



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

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A meeting of the CNMI Cannabis Commission will be held on **Friday, January 28, 2022 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. Opening Remarks
- IV. Consideration and adoption of Agenda
- V. Consideration and adoption of Minutes from prior meetings
- VI. Public comment
  
- VII. Old Business
  - a. Discussion on inter-island transport
  - b. Discussion on Retailer delivery regulations
  
- VIII. New Business
  - a. Discussion on Part 1500 Marijuana Events – Administrative processes, permitting & licensing and enforcement
  
- IX. Executive Session
  1. Legal matters – AAG
  
- X. Managing Director's Report
  
- XI. Miscellaneous Remarks
  
- XII. Adjournment

Copies of this notice and agenda have been posted at the Administration Building Entrance Hall, the House of Representatives Entrance Hall, the House of Senate Entrance Hall and [www.cnmicannabis.org](http://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](mailto:info@cnmicannabis.org) on or before the meeting date. Oral testimony may also be presented during the meeting on Friday, January 28, 2022.

**CNMI Cannabis Commission  
Regular Session Meeting Minutes  
January 28, 2022**

**I. Call to Order**

Chairwoman Nadine Deleon Guerrero called the CNMI Cannabis Commission's meeting to order at 10:32 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**

Chairwoman called roll of the commissioners:

Vice Chairman Mathew Deleon Guerrero, representing Saipan, was present;  
Secretary Journie Hofschneider, representing Tinian, was present;

Chairwoman announced that Commissioners Thomas Songsong and Valentino Taisacan, representing Rota and Northern Islands, respectively, were unable to attend today's meeting and excused, and confirmed quorum with the Saipan and Tinian commissioners present via Zoom video conference.

Managing Director (MD) Monique Sablan was also present during this meeting via Zoom.

**III. Opening Remarks**

Chairwoman stated that a new line "opening remarks" was inserted in the agenda for the purpose of recognizing non-commission members and staff present in meetings, or to state anything involving the commission's progress, concerns, etc., and mentioned that the AAG was unable to attend today's meeting.

MD acknowledged the AAG's absence who had indicated that an LSR could be submitted should any legal question arise, which would be addressed in the next meeting, and then advised the commission members that Commissioner Songsong entered/joined the commission's meeting.

Chairwoman announced for the record that newly reappointed Commissioner Songsong has joined the commission meeting via Zoom video conference, and that only Commissioner Valentino Taisacan is absent and excused.

**IV. Consideration and adoption of Agenda**

The commission members having no addition or amendment to the agenda, Chairwoman motioned to adopt the agenda, seconded by Secretary. All commissioners voted in favor of the motion, motion carried.

## **V. Consideration and adoption of Minutes of prior meetings**

Chairwoman asked that if there was any objections to tabling the adoption of prior meeting minutes to the next meeting; hearing none, Chairwoman then motioned to table the adoption of prior meeting minutes to the next meeting, seconded by Commissioner Songsong. All commissioners voted in favor of the motion, motion carried.

## **VI. Public Comment**

Chairwoman opened the floor for public comment. MD reported that there were no members of the public present for public comment. Chairwoman announced the same for the record.

## **VII. Old Business**

### **a. Discussion on inter-island transport**

Chairwoman mentioned that a couple LSRs were submitted to the AAG which sought advice on the inter-island transport of cannabis, and that although verbal stances were communicated, the commission has not received a written position on the matter; she mentioned that the MD was tasked to follow-up on the matter as it was important to obtain the AAG's written legal opinion in order to appropriately address public inquiries with inter-island transport of cannabis. Chairwoman then turned the floor over to the MD for further elaboration on the matter.

MD stated that the reason why she raised the inter-island transport issue again, understanding that this matter was spoken of multiple times, is that to date there has not been a final answer to that question as to how the commission would respond to that specific public inquiry, and that she has a few concerns in that there are interested applicants for cannabis producer licenses on Rota and Tinian, including a cannabis lounge on Tinian, and that she and her team are preparing themselves for that question, which is are Rota and Tinian producers able to involve themselves in the Saipan market with licensees on Saipan; additionally, another reason this matter is raised is that a licensee inquired about an upcoming Pika Festival event on Tinian in February (2022) and asked if they are able to open a cannabis booth, obtain a temporary events permit to

sell marijuana, which the MD described as similar to a beer garden or the taste of the Marianas.

