



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



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A regular meeting of the CNMI Cannabis Commission will be held on **Friday, June 09, 2023, at 10 A.M.** at the office of the CNMI Cannabis Commission Conference Room at Ascension Ct. Bldg. 1341, Capitol Hill, Saipan.

AGENDA

- I. Call to Order
- II. Roll Call/Determination of Quorum
- III. Consideration and adoption of Agenda
- IV. Consideration and adoption of Minutes of prior meetings
- V. Public Comment
- VI. Old Business  
22-01 Advertising Restrictions and Requirements to include under definitions k.) (language) All packaging/ labeling shall be in English  
  
Discussion and voting on removal of the sections of the regulation below:  
s 180-10.1-320 Fees (e):  
The Commission shall charge the following fees:  
2. Packaging pre approval \$100  
3. Labeling pre approval \$100
- VII. New Business  
Rules & Procedures of meeting and applications
- VIII. Acting Managing Director's Report
- IX. Executive Session
- XI. Adjournment

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

Written comments on the agenda may be submitted to the office of the CNMI Cannabis Commission located at Ascension Ct., Bldg. 1341, Capitol Hill, Saipan or emailed to [info.cnmicc@gmail.com](mailto:info.cnmicc@gmail.com) on or before the meeting date. Oral testimony may also be presented during the meeting on Friday, June 09, 2023.

**CNMI Cannabis Commission  
Regular Session Meeting Minutes  
June 09, 2023**

**I. Call to Order**

Chairman Jose Palacios called the CNMI Cannabis Commission’s meeting to order at 10:08 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**

Chair Palacios acknowledged the presence of Assistant Attorney General Mr. Carl Dela Cruz and Mr. Nick Sablan of Top Shelf, LLC., dba The Hook Up cannabis dispensary, and introduced the commissioners representing each municipality, the commission’s executive secretary, Ms. Natasha Palacios, and himself. The executive secretary then called roll of the commissioners as follows:

- Secretary Thomas Songsong, representing Rota, was present, via Zoom; [Sec. Songsong typed “present” via Zoom as he was experiencing inoperable microphone issues at his end and typed his comments and votes from hereon.]
- Vice Chair Journie Hofschneider, representing Tinian, was present;
- Treasurer Juan Iguel, representing the Northern Islands, was present; and
- Chair Jose Palacios, representing Saipan, was present.

The executive secretary stated that the acting managing director, Mr. Erik Basa, was present via Zoom. Mr. Norita of Saipan Select, LLC., was also present at the meeting. The chair then announced quorum of the board to conduct the meeting.

**III. Consideration and adoption of Agenda**

Treasurer Iguel motioned to adopt today’s agenda, seconded by Chair Palacios. All commissioners voted in favor of the motion; motion carried.

**IV. Consideration and adoption of Minutes of prior meetings**

Vice Chair Hofschneider motioned to approve/adopt the October 28, 2022, meeting minutes, seconded by Treasurer Iguel.

Treasurer Iguel motioned to table the May 08, 2023, May 12, 2023, and June 02, 2023, meeting minutes, seconded by Vice Chair Hofschneider. All commissioners voted in favor of both motions; motion carried.

## V. Public Comment

The chair opened the floor for public comment. Mr. Norita of Saipan Select, LLC., made a mention of agenda item VI on old business about packaging and labeling fees in that he recalled their submittal of a sample label for the commission's approval, and asked if there were going to be changes to the labeling rules or fees; he asked the question because he did not understand what is about to be decided on the issue, and wondered if there were going to be changes, that was his concern.

Vice Chair Hofschneider stated that without deliberating on the subject matter that Mr. Norita pointed out, letter "b" of old business in the agenda is about discussion and voting on the removal of those sections of the regulations. Mr. Norita acknowledged, and another meeting attendee mentioned that he oversaw the "removal" word.

Mr. Norita continued to comment that he had a big debate with the Commonwealth Utilities Corporation (CUC) about their cannabis facility's power bill, which for the past year was \$12,000.00 a month and that they were kind of settled with that cost all the while they were finding ways to conserve energy; and then all of a sudden, their utility bill received on June [2023] went up to \$24,000.00 a month, and he was like what the... you know, WTF... so they were concerned and met with CUC and their response was that their power consumption is at a different level, the CUC is charging them the multiplier, a different multiplier number, which he asked what multiplier number; he was initially being charged as a consumer and also paid CUC to update its transformer and was fine with those expenses, but now the CUC is telling him that because he uses so much power; he asked CUC how did they arrive with that \$24,000.00 number; his company will still debate about this issue with CUC and expressed that every producer has a problem with it, especially with indoor cultivation unlike outdoor cultivation; based on the quality of the product, they have to do it [cultivate] indoors.

