



COMMONWEALTH CASINO COMMISSION

Commonwealth of the Northern Mariana Islands
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MINUTES March 30, 2022

I. PRELIMINARIES:

A. Call to Order

Chairman Edward DeLeon Guerrero called the meeting to order at 10:12 am on Wednesday, March 30, 2022, 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).

C. Adoption of Agenda

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

D. Adoption of Minutes: February 24, 2022

Commissioner Taitano made a motion to approve the Minutes of meeting for February 24, 2022, with minor amendments, seconded by Commissioner Dela Cruz. The motion was put to a vote and unanimously approved. The Minutes of meeting for February 24, 2022 was approved as amended.

II. PUBLIC COMMENTS - None.

III. REPORTS:

A. Report by the Chairman

The Chairman thanked the Commissioners and staff for their hard work while he was off island on personal business given the pressures and challenges the Commission is facing. He noted that since the Vice Chairman was acting on his behalf, he would like to give him the opportunity to report any updates or events that transpired in his absence.

Vice Chairman Demapan reported that IPI's Counsel, Joey San Nicolas, submitted a request to continue the CCC revocation hearing. He also shared that Judge Wesley Bogdan has rendered his decision confirming the Commission's suspension of IPI's exclusive license. He noted that those are the only two items to report, and he welcomed the Chairman back.

The Chairman shared that the items mentioned by the Vice Chairman are included in today's agenda. He stated that by law, the licensee is obligated to pay the annual casino license fee of \$15,502,570 by August 12 every year. He pointed out that the August 2020 and 2021 fees have yet to be paid by the licensee. He said he hopes that he'll be able to hear the status of these payments from IPI representatives during today's meeting. Additionally, the Chairman mentioned that the annual casino regulatory fee, which is due October 1st every year, is also delinquent and remains unpaid for 2020 and 2021, at \$3,150,000 for each year. Between the two fees, he said, IPI owes over \$37M.

The Chairman stated that since the start of the industry, the Commission has made every effort to assist the licensee in understanding the rules, regulations, and laws. The Commission's division managers and the former legal counsel have spent an enormous amount of time over the years meeting with IPI representatives and going over the regulations, he said. He added that the Commission even spent an enormous amount of time on the Minimum Internal Control Standards (MICS), while at the same time encouraged a culture of compliance. He said it is unfortunate that they reached a point in the history of the casino that did not turn out as anticipated. The Chairman said that he still believes the casino industry has a role in revitalizing the local economy, and that he hopes IPI would get its affairs in order as soon as possible. He then mentioned that the evidentiary hearing is tentatively scheduled for May 3rd and 4th, 2022, which he would like to hold further discussions on under old business. The Chairman inquired if the Commission's Budget Appropriation Request was submitted on time, to which the Vice Chairman answered yes.

The Chairman commended the IT department and supporting staff for maintaining the Commission's website. He said he has been visiting the site regularly and saw close to 700,000 visitors already since it was launched. He mentioned that if there is anyone interested in knowing the Commission's activities, they should visit the website. He recommended putting together a committee to monitor the website and in ensuring that the requirements of PL 21-38 are being maintained on the website.

The Chairman shared his disappointment in hearing that IPI is still having difficulties with the removal of the remaining cranes and with payroll, as well as the non-response from the Lottery Commission regarding IPI's request for extension.

The Chairman mentioned that the members of the Commission and the Executive Director are required to file a Statement of Financial Interest with the Office of the Public Auditor on or before May 1st each year. He asked Ms. Ruth Ann Sakisat, Executive Assistant to the Commission, to ensure that the members complete and file these statements, noting that they do not have to wait for the May deadline.

The Chairman announced that every year in April, the Commission holds its annual election of officers, which term begins on May 1st. He encouraged the Commissioners to reassess some of their roles and consider working on a rotational basis, to allow other members to hold a different role on the board.

The Chairman shared that in his last discussion with the Governor, he mentioned that there may be an individual to replace former Commissioner Diego Songao. However, the Chairman expressed his concern to the Governor about the lack of funding for this replacement and said it would be more appropriate to wait until funding is available for the Commission to move forward.

