



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
CANNABIS COMMISSION



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A regular meeting and public hearing of the CNMI Cannabis Commission will be held on **Thursday, August 17, 2023, at 10 A.M.** at the office of the CNMI Cannabis Commission Conference Room at Ascension Ct. Bldg. 1341, Capitol Hill, Saipan.

AGENDA

- I. Call to Order
- II. Roll Call/Determination of Quorum
- III. Consideration and adoption of Agenda
- IV. Consideration and adoption of Minutes of prior meetings
- V. Public Comment
- VI. Public Hearing
- VII. Chair Report
- VIII. Old Business
 1. Rules & Procedures of meeting and applications
 - Revision of application
 2. Adopt Robert's Rule of Law for meetings; discussion and voting
 3. Advertising definition; discussion and voting
 4. Definitions of Solvent less and Solvent Based; discussion and voting
 5. Personnel:
 - Discussion on Managing Director hiring
- IX. New Business
 1. Fees:
 - (a) Lower application fees; discussion and voting
 - (b) Fees to include electronic copies; discussion and voting
 2. Prospect of Laboratory; discussion and determine next steps
 3. Hemp industry; discussion
 4. Interpret Homegrown; discussion
 5. Policy proposal to temporarily suspend producer licensing; discussion and voting
 6. Adopt the use of Commission Directives; discussion and voting
 7. Cease issuance of extension for all AIP's from 12 months date of issue; discussion and voting
 8. Executive Secretary Summary Email – post board meeting discussion
- X. Treasurer's Report
- XI. Acting Managing Director's Report
- XII. Executive Session
- XIII. Adjournment

Copies of this notice and agenda have been posted at the Administration Building Entrance Hall, House of Representative Entrance Hall, Senate Entrance Hall, and www.cnmicc.com, the CNMI Cannabis Commission's official website.

Written comments on the agenda may be submitted to the office of the CNMI Cannabis Commission located at Ascension Ct., Bldg. 1341, Capitol Hill, Saipan or emailed to info.cnmicc@gmail.com on or before the meeting date. Oral testimony may also be presented during the meeting on Thursday, August 17, 2023.

CNMI Cannabis Commission
Regular Session Meeting Minutes
August 18, 2023

(Continuation of the August 17, 2023, regular meeting on tabled agenda items.)

I. Call to Order

Chair Palacios called the CNMI Cannabis Commission's meeting to order at 10:06 a.m., which was held at the Office of the CNMI Cannabis Commission Conference Room located at Ascencion Ct., Bldg. 1341, Capitol Hill, Saipan.

II. Roll Call/Determination of Quorum

The chair introduced the following people present in the meeting:

Commissioner Journie Hofschneider [Vice Chair], municipality of Tinian;
Commissioner Juan Iguel [Treasurer], Saipan and Northern Islands;
Commissioner Thomas Songsong [Secretary], municipality of Rota, via Zoom;
Acting Managing Director Mr. Erik Basa;
Executive Secretary Ms. Natasha Palacios; and
Chairman Jose B. Palacios.

The chair indicated that any agenda matters of concern in need of legal advice will be referred to AAG Keisha Blaise and that today's agenda is a continuance of yesterday's meeting [August 17, 2023] on the agenda items that were tabled.

The executive secretary then called roll of the commissioners who were all present and quorum confirmed.

The chair stated that in yesterday's meeting discussions, just to get Commissioner Iguel on board [absent in yesterday's meeting], the board adopted agenda item III which is the minutes of prior meetings for September 29, 2021, including the approval of Max Investments and personnel matters on the acting managing director; there was no public comment and additions to personnel and policies in regards to the budget were discussed; in old business, rules and procedures of meeting and revisions of applications were discussed; agenda item 8 (2) was tabled, the adoption of Robert's rule of law, that was Commissioner Iguel's inclusion into the agenda and wanted to give the opportunity to Commissioner Iguel to expound further as to how the commission is going to adopt it as the standing rule to move forward and adopt meetings as the commission moves forward.

Treasurer Iguel asked for clarification on the agenda items that were approved on the revision of applications and asked Vice Chair Hofschneider if she amended the application. The vice chair acknowledged that she did the application revision. The treasurer then asked if that was the revised application that was approved.

Vice Chair Hofschneider explained that the [newly created] zoning form was discussed, but what was voted on was the background assessment and that the [processor] application was amended which related to the solvent-based processing and the inclusion of solventless processing.

Treasurer Iguel asked about the [commission created] zoning form if the commission will still go through with it for existing [cannabis] businesses or not. The vice chair indicated that the board wanted the treasurer to follow up again with the zoning office about that matter.

The treasurer indicated that the zoning office asked for a copy of the form because the last time he spoke with the zoning office was with the former administrator, she is not with the zoning office anymore and a new administrator is being sought; the current acting zoning administrator does not know where the former administrator may have placed the file or the form and is asking for a copy of it, which the treasurer indicated that it will be provided once he discusses the matter again with the commission's board.

Discussions followed between the vice chair and treasurer about the continued follow-up with the zoning office because the commission is continuing to receive applications for solventless processing...