MD raised two issues with the marijuana event request in that the commission:

- Has not established/implemented its “marijuana events” application processes, procedures, etc., although marijuana events regulations exist; and
- A 30-day advanced notice is required before anyone can be granted a marijuana events permit.

MD continued that obviously the answer to that inquiry would be no, however, the big component to that inquiry was that they wanted to transfer product from Saipan to Tinian; and when the commission’s marijuana events permit becomes available, that is something the commission would need to look at, however, expressed the commission’s lack of personnel for that (marijuana events) and unsure whether marijuana product from Saipan could be transported to Tinian and how to address that inquiry absent a written legal position from the AG’s office, although it also does not stop the commission board members from having a stance on the matter pending the AG’s written advice.

Chairwoman presumed that alcohol will be served during the Tinian Pika Festival event and that is one reason why the commission would not be able to actually entertain that “marijuana event” request because it is either marijuana only or alcohol only, and not the combination of both; another concern the Chairwoman raised is that she is unsure exactly where the proposed grounds would be located in proximity to a school, day care center, or a church, and expressed that in the law with respect to proximity restrictions, the commission cannot permit a marijuana event 500 feet from any of those establishments.

Chairwoman stated that sufficient justification exists to deny the marijuana event request since the commission has not received sufficient legal advice on whether or not a licensee from Saipan can transport marijuana products to Tinian, including other concerns discussed above, and conflicts with regulations and the law; in the meantime, it is also important to set things together so that the commission can grant future marijuana events, and expressed understanding that the MD and Secretary are on top of this marijuana events issue with ideas and expressed full confidence that they will be able to draft an application and procedural processes, and that she would be happy to assist with inter-agency discussions or where ever she may be needed, and concluded that the regulations tasks the commission to enforce marijuana events and underscored the commission being understaffed.

Secretary indicated that marijuana events being regulatory, a process can be created and if requirements are met, a permit may be issued, however, with this recent Tinian scenario/request, a licensed marijuana producer on Tinian would be required, which has not happened yet. Discussions followed on the location of the Pika Festival being held on public land on fiesta grounds in close proximity to a church, etc.

Secretary continued that the inter-island transport of marijuana is obviously a big issue that people have raised, including discussion with local leaders, which Senator Hofschneider inquired as to the commission's position on that issue; until the commission is conclusive on that issue, the only option at this time is to promote having licensed producers on Tinian and creating that opportunity for other applicants to enter and open a marijuana retail shop or lounge and provide options for marijuana events until the commission has concrete answers to the inter-island transport question, and that is how the commission should focus on opening the industry on the other islands on Rota and Tinian that do not have the ability to move or transport marijuana product.

MD expressed that at least there was interest in holding a marijuana event, which she was excited to see, however, was unsure as to how she would provide an explanation to that inter-island commerce and if that option was available.

Secretary agreed with the MD and said that is exactly why, if the commission was to enter into that conversation, that not only the commission focuses on that one aspect of inter-island transport, but also other viable options on the other islands, e.g., establishment of licensed producers and/or retailers.

Member Songsong raised the thought that the Tinian Pika Festival also involves all age groups, and as a result, consideration for either the marijuana event be held at a separate venue away from the Pika Festival or held as a separate day event.

Secretary acknowledged the involvement of all age groups in the Tinian festival and asked if it would stop someone from inquiring on the possibility that the marijuana booth area be contained/tented at the festival site, contained in a way that signifies adults only and identification checks are conducted; various ideas may be raised, but just to say that if someone were ever to suggest that, the commission would have to screen that to see if minors are protected from exposure, so there would be some significant requirement that would have to be met to ensure that minors are not exposed to marijuana product and scent. Member Songsong added, "Something like quarantine and isolation."

MD described a similar previous request for a marijuana booth at a block party at central Garapan who inquired as to what would a "marijuana events" look like, however, the

commission did not have that section of the regulations ready at that time, and explained that something like that, that is in a centralized area that is privately owned and the business is privately owned and has the ability to contain the marijuana consumption area, and be a twenty-one years of age or older event, would probably be a good example to consider; and she is looking forward in furthering her conversation with that inquirer because the board brought up things that she inadvertently missed, e.g., public land, proximity restrictions, etc.