B. Report by the Executive Director

➤ **Suspension Appeal in Superior Court:** The Director shared that on March 15, 2022, Superior Court Associate Judge Wesley Bogdan rendered his decision by an Order confirming the Commission's suspension of IPI's exclusive license and monetary penalties. The Director expressed that he is thankful that Judge Bogdan not only made the order in the Commission's favor, but he did so in a timely manner, despite having to review thousands of documents. He added that one thing they can take away from this is that the Commission relied on an overwhelming amount of evidence and followed the administrative process in order to provide IPI with their due process rights. He stated that this ruling sets a clear precedent for the upcoming hearings that the Commission has been on the right path thus far, contrary to the public's opinion that the Commission has been moving slow during the process. He said that although he can understand the public's frustration, the Commission needs to remind themselves and the public that there are laws and processes that need to be followed. He

shared that since the Order was issued from the Superior Court, he is seeking assistance from the Office of the Attorney General on how to go about securing the monetary penalties associated with the Order.

➤ **Writ of Execution (Receivership):** The Director shared that on March 18, 2022, the U.S. District Court for the NMI extended IPI's receivership to April 13, 2022 so that it could be assumed by the seven workers who previously sued IPI for labor violations, which was originally granted to USA Fanter. He noted that this remains an issue that the Commission will continue to monitor.

➤ **Crane Removal Project:** The Director said he was informed that IPI's top management in Hong Kong had ordered the team on island to stop the removal of tower crane 5 due to lack of funds. He mentioned that the workers were told to stop work until further noticed, so no work has been performed at the site since then.

➤ **Payroll Delay:** The Director reported that IPI has internally announced that the following payrolls will be delayed:

PP#	Pay Period	Schedule to be paid
2022-05	2/7/22 - 2/20/22	2/25/22 (Partial)
2022-06	2/21/22 - 3/6/22	3/11/22
2022-07	3/7/22 - 3/20/22	3/25/22

He stated that these recent payroll issues will only complicate matters further with the existing labor settlement at hand.

➤ **Social Security Withholding Non-Remittance Issue:** The Director shared that, as mentioned in last month's meeting, on or about January 28, 2022, the Commission received an anonymous email from a member of the public. The email informed the Commission that IPI has not remitted the employees and employers Social Security withholding for more than a year. He said the matter, if true, was very concerning and therefore required investigation. The Commission contacted IPI to inquire the validity of the claim, which Ms. Redie Dela Cruz, HR Director, confirmed to be true. She said the matter was referred to their legal counsel and a newly formed task force and asked that IPI be given time to seek out remedial solutions.

The Director then reported that on or about March 3, 2022, the Commission gathered information from IPI's Finance Director who shared the total aggregate amount owed to Social Security, including the number of employees and years affected. He noted that more than 1,000 employees have been affected for 2020 and 2021, and the amount will be disclosed in the complaint soon to be filed. The Director stated that upon conclusion of the Commission's investigation, the matter was formally forwarded to the Division of Revenue & Taxation on March 14, 2022, for their action, since it is a violation of tax law. Further, the Commission is in the process of filing possibly two more enforcement actions against IPI relating to tax law violations, which are also major violations of the casino regulations, he said.

Commissioner Dela Cruz asked how much Social Security withholding was not remitted, the Director replied that he cannot disclose that information as it should be treated as private at this time. He noted that upon filing of an official complaint, the information will be made available and open to public information. When asked by Commissioner Taitano, the Director clarified that he forwarded the matter to the local Revenue & Taxation office and to the Secretary of Finance. He noted that whatever action they decide to take is up to them, as it is in their jurisdiction.

➤ **Casino License Inquiries from NJ:** As reported in the March 29, 2022 issue of the Saipan Tribune, the Director shared that he has received inquiries from two separate New Jersey casino operators. He said the operators have expressed interest in both online and offline

operations in Saipan and are at an exploratory/due diligence stage to see what the terms and conditions of the requirements may be if IPI's exclusive license is revoked. He noted that he has not spoken to the operators directly, but through a third-party source, adding that he is not in a position to address any inquiries nor engage in any discussions. However, he said it is his duty to inform the public of these developments as they arise.