Chair Palacios expressed that in thinking of the general application in what was agreed upon was to go back to what was already stated in the public law, which is if it [the application] is not complete, the commission will not entertain it; in other words, if it is brought into the cannabis commission, it is because they [the applicant] has zoning and business license, and the only thing the cannabis commission will do is to either vote to approve or deny based on the merits; but the commission is not going to be held hostage and the positions or slotting of the number of applications is not going to be held hostage because zoning is not doing whatever it is they need to do, so the commission is not going to deal with that in that regard; the only thing, part of this revision of the application, has more to do with processor license, that is where the revision of the application guidelines was developed that could be used to create the policies, rules and regulations, and so forth in regards to solventless processing only, for processor licenses.

The vice chair indicated that the part that was added in the processor application was to distinguish the solventless processing and that solvent-based processing is not available, and that it was not posted until the board discussed it, but now that it has been discussed, a motion may be made on it.

Treasurer Iguel asked if the zoning authorization form that was created will be scrapped. Vice Chair Hofschneider acknowledged [that it is scrapped].

Chair Palacios added that it is already contained in the language and by scrapping that [authorization form] out, the AIP is also scrapped; the commission is going back to the basics and the basics is that if it is not complete, the commission is not going to look at it [the application].

The treasurer sought clarification about the law that stipulated for the proper zoning authorization, that the applicant must have the proper zoning authorization or permit.

Discussions followed on the zoning office's authority, the commission's regulations indicating the commission will not review an application until the zoning [permit], if applicable, is received... the zoning office's need to develop regulations in regard to cannabis, the commission not being the zoning police... zoning addresses only three parts of cannabis licensing and not the other license types... the zoning office's indication that they will let Treasurer Iguel know when would be the next scheduled zoning meeting in which the processor and wholesaler licenses would be discussed... the need for zoning to discuss other license types, e.g., laboratory, research certificate, etc....

Secretary Songsong inquired about the zoning board's scheduled meeting date so that he could meet that timeline with the draft letter he is working on to address to the zoning office that would explain solventless processing and the commission's decision on the subject matter so that they would have a clearer understanding of the commission's position with solventless and solvent-based processing. The chair and treasurer indicated that the zoning board's meeting is scheduled for next Friday, August 25, 2023.

The treasurer indicated that he has another follow-up meeting with the zoning office and asked what will be done with applicants that still want to apply for a processor license being that zoning has no processor regulations/permit.

The chair replied to the treasurer that what was applied for Saipan Select, the conditional [license], would be the same for other existing cannabis businesses at the same licensed location; to use that as the model at least for right now if it is the same situation, there is no reason not to approve it; of course, if it is going to be at a different location or something different than what the commission had already established [precedence] as a starting point, it would require a zoning permit [otherwise the application will not be entertained]...

Secretary Songsong asked for clarification about the commission's draft letter to the zoning office if it will be from the commission chair to the zoning board chair or acting managing director to the acting zoning administrator.

Chair Palacios indicated that it will be from the commission's Secretary Songsong to the zoning office on behalf of the commission... the rest of the commissioners agreed. The chair then asked if there was anything else on the revision of [processor] application. There were no further questions or comments on the subject matter.

III. Adopt Robert's Rule of Law for meetings; discussion and voting

The chair referred to the August 17, 2023, meeting agenda item VIII (2) of old business on the adoption of Robert's Rule of Law for meetings that Treasurer Iguel included in the agenda to comment on.

Treasurer Iguel expressed it has to do with the flow of the commission's meetings, and that with Robert's rule, he wanted to see to it that the commission is not scattered in future meetings, avoid moving back and forth between agendas, to make proper motions, and meeting postponements; he [the treasurer] came across a simplified version of Robert's rule, which the commission may want to consider that other agencies adopted; for example, with public comments as was mentioned by the legal counsel [AAG Dela Cruz], once past that public comment agenda item, the commission should not revert back to it for a later additional public commenting, just wanted to see what the commission's meeting order would be as was exemplified with public commenting; is the commission going to revert back to the public comment agenda and allow public commenting during a meeting's progression or would the commission allow public commenting during each agenda item.

The chair asked the treasurer what he recommends. The treasurer indicated that his recommendation would be that once the public comment agenda item has past, there would be no further public comment opportunity, and that the committee as a whole should only be allowed for important matters needing immediate action...

The chair asked the treasurer if the commission would then be adopting Robert's rule. The treasurer expressed unsureness if the commission would adopt it at the moment and mentioned that he could share the version of Robert's rule for the commission's review and consideration... and then asked Vice Chair Hofschneider that he believes the previous board adopted Robert's rule of order for [orderly and effective] meetings. The vice chair acknowledged that the commission has been operating its meetings under Robert's rules.

Discussions followed... version of Robert's rule, simplified version, cheat sheet circulated by the legal counsel [AAG Blaise], expressed surprise to learn of the legal counsel's recommendation that Robert's rule of order needed to be voted on...

