



**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
CANNABIS COMMISSION**

P.O. BOX 500135 Saipan, MP 96950
Email: info@cnmicannabis.org

A meeting of the CNMI Cannabis Commission will be held on **Friday, October 29, 2021 at 10:30 A.M.** at the Office of the CNMI Cannabis Commission Conference Room located at Ascencion 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 from prior meetings
- V. Public comment

- VI. New Business
 1. Introduction of new employees
 2. Discussion regarding Resolution No. 2021-001 relating to reporting requirements for commercial licensees when making changes to existing license information

- VII. Executive Session
 1. Legal matters – AAG

- VIII. Managing Director's Report

- IX. Adjournment

Copies of this notice and agenda have been posted at the Administration Building Entrance Hall, the House of Representatives Entrance Hall, the Senate Entrance Hall and www.cnmicannabis.org, 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 Ascencion Ct., Bldg. 1341, Capitol Hill, Saipan or emailed to info@cnmicannabis.org on or before the meeting date. Oral testimony may also be presented during the meeting on Friday, October 29, 2021.

**CNMI Cannabis Commission
Regular Session Meeting Minutes
October 29, 2021**

I. Call to Order

Chairwoman Nadine Deleon Guerrero called the CNMI Cannabis Commission's meeting to order at 10:30 a.m., and announced that this meeting was being held through Zoom video conferencing as a precautionary measure as a result of a Covid-19 outbreak on the island of Saipan, and thanked the Commission's board members for agreeing to hold its meeting via zoom and the commission staff for setting up the Commission's office at Capitol Hill.

II. Roll Call/Determination of Quorum

Chairwoman called roll of the commissioners:

Vice Chairman Matthew Deleon Guerrero, representing Saipan, was present;

Secretary Journie Hofschneider, representing Tinian, was present;

Member Thomas Songsong, representing Rota, was present.

Chairwoman expressed uncertainty of the Northern Islands representative's (Treasurer Valentino Taisacan) attendance status as she has not received feedback from him, but will clarify his status at a later time when information is received. Chairwoman then confirmed quorum with the four commissioners present.

Managing Director Monique Sablan and AAG Keith Chambers were also present in the meeting.

III. Consideration and adoption of Agenda

Chairwoman asked if there was a motion to adopt or add to the agenda. Secretary motioned to adopt the agenda.

Vice Chairman asked if there will be any discussion on the CCR (Citizen Centric Report) in the Managing Director's Report, or would it be added as a separate item on the agenda.

Managing Director (MD) Sablan replied that she will address that topic in her report.

Vice Chairman then asked if the CCR would require the board or Chairwoman's approval of the CCR. MD replied that she recalled reporting on the CCR in her managing director's report last year. Vice Chairman responded that he was okay with its address in the MD's report, but thought that the commission would come to a vote on it, and that the MD does an exceptional job with the CCR.

Chairwoman indicated that the CCR could be highlighted in the meeting minutes under the managing director's report to show that it was discussed, and expressed excitement to see the CCR.

Secretary asked if there was an AAG from the attorney general's office present. MD replied that AAG Keisha Blaise was currently off-island who asked her to send an LSR to the AG's office for legal representation in which AAG Keith Chambers was assigned and would be zooming in today's meeting as soon as he completes his prior commitment.

Chairwoman referred back to the Secretary's motion to adopt the agenda, which was then seconded by Member Songsong; all commissioners voted in favor of the motion, motion carried.

IV. Consideration and adoption of Minutes of prior meetings

Chairwoman stated that in the last meeting, the September 4th, January 29th, and now April 16th meeting minutes needed to be adopted; she expressed satisfaction with the September 4th minutes, but was unsure if the January 29th minutes was clarified by the Vice Chairman and Member Songsong. Vice Chairman indicated that he will forward that correction to the January 29th minutes today.

Chairwoman then motioned adopt the following meeting minutes:

- September 4, 2021;
- April 16, 2021; and
- Tabled the January 29, 2021 meeting minutes to the next meeting.

Seconded by Secretary; all commissioners voted in favor of the motion, motion carried.

V. Public Comment

Chairwoman announced that there were no members of the public present for public comment.

VI. New Business

1. Introduction of New Employees

Chairwoman announced the introduction of the MD's newest hires. MD introduced Ms. Jayda Babauta, the Commission's administrative specialist/board assistant, who will be handling the transcribing of meeting minutes and other important administrative roles, and reintroduced the other commission staff, Messrs. Erik Basa, Kelby Royal, and

Dominic Pangelinan who will be introduced further in her managing director's report. The commissioners welcomed Ms. Babauta and the other commission staff on board.

2. Discussion regarding Resolution No. 2021-001 relating to reporting requirements for commercial licensees when making changes to existing license information

Chairwoman opened the floor to the Secretary to initiate discussion on the proposed resolution since she drafted it in collaboration with the MD.

Secretary stated that the commission previously discussed the need for a structural process to be in place for licensees to report changes to the license or licensee information, and unfortunately, there is not much mention in the statute or regulation on this process, thereby warranting the development of a change of information process to address this situation; a draft of resolution 2021-001 was emailed to commission board members for review and consideration. Secretary then went over the draft resolution.

Vice Chairman asked if the draft resolution can be placed in google doc for all members to access and input information where needed since everyone is currently online. Secretary acknowledged then uploaded the resolution to google doc. Vice Chairman and Secretary continued discussion on the resolution's language; Vice Chairman then shared a working document to all commission members.

Vice Chairman mentioned being at the SOP (standard operating procedure) section and that one of the things the commission is looking for when an SOP is submitted, Secretary replied, "Currently," and asked MD if she is aware of what is asked for in an SOP, if there is anything specifically requested, then indicated that she does not think anything in the resolution is requested for inclusion in an SOP.