Chairman DeLeon Guerrero reiterated that IPI is obligated by law and by the license agreement to be in full compliance with the CNMI and federal laws, noting that whenever there is a violation of federal laws, they expect the federal agency to enforce those laws. Similarly, the Commission also has the authority, and the obligation for that matter, to hold IPI accountable for those violations of federal law. It is appropriate for IRS to take action first, similar to any violation of Title 31, he said, as well as FinCEN. He thanked the Director for his report and asked that he keep the Commissioners updated with any new developments.

IV. MISCELLANEOUS MATTERS:

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

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

Mr. Tao Xing, IPI VP of Marketing, shared that IPI sent a formal letter to the Lottery Commission regarding the next steps to be taken as far as the extension request is concerned. He noted, however, that they still have not received a response. The Chairman asked if the Commission received a copy of that letter, to which the Director replied no. The Chairman then asked how long of an extension is IPI requesting and is IPI prepared to move forward should they receive a response. Mr. Tao answered that they are requesting for an additional five years from February 2021, adding that they are awaiting instructions on what sort of information should be provided.

The Chairman asked Mr. Tao how IPI anticipates completing the construction project and if a funding source has been identified. Mr. Tao replied that they don't have the details yet, but as soon as the Lottery Commission provides them what type of information is needed, they are likely put together a construction team to produce what's being requested, since as of now, they are operating with a skeleton team just to keep operations going. The Chairman stated that IPI should at least have an idea as to how much it would cost to complete construction, but IPI has yet to provide an update on the matter.

The Chairman inquired if the individual from Hong Kong conducted the valuation of the property. Mr. Tao replied no, adding that they are trying to do it virtually. When asked by the Chairman about how much it would cost to finish the project, Mr. Tao answered that it partially depends on when the approval process begins. He said it could cost them anywhere from \$50M to \$250M, adding that they will likely have to reevaluate their target market, which will affect how they are going to finish the interior. The Chairman advised Mr. Tao that it would be best to exaggerate their expenses and be conservative with their revenue, noting that he expects it would cost more than \$250M to finish.

When asked by the Chairman about the construction team, Mr. Tao explained that they don't have a construction team at present, and that it would be necessary to recruit people from the US and China once the approval process starts to finalize the estimation. The Chairman said he appreciates IPI's attempted effort, but the Commission is growing tired of the run around. He then inquired if there is an update on the \$350M loan facility, to which Mr. Tao replied to no.

2. Removal of Tower Cranes #1 and #5

Mr. Tao stated that Mr. KaFun Ho, IPI Assistant Director of Construction, will be providing an update on the crane situation. In response to the Chairman inquiry, Mr. Tao clarified that Mr. Eric Poon is no longer with IPI, but Mr. Jesse Aquiningoc is still on the team.

Mr. Ho reported that the tower crane removal project has been on hold since March 14, 2022 due to funding issues. He said prior to this, the team was working on jacking down the frame system. He noted that once funding is available, they will resume work on removing tower crane 5, followed by tower crane 1.

The Chairman referenced the permit issued by the Department of Public Works (DPW) to remove tower crane 5 and asked if they were given a timeframe to complete the removal. Mr. Ho answered no, there was no date specified, but noted that Mr. Isagani Salazar, DPW, issued a letter recommending it be removed as soon as possible. The Chairman asked what Mr. Ho understands 'as soon as possible' to mean, and if he has made that known to IPI management. Mr. Ho responded that based on his experience, it could take them anywhere from two weeks to a month. He added that he has discussed the issue with Mr. Tao, but again, because of the funding issue, they cannot force their team to work.

The Chairman asked Mr. Ho if he is certified in the installation and removal of the cranes. Mr. Ho replied no and that he is just in charge of the management and Mr. Aquiningoc, who is certified, is the site leader as he is the most competent person to do the work. Commissioner Dela Cruz asked where Mr. Aquiningoc is, as it is rumored that he returned to Guam because he has not been paid by IPI. Mr. Ho said that it is because the funding issue that workers are leaving.