Chair Palacios recalled that this whole thing under public comment came about when Mr. Scot Thompson wanted to make a comment on an agenda item that the commission did not discuss yet; the question was can he make a comment in the public comment section of the agenda regarding a topic on the agenda that the commission has not discussed yet, that is where the back and forth occurred and where Robert's rule needed to be invoked; the commission has the flexibility where if it is on the agenda or even if it is not on the agenda but it is an issue or matter that was brought up, that the commission can discuss it as long as it is not voted on, but the commission can at least discuss it based on Robert's because the matter was raised during the public comment portion; in that case with Mr. Thompson's issue, was that, according to AAG Dela Cruz, he cannot comment on an agenda item that has not been discussed yet, but yet if he [Mr. Thompson] does not comment on it during the public comment portion of the agenda, then how can he be allowed to comment on it when the commission is actively discussing it; the agenda is just a matter of numbering, to put things into perspective, but it does not mean that the commission cannot go back and revisit, so to play it safe on that day, what was done was the commission voted to go back [on the agenda] to open public comment; but under Robert's, it is just the flexibility that affords the commissioners to discuss a topic if it is not on the agenda but was raised during discussions, especially with the public comment portion, that the commission can at least discuss it as long as it is not voted on; that is the thing with Robert's, it is that flexibility to not being so rigid that it [the agenda] has to be followed numerically; again, in understanding where Mr. Thompson is coming from on that day was that if he is not allowed to say anything about a topic in public comment when he has that time because that is their time to make that comment; but because the topic is further down in agenda item number VIII, how then can he make a comment on that topic when the opportunity for him to make a comment has already past because public comment is agenda item number V; again, it was just a matter of the numbering sequence [of the agenda], it is not necessarily the flow of the information or the discussion, it is just that AAG Dela Cruz, it was the numbering sequence.

Treasurer Iguel added that he believes that it was also mentioned that yes, they [the public] can make a comment because public comment is at agenda item number V, the public can comment on anything, but it cannot be debated on until the commission gets into discussing the agenda item.

Chair Palacios continued that was the gist of it, why the matter of Robert's came up but with the new information from Vice Chair Hofschneider and Secretary Songsong that the commission was already using Robert's...

The vice chair indicated that the previous board were already using Robert's but would have to go back through the meeting minutes to see if it was spoken of and acknowledged that the commission conducted its meetings under Robert's from the beginning since the commission was established but could not recall when the AAG mentioned that the commission needed to vote on it and is unaware of it.

The chair expressed that it [Robert's rule] may need to be voted on just to establish it as a standing rule but does not think there is anything administratively written, documented, or recorded that Robert's rule would be the standing rule for procedures on how the commission conducts its board meetings; it is just to memorialize it as what the commission will use, understanding that it was already in use; even at that if that is the case, then the commission can memorialize it so that therefore there is no question to the legality and so forth moving forward, it is just a matter of memorializing it.

The chair asked Secretary Songsong if he recalled the use of Robert's during prior commission meetings. The secretary acknowledged that the commission was advised to use it in which the commission received Robert's rules cheat sheet from the AAG...

The chair indicated that if it has already been in use, then the commission would memorialize it, and then addressed Treasurer Iguel that he had this agenda up for discussion and voting in which the treasurer acknowledged and offered the following motion:

- Treasurer Iguel moved to memorialize Robert's rule for orderly and effective meetings which the previous commission's board followed, and for the sake of satisfying the AAG's comment in the previous meeting that the commission should adopt it.

The chair said that before anybody seconds the treasurer's motion, he wanted clarification because it was mentioned that there are three different parts. The treasurer mentioned that there are variations. The chair then asked if it is to memorialize it in its entirety or to memorialize this section or that section just for clarification.

The treasurer indicated that he has Robert's cheat sheet that the vice chair and secretary referenced was used since the commission started and that his motion is to maintain Robert's rule that was already in place.

Chair Palacios sought clarification from the treasurer if Robert's rules constitute its entirety or just certain parts of Robert's rule. The treasurer expressed that Robert's rule is in its entirety. The chair then acknowledged.

- Vice Chair Hofschneider seconded the treasurer's motion to adopt Robert's rule of order for the conduct of meetings.

All commissioners voted in favor of the motion; motion carried. The chair indicated that Robert's rule is the standing procedure in how the commission conducts its meetings.

IV. New Business: Fees to include electronic copies; discussion and voting

The chair stated that the second agenda item that was tabled [in yesterday's meeting] was on the fees to include electronic copies [agenda item IX (1) (b)], which was raised by Treasurer Iguel.

The treasurer mentioned that he did not notice anything in the law relating to the charging of this type of fee.

Vice Chair Hofschneider indicated that it is only in the regulations that stipulated the charging of photocopies of documents and that charges for electronic copies could be included if the treasurer feels that it should.

Discussions followed... establish value/cost of electronic copies, who collect the fee, treasury would collect the fee, fee collection process, receipt of fee payment... inform treasury of new fee schedule which would include charge fee for electronic copies... printed hard copy or emailed documents... compare costs charged by other agencies for electronic copies...

The treasurer indicated that he was looking initially into charges for photocopies and may have overlooked it being in the regulations in which there is already an established fee for photocopies, and then stated that he would move to strike this matter because it is already regulatorily established.