Discussions followed with Mr. Norita about how the \$12,000 monthly utility billing was stable for a year and suddenly rose exponentially to \$24,000 a month... Mr. Norita stated that he just wanted to share that issue so the commission can see the burdens cannabis operators have to deal with. Discussions then followed about the staggering utility billing...

The chair said that the reason the commission asked for that [utility cost] information, the commission for the last two years since its inception and going on three years, has never really provided any type of progress report, performance report, or whatever you want to call it, to the higher regulating bodies, the legislature, so it was decided moving forward, starting with at least this term since the commission established quorum, is to provide

quarterly reports to the governor's office, the president of the senate, and speaker of the house so that they can clearly see that the industry is contributing to the economy, and that the industry is playing a vital role in that economic engine; we could now then show from the commission's inception, the growth, with growth of course representative of all things that comes with it, from an increase to the tax base, increase in local employment, contributions into government coffers in the form of utility bills and so forth; while the government's general fund might not be the recipient of CUC billings, what it shows is because of these monies coming from cannabis is that the CUC can then theoretically use that collection for salaries, operations, etc.; it shows a byproduct of employment within the government, not necessarily government employment but employment in general that is creating job opportunities; with the case of utility contributions, it gives at least some kind of an employment security, and that is the reason why we want to get that information so that it can present this positive light that the powers-that-be are not necessarily privy to or in data to show it; the commission is here to represent the industry and in order to do that, we collect those data and show them; during his meeting with the governor last Saturday morning, he was told that the commission had approved five licenses; theoretically then, it can be said that the commission created a bare minimum of five additional employment, five additional jobs, so those are the kinds of numbers that they look at, that this is not just an industry whereby its just taking money out of the general fund, but is actually creating job opportunities and expanding; so that is the purpose, it is not for anything else, to increase fees and what not, it's just collecting that kind of data and focus on the positives of it; marijuana has always had that stigma, that anything and everything about marijuana is supposed to be bad; he and Mr. Norita know this because they both were in law enforcement, and understanding that as the chair, it is to take care and work with the stakeholders and at the same time make sure that whatever the benefits may be is for the public good; as long as we're on that mindset that we can only see positive growth and expansion of the industry, diversification within the industry as the different licenses start coming online, those are the kinds of things that they [governor, legislature, etc.] want to see and its not just what everybody understands it to be, at least falsely, and that is plant, roll, and smoke marijuana and that's it; there are other parts to it, nexuses if you will, that are positive, so that is the reason why inquiries are being made; again, we hold that there is quorum and cooperation from the invested stakeholders to provide that information and its just purely for that.

Mr. Norita commented that they will gladly provide the commission with that kind of information and know that the commission is looking out for the industry/stakeholders, and they are letting the commission know what their challenges are.

The chair referenced his meeting with the legislature and the differing opinions as to the cannabis industry's contribution into the economy, and showed a truer picture of the

economics of the industry, the positive impacts with the economy... The chair then asked if there were any other public comments. Hearing none, the chair moved to the next agenda item.

## **VI. Old Business**

### **a. Compliance Advisory 22-01 Advertising Restrictions and Requirements to include under definitions: k.) (language) All packaging/ labeling shall be in English**

Chair Palacios reiterated what was discussed in the previous meeting [June 02, 2023] to add-in a new definition into the regulations relating to language, that all packaging, labeling, and advertising be written in English, a universal language, and then asked the AAG about the potentiality of litigation with someone wanting it written in any one of the CNMI's native/official languages, e.g., Chamorro or Carolinian.

Discussions followed... 22-01 was mis-referenced as being a public law, the AAG's unfamiliarity with 22-01 as a result, and if it was prescribed that the language must be included in the packaging...

Vice Chair Hofschneider clarified that 22-01 is not a public law, it is a commission advisory regarding advertising restrictions; the commission voted on the advisory for licensees based on the regulations, but it did not specify which language it had to be written in; it has to be included and that it was discussed and voted on to have packaging labels written in English. The AAG expressed that he did not see an issue with keeping the labeling in English.

The chair indicated that what they are doing is designating the English language as the only language to be used with labeling, packaging, advertising products; he does not want to place stakeholders in a compromising situation where they end up getting sued because their labeling was not in Chamorro or Refaluwasch, because there are three official languages of the CNMI; just to be sure the commission is not setting them up for potential liabilities as we move forward, streamline, and clarify some of the regulations they are trying to organize.