The Chairman thanked Mr. Ho for his report but expressed his disappointment with IPI. Commissioner Taitano voiced his disappointment as well. The Chairman elaborated that a lack of funding is a direct violation of the exclusive license, as IPI is required to be financially suitable. Additionally, he said that the cranes have been identified by multiple individuals, including DPW and Mr. Aquiningoc, as being a great hazard to the safety of the community, yet IPI has the gall to claim a lack of funding to address its removal. The Chairman stated that he hopes that DPW will exercise its regulatory responsibility by telling IPI that they have no choice in the matter. He advised the Executive Director to contact the Secretary of DPW to relay to IPI that DPW, on behalf of the government, will take the initiative in ordering the removal of the crane and will be charging IPI with the cost involved in the removal. The Chairman stressed that the Commission can no longer sit idly and continue to discuss this crane issue every month. He said that the situation is annoying and that he feels sorry for the IPI representatives who are on island because they themselves have no solutions and no answers. He commented that if IPI is not financially suitable, it must make corrective actions as soon as possible. He added that he does not understand how the individuals currently employed at IPI CNMI are making every effort, yet they lack the support from the parent company. Commissioner Taitano commented that it is the Commission that is being blamed by the public and the surrounding business because they feel the Commission is not doing anything about the crane issue.

The Chairman asked Mr. Ho if he is still getting paid, to which he replied no. He then asked Mr. Ho when was the last time he was paid. Mr. Ho disclosed that he just assumed the position on March 7, 2022. The Director asked Mr. Ho if he is a full-time employee of IPI to which Mr. Ho replied to yes. The Director informed Mr. Ho that he is required to register with the Commission as soon as possible as records show that he is unregistered. The Director advised Mr. Ho to work with IPI HR Director to get the registration process going. Mr. Ho acknowledged. Commissioner Taitano asked if there is a fee associated with the registration to which the Chairman replied to no.

3. Employee Payroll and Related Benefits Obligations - No update.
4. Unpaid payroll & severance pay for employees already off-island - No update.

Ms. Redie Dela Cruz, IPI HR Director, disclosed that the payroll delay covers 3 pay periods. She noted that there is no indication yet as to when the funding for the delayed payroll will arrive. Despite the delay, IPI still has staff who continue to do the work, she said. She shared that the employees working on the tower crane have stated that they plan to return to work once they are paid.

Commissioner Dela Cruz asked Ms. Dela Cruz if she's had direct contact with their corporate office in Hong Kong, and if they are aware of the seriousness of the situation in Saipan. Ms. Dela Cruz replied that she does not have direct contact and that they have authorized representatives on the board that they communicate through.

Commissioner Dela Cruz expressed his disappointment in IPI for not being able to make payroll and other financial obligations. He said it seems that IPI is not taking anything seriously, and that the public is beginning to blame the Commission for not acting on anything. He said the Commission is trying to help IPI get back on its feet, but IPI needs to take responsibility for what is happening. He added that he hopes that the Board of Directors will come in and rectify IPI's situation, especially with all the acts of violations and non-compliance. Ms. Dela Cruz stated that between her and Mr. Tao, all concerns have been raised and that they continue to follow up with their corporate office so that all concerns and violations IPI is faced with can be addressed.

The Chairman asked Ms. Dela Cruz if she is officially the Director of IPI HR, which she replied to yes, noting that she took over the helm of the entire department in 2020. The Chairman asked Ms. Dela Cruz if she knows why the IRS is not being paid for the Social Security. Ms. Dela Cruz replied that she is unaware as she does not deal directly with payroll, as it is a separate department managed by another director. She added that the payroll data is highly confidential, so even as HR Director she does not have full access to it. As for the Social Security issue, Ms. Dela Cruz clarified that she was made aware of the situation after the fact.

The Chairman asked who is the point of contact with the board, Ms. Dela Cruz answered that Mr. Howyo Chi is the individual who relays information to the board, in the form of a translator. She noted that Mr. Chi is with the HR department, although he is not registered.