The acting MD added comments relating to the charging of photocopy fees, payment to the treasury and the cost of photocopies...

Discussions followed on the subject matter being an administrative function, subaccounts for the collection of photocopy fees, voucher or payment form and payment code for photocopies...

- Treasurer Iguel then moved to strike-out this subject matter, seconded by the vice chair. All commissioners voted in favor of the motion; motion carried.

V. Policy proposal to temporarily pause producer licensing

Chair Palacios asked the executive secretary if Mr. Sasamoto was present who subsequently entered the board room; the chair then introduced the agenda item [IX (5)] and mentioned that it was voted on and adopted in yesterday's meeting, and that there were no public comment and no members of the public present even though the agenda was published well in advance of the seventy-two hour public notice requirement, and then opened the floor to give Mr. Sasamoto the opportunity to comment in regard to that issue.

Mr. Sasamoto thanked the commission for the opportunity to comment and said that he submitted a letter to the commission which mentioned his understanding that the matter was being discussed and that he was trying to be proactive with the processes they had to go through with their producer application, but hearing that the commission had already adopted it, his question now becomes what happens to people in his situation.

The chair replied that he is only opening the floor to hear what Mr. Sasamoto has to say and comment. Mr. Sasamoto responded that is why he is here and assume... [could not make out stated words in closing sentence].

The chair then asked Mr. Sasamoto if he is basically questioning the decision and vote that the commission made, or what is his comment about and is giving Mr. Sasamoto the courtesy.

Vice Chair Hofschneider indicated that she could just summarize it which may help and said to Mr. Sasamoto that she is not sure if the chair already informed him about what the commission voted on in yesterday's meeting, which was voted on pausing the issuance or accepting new producer applications, new producer applications only for Saipan only; if there was an existing [producer application] in the possession of the commission that is already in progress, it does not apply to those producer applications.

The chair added that the key word about the [producer] application is that it is already in, it is not an application obtained two years ago that has not been submitted; there is a big difference between getting an application from the commission and submitting it; that was the commission's stance, existing applications with the commission would be grandfathered, but if you [Mr. Sasamoto] had an application two years ago but never

submitted it to the commission, then it was never in the custody of the commission, so it is not grandfathered, that is the difference.

Mr. Sasamoto thanked the chair for the clarification and said that he wanted to further clarify that in his particular situation, as the commission may be aware, he thought that zoning was first in the process and that they were delayed at the zoning side and expected to have a hearing and knows in attending the [zoning] meetings that there were other people as well, but hearing what he heard makes a lot of sense and wanted to touch specifically that is where they are at; they have not submitted their producer application but this would be their third zoning meeting now and all indications are... [unable to make out final words of sentence].

Chair Palacios reiterated that it is a pause, it is not a suspension, and explained that as commissioners, there is a responsibility and obligation to the industry; the industry is what exists, it is not what might exist, it is not what somebody envisions it to be, it is what we have at the moment, that is the industry, and it is the commission's responsibility and obligation to ensure that it is nurtured, to grow it, and come up with regulations to attain a level of sustainability so that the industry survives ten to twenty years from now and moving forward.

The chair expressed his understanding to Mr. Sasamoto of the route he took [gone through the zoning process first while not submitting his producer application to the commission during that process], and that those are decisions Mr. Sasamoto made as a business decision; but also understand the commission's obligation and responsibility is to ensure the industry is regulated and comes up with policies and regulations that is going to help the industry, but if one is not already in existence, then one is not in the industry and hoped what he said is not misinterpreted, but this is the commission's responsibility to the industry; if in the event the market should dictate or this matter is revisited because of a better grasp and understanding as to the volume of [cannabis] inventory, is it a matter of oversupply or what there may be because the commission is not going to kill the industry just because, to be very blunt, somebody want to be a part of the industry; his [the chair] responsibility, the commission's responsibility, is to protect, nurture, and grow the industry, and is not going to address the zoning issue because the commission is not the zoning police; this is where if the application was not already submitted and the application is not in the commission's custody, then the commission cannot be held hostage for a lack of a better word; in carrying out its mandate which is the responsibility and obligation that the commission has to protect and grow the industry; other people and other applicants submitted their applications while waiting for zoning, those applications because they were accepted and in the commission's custody are grandfathered in because the applications were accepted; you [Mr. Sasamoto] chose

not to submit it to the commission and that is a decision that you and you alone made, you cannot for no reason say that somehow the commission influenced you to hold your application and not submit it to the commission. Mr. Sasamoto responded questioning if he was being referred to.

The chair replied no, he is just saying, making a statement in general, that you [Mr. Sasamoto] cannot say that, the decision for you not to submit your application; as was said, the commission has a process before where applicants submitted their applications while waiting for zoning, while waiting for business license, and in some instances, a letter referred to as an approval-in-principle were offered to some of these applicants, that the commission owns; it is the commission responsibility because the commission accepted it, whatever the commission inherited, this board owns it, not saying it is the prior board, the commission owns it and that is what is being done; but again, the most important thing that needs to be understood is that the commission's responsibility, first and foremost, is the well-being of the industry.