The vice chair clarified that 22-01, we are speaking about the commission's advisory that will be issued [to licensees], and to insert a new definition letter "k" to the regulation; that is what is being suggested to make amendments to the regulations to include the letter k, which will state that *all packaging/labeling shall be in English*, that is the proposed regulatory amendment. The AAG acknowledged that the proposed amendment should not present any legal objections.

Mr. Norita apologized for entering the discussion but wanted to share his knowledge about a certain Title 4 mandating/requiring that all designs/labeling/signs must be in English, it's a CNMI code...

Treasurer Iguel asked the AAG about agenda item VI (a), Compliance Advisory 22-01, if it must be specified in that part of the agenda that the commission will vote on it, for discussion and approval, or can it be just as stated and motioned for approval.

The AAG indicated that it does not need to specify that the commission is going to discuss it; the concern, it says old business, there has to be an opportunity, at least previously, to discuss the issues; it is old business and assumed that proper notice went out for public comment on this issue; if that has taken place already, it should not an issue.

- Chair Palacios then asked if there was a motion to be made. Treasurer Iguel motioned to approve Compliance Advisory 22-01 for advertising restrictions and requirements, to include under definitions, letter "k" (*language*), which will be defined as, "*All packaging and labeling shall be in English.*"

Seconded by Vice Chair Hofschneider. All commissioners voted in favor of the motion; motion carried.

**b. Discussion and voting on removal of the sections of the regulation below:  
§ 180-10.1-320 Fees (e):**

**The Commission shall charge the following fees:**

**2. Packaging pre approval \$100**

**3. Labeling pre approval \$100**

The chair introduced the agenda item and reiterated that it is for the removal of those fees from the regulation.

The vice chair added that the intention for the removal of those fees is because part of issuing a license is to review, at the time of inspection, a proposed licensee's labeling, logo, and packaging of cannabis products; its preapproval is given at that time prior to the issuance of a license, therefore, the commission has decided that cost be a part of the application fee and that those fees for packaging and labeling prescribed in the regulations be stricken; however, any change to messaging on logos, labels, or packages thereafter will require the commission's pre-approval and subject to § 180-10.1-320 (e) (4), a change to previously approved package or label and a charge fee of \$25.00.

Treasurer Iguel asked for clarification that the commission will remove those fees but will still pre-approve proposed packaging/labeling. The vice chair acknowledged.

Chair Palacios asked if there was anyone opposed to the removal of those fees. No one opposed and all commissioners agreed to its removal from the regulations.

- Vice Chair Hofschneider then motioned for the removal of items number 2 and 3 in the regulations, the packaging preapproval of \$100.00 and labeling preapproval of \$100.00, respectively, from § 180-10.1-320 (e) of the regulations, seconded by Treasurer Iguel. All commissioners voted in favor of the motion; motion carried.

## **VII. New Business**

### **Rules & Procedures of meeting and applications**

The vice chair referred to previous meeting discussions on Friday, June 02, 2023, and said that some areas were identified that required streamlining based on some requirements for the application, such as zoning, specifically, and business license; the board voted to approve a license [processor] with conditions based on the fact that an existing [producer and retailer] licensee's proposed processor site is within the same licensed establishment and is operated by the same owner(s), and discussed how the commission would like to proceed based on the fact that the zoning office has not specifically identified a [zoned] use for processor license as well as wholesale license; it was the commission's opinion to eliminate hindrance of businesses from moving forward and for the commission to issue the [processor] license, obviously pending the zoning authorization and business license, they would still have to obtain it; the commission, however, would like to streamline how it processes those types of applications and approve without requesting proof that the zoning authorization and business license were received, and how that would be done is basically what the commission would like to discuss; the vice chair said she has some ideas on how to proceed but it should be discussed amongst everyone; basically, if a licensee has a license(s) under the same roof essentially, an example would be a retailer and/or producer who were zoning approved and commission licensed who apply for a processor license, which Treasurer Iguel advised of the three existing types of zoning cannabis uses [retail, producer, and lounge], the fact that a proposed processor is also under cannabis, and as far as risk, the commission assessed it as cannabis under the same roof or existing licensed establishment or premises initially approved by the commission and zoning for cannabis use, so that the likelihood of processor applications not being approved [by zoning] is very unlikely.

The vice chair said the intent, in speaking with the acting