Vice Chairman stated that the commission did a series of regulations inclusive of marijuana events, and asked the MD when the public comment period expired on those, and expressed belief that the commission has to vote on its promulgation after the public comment period. MD replied that it has already been published since August 2021. Vice Chairman asked if after the public comment period ends, the commission votes on a regulation's official promulgation.

MD acknowledged that the board accomplished that or voted on it in July - August 2021, but she will revisit that to confirm and will advise the board accordingly. Discussions continued on past voting on regulatory amendments, public comment period, adoptions, and voting for official regulation promulgation and publication.

Chairwoman addressed the MD's concern with inter-island marijuana transport in that the board needs to come to a consensus, something that could be voted on whether it is internally and documented in the meeting minutes to say that until the AG provides a clear direction, because although we heard it from the chief prosecutor that he does not believe that marijuana could be transported inter-island because it is still federally illegal, it would be acceptable to say that the commission finds it unacceptable and does not support any transport of marijuana products between islands. MD agreed that pending the AG's official statement, she could work with the board's consensus on that subject matter.

Member Songsong shared similar sentiment expressed by the Chairwoman and then mentioned that he was approached by Senator Victor Hocog about the same issue with the inter-island transport of marijuana who mentioned that they (the legislature) would have to revisit the CNMI's three mile exclusive economic zone and define that situation.

Vice Chairman indicated that there may be a corollary response with other elements that the commission does not have a position, it is not in the regulation whether they can or cannot do it, similar with any number of operational elements that are their decision when it comes to certain issues; for example, when it's a tax issue, they would come to us asking for guidance on taxes and the commission's response could be to consult your

certified public accountant, talk to the professionals within your organization and if it is determined that is the way to go then do it that way, and if it is a problem, the commission will let them know; maybe with this scenario, the commission does not have legal guidance although we should have legal guidance as to whether or not we have a position on it before taking a position, but if they should consult their lawyers, maybe, and make that determination; it is tricky to get into a position because we have a position because of the nature of the industry that it is federally illegal, whether we say it isn't or not.

MD thanked the commission members for providing input and stated that the reason she routinely raises this inter-island transport matter is that it be recorded in the commission's meeting minutes to show that it is a continuous concern, which is why there has been many LSRs submitted to the AG's office, and that every time this issue is brought up, another LSR will be submitted for the record; the AAG, however, has requested additional time to respond to this particular LSR, and should a response be received, the board will be apprised, and if not, this issue should be reiterated in the next meeting with the AAG.

Chairwoman acknowledged the MD, and MD stated that she will schedule a meeting with the inquirer who requested to set-up a marijuana booth at the Tinian Pika Festival to explain the matter and deny the request for the reasons discussed above, i.e., situated on public land, proximity restrictions to church, school, etc., the presence of alcohol and minors, inter-island transport of marijuana product, and the thirty-day advanced notice requirement, etc., and that the board will be informed in terms of their response.

Secretary pointed out that a procedure could be prepared to address that inquiry and that the commission should focus on the current law and regulations. Chairwoman acknowledged that the reasons mentioned are sufficient to deny the request.

Vice Chairman said that it is certainly reasonable sometime in the future to have, for example, a storefront that would open up for events and call it the "Pika Fest marijuana area" somewhere else outside of the festival grounds that lets patrons know that it is available there, and that meets all compliance rules, that is within their own possibility; also, the additional requirement and reason for denial is the thirty day notice timeline, which make it not possible with the regulations even if we wanted to, they needed to submit a thirty day notice to the commission.

Chairwoman asked the date of Tinian's Pika Festival. MD responded that it is around the second week of February on the 11<sup>th</sup> and/or 12<sup>th</sup>. Chairwoman acknowledged the Vice Chairman's statement and then moved on to the next agenda item.

## **b. Discussion on Retailer delivery regulations**

Chairwoman recalled that this was another regulation that the commission may have passed or discussed, and that it may not have been published yet.

MD replied that the commission does not have any delivery regulations, although it is detailed in the Cannabis Act. Chairwoman stated that the law allows for cannabis delivery as long as it is purchased within the licensed retailer premises, a retailer can then deliver the marijuana product. Secretary recalled the AAG mentioning licensed retailer delivery was allowable within the statute.

Vice Chairman extended that there are two elements - the statute says that it is allowable, available, but the regulations say that it is not available, and that we are talking about amending the regulations, just to strike off that regulatory prohibition.