Treasurer Iguel acknowledged the chair that he was clear on it [the subject matter]. Vice Chair Hofschneider reiterated that it is a pause and mentioned that she had the word "suspend" corrected to "pause." The treasurer added that it is not entirely a moratorium and that it presents a good time to collect all necessary data [to review what is happening in the cannabis marketplace]. Chair Palacios asked Mr. Sasamoto if he wanted to add anything else he may do so.

Mr. Sasamoto thanked the commission and mentioned that the explanation was very helpful and understood it and said he had a follow-up question which he wanted to clarify further that he honestly thought that he had to go through the zoning office first before submitting his application to the commission, and heard [from the commission] that others submitted their application and as that statement was made, he thought about that process, not against anyone's procedures but thought about his actual experience; he did not know that he would still be going through zoning for about four months now, does not know if that overlapped with the commission's timelines; in understanding what was explained, he just wanted to clarify that for him, he has not submitted his application to the commission yet because he is waiting for zoning and did not know if there was any other way, but that is all he is asking, understanding that is not for existing [applications] and understood what was said about whether the application was submitted or not and not just picked up, reiterated for clarification that he has not submitted his application yet to the commission because he was waiting for zoning, just to let the commission know of his actual experiences; and in the letter that he submitted this morning, he did not know that it was documented already but he was just saying that for people like him who started their processes, he spent a lot of money and time and all of that and just wanted to

make sure that if it would be okay as the letter mentioned; he heard that some people chose to submit to the commission while waiting for zoning and business license but did not know that he could have done it that way, and reiterated that he is just saying that he tried to be on top of it, his application was not turned in because he has been waiting on zoning and understood what was explained about actually turning in the application.

Vice Chair Hofschneider expressed that she thinks that applicants also do need to take it upon themselves to perhaps, if issues are found with the zoning process, with timelines, or whatever it may be, to lobby to the zoning office to discuss those issues because it is not the first time that people had some issues [with zoning] and that the commission is listening to it and do hear it; the reality is that zoning does need to hear you applicants.

Mr. Sasamoto thanked the vice chair for her statement and mentioned his not bothering with their [zoning office] issues after three months... understood, that is their thing... [unable to make out last words of sentence].

Secretary Songsong stated to the commissioners that he had no comment on the subject matter. Mr. Sasamoto then stated that he guesses that he'll just proceed... with waiting for a response [to his letter].

Chair Palacios expressed to Mr. Sasamoto that he cannot comment directly, all he can say in regards to this matter is it would be a discussion with the commissioners, and reiterated that it is a producer pause and if and when an applicant is ready to do business, that they can submit [application] to the commission because the commission adopted the going back to the initial process which is what [public law] 20-66 laid out in that the applications must be complete; completed defined as, zoning permit, business license, and submitting it to the commission for consideration; going back to that and accepting that and that is how the commission will go back to the basics of it, eliminating the other causes that have come forward; it does not stop nor should it stop any applicant from submitting an application because even if the application was submitted before a vote took place, it is still up to the commissioners to evaluate it and its merit and either approve or disapprove it; just because you [Mr. Sasamoto] have an application or just because you got approved by zoning or a business license, does not mean nor does it guarantee that an applicant will be automatically approved; and the whole reason and intent behind that is again the commission's fundamental obligation and responsibility as commissioners that is entrusted upon them... is to come up with regulations, procedures, policies, rules that is in the best interest of the industry; that is for clarification, it is not to discourage anybody, not to say that is it, it is only to expound on that fundamental responsibility, the fundamental obligation entrusted upon the commissioners to protect, nurture, and grow the industry, it is first and foremost; just to reiterate, just because an

applicant got approved by zoning, just because they got business license, does not obligate the commission to approve to license; if that license, by virtue of discussion based on its merit, the commissioners, if they believe that it will not be in the best interest of the industry at the time, that the commission can deny approval of an application so that it is understood, and said he yields and asked if there was anybody else that had a comment. Treasurer Iguel expressed to the chair that he is good with the vote on the producer pause.

Chair Palacios asked Mr. Sasamoto if he had any other comment that he wanted to make. There were no further comments on the subject matter. The chair then moved on to the next agenda item.

VI. Treasurer's Report

The chair indicated that the next item that was tabled [yesterday] was the Treasurer's Report [agenda item X].

RECESS: The chair then stated that the commission will take a quick five-minute recess; the meeting was called back to order at 11:29 a.m. and the chair reiterated the earlier agenda and letter received from Mr. Sasamoto of Da Dankery before recess and proceeded with the Treasurer's Report.

Treasurer Iguel reported that he updated the numbers from the last data and mentioned that the chair asked for the inclusion of application and license fees and presented/shared information on screen that included cannabis businesses' utility payments to CUC and commission fees which amounted to over two million dollars from only nine licenses, and that the chair reminded him to issue letters to licensees to remind them of the statutory requirement and compliance with monthly reporting, and then reiterated that \$2,184,414.80 derived from nine licensees.

The chair inquired with the treasurer about his first draft's figures that showed about \$2.5 [million], \$2,521,982. The treasurer replied that an error was made in the initial sales calculations in which the same sales figures were used for two different cannabis businesses [Saipan Select and Top Shelf], there was an error made on sales amounts.