MD replied that the commission does not require the information sought after in the resolution in a licensee's SOP; current SOP's require information on employee qualifications and training, quality assurance, quality control, transportation, inventory management, disallowing minors on the licensed premises or obtaining marijuana...there is no broad SOP requirements, as with for example, SOP on communications.

Vice Chairman agreed that there are some that are not directly listed that go to the core of a licensee's operations; "location" being one that would be a material change; the standard in which a change would need to be reported says that "If a producer makes a material change to a standard operating procedure;" the point of this conversation is its either the commission bump-up the SOP requirements and fit these elements into the changes on operating procedures or...that is the only area that he can think of now that

would require mid-application process changes; previously it was discussed about having those changes made within the renewal period, in which that provision is present.

Secretary addressed the Vice Chairman that it is a result of the licensee at the renewal period, that is if they did not comply with the reporting requirement and then reported later, which is expected to be reported as soon as there is a change no matter the time of year; and at time of renewal, there would be that extra set of questions that would be asked about the licensee's changes. Secretary exemplified instances with a specific licensee that made changes and did not report those changes in a timely manner, and therefore, the commission needs to indicate that somewhere, what the requirements are and how the commission expects them to report changes; what is currently stated in the statute and regulation is only on reporting "transfer of ownership" while in the regulations it is reporting of "transfer of location;" there is no mention of a requirement to update the commission on any other changes.

Member Songsong added that he recalled previous discussion on change of information and change of information forms, and asked if that was considered in the commission having "Change of Information forms" since change of information forms are being used with other CNMI agencies for reporting changes, so if there are changes to a licensee's information, the change if information form is then applicable, and asked if that falls somewhere in that illustration table/chart.

Secretary acknowledged that was correct and stated that the purpose of this resolution right now is because of where we currently are with the ability to only develop two application forms which are the "transfer of ownership" and "transfer of location," because it is mentioned in the statute and regulations; the other changes to report are basically until we establish a fee structure/schedule formed for specific changes so that the commission are getting compensated for time spent on the assessment of reported changes, there is a need for an interim approach so that, for example, if there is a change to a floor plan for an addition or extension or a change in business name change, it would require contacting the commission for further information on how to report for the managing director to determine the type of information needed from the licensee, e.g., letter detailing the change, new signage, etc., and that needs to be provided before a change occurs; there should not be a lengthy administrative review process and the conduct of reviews for unreported or report changes at no cost, the goal is to get these application types into the regulations with a fee so that the commission is compensated for the additional work time to be performed in undergoing a re-review or re-assessment of changes that were not initially reviewed, approved, and licensed for; right now the reason that there are only two applications for reporting on change of information is because of what is currently listed in the statute and regulations.

Vice Chairman indicated that there is one issue and believes this is an issue with a licensee adding an “owner,” and read out the following regulation 330 (c) in a shared drive, *“The licensure is only valid for the premises indicated on the license and is only issued to the individuals and entities listed on the application or subsequently approved by the commission”*; so if not initially approved and someone is added in who would otherwise qualify as an applicant, then that person initially approved is not operating under any license; if an applicant is issued a license for the exact names of persons who were in the initial application, any other person(s) who is operating as what should be an applicant is not operating under the terms of the license issued; the question is how does the commission subsequently approve, is it only to individuals listed or subsequently approved by the commission, that is where this resolution may come in talking about what is the subsequent approval process. Secretary agreed that this resolution is for reporting requirement for instances after the fact, changes reported after licensure.

Vice Chairman asked the commissioners if they are following along with the draft resolution working document on the shared drive. Member Songsong indicated that he is seeing the Vice Chairman’s inputs into the working document, all others responded likewise. Vice Chairman read through the draft resolution’s narrative, inserted/amended language...discussions continued...then asked if the resolution’s language make sense.

Secretary acknowledged that it covers the parties involved and serves the purpose of the transfer of ownership. Vice Chairman felt that the transfer of location is already covered under the licensed premises, so if a premises is licensed and the premises is moved then the new premises needs to be re-licensed. Secretary agreed and stated that licensees need to be informed of the reporting requirements, what is going to happen, and recommended that everything should have an application form so that the commission is compensated as a re-assessment fee for the additional work time, otherwise commission staff would be re-assessing changes at a cost to what was not initially or already approved, except for transfer of location or ownership.

Vice Chairman asked how are applicants listed within the license, as the one entity that applied and not the individual applicants. Secretary replied that the applicant itself is inclusive of all individual owners involved or having interest in the licensed cannabis business. Vice Chairman asked if there was any separation for individual owners as in separate licenses.

MD raised the issue of how the cannabis law talks about a license representative, referencing the Vice Chairman’s statement, as in a licensed licensee representative or licensed representative; the person(s) authorized on decision making on behalf of a licensee in the event the commission would need some form of movement or

communication; to give an idea to the commission board members of what has been transpiring, the reason why she and the Secretary presented this proposed resolution is to address the issue of reporting changes to information, because there has been a lot of changes that have been communicated with the commission, and there was not anywhere in policy, regulation, or statute that could be referenced; when a licensee is licensed, the only thing mentioned in the approval letter was the duty to report changes, but that does not reference any policy, regulation, or law; yes there are communications shared with licensees relating to reporting changes, but there is no timeframe and direction; one of the commission's licensees, for example, made a shareholder change in July, but the commission did not receive that information until its renewal date or at the end of September, and that was a big change the commission was not aware of, including a lot of changes to structure, floor plan, etc., that has been reported because inspections were conducted which realized that things did not match up with initial approval for licensure, which will be further discussed in the managing director's report.