Chairwoman noted the issue at hand and sought the commissioner's consensus on the delivery issue so long as the marijuana product is purchased from a licensed retailer's premises.

Secretary expressed that a structure, procedure, should be developed on how the delivery system would look like, e.g., cannabis tracking, product movement, recipient's identity verification, transport vehicle identification, etc., including auditing and addressing any enforcement issues. MD added, "Like an SOP."

Discussions continued on marijuana transport and delivery systems, comparison with other jurisdictions, and the MD's suggestion in seeking advice from her mentor, Mr. Collins, Executive Director of the Massachusetts Cannabis Control Board.

Vice Chairman said that alternatively, since there are questions as to whether or not the commission could add licenses after the law, the commission can do an endorsement for a retail delivery license, an endorsement process where the commission grants a retail license that is endorsed, a separate approval process to provide the means for the conduct of delivery. Discussions continued on marijuana delivery systems.

Chairwoman expressed her thoughts with retailer delivery suggesting not having it part of regulations, but to start as a Standard Operating Procedure (SOP) so that it is trialed, then perhaps if the delivery system is shown to be working or not, it could later be considered for adoption into regulation.



Vice Chairman stated that retailer SOPs are currently required to indicate its processes for the transportation of product, and part of that process, in the interim, if the commission does not decide on it, is to request amendments to the retailer SOP for that particular origin, meaning it may be allowed, but the retailer would have to amend its SOP to reflect the delivery aspect and provide the commission its updated SOP.

Chairwoman expressed that the MD could draw out a process, an instructional booklet of that process, the commission sees how the retailer delivery process is working, and if there seems to be a clear way to draft it into regulation, then the commission takes that and incorporates it into regulation. The Secretary mentioned that in British Columbia, Canada, a six month trial was employed to see how the delivery system would work then made rules around it, and agreed with the Chairwoman's delivery trial run while adhering to process requirements.

Vice Chairman indicated that some of these could be legal questions worth looking out for as to whether or not it matters, for example, if a delivery vehicle is registered to the company or if it is individually owned, for enforcement purposes, so it is worth seeing how it works out while keeping an eye out on the details, and suggested a six month trial before forming regulation.

Secretary asked that the commission will then develop the delivery processes, discuss it, and then seek legal advice through an LSR before the commission takes any further steps on retailer delivery. All commissioners and MD acknowledged in agreement.

MD communicated that she will meet with the licensee who is interested with product delivery to discuss what was discussed in today's meeting, and mentioned that the licensee provided the commission a sample SOP for delivery, however, her initial review of its delivery SOP did not seem compatible for the reason that they are trying to justify online sales, they want the product purchased through their website or they wanted their sales to be purchased online, which is regulatorily impossible and cannot happen; she will discuss it with the licensee to see how that would look like and share it with the Secretary for their examination. The Secretary added that rather than purchase online, a product order could be prepared online. The MD followed that the product has to be purchased from the licensed retailer premises.

Discussions and example scenarios followed on online order preparations, call-in phone orders, prepaid accounts at the licensed retailer, interpretations that may require legal advice, etc.

Vice Chairman asked MD, in her quest for legal advice, to note that the commission desires to amend the regulations to remove the delivery restriction as it could be conflicting with the cannabis law; the specific provision of the regulation the commission will strike-out is § 180-10.1-410 (a) (8) on Licensee Prohibitions.

Chairwoman asked the MD if she had any other concerns. MD replied having no further concerns, but mentioned that she just received many inquiries in the last two weeks about delivery. Chairwoman then moved to the next agenda item.

## **VIII. New Business**

### **a. Discussion on Part 1500 Marijuana Events – Administrative processes, permitting & licensing and enforcement**

Chairwoman stated that the commission was earlier led into the marijuana events discussion during the inter-island transport of marijuana products, and asked the commission board members if they had anything further to discuss or add onto that issue. Commission members had no further discussion on the matter. The Chairwoman stated that for the record and for the sake on meeting minutes, to please refer to the commission's earlier discussion on inter-island transport, agenda item VII (a).

## **IX. Executive Session**

### **1. Legal matters – AAG**

Chairwoman announced that there are no legal matters for discussion other than the commission awaiting a response for legal guidance on the inter-island transport and retailer delivery of marijuana products.