The treasurer indicated the sales period were from year 2021 to present, keeping in mind that Saipan Select was mainly the only licensed cannabis business operating in 2021, Primo Farms was licensed in 2022 along with the other cannabis businesses who were later licensed in 2022...

Discussions followed on fee collections, sales figures, and sales period from August 2021 to May 2023, not inclusive of the new license fees paid after May 2023 comprising of seven licensees and noting application fees for the new licensees were paid prior to May 2023, and not taking into account other licensee expenditures for utilities, rental, employee salaries, etc.; next updated data will include a total of sixteen licensees and would focus on cannabis sales... notice to licensees on monthly reporting requirement, review of licensee records and books for taxation verification...

Treasurer Iguel concluded that he has a scheduled zoom meeting with a cannabis tracking system company next week Wednesday at 8 a.m. Discussions followed on attending the CTS meeting, stateside regulators and stakeholder conference, procurement process for CTS and its draft request for proposal or invitation for bid...

Chair Palacios asked Secretary Songsong if he had any comments on the Treasurer's Report in which he responded that he had no questions or comments.

Discussions followed on the unaddressed tabled agenda items... the lowering of application and licensing fees for the municipalities of Rota and Tinian while fees for Saipan remain the same, the process and determination of the amount of the fee decrease of not more than twenty-five percent, the producer fee increase for Saipan only to an undetermined percent, commensurate between the decrease and increase in fees... safeguarding the industry from an oversupply of product or product sitting on the shelf issue that may cause cannabis businesses to go out of business...

The treasurer raised the question of discrimination between the islands being that Saipan's fees will increase while the other municipalities' fees are decreased...

The chair expressed disagreement with the treasurer's notion of discrimination between municipalities and cited the language stated in Public Law 21-05 under 4 CMC § 53017 (e), which he read as, "*The commission may review the application fees and license fees and determine if any changes to the fees are needed, if the commission finds that changes in the fees are needed, the commission may by regulation increase by any percentage any of the license fees or application fees, provided that the commission shall not reduce the fees by more than twenty-five percent (25%).*"

The chair continued to say that the fee structure has to be, cannot come up with regulations that the fees will be across the board, it just means the commission is able to change it, that there is no limit as to a fee increase but there is a limit to a decrease in fees; it is not specific as to municipalities, it is just general but the commission has that autonomy to come up with this regulation, and the key word here is, "*if the commission*

finds that the changes in fees are needed”; so why is it said that changes in fees are needed for the three municipalities, because right now the three municipalities because of its population [difference], it is not cost efficient for them [Rota, Tinian, and the Northern Islands] to operate, it is mostly restrictive; incentivizing the growth of the market or the industry and availing that to the other municipalities by reducing fees for those municipalities that currently are not participating in the industry as a whole, either as a producer, a retailer, lounge, processor, this is deemed as a need in expanding the industry to the other municipalities, that is why Saipan is not included in the reduction of fees; then hypothetically, nothing is stopping or incentivizing an individual from saying why should I go to Rota or Tinian when the same opportunity is offered in Saipan; by incentivizing an individual because of the lesser fees, now an individual may be think about opening up shop on Rota or Tinian;, so the incentive here, the need, is to grow the industry in the other municipalities...

Treasurer Iguel added that commodities are cheaper in Saipan than in the other municipalities, on top of shipping costs...

Discussions followed on House Bill 22-78 relating to the hemp industry and cultivation on public lands and its cultivation on public lands in the Northern Islands... Rota and Tinian interests in entering the cannabis industry, coconut oil infused with hemp oil... DLNR’s Division of Agriculture being the regulatory body for the hemp industry, laboratory testing requirement, DLNR Secretary will consult with Division of Agriculture Director Ogumoro...

Discussions continued on the provisional reduction of annual fees for the other municipalities other than Saipan and establishing the amount of the fee increase for the producer application fee for Saipan... Chair Palacios then asked if there was a motion for the provisional lowering of all fees on all license types listed in Public Law 21-05 for all municipalities other than Saipan, and producer fee increase for Saipan only.

- Treasurer Iguel motioned for the approval of a *provisional* decrease on all license and application fees (up to 25%) for the municipalities of Tinian, Rota, and the Northern Islands, and an application fee increase (to be determined at a later date) for new producer applications for Saipan, seconded by Vice Chair Hofschneider.
- The term *provisional* was clarified to mean in the present time but likely to change by the respective municipalities based on a municipality’s cannabis market situation. All commissioners voted in favor of the motion; motion carried.

Discussions followed on the routing of the new regulations into the register relating to the decrease in all fees for municipalities other than Saipan, the increase in producer application fee for Saipan, and the temporary pause on the issuance of new producer licenses on Saipan...

Treasurer Iguel inquired about the duration period of the temporary pause on producer license issuance.

Chair Palacios indicated that the commission can still accept producer applications (referred to Da Dankery applicant) but the commission will not issue producer licenses and that the application must be complete... [reiterated similar statements mentioned earlier in item V above].