Vice Chairman asked that in the letter indicating that one has been approved, is there a listing of who the applicants are? MD replied that the approval letter states who the licensee is and does not list the shareholders, in addition to the company type, e.g., LLC, proprietor, etc., the license number, premises lot number, etc.; so it is agreed when they sign the actual license agreement between us, they receive their approval letter of their floor plan initially submitted and then the license is issued thereafter.

Vice Chairman stated that there may be a number of things that could be done on this to resolve the issue of changes made by the licensee, maybe the first thing is to consider adding into the approval letter a listing of who the applicants/shareholders are, the language be, for example, "The licensure has been granted to the following applicants who are approved for this license," for whatever they applied for along with the other requirements, and then reference in the letter, for example, "In accordance with commission resolution...and any changes need to be reported," but also it is worth listing out that particular section of the regulations indicating that should any subsequent changes occur must be approved by the commission; strangely subsequently approved, approving after the fact. MD acknowledged.

Secretary agreed and indicated that is the unfortunate thing in that it would be impossible for the commission to have people/companies hold off on doing changes, specifically transfer of shares, to get it aligned on a certain date for the commission, so that is where the commission is at; this is similarly practiced in British Columbia (BC), Canada, with no issue, but is uncertain what the Vice Chairman would suggest for the CNMI.

Vice Chairman asked the Secretary if it is implemented in BC with a new application. Secretary replied that a new application is required within 10-days of the change of a new transfer, a company's change of directors, members, or managers; an updated register would need to be provided showing a new register of directors, shares or exchange of shares and transfers, redemption of shares; they would need some time to get these documents created, filed, and then submitted.

Chairwoman asked the Secretary if that is inclusive of a new singular individual entering an organization requiring an entirely new application. Secretary replied that it would require the managing director to conduct a suitability review of the new individual who was not initially vetted, who was not initially part of a company, so a new application would be submitted with the new individual's information, e.g., individual history form, criminal record, etc., then the company's records would be adjusted to show the new information, e.g., changes in individual(s), shares, etc., which would show the history of a company's ownership.

Vice Chairman recited commission regulations 315 (c), *"The Commission may refuse to issue a license if the applicant is not the owner of the business proposed to be licensed, a person with an ownership interest is not identified as an applicant, or an undisclosed ownership interest exists,"* then indicated that regulations 315 has additional requirements on who is an applicant, outside of regulations 310, and said that if an individual is on the lease, a lessee is an applicant, authorized to issue debt is an applicant, entering into contracts on behalf of the business is an applicant.

Secretary pointed out that the lessee is supposed to be the licensee, and added that a problematic situation could arise having people liable for things when all these people (shareholders) are applicants.

Chairwoman suggested possible amendments to the regulations to address the issue fairly. Vice Chairman posed the part on entering into contract on behalf of the business could be problematical. Secretary expressed the notion about the need to be reminded why it was such a big deal to have a licensee representative, there is a form for it, it would have been excellent to have so that someone would be liable for things should there be a non-compliant occurrence, but that is another issue she wanted to bring up and perhaps discuss further at another time, but it is listed in the statute about the licensee representative, so there is a need to do something with it.

Vice Chairman expressed that should the commission want to pursue it, add another payment in excess of the law, is allowable; looking at the regulations, the commission added an additional fee in 320 (b) research certificate, *"The fee is \$4,000 for a three-year*

term with an application fee of \$500,” which was not contained the law; if the commission wanted to add in some kind of fee, it may be allowable so long as it is promulgated appropriately for adding in an applicant as an ownership interest. Secretary inserted, “Things that should require an application, application types.” Vice Chairman acknowledged and said that it could be added.

Vice Chairman proposed... AAG Keith Chambers entered the zoom meeting and was welcomed... Vice Chairman informed the AAG about the working shared document, then asked the Secretary about the type of change, when a *location* is changed that is an application already covered and have an transfer of ownership fee in the regulations. Secretary acknowledged both for *transfer of ownership* and *location* is already in the regulations.

MD entered the discussion expressing that she believes it was in the commission’s last meeting’s agenda where various things were discussed regarding this exact issue, which is *reporting of changes* in general on anything regarding the actual licensed business that has already been licensed; that this proposed resolution will act as phase one leading to amending the regulations and potentially the law; she had submitted an LSR to the AG’s office in which AAG Chambers received relating to the potential need to amend the law.

AAG responded that he received the LSRs indicating that deputies distributed all the LSRs, and the LSR he received asked about imposing new fees which he had questions about.

MD thanked the AAG for updating the commission about the LSRs and asked if she could complete her explanation before moving into LSRs. MD continued that this proposed resolution as it stands is to assist the commission now in addressing the current status of how all licensees are making small and big changes without the commission’s knowledge; in the interim of amending the regulations and even before amending the law, this proposed resolution would serve the purpose for the time being until the commission is able to do what it needs to do to address those changes, so that she and the commission staff are able to refer to this proposed resolution for the time being; for example, if the commission decides to conduct an inspection tomorrow or this week and find a structural change or that a new shareholder was added or shares transferred of the licensed company, she is able to use this proposed resolution as reference to commission policy; a permanent amendment to the regulation would be preferred, which is something she looks forward to working on, but for the moment, this could act as a temporary solution; after reading the proposed resolution, which the Secretary and her worked on for the last couple of weeks, she felt there is little to no changes needed to the way it is written, and that changes should be strictly in the regulations along with the insertion of a fee

schedule, which is where the LSR and the AAG comes in to figure if the commission is able to implement fees into the regulations or if the law also requires amendment; she hoped her explanation made sense and reiterated that there seems to be little to no changes needed to the proposed resolution, that the commission may eventually vote to change the regulations to make it permanent, and if the law needs amendment, that discussion can begin with whoever introduces a draft bill to address the issue being discussed.