## **X. Managing Director's Report**

MD indicated having a lengthy report and began with application statuses and processing as follows:

- A few applicants were issued approval-in-principal (AIP) letters with some AIPs expiring soon, and that she has received a request for extension by an applicant who has three applications that are in the AIP phase; a few of the reasons why extensions were requested were because of delayed shipping of material items, burglarized facility, and stolen assets, and expressed having no issue with extension requests and seeks consideration to grant a sixty to ninety day extension based on unforeseeable

circumstances that caused delays for the conduct of their first inspection within a one-year from AIP issuance to ascertain compliance and operational readiness;

- There are nineteen active applications, which includes two new producer applicants; of the nineteen applications, eight are pending incomplete applications, who were officially informed of application incompleteness, and nine are AIPs, and that there are eight current licenses;
- There are over twenty homegrown registrants with two new applications recently received; a lot of the homegrown registrants are expiring or have expired and many have renewed their permits, including one from Tinian and none on Rota.

MD conveyed that her staff is doing well in terms of application processing, keeping up with timelines or application turnaround times, and expressed notable interests with current applicants applying for another different license. MD pointed out that in prior months, a cannabis shortage was reported and experienced around October 2021 and that it is noteworthy seeing new producer applicants stepping up to help fill that gap in the market.

MD referred back to the homegrown registry indicating that she is proposing to conduct an informational series on Tinian, Rota, and Saipan for one to three days per island to hold sessions to share information on how to apply for commercial and non-commercial license and/or permit; on Rota and Tinian, potential applicants for homegrown would be assisted in filling-out homegrown applications, which could be a quick turnaround for application processing as long as required documents are submitted; the one to three day period per island session would allow for time in explaining the processes, assist potential clients and provide them a day's time to obtain required documents, e.g., authorization letter, etc., and for the ability to issue homegrown cards while on island.

MD expressed that may be the best thing they could do as she recognized its effectiveness on Saipan with those interested with the homegrown registry who visit the commission's office and are assisted with the processes, and similar with cannabis licensing, to provide information on the different license types, how to apply, required documents, etc., for informational purposes.

MD continued that during the planned Rota and Tinian trips, it will also include the opportunity to meet with local law enforcement agencies, e.g., DPS, Customs, etc., to conduct the enforcement training on the cannabis law that the commission will launch in February 22, 2022 on Saipan; communications with the DPS has taken place about

cannabis matters and cannabis law enforcement training, which will initiate with junior level enforcement staff and is projected to have approximately 15 to 30 law enforcement attendees per information training session on the cannabis act; in conjunction, Chief Prosecutor Chester Hinds offered to take time out of his schedule to join the commission to provide legal guidance to law enforcement officers, and that DPS officers have expressed interest with the training as they have a lot of questions in dealing with cannabis issues.

MD reported that the commission's enforcement team has been conducting random inspections with a couple minor discrepancies reported, which mitigation notices were issued since no regulatory penalties are in effect, and that one staff tested positive for covid and determined symptomatic, and who will be quarantined for ten days, while the rest of the staff are not nervous about it although they are being encouraged to get tested.

MD related back to her discussions with DPS' Simon Manacot about the commission's enforcement team receiving emails from someone who calls himself or herself a concerned citizen about social media postings of marijuana, marijuana sales or attempts to sell marijuana, which includes depictions of bagged marijuana product, and that the anonymous concerned citizen alleged that he or she is not licensee; her discussions with Mr. Manacot sought understanding on the commission's role in this situation and how would the commission collaborate with DPS to address complaints with social media postings; as a result, the commission's current protocol is when a non-licensee complaint is received, it will be referred to the DPS' CID (Criminal Investigation Division) to Mr. Manacot; at present, there is movement with that issue in terms of what the CID is doing about it, and that she received a call the previous day from one of Mr. Manacot's investigators in which the cannabis act and regulations, things that can and cannot be done were discussed and that inevitably, the AG's office and prosecutor would be involved in a criminal matter; additionally, Mr. Manacot suggested that the commission meet with the DPS commissioner to discuss detailing an officer who can focus on assisting the commission's enforcement team with investigations and enforcement, and beginning Monday, she will accept two experienced DPS officers who were detailed to the commission to assist with investigations, which she expressed having no problem with.

MD mentioned the loss of her administrative staff who had to leave the island for personal reasons and that she is in the process of hiring another administrative staff, including additional personnel for assignment to the permitting and licensing division.

