPI's payroll. Ms. Dela Cruz answered that it comes from Hong Kong, and that it goes directly into the IPI payroll account with the Bank of Saipan. She further explained that every dollar in that account is pre-obligated, so if the payout for payroll 2022-02 is \$35,000, that would be the exact amount deposited into the account.

- The Chairman asked Ms. Dela Cruz if she is aware that IPI is prohibited from paying any employee who is not licensed by the Commission, she replied yes.

B. IPI Financial Matters:

1. Status of IPI's FINAL Annual Audit Report (for the year ended December 31, 2020)

The Chairman referenced the regulations which states that the initial timeframe for the annual audit report to be submitted to the Commission is 90 days from the end of the calendar year. However, a change was made to extend the timeframe to 120 days which would make the report due by April each year.

The Chairman explained that although this is specific to IPI CNMI, the Commission is also monitoring the parent company and expects to receive the audit report by January 10, 2022. He asked if there is any reason why the corporate office is taking so long to complete the 2020 audit report. Mr. Tao answered that to his knowledge, a better understanding is needed on the license suspension and the scope of the remaining work to complete the structure. Mr. Tao disclosed that their Legal Counsel, Mr. Joey San Nicolas, just submitted a legal risk assessment last week to the auditors. He said that as soon as the parent company's audit report is finalized, everything else will be finalized as well. The Chairman suggested that IPI submit a request for an extension to the Commission regarding the late submission of the audit report. He pointed out that according to the regulations, IPI is in violation for its non-submittal of the final audit report. The Director added that the regulations basically states that non-submission within 120 days constitutes unsuitable operations which may result in a penalty. Mr. Tao said that he would make sure a request for extension is submitted.

2. Status of the 2020 & 2021 Annual Exclusive Casino License Fees. Due Aug 12th each year
3. Status of the 2020 & 2021 Annual Casino Regulatory Fees. Due Oct 1st each year

The Chairman asked for an update on items 2 & 3 which is the annual Exclusive License Fee and the Regulatory Fee. He inquired if these items are part of the audit report and if IPI has consulted with their legal counsel on the sanctions. Mr. Tao responded that IPI is probably more concerned about the suspension and revocation of the license which the Director is seeking. He shared that this matter is a part of the legal risk assessment report that he mentioned earlier that Counsel San Nicolas worked on.

The Chairman reiterated that the proposed schedule for the hearing dates is from March 28 to March 30, 2022. He asked Mr. Tao to ensure that IPI and its representatives are available on those dates.

C. Other Miscellaneous Matters:

1. Update on the Writ of Execution (Receivership) -- Auction of IPI's Gaming Assets

The Chairman stated that the Writ of Execution was discussed earlier during the Executive Director's report.

V. OLD BUSINESS - None.

VI. NEW BUSINESS:

A. Recommended for Approval for a two (2) year Regular Casino Gaming Vendor License.

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

Ms. Thelma Mizer, DEI Manager, shared a brief background of Aristocrat Technologies and noted that all their documents have been completed and submitted and that the Commission has done its due diligence on the applicant. Therefore, she recommended approval for the issuance of a 2-year Regular Casino Gaming Vendor license to Aristocrat Technologies Macau, Limited.

The Chairman shared that he came across an email from another gaming license applicant who inquired whether having a license in Saipan would allow them to sell elsewhere. He clarified that the licenses issued by the Commission are strictly for business with IPI CNMI, and that it would not apply to any other casinos in the CNMI, including Tinian and Rota. He added, however, that it's only a matter of policy so if the law is changed to allow for more than one casino license, then those properly licensed gaming vendors would be allowed to sell to the licensed casinos, he said.

Commissioner Dela Cruz made a motion to approve the issuance of the two (2) year Regular Casino Gaming Vendor License to Aristocrat Technologies Macau, Limited. The motion was seconded by Vice Chairman Demapan, was put to a vote, and unanimously approved.

The Chairman asked if any of the Aristocrat machines at IPI are included in the receivership. He shared concern about the items they provide to the casino, as they contain proprietary information. Counsel Lowrey stated that he is aware that the documents have been filed with the court, but the court has yet to issue a ruling. He said it is not uncommon for there to be secured interest on the part of the party being leased from, and that he believes it would be unlikely for them to proceed with an auction at this point.

VII. EXECUTIVE SESSION:

Commissioner Dela Cruz 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 Taitano and was put to a roll call vote with all Commissioners voting yes. [Enter: 11:52 am]

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

Commissioner Taitano moved to exit executive session and return to plenary session, seconded by Commissioner Dela Cruz. The motion was put to a vote and unanimously approved [Exit: 12:30 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. He then mentioned that the next Commission meeting will be held on Thursday, January 27, 2022.

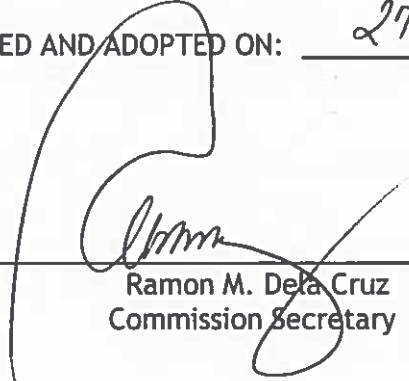
VIII. ADJOURNMENT

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 12:32 pm on Wednesday, December 29, 2021.

Prepared by:  Date: 1/20/2022
Elicia San Nicolas, Executive Secretary

And  Date: 01/20/2022
Ruth Ann P. Sakisat, Executive Assistant

APPROVED AND ADOPTED ON: 27th day of January, 2022.

 Date: 01/27/2022
Ramon M. Dela Cruz
Commission Secretary