The treasurer went on to mention that he received a call from one of the representatives that they [the legislature] met with an interested investor in establishing themselves in the islands and are looking into product export...

Discussions followed on another interested investor that looked into establishing a cannabis laboratory who met with the Northern Marianas College... the Division of Environmental Quality's water laboratories, Eurofins laboratory... discussions reverted to the temporary producer pause... the acting MD raised possible lease or rental payments by producer applicants while waiting for the pause to end and spoke of the situation with Mr. Sasamoto of Da Dankery... the chair then moved on to the acting managing director's report.

VII. Acting Managing Director's Report

The acting MD reported the following:

1. Sixteen active licenses comprising of eight producers, six retailers, one lounge, and one processor;
2. Six inactive applications comprised of one application denial, three application withdrawals, one expired license and not renewed (Common Wealth Cannabis Lounge Class 2), and one surrendered license (T-Marianas). Discussions followed on the reasons for license non-renewal and surrender...
3. Seven pending applications are still in review with one of them being a micro-producer applicant which required an agreement with a wholesaler in which there is no licensed wholesaler. Discussions followed on micro-producers and wholesaler

agreement requirement, educational outreach on the types of licenses, incentivize the other municipalities...

The acting MD continued with pending applications, with one being Top Shelf (processor) and two new applications for retail.

4. Two approvals-in-principal; five AIPs had lapsed (expired), one was Common Wealth Cannabis Farm. Discussions followed on seeking the causes of the AIPs lack of momentum, e.g., restrictive commission regulations, policy, business decision, etc., inspection based, three extensions granted, little to no progression... Tu'u Group submitted nine applications, but Covid hit and that was part of their excuse along with financial constraints...

Chair Palacios asked the acting MD whether there was ever a policy, SOP, or reference, hardcopy, or recorded as to how to address the cancellations of AIPs and what would constitute a cancellation or denial of an AIP.

The acting MD replied that is something he is going to work on... Secretary Songsong added that he just emailed to the commissioners the previous board's September 18, 2020, motion regarding AIP. Vice Chair Hofschneider generally spoke of the previous board's motion which detailed the AIP letter issuance and extension...

Chair Palacios expressed that the previous board's motion did not address the process of AIP cancellations and inquired if there was a documented AIP cancellation process, criteria, what would constitute for an AIP denial...

The acting MD explained that the AIP letter states requirements that must be fulfilled within the AIP period of one year and that failure to notify the commission within that time period for an inspection [to determine/certify compliance with requirements and operational readiness] may be deemed for a denial, it is in the AIP letter; the difficulty that he is having is finding it in the regulations or statute to cite in his denial letter.

The chair expressed the importance of having criteria that would constitute an AIP denial... [reiterated earlier statements, e.g., documented, past meeting minutes, etc.].

The acting MD said that while in the process of writing the AIPs, he thought of the regulations which indicated the commission cannot issue any license without an inspection [of the premises]; he further stated that the AIP stipulates an applicant has one-year from the issuance of the AIP letter to set a schedule with the commission for

the conduct of an inspection, and because an applicant failed to meet the given timeframe, the commission, therefore failed to conduct an inspection of the premises, which would be cited from that regulation and would be deemed a denial, that is one part; the other part is that the AIP is a part of the application process and because the applicant did not complete the application process, the application in its entirety is deemed incomplete, that would be another cited regulation that would fall into a denial; so far, those are two parts of the application process, but it is locating it specifically in the regulations as far as the AIP not meeting the requirements and being deemed a denial.

A brief discussion followed on the AIP processes, review of past board minutes specifically on AIP discussions... the chair then inquired about the document that Secretary Songsong emailed relating to AIP...

Vice Chair Hofschneider asked Secretary Songsong if he could read the previous board's motion on AIP that was emailed to the commissioners. Treasurer Iguel volunteered to read it and read the previous board's motion, as follows:

“Title: Motion to formalize internal processes for commercial license applications: CNMI cannabis commission regulation § 180-10.1-325 outlines the processes the commission will have taken in review of submitted applications; the commission delegates the managing director to serve on the commission’s behalf in review of a submitted application to determine compliance with the act and commission regulations; should the managing director determine that an application contains all required documentation and information required in § 108-10.1-310, the managing director is authorized to provide an applicant with an approval-in-principal letter to notify the applicant that they have met the initial requirements and must schedule an inspection of the proposed license premises; the approval-in-principal determination does not constitute approval of the application or the issuance of a license to operate; in the process of reviewing an application, the chairperson of the commission may be delegating a member of the commission to assist in the review and processing of the application; the commissioner shall recuse his or herself from the final action of the application; commissioners delegated to assist in the application review and processing shall serve under the managing director; the managing director will coordinate with the applicant for inspection of the proposed licensed premises; if the applicant passes the inspection, the managing director will provide the commission a written report on the applicant, the findings of the inspection, and submit a recommendation for approval or denial for the commission’s determination; if the applicant fails the inspection, the managing director shall provide the applicant with a notice of the failed inspection and will provide fifteen (15) calendar days from the