MD advised that the deadline for the regulatory "start-up inventory" reporting requirement has passed, which was on or about January 20, 2022, so now current

applicants for producer licenses, once licensed, will have to report to the commission their start-up inventory and its source, unless the commission considers amending that regulatory requirement, and then suggested regulatory amendment or extension for an additional two years because the cannabis industry, although applications for licenses show some increase, the economy is volatile at the moment due to the lack of tourism activity, which could provide opportunities for additional applicants. MD asked if this matter could be discussed further and considered in the next meeting. Chairwoman replied that she'll include it in the next meeting for vote.

MD referred to the islands of Tinian and Rota having no zoning authority in effect and inquired if the commission would be inclined with the development of some form of standard to ensure public awareness, somewhat mimicking Saipan zoning standards, e.g., public notices, signs, etc., for a certain time frame before a licensing decision is made just to have some form of due diligence with the commission's operations in addressing public concern in the event commercial license applications are received from those islands, to hold public hearings on Tinian and Rota for the community to be aware of what is happening; and plans to send her staff to Rota and Tinian, should there be a potential applicant for a commercial license, to assess premises, proximity restrictions, and other compliance requirements.

Vice Chairman acknowledged the MD's suggestion and asked if there were any recommendations for regulation that came out of that, and for the commission staff to provide it, or if she thinks of a recommendation for anything that should be stricken out, and that it would be great to hear from the commission staff as to what is working and what is not working, and what is suggested; on the start-up-inventory issue, maybe it is worth considering taking a look at § 180-10.1-610, Start-up Inventory, in its entirety and seeing whether or not that section is necessary at all. MD acknowledged.

MD reported that she revised all applications, which is being reviewed by the Secretary, and that the revisions deleted and added certain things in which one of the addition included the requirement for police clearances from licensees and applicants for all principals, managers, members, etc.; there is another document that was mentioned in prior meetings, which would grant the commission authorization and ability to confirm with the attorney general's office, DPS, etc., regarding applicants in general on open cases (civil or criminal); she sought the AAG's review the aforementioned document who concurred with it and that it is similarly used by the Commonwealth Casino Commission, which provides the commission some leeway to work with pending background investigation protocol; for the commission member's information, licensees seem to be okay with providing that additional information/document and with signing that document; the Individual History Form was also amended to include submitting police

clearance for key principals, shareholders, members, sole proprietor, etc., but not including spouses.

MD reported that at the request of the attorney general's office, the commission was requested if it could schedule its meetings moving forward for the rest of the fiscal year with an advanced fifteen to thirty day notice. MD indicated that she reviewed the administrative procedural act, which indicated a seventy-two hour deadline which the commission has met.

Vice Chairman indicated that the commission may have a regular meeting schedule in the regulations, which the commission discussed previously and scheduled its meetings dates. Chairwoman indicated the commission's meetings were scheduled for the last Wednesday of every month.

Discussions followed on re-scheduling meeting days with Fridays suggested, the last Friday of every month, with the Chairwoman indicating that she was going to raise this issue of re-scheduling meeting dates in the miscellaneous remarks part of agenda item XI.

Vice Chairman asked the MD if the commission has a process for hiring an attorney. MD acknowledged that she is in the process of obtaining quotations for retainer fee from a couple of on-island firms in which two out of three or four have not responded yet, and when that is ready, the commission will be informed.

MD moved on to the cannabis act amendments indicating belief that House Bill 22-78 is going to be reintroduced to the legislature and that some agencies were requested for comment regarding the cannabis act and its amendments.

Vice Chairman indicated that H.B. 22-78 has been introduced to that point and asked the MD if the legislature requested comment from her. MD replied that they had not requested comment from her, however, she did submit her written comment at the last hearing and that she provided it twice. Discussions followed on the introduction of the proposed amendments of the cannabis act to the legislative cannabis committee and written comments provided by the commission.

MD moved on to zoning indicating that the zoning authority is in the process of amending its zoning act whom she had discussions with relating to the cannabis act and its zoning law, and that agreements were made between the commission and the zoning authority for the inclusion of cannabis related businesses in its zoning law. MD indicated that the reason she brought up zoning was because during Commissioner Valentino Taisacan's confirmation public hearing with the Saipan and Northern Islands Legislative

Delegation, they inquired whether there was any movement or compromise between the commission and zoning authority, and that she will continue follow up on the status of the amendments to the Saipan zoning law.