Secretary commented that the resolution acts as a sort of instructions document, information for the commission to post to reference for licensees to understand what the commission is expecting for *reporting any changes*; some may not be as important as others, such as the difference between transfer of ownership versus changing business establishment name, although all changes should be reported; until the commission has the authority to develop applications for these things, the fees, and the purpose of it is to let licensees know of required reporting and when to report.

Vice Chairman apologized for wrapping a little ahead around this resolution stating that the commission already has in the regulations a transfer of ownership fee listed, and asked if that is not covering what is being looked at doing. Secretary replied, “Yes,” that is why it says application. Vice Chairman responded that it was just said changing the law to provide...Secretary jumped in saying it is for other changes, there is no mention of changing other things like share transfer, structural change, etc., there is no fees associated to them. Vice Chairman responded that that is ownership isn’t it. Secretary explained that transfer of ownership is an entire legal entity switch from one set of owner(s) to a different set of owner(s).

Vice Chairman answered that that is where he is at a different understanding, where the commission has definitions of ownership within the processing period, which talked about the shareholder and the criteria for being an applicant under the concept of ownership, in which ownership is defined in stricter terms under behavioral characteristics, benefits, or obligations under 315(c) of the regulations.

Secretary replied that for clarity purposes about share transfers being partly to do with the ownership, an umbrella underneath the transfer of ownership or the ownership part, and asked the Vice Chairman if he is suggesting that the transfer of ownership fee is \$500, inclusive of ownership transfer from one business (e.g., ABC Ltd.) to another separate business (e.g., EFG Ltd.), and then any kind of changes like what is documented, such as internal transfers and external transfers, all for \$500?

Vice Chairman explained that ownership interest under 310(c) of the regulations talks about the general liability of partners, any members of the LLC that has 10% or more interest and 3% or more of voting stock, that is what we are talking about when we are talking about ownership interest, that is the requirement for applicants; and under the existing regulations, if these requirements are met or they lost somebody that had these requirements or gained somebody that have these requirements, then that would be an ownership change. The Secretary asked the Vice Chairman then how would the entity report it. Vice Chairman replied that that is the part needing to be discussed; subsequent change is stipulated under the regulations, ownership interest of 10% or more, or voting stock of 3% or more, or natural stockholders owning or controlling 10% or more of the voting stock. Vice Chairman then asked if he understands this correctly.

Secretary mentioned that what she is trying to articulate with the understanding of what the Vice Chairman explained and the definition of an applicant, but there are different changes to the applicant/license that can occur and so that is what is being specified, breaking it down, for example, in a change in ownership or other things, there would be a set of requirements; if there is an entire ownership change, then all new documents must be submitted for the new entity, there is a need to ensure that the entirely new entity is reviewed like a new application would be; with a licensed business, the only thing that will be reviewed is the new set of individuals or owners, if any, and not necessarily the actual licensed premises, so there would be less of an analysis in that regard versus nothing changes with a licensee still having the license, but there are new owners entering and others exiting the entity; with the understanding of the explanation given by the Vice Chairman that the applicant...so maybe that is the issue that the definition of applicant says that if there is a change, they no longer have a license?

Vice Chairman replied to the Secretary that the applicants are the ones licensed to do the licensed operation and those applicants are defined by ownership interest, you are talking about applicants, but applicants are defined by their ownership interest and so if there is a change in ownership interest under the regulations, then that would change the applicants and that would change those approved within the license.

Secretary mentioned that she is not suggesting a change of the transfer of ownership fee, but adding on additional or other changes at a cost as it will cost the commission to conduct a re-assessment of other changes.

Vice Chairman asked the Secretary if she was talking about different ownership requirements outside of the 10% limited liability membership interest, 3% voting stock, etc.

Secretary mentioned that what she is talking about is, for example with an LLC, there is a list of owners whether it is manager or member operated, if members change there is a need to report it, to submit an application for that change with a fee charged, but right now the commission does not have the authority or fee schedule for that, because there would be a change with individuals initially approved at the time of licensure.

Vice Chairman asked the Secretary why she doesn't think the commission has the ability to charge for that. Secretary replied that the commission does have the ability, however, the commission does not have it listed anywhere in terms of fees, and exemplified two individuals that were vetted, approved, and then licensed, then one individual leaves the entity and transferred shares to the other individual who now is the sole operator of the entity, there would be less administrative work required for the commission to make that change in ownership interest because no other person needs to be vetted, so maybe that change in ownership interest could be a \$100 fee versus a totally new individual entering the business entity with interest who would require a whole new re-assessment, e.g., background check, go through the approval process, etc., and then requires an updating of licensee information, which could be a slightly higher fee; the purpose of this proposed resolution is to say just because we do not have fees associated or an application created for these things does not mean that it does not have to be reported to the commission, it provides for the time frame to report changes and that the commission would make a determination as to what would be required at the time, and we should have procedures to address all these different changes, how to update them, and what the licensee is required to submit for the commission to reevaluate and reapprove.

Member Songsong inquired whether the \$500 fee for transfer of ownership interest would be applicable within an already approved/licensed group of shareholders who transfer shares in ownership interest amongst themselves, the same shareholders within the licensed business.

Secretary replied that is what she is getting at and that is another thing which needs to be determined; the establishment an appropriate fees for administrative changes for different changes; she indicated that she is not dictating anything and felt that it would be a cash grab, however, the commission should make a determination on the different changes occurring or that may potentially occur, and that her point is that the commission has not provided any of its licensees clear instructions on what to do if changes are made to an approved license after the fact.