The Chairman asked Ms. Dela Cruz if she had any information on when funding for payroll will be received and at what point in time, she, as the HR Director, will inform everyone to close shop due to the lack of funding. Ms. Dela Cruz responded that she has made the recommendation to close shop since the first payroll delay, but it is ultimately up to the board, especially since they do not have a CEO. She clarified to the Chairman that they have informed all the staff that they are not obligated to report to work. She further clarified that none of the employees have been getting paid, which includes Mr. Tao and herself.

Mr. Tao explained that although they have not been able to meet payroll, IPI still has other obligations that require them to perform work, such as court hearings, the Social Security issue, and other legal matters that need attention. He stated that they cannot force anyone to report to work, and that they continue to work to handle the pending matters, which will benefit the employees and the company in the long run.

The Chairman said he cannot understand how IPI can still afford to pay for their off-island attorneys and yet not make payroll or have funds to remove the cranes. He suggested that the company reevaluate the situation concerning their existing employees, as they may be held liable for allowing them to continue working without being paid. Commissioner Dela Cruz echoed the Chairman's statements, adding that IPI's employees have families to support. He reiterated the necessity for IPI's board to come down and address the problems they are facing.

The Chairman inquired on who the members are of the newly formed task force that will be addressing the Social Security issue. Ms. Dela Cruz replied that Ms. Frances Mafnas, IPI

Special Projects Auditor, is taking the lead, along with Mr. Tao. She noted that the situation is being monitored at this time and that they have raised the matter to their US based attorneys to see how they can assist. The Chairman asked if IPI has communicated with the IRS on the SS matter which Ms. Dela Cruz replied that to her knowledge, the US based attorneys will be connecting with the IRS. She noted that the local office is aware of the matter as well, as they provided advice which they have been passing on to their employees.

The Chairman inquired how IPI plans to secure manpower if the Lottery Commission grants them an extension. Ms. Dela Cruz answered that they would have to rely on US workforce since the US Department of Labor placed a bar on the hiring foreign nationals by IPI. She stated, however, that they cannot plan on anything until they know when and where the money is coming from.

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

Mr. Tao shared that they are working on finalizing the 2020 audit, which they expect to complete by March 31, 2022. He noted that the local auditor, Dave Burger, signed off on the report submitted to Hong Kong yesterday (April 29, 2022), and once it is finalized, they will forward a copy to the Commission. The Chairman asked the Director to ensure that the audit is disseminated to the Commissioners once received.

Mr. Tao announced that the audit of 2021 is ongoing, but he isn't sure when it will be completed. The Chairman informed him that the 2021 audit is due in April. He asked Mr. Tao if IPI is still a going concern but did not receive a clear answer from him. Mr. Tao simply stated that the parent company still needs to finalize some details at their level.

The Chairman asked Mr. Tao who's his point of contact in Hong Kong, to which he replied that a new joint Chairman, Mr. Feng Chen, has been appointed, who he has communicated with about the audit issues. The Chairman asked if this individual is aware of the enforcement actions against IPI, and Mr. Tao replied yes.

The Chairman stated that he is aware that Inventive Star is still the majority owner of IPI and asked if the majority shareholder is still on-island, to which Mr. Tao replied yes. He asked if the shareholder has discussed her concerns about her investment in reference to the enforcement actions. Mr. Tao replied that she is fully aware of the enforcement actions and the reasons for revocation, and to his knowledge she is working to find other investors or creditors to fund the project.

The Chairman reminded Mr. Tao that once a casino operator has its license revoked by a regulatory body, it is typically impossible to obtain another license. He added that this also applies to any other US jurisdiction that licenses casino operators. He noted that employee licenses may also be affected. Mr. Tao acknowledged and stated that he will relay this information to the corporate office.

6. 2020 & 2021 Annual Exclusive Casino License Fees. Due Aug 12th each year - No update.

7. 2020 & 2021 Annual Casino Regulatory Fees. Due Oct 1st each year - No update.

B. Other Miscellaneous Matters - None.

The Chairman asked if IPI's US based Attorney will be coming to Saipan for the next meeting. Mr. Tao responded that he is unaware.