MD congratulated Commissioner Songsong on his confirmation public hearing with the Rota Legislative Delegation on Rota, which followed with discussions on the MD, Chairwoman, and Secretary's participation in that public hearing via Zoom.

MD moved on indicating that a link was sent to commission members for informational purposes showing documents containing a list of producers and retailers, monetary sales amounts, number of grams reported per licensee, and explained that required reports pursuant to regulations derive from retailers and producers; a producer reports the total quantity of marijuana sold, date of sale, type of marijuana product, product purchaser, transaction cost via invoice, and total cost of sale; in the production and retail details, it provides an idea of what the reports look like in terms of sales; Saipan Select, for example, does transfers from their producer facility to retail store, which was discussed in previous meetings, while CanaMarianas' producer license assesses its own retail store \$1.45 up to \$3.35 per gram, between licenses; as for retailers, they report purchases from licensed producers, net sales to consumers, and product transfers; the only thing not indicated in the report is the type of marijuana product, which will be reported in a separate meeting and added to the file of documents in the link provided. MD further described the breakdown of information of licensed producers and retailers, and other relevant information, i.e., retailer/producer cannabis tracking system in current use, etc.

MD continued detailing the total collective marijuana sales during a four month period from July through November 2021:

- Producer sales to retail licensees of 33,231 grams (1172 oz./73 lbs.) amounted to \$252,964.45; and
- Retailer sales to consumers of 25,211.46 grams (889.30 oz./55.58 lbs.) amounted to \$397,790.92.

And that the estimated cost per gram amongst all retail licensees is approximately \$15 to \$20 a gram, with the Common Wealth Cannabis selling at around \$20 to \$22 per gram, while Saipan Select sells at about \$18 per gram, and CanaMarianas sells at \$18 per gram, depending also on discounts for senior citizens, disabled, and veterans.

Vice Chairman communicated the usefulness of the detailed information, however, it is worth noting, unsure of specifics and if it matters at all, but the internal transfers within

one of the licensees, Saipan Select, is \$2.00 less than the transfers that they are doing with other producers, and so this does have implications because that is a large chunk when it comes to paying the excise tax that they are going to be paying.

MD acknowledged the Vice Chairman statement indicating that it is one of the things she wanted to discuss with the commission members in that these are transfers that are occurring and not necessarily transactions, and referred to previous discussions on this issue, unlike CanaMarianas where a price point is placed on the product and pays his own retail shop, which pays his production for whatever he sells to himself and is taxable, which shows in his invoice; with Saipan Select, it is mainly product transfer from its licensed producer side to its retail side.

Vice Chairman asked the MD why Saipan Select's transfer is \$2.00 less per gram than their external sales. MD explained that what Saipan Select charge themselves per gram between its two licenses, producer and retail, is about \$4.00 to \$8.00, but what they charge other retail licensees is about \$9.50 per gram.

Vice Chairman indicated that the question is about value, the value being how is value attributed, value could be what the market price is, and so if the market price is in their external sales, non-transfers, what is the value they are reporting, what is the worth; obviously, there is a mark-up that would exist that calculates into value, so maybe it is for further consideration as to providing what that means when we are asking for worth, what is it that we are looking for, is it just the self-attribution of what it's worth or are we looking for actual market value and here we have a good example of the difference between what is the market value and what their attributed value is, their worth of the product internally.

Member Songsong added that it may be worth considering asking retailers and producers how they value their product because there are differences in cannabis strains and quality (high, medium and low grades), and exemplified the various types of bananas being valued at different price ranges based on variety, type and demand.

MD indicated that based on conversations and reports, she accompanied the commission's enforcement and investigation team on a few site visits to retail shops to kind of understand their processes, what the product looks like, to understand their justification in pricing their product per gram; what was also noticed is when Saipan Select producers sell their product to a retailer other than to their own retail shop, there is a clause at the bottom of their invoice which reads, "Retailer agrees not to sell the product for not less than \$18.00 per gram," and so it is determined that they are the drivers of the product value per gram, because majority of the retailers' product originate



from Saipan Select. MD shared report details from other retailers and producers indicating T-Marianas' inability to sell any product to retail licensees sometime in October 2021, which was reported as zero sales due to lighting issues including very low sales; CanaMarianas' producer is not looking to sell to other retailers, but is reserved for its own retail backup, while Max Farms and Primo Farms are engaged in cultivation and nearing harvest, and expressed that it is interesting to compile these data for the last few months to see whose thriving and those not doing well.