MD added that this proposed resolution at the moment has no fee schedule to it, it just allows the commission's managing director and staff to address transfer of ownership interest to an individual that was not initially vetted by the commission, which would

provide her the opportunity to refer to the proposed resolution for guidance, and how the commission goes about vetting that individual, a procedure within the commission, and exemplified a certain scenario with a recent inspection conducted in which changes to floor plans were discovered that was not initially approved with no notification submitted to the commission; when inquiry was made as to why these changes were not reported to the commission, the response was that they simply did not know; simply put, any changes must be reported and the only thing lacking was a fee for the changes, so now the commission's permitting and licensing staff would have to revert back to their application to reassess their initially approved floor plan and if it complies with regulatory requirements, and that entails extra work on top the applications the commission currently has; what the Secretary is trying to detail is that this is a first step to impose some sort of procedure or rule that is not necessarily in existence or anywhere to be found that she could reference to hold weight, hopefully with a fee schedule in the future where the commission would be able to determine appropriate fees for different types of changes in ownership interests, structural or floor plan changes, etc.; essentially, to be able to have a list of things that we can refer to and also implement a charge fee.

Vice Chairman indicated that a lot of different things are being discussed and it is getting confusing and asked if these can be segmented out; we talked about ownership changes which is one thing, SOP changes which is another thing, and a bunch of other changes, and there is no blanket answer for each one that covers everything; is there a way we can focus on one of those things and talk it through.

Chairwoman stated that the things the commission need to list are the different changes that are occurring, and suggested that the determination of fees should be on the managing director as she and the commission staff are the ones performing the additional administrative work based on the length of time or complexity in addressing reported or unreported licensee changes.

MD expressed that in looking at the resolution, there is a chart that indicates the type of change, and those changes that are laid out are changes that has happened in the last few months, whether big or small, and what she lacked prior was when approval was required or how to report it, because there is nowhere that she could reference to impose any time limit or time frame, and so what this proposed resolution does, if it passes with the board or agree to its approval, what is being talked about is one thing which is the change in shareholder interest, whether it is from one entity to another or individual to another individual; this chart lays out a lot of other changes, e.g., structural change, etc., and provided an example when a shareholder committed a crime or was suddenly convicted needs reporting; the chart will guide commission staff to appropriately address changes, for example, the conviction of a licensed business's largest shareholder, the entity would

have a ten-day time period to report that change or occurrence, so that information would be provided to the commission through a letter, though a fee cannot be imposed and asked the AAG for guidance if her statement is incorrect because there is no fee schedule or regulations where she could reference to initiate a charge fee for the purpose of her permitting and licensing staff to reassess a licensee's initially approved application and license to make appropriate amendments as a result of a licensee's changes.

AAG suggested that he conduct an analysis of that issue at a later date for the whole thing, but as far as what the MD just mentioned, he is on 4 CMC 53036 where it outlines the fee schedule which gives the commission the authority to increase or decrease the fees that are listed to a certain extent, but it does not appear that it gives the commission the authority to actually make new ones; this is just for the annual licensing fees, not any sort of penalty, that was going to be something else he could discuss in the extension, but in terms of what the MD was saying, it appears that the commission has the authority to at least raise and possibly even lower the fees listed in the law, and not create new ones as stipulated in parts (d) and (e) of 4 CMC 53036.

MD asked the AAG, assuming that this proposed resolution goes through (approved) and that licensees know that they are supposed to report any changes to commission, and exemplified a shareholder of a licensed entity being convicted several months past in January and the entity is up for license renewal in September, and during the renewal date is when the change was reported, but they knew for a fact that they were supposed to report that within a ten day time frame after occurrence, if she is able to impose a penalty or fee, or is the board allowed to allow her to penalize as listed in the regulations with a fee schedule.

AAG replied that for violations of regulations and not an application fee about processing, this is about doing something that was not supposed to be done and be fined for it, is that what you are saying; so for that instance, there is this catch all in the law in 53066, it is called penalties and it says, "*The violation of any regulations promulgated pursuant to this chapter is punishable up to one year imprisonment and a fine of up to \$2,500.00*"; it appears that the statute lays out a fine that could be levied for an actual violation of commission regulations, and could go more into detail in terms of obtaining advice about this and what his thoughts are, but that is where he is at right now as was indicated in 53066 of the law.

Vice Chairman asked the AAG that he wanted to know that in 53008 of the law, the commission is empowered to enlarge upon provisions contained in the law, so he is unsure how that would conform with the additional use and adding of fee schedules.

AAG suggested providing his advice in executive session because he feels it will cause some back and forth questioning and that would be best reserved for executive session.

Chairwoman asked everyone's consensus on the issue if it would be better if the Secretary's proposed resolution be reexamined for a better understanding on what the commission is trying to do, because it is her understanding that the commission is expressing the need to develop a fee schedule so that when the managing director conducts an inspection and sees a clear violation of unreported changes, that she is able to refer to a schedule in accordance with the proposed resolution to address the violation accordingly with an assessment fee or penalty, and perhaps there is a need to grasp what the proposed resolution's purpose is, and asked the managing director and Secretary to clarify if she is incorrect with her statement.

MD replied to the Chairwoman that she is not incorrect and that she spoke of its components, but as was earlier discussed, it is a phase development as the commission moves through different phases on this issue that could later move towards regulatory amendment, or fee schedules being implemented, or the law being changed, referencing back to the commission's last meeting on this issue.

Secretary inserted that it is supposed to act as a policy, an interim approach to have clarity with licensees of what they are required to do and what they are required to report.