Counsel Keisha Blaise, AAG, asked the Chairman if anything was filed by IPI's New York attorneys authorizing them to speak on IPI's behalf. The Chairman answered no, stating that he heard a rumor that one of the attorneys will be showing up to speak to the CNMI government. Legal Counsel John Lowrey commented that he has not received any requests either.

Mr. Tao shared that, as reported in the paper, \$250,000 was paid by IPI to the USDOL last year as a security for payroll. He said their attorney is negotiating with USDOL on the terms involved for those funds and how they can be used. He said the \$250,000 would be more than enough for three months of payroll, which they hope they will be able to get. The Chairman asked what is required of IPI to access that money. Mr. Tao replied that they will have to follow USDOL's process.

The Chairman asked who is paying IPI's attorneys, Mr. Tao replied that he is unsure, as the payments are not going through the local company. The Chairman then asked if IPI has taken into consideration all of their pending obligations, especially with the possible revocation at hand. Additionally, the Chairman mentioned that there are still unredeemed gaming chips that people are still expecting to have paid out, as well as the junket operators who have deposits. He asked if these matters have been discussed with the corporate office. Mr. Tao replied yes, noting that they have a tracking list of all their obligations.

The Chairman asked the Director to obtain a copy of the list of obligations that Mr. Tao mentioned so that the Commission can cross check it to see if anything was left out. Mr. Tao noted that this information will also be reflected in the audit report.

V. OLD BUSINESS:

- A. Administrative Evidentiary Hearing - Proposed Schedule & Case Consolidation:
* May 3-4, 2022: Complaints #2021-001 through #2021-005

The Chairman shared that Counsel Lowrey has assisted in drafting the order for these dates, adding that he requested some clarification regarding the consolidation of these cases. He asked if there was any objection from IPI regarding consolidating the cases into one administrative hearing. Counsel Blaise stated that IPI does not have any objections. Counsel Lowrey mentioned that he would be more comfortable if there was a joint stipulation. Counsel Blaise said that she has it in writing and will be submitting it to the Commission soon.

VI. NEW BUSINESS:

- A. Civil Case No. 21-073 - Superior Court Order Affirming the Casino Commission's Suspension of Petitioner's Exclusive Casino License and Imposition of Monetary Penalties

The Chairman shared that this agenda item is just for informational purposes, and would like to discuss it in detail during executive session.

VII. EXECUTIVE SESSION:

Commissioner Dela Cruz moved to rise into executive session to consult with Legal Counsel and to receive reports from the different divisions of the Commission. The motion was seconded by Commissioner Taitano and was put to a roll call vote with all Commissioners voting yes. [Enter: 11:41 am]

- A. Consult with Legal Counsel
- B. Report by the CCC Divisions
- 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: 12:01 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.

Commissioner Dela Cruz expressed his appreciation to Counsel Lowrey for his services to the Commission and wished him well on his future endeavors. The Chairman echoed Commissioner Dela Cruz's statement, noting that the Commission has appreciated Counsel Lowrey's advice, insight, and training on the administrative hearings. Counsel Lowrey expressed his thanks for the kind statements and warm wishes. He said it has been a great pleasure and honor to be on the island and he hopes he has done enough good work to repay the Commonwealth for the money they spent to bring him here.

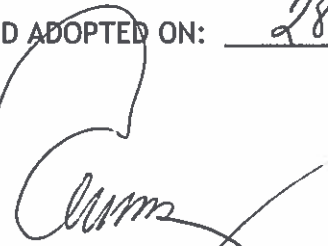
VIII. ADJOURNMENT

Commissioner Dela Cruz moved to adjourn the meeting, seconded by Commissioner Taitano. The motion was put to a vote and unanimously approved. The meeting was adjourned at 12:06 pm on Wednesday, March 30, 2022.

Prepared by:  Date: 4/21/2022
Elicia San Nicolas, Executive Secretary

And  Date: 4/21/2022
Ruth Ann P. Sakisat, Executive Assistant

APPROVED AND ADOPTED ON: 28th day of April, 2022.

 Date: 4/28/2022
Ramon M. Dela Cruz
Commission Secretary