Vice Chairman expressed that going back to the MD and Commissioner Songsong's point of valuation, it could be that because these are aggregated numbers that make no lead sense why one provider would want to house the higher value products and sell little or lower value product, it is like these little nuance details that are interesting and helpful to look at.

MD expressed hope that the detailed report she produced on the licensees' reports made sense and is open to other ways or format the commission members may want it presented.

Vice Chairman asked the MD if she received any information as to taxes paid. MD replied that she has no tax information, although she and Eric (commission staff) had discussed this issue and drafted a certification form for the Department of Finance to certify tax payments by cannabis licensees; however, she has to revisit the Division of Revenue and Taxation about the matter, because apparently they passed regulations regarding cannabis taxation and generated a form that licensees would have to fill-out, but is unsure if it is currently available or in use because the last time that Kelby (commission staff) had shown it to her, it was still in draft form.

MD indicated that she was unable to provide comment prior to promulgation of the Division of Revenue and Taxation's cannabis tax regulations, because she did not know about it and apologized for not being unaware of it.

Chairwoman acknowledged unknowing of the cannabis tax regulation development and expressed to the MD that it may be worth reaching out to the Department of Finance about their cannabis tax structure for the commission's information, knowledge, and understanding of its cannabis taxation.

MD acknowledged that she and her staff have been trying to obtain a copy of the cannabis tax regulations and forms and is unsure why there are delays with it being provided to her, and that documents her staff was able to obtain was still in draft form and not publicized in the Department of Finance's website, although it is registered in the

Commonwealth Registry and is being published today; from her understanding, there will be no back taxes paid for past cannabis transactions/sales until the regulations and its forms are effected.

Vice Chairman explained that the Division of Revenue and Taxation are taking the approach of the surtax as an additional tax, not a tax on tax, which is interesting, so that does increase the maximum tax to the full twenty percent (20%), which means a lot more in terms of taxes, and that it is saying the responsibility of paying the excise tax falls on the producer and not the recipient, which is also interesting, so they would have to upon sale, or with a transfer for example, have that transfer in order of the date, then thirty days from that date, they are required to pay the excise tax on the value of that transfer sale at fifteen percent (15%); in this case, the producer of the product pays the excise tax and not the retailer.

Discussions followed on the Department of Finance's reasoning behind its excise tax on producers and the scenario with transfers and taxation with licensees having two licenses, a producer and retailer license. Vice Chairman added that one of the parts of the tax regulations is that if there is no value assessed, then the Division of Tax and Revenue would assess/define a value and tax on the value they assess.

MD described further her report breakdown of sales reports submitted by dual holders of producer and retailer licenses showing their July and August 2021 production and sales to their own retail shop and other cannabis retailers, and how one licensee show a no sales transaction transfer to its retail shop while the other licensee sells its product to its own retail shop.

Vice Chairman mentioned that they are allowed to add in the invoice the value into the sales, the transfer, and then reimburse themselves, apparently, incurred cost on the excise tax, but they are responsible for paying that excise tax.

MD concluded her report with an overview on ongoing and upcoming activities pertaining to pending unlicensed applicants, inspections, meeting with the zoning authority relating to streamlining of the permitting processes with cannabis business clients, and addressing inquiries on foreseeable license limitations in the future.

Chairwomen thanked and commended the MD for her report and work that she and her staff performed, and asked the MD if they could review the commission's budget at a later time.

## **XI. Miscellaneous Remarks**

Chairwoman expressed that if everyone is acceptable with the commission's regular meeting being held on the last Friday of every month and special meetings scheduled as necessary, it will proceed with that and scheduled the next regular meeting for Friday, February 25, 2022.

Chairwoman advanced notice the commission members and MD that she will be off island during the month of May 2022, and expressed the need to consider having commission staff attend cannabis management training off-island, in the State of Massachusetts in particular, in the event commission budget allows, and that commission board members incur their own cost should any want to partake in the training.

The commission members having no further discussion, Chairwoman moved for meeting adjournment.

## **XII. Adjournment**

Chairwoman motioned to adjourn meeting, seconded by Secretary. All commissioners voted in favor of the motion, motion carried. Meeting adjourned at 12:50 p.m.