MD added that it lays out the foundation for licensees to get a clear idea of when any type of changes in information should be submitted that was not initially approved for licensure, whether it be structural or floor plan changes, adding or subtracting shareholder interests, changes in hours of operation, etc., because those unreported changes are already ongoing and has been happening which are being discovered when inspections are conducted or when communicating with licensees, so this resolution would be phase 1 for the ability to refer to something when addressing licensee changes that are required to be reported within a certain time frame; phase 2, looking back the commission's last meeting's agenda, would be proposed amendments to the regulations regarding changes to the license as a result of licensee changes, time frame of reporting changes, those will be added directly into the regulations, administrative notices of suspension and cancellation if the commission inspects and discovers changes, and when a licensee continues to not report any drastic or even small changes, and then a discussion on whether or not what would those penalties and fines be for noncompliance; part of this discussion is whether or not to impose a fee for changes in terms of processing fee for the permitting and licensing division's reevaluation; what happens when a licensee has a change, is the commission able to impose a fee to, for example, changes to shareholder structure when a new shareholder is added, is the commission going to charge a certain

fee amount for reassessing application/license or license renewal, but from what the AAG had presented that the commission is unable to establish new fees because of that section of the law he cited; so at the moment, guidance is lacking in addressing this issue, that would be a board decision, but hopes the commission can come to an agreement for the implementation of some sort of fee schedule for penalties and fines for noncompliance, which she has already been working on.

Vice Chairman indicated that a lot of different things are being discussed and all of them have different responses, we talked about timelines that is one thing that we can work on, changing fees, penalties, these are all separate things, and there is a need for a penalty structure. MD inserted that we are talking about phases and timelines with phase 1 to implement them, phase 2 would be to address noncompliance, penalties, suspension notice or whatever it may be, and phase 3 could be amendments to regulations or the cannabis law which could be a fee schedule for noncompliance issues, or even adding to the fee schedule on the areas the AAG mentioned.

AAG asked MD if what she was describing relate to transfer of ownership. MD replied that it entails multiple changes, not just transfer of ownership, and that is what we are trying to get at if the commission is able to impose application processing fees for different changes, e.g., structural change, change to shareholder interest to due to an arrest, conviction, sale, transfer, etc., and continued with similar explanations previously explained. Discussions continued on transfer ownership interest and its definition according to regulation or law.

AAG mentioned that there seems to be a typo in the law itself, because for each license it spells out what section it is referring to, but for transfer of ownership it gives section 128, so it could be the public law but will have to look into it further because he thinks it is supposed to explain what transfer of ownership means, but is unsure at the moment and will continue his research on the side.

Vice Chairman expressed that he, thinking generally, is on board with working the proposed resolution through, however, at the moment there is confusion as to what the commission is working on exactly.

Secretary expressed that she thinks it is because of the understanding of what transfers of ownership involves, even if the commission agrees that it understands it differently, even if it is said that the transfers of shares between individual shareholders within an entity, and then exemplified a licensee scenario, and directed her statement to the Vice Chairman that what he is saying is that requires a transfer of ownership application fee of \$500, that also applies to transfers in interest from one entity to a different entity, and that is fine if

that is what it is being interpreted as, but there are also other changes in her opinion that also need to be reported that do not justify a \$500 fee, that is another thing and that fee could be implemented later; the purpose of this proposed resolution, regardless of how it is incorporated, if we put a specific share transfer, including changes in managers, members, directors, or officers, all under the title transfer of ownership that is totally fine, and that would be a different story if we interpret it that way, then she can create those applications and perhaps all of them could be assessed a \$500 fee; when compared with an individual or entity applying for a new license, that is sort of another different story and these are things to think over, it would be helpful for the commission to have that authority to create all those applications, understanding that the commission are interpreting those share transfers and those changes of officers or directors underneath that umbrella of transfer of ownership; then there are other things, so the purpose of this proposed resolution is to simply say that these are all the types of changes that are possible, which are not the main ones, and this is what licensees are required to do.

Vice Chairman acknowledged indicating a similar understanding in terms of transfer of ownership and expressed two issues: if there are additional costs associated with doing the regulatory components relating to applicants, the commission may use its authority and review whether or not the application and license fees generally are covering all the costs instead of adding on different components, maybe that is an area that can be tackled if there is a feeling that the commission is not getting compensated for the additional work and increase the fees overall, because adding a different fee for a different thing every time it comes up maybe more complicated than it is worth, and that would be his recommendation on the possible increase in fees overall to make up for all the unforeseeable additional requirements onto the administrative staff.

Secretary expressed her personal opinion in relation to her former place of employment in British Columbia, Canada, in that everything is weighed, time and effort, and that is how they determined application and license fees; it was not done that way with this commission, it did not create those fees and is unsure as to how the legislators justified the charging of fees for one type of application versus another type of application; she felt that what is listed in the resolution is the majority of the types of applications that the commission should be receiving from clients as far as changes is concerned, and does not see that there is much more to it than that and that it is not a lot of fees and would not be very much; in terms of transfer of ownership, the commission would not be reviewing information on the physical premises and verifying compliance with license requirements, the commission would only looking at the people involved, and that could be a lessor fee than a review of a new application; similarly, lessor fees could also be applied to a business name change or change in operating hours; personally, she would not want to change application fees to accommodate potential changes when she does not

understand where or how the initial application and license fees were developed or the justification behind those fees.

Vice Chairman added that just on that point, the commission has limitations on how much it can lower a fee, there are no limitations except for micro-producers, theoretically that example and model could be undertaken and price out what exactly is the cost of the applications and increase it to a justifiable amount, that is allowable under the law, and think that was the intent of having upward mobility and not reducing fees to an unfeasible point; for issues with changes to locations, floor plans, structural changes, it seems that these are already covered under the regulations, and violations of it already has a compensation mechanism within penalties, so if during an inspection a floor plan change was discovered that was not approved under the initial license, that is a binding penalty that would compensate for any of the work needed to be performed for record updating.