date of the notice to submit a written response that demonstrates the deficiencies have been corrected; an applicant may request to the managing director for one extension of the 15-day time limit; if an application does not submit a timely plan of correction or if the plan's correction does not correct the deficiencies in a manner that would bring the applicant into compliance, the managing director is given the authority to deny the application; if the plan of correction appears on its face to correct the deficiencies, the managing director will schedule another inspection; if an applicant fails the second inspection, the managing director is given authority to deny the application unless the application shows good cause for the commission to perform additional inspections; denial of application will follow the regulations provided in § 180-10.1-335, and a written report provided by the managing director to the commission regarding the basis for denial; at a properly announced commission meeting, the managing director will present the report to the commission along with the recommendation on the application and final decision of the application will be voted on by the commissioners; the commission's decision on the application is final based on the determination of the majority of the commissioners present during the vote; approval of application and issuance of license will follow the regulations provided in § 180-10.1-330; denial of application will follow the regulations provided in § 180-10.1-335."

Chair Palacios acknowledged understanding of the previous board's motion relating to AIPs and suggested the acting MD consults with the AAG about the proposed denials of the five AIPs that have expired, citation of the regulation or statute...

The acting MD acknowledged the AIP denials would require the AAG's review and concurrence... and that the denial notice would also provide the applicant appeal opportunity...

The chair shared his thoughts with the acting MD about the contents of the AIP denial letter... discussion followed between the acting MD and the chair about the contents of the AIP denial notice, its processes, e.g., withdraw, deny, etc.... hand delivery, mail delivery timeline...

The acting MD continued his report:

5. Homegrown Marijuana Registry: Lost two applicants, fourteen active permittees, fourteen inactive, and four pending applications.

The chair shared his thoughts about personal home growers in that the commission may not be losing homegrown permittees because they may be patronizing

cannabis retail shops rather than having to go through whatever situations that may exist with growing cannabis themselves...

6. All others: The latest commission regulations dated May 28, 2022, was obtained and that the latest update with Saipan Select indicated that they have no zoning permit for processing and that he followed up with the Office of Personnel Management on the commission's administrative assistant position.
7. Enforcement: With the monthly reports that are being submitted, commission regulations does not seem to indicate anything about monthly reporting for processing which is a topic the acting MD may raise in the next meeting's agenda; for now, it [the regulations] does show at least as far as the retail part in that licensees report, but again as far as reporting is concerned, each licensee, whether it is a lounge, processing, wholesale, they should have [or there should be?] some [established] form of reporting, that is something that needs to be looked at; for the monthly reports, thankfully for the new hire, that is part of the task that the acting MD will pass on to the staff to start compiling, reconcile, and update the reports which would be provided for the commissioners review...
8. Inspection: An on-site inspection was conducted on Max Farms, they it initially intended on outdoor and indoor cultivation but were initially licensed for indoor cultivation based on their own reasoning; however, a condition was placed that because they were also interested in outdoor cultivation, they had to contact the commission to conduct an inspection of their outdoor cultivation site to ensure compliance with applicable requirements, e.g., SOP, equipment, etc.; the inspection was conducted and a letter was issued to them that identified the areas of concern, and once a response is submitted, the next course based on the condition is whether or not it meets the approval of the board and other requirements, e.g., zoning... The acting MD then mentioned non-pesticide use in their outdoor cultivation and that once their outdoor cultivation SOP is complete, he would like to reach out to Secretary Songsong for his review of it.

Discussions followed... LSR fee schedule, charge fee for re-inspection or additional inspection as it costs the commission to conduct another second or more inspections on major deficiencies... charge fee for vetting change of owners or shareholders, change in logo, etc., no provisions indicates that the commission can create fees applicable to amendments to license, etc., determination whether it can be done through regulations...

9. Renewals: The acting MD reminded the commissioners that renewals are coming up for commercial licensees which must be renewed by September 30.

Chair Palacios spoke about looking at the date of license issuance and that if licenses are still going to operate by fiscal year, which will be prorated consistent with the fiscal year; that way in fairness to everybody and not to discourage anybody that wants to invest now and not wait for months until the September 30th date...

The acting MD inquired about the amendments to the commercial applications to include notary requirement. Vice Chair Hofschneider indicated that it will be included in the next meeting's agenda. Discussions followed on the license fees collections... new applicants for processor and two retailers who will wait until October 1st...

10. The acting MD concluded by sharing with the commission that he is currently enrolled at the Northern Marianas College in which his studies will start next week, two classroom attendance and two online courses and that his classroom courses start at 4 p.m.... The chair spoke of employee professional development...

The acting MD then spoke of a previous detailed staff to the commission, Mr. Kelby Royal, from the Division of Tax and Revenue, and the need of his services who was the commission's enforcement and compliance person... the chair acknowledged and indicated that he will look into the matter with the Secretary of Finance Ms. Norita...

VIII. Adjournment

Treasurer Iguel motioned for meeting adjournment, seconded by Vice Chair Hofschneider. All commissioners voted in favor of the motion; motion carried.

The CNMI Cannabis Commission's August 18, 2023, meeting, a continuation of its August 17, 2023, meeting adjourned at 2:21 p.m.