Secretary responded that it seems to capture noncompliance issues and does not capture reporting requirement. Vice Chairman indicated that it may be unneeded to add in a fee, it seems that a fee is being used as a reason for them to report within a certain time frame; using the fine as a reason for them to report within a certain time frame and capture that within a broader additional administrative cost to fit into the license and application fees, build out a new model for pricing licenses to incorporate potential changes into, e.g., site inspection or whatever, and then if there is noncompliance, the commission gets compensated from the fines assessed when regulations are violated; this may be a legal question on the prosecution side of it, but it seems if licensees change their core plan without reporting those changes, they could be fined.

Secretary and Vice Chairman continued discussion on the issue/subject matter, e.g., penalties, regulatory penalties, major/minor violations, resolution, and subsequent transfer of ownership, transfer of license...

AAG joined in mentioning that he has some thoughts on all of this discussion but reserves it for executive session because of legal advice, however, the commission may continue with its discussion if it wishes to.

MD asked AAG if he knew who received her LSR request regarding the explanation of fees contained in the law. AAG asked if it was the LSR that asked that the board would also like to implement civil fines and a fee schedule over violations made by a licensed marijuana establishment. MD replied that it was a request for legal assistance regarding current fee schedules, the history of how the application and license fees and other fees in the law were generated, wondering who would be the one to respond from that, and then

mentioned a response was received yesterday for another LSR, in which four to five LSRs were submitted to the AG's office.

AAG responded that after looking into his records, he is not sure who was assigned that particular request for legal assistance regarding questions to the current fee schedule as set forth in the law (53036), but it was not assigned to him, however, he will follow-up on that LSR. MD acknowledged and thanked the AAG.

Chairwoman asked the MD if she had any legal questions in her managing director's report to discuss in executive session and expressed moving first into the managing director's report then into executive session thereafter. MD indicated that she has an inquiry to bring up in executive session.

Chairwoman asked if there were any objections on moving into the managing director's report first then into executive session after. There were no objections. Chairwoman then moved into the managing director's report.

VII. Executive Session

1. Legal Matters - AAG

Chairwoman moved into executive session at 1:06 p.m., after conclusion of the managing director's report to discuss the legal mechanics of the proposed resolution 2021-001, the legal aspects of what can be done as well as addressing the MD's legal questions relating to a licensee.

Chairwoman exited executive session in which the topics of discussions with AAG Keith Chambers related to legal questions and inquiries from potential applicants that were either emailed or phoned in, the legal mechanics of proposed resolution 2021-001, violations currently happening with a current licensee and methods in addressing those violations with the development of a fee and penalty schedule.

VIII. Managing Director's Report

MD reported the following:

- Three commission staff who were introduced to the board comprise of one staff assigned to administrative services, one in the permitting and licensing division, and the other in enforcement and investigation division; she expressed the need to create another audit or compliance division in which she is seeking to staff, and that the

current staffing has provided great support and relief from her huge work load being the lone employee from the start.

- Updates on commercial cannabis licensing: There will be potential new applicants in the coming month of November for a Producer Class 2 and Producer Class 3; for pending applicants, she will start working on the mass emails requesting for general information and is currently following up with applicants whose applications are still pending due to incomplete documentation whom were officially notified through correspondence, while another pending applicant is thinking of having their application on hold; an updated list will be provided to the board.
- Approval-In-Principal (AIP) applicants: With applicants who were issued AIP letters, follow-up correspondences will be sent to them for a status update or progress with their respective facilities in order to move into an inspection for operational readiness and potential licensure; there is an upcoming inspection for a potential Producer Class 1 licensee tentatively scheduled for November 8th, whose application has been pending for about a year.
- MD mentioned that she emailed the board earlier relating to the mass email to licensees of requirements, which is a list of all the things the commission will be requiring for licensees as follows:
 - Waste disposal plan;
 - Background checks on principals, which includes police clearance, certifications of no criminal conviction, financial check, audited financial statements, other certifications such as certificate of compliance, up-to-date with Business Gross Revenue Tax, or any updates with business license and annual reports;
 - Employment listing to perceive job listings that the business created and salary ranges for employees in the industry;
 - Transportation to view producer to retailer transport protocols, registration with commission of transport vehicles and for transporter protection in the event law enforcement is involved during the transport of marijuana;
 - Listing of marijuana items;
 - Media links, e.g. websites, Instagram, etc., to be able to review pages in accordance with regulations, e.g., advertising, etc.
 - Current listing of all fertilizers and pesticides being used; and
 - Records of plant tracking information and marijuana inventory, e.g., tracking methods or system, information, etc.

MD reverted to earlier conversations that the commission recommended to request all of the information it can acquire to avoid not knowing any changes or updates, and will work on accomplishing it in the coming weeks and asked the board to advise her should there be other information added to the list of requirements.

- Licensee reports for July, August, and September will be available on google drive for the board's review; licensed producer and retailer site visits were conducted on T-Marianas, Saipan Select and CanaMarianas; with Common Wealth Cannabis, there was an inspection delay because of their closure for an entire month, September through October, due to the lack of product for sale, in which the commission was notified, and that is something she had discussed with the Secretary about a *dormancy notice*, which the commission is figuring in addressing notifications of different occurrences, but at the very least, licensees should inform the commission and provide reasons for its taking of certain actions, in this case, retail shop closure.
- License renewals (September) went well with all licenses renewed except one; there were few changes to the renewal structure, however, to address licensee changes, e.g., shareholders being dropped or transferred to new individuals, SOP changes/updates, etc., which is where the proposed resolution was derived from in anticipation of changes going unreported or reported after the fact; the one license that was not renewed ended up lapsing because a renewal application for its Lounge Class 2 was not submitted, which she will further detail in executive session.
- The commission's permitting and licensing division is well established operating smoothly administratively, and now the focus is on streamlining the enforcement and investigation division in keeping licensees in compliance and how to best assist the community with information in understanding what the dos and don'ts are under the cannabis act and working with local law enforcement, not necessarily with the performance of their duties, but in acquiring a better understanding of what the cannabis act and rules and regulations state; commission staff Kelby and Dominic were tasked to create a mini-multiagency taskforce comprising of one personnel each from the Department of Public Safety, customs, commerce's ABTC and the DETF (Drug Enforcement Task Force), which will act as some form of think tank to develop a structure for courses of action, i.e., procedures in addressing unlicensed homegrown marijuana cultivation to come into compliance with the cannabis act and rules and regulations, etc.
- Training was conducted this year with upper level management local law enforcement agencies of the DPS and chief prosecutor, and training will continue with lower level law enforcers such as patrol officers, customs, etc., sometime in mid-

November; one thing she is contemplating with training sessions is being accompanied by a legal counsel, in which she has reached out to Chief Prosecutor Hinds seeking someone he would recommend to assist the commission in this endeavor.

- The drafting of penalties and fines is being developed after researching other agencies and jurisdictions which will be presented to the board for review once finalized; this would be helpful for the commission's enforcement team in addressing non-compliant situations and enforcing penalties.
- For the homegrown registry, the commission has received new registrants and will be working on media information to get the word out for unregistered personal use homegrown cultivators to come into compliance with the cannabis law; for existing licensed registrants whose licenses are expiring, the permitting and licensing are working with these individuals with their renewal.
- The commission's budget for FY2022 includes both ARPA and general funding which will be broken down between the two funding sources as follows:
 - ARPA funded operations, personnel, and all others is \$243,198.00, while the commission's board is funded \$157,727.00; the general funded operations including personnel and all others is \$47,064.00, while the commission's board was funded \$24,583.00;
 - Total commission operations budget from the two funding sources is \$290,262.00, while the commission's board is \$182,320.00.

The amounts funded represent the commission's FY2022 budget. MD and Chairwoman will be meeting with the Office of Management and Budget as there seems to have been some budgetary miscommunications.

Chairwoman agreed and mentioned that from a budgetary standpoint, there seems to be a shortfall of funds to compensate all the commissioners for the fiscal year, and with the new MUNIS system, once funds are depleted, generating payments will not be possible; this is something that will be figured out and where the commission will go with that.

MD stated that for the board's budgetary discrepancy, there is a \$94,000.00 difference from the \$275,000.00 that is needed, but will work on figuring out the discrepancy and with the MUNIS system.

- Miscellaneous items - mentorship is being established with the Massachusetts cannabis control board's executive director which discussions were initiated previously in the year 2020 and is being revamped to further discussions into seeing how she can acquire guidance with respect to her position as managing director; she will also reach out to other jurisdictions to learn more on how they created their structure.
- A letter was received from the Northern Islands mayor and transmitted to the Special Assistant for Legislative Review; she is waiting to hear from them as to what would be the next step to take. As for the Rota mayor's letter she received relating to Member Songsong's reappointment, it was forwarded to the Rota Legislative Delegation in which they expressed that it needed to be addressed to them, which was also communicated to the Rota mayor's secretary.
- MD concluded with the commission's *Citizen Centric Report* in that it is close to completion having up to November to complete, and that it is great to see how far the commission has gone from its initial start-up to present.

IX. Adjournment

Chairwoman stated that a meeting is being scheduled for next Wednesday to vote on the proposed resolution 2021-001, however, she wanted to see if the commission can work on changes to the resolution now or further discuss the matter in order to come to a consensus and be able to vote on the proposed resolution at the next meeting.

Chairwoman then asked the MD if she could provide the board a statement of purpose for the proposed resolution which would help better guide the commissioners to a better understanding to what the commission is trying to accomplish.

Secretary mentioned that the purpose is mentioned in the resolution under the changes to the license. MD added that it involves any proposed changes requiring reporting prior to changes being made as charted in the resolution, and explained some examples.

Secretary, MD and Chairwoman further continued discussions on the resolution with transfer of ownership and shares, definitions, etc. AAG joined in the discussion relating to the definition not found in the statute.

Vice Chairman suggested that parts of the resolution may need to be regulatory and approve in the next meeting those items that do not need to be regulatory, and possibly add to it. Chairwoman replied that would be possible in addition to agreeing on a definition.

Member Songsong suggested the possibility of two definitions, the first for share transfers within a group of existing licensures, and a second for transfer of ownership, shares, or changes; that a second bullet in the presentation chart could be inserted under share transfers that could be defined with the thought of transfer of ownership or changes as the first definition while the second definition could be share transfers within the legal licensed entity of shareholders for the first bullet in the chart; that is how he is seeing it because in the first bullet of the chart, it shows new members or shareholders that were not licensed in the first place and un-vetted, and then there are those shareholders that were licensed initially, two possible scenarios. Secretary admitted that it is an interpretation item and for the group to decide.

Vice Chairman suggested that the interpretation may need to be clarified in the regulations because the commission cannot make something a penalty unless it is clarified within the regulatory structure; there is a need to be clear.

Discussions continued on the proposed resolution 2021-001...on interim policy, regulations, transfer of ownership or shares, reporting changes, revisiting regulatory and statutory definition, defining ownership and transfer of ownership, alternative solution, authority, legal questions, etc.

Chairwoman suggested that the issues discussed be examined further and for proposals to be presented in the next meeting scheduled for Wednesday in which a final discussion will take place for consideration on its approval, and that a finalized resolution document be prepared for approval consideration in the next meeting.

Discussion was initiated on LSRs, request for legal assistance, language, etc....

After concluding a lengthy discussion, Chairwoman asked if there was a motion to adjourn meeting; Vice Chairman motioned to adjourn, seconded by Secretary; all commissioners voted in favor of the motion, motion carried. Meeting adjourned at 3:41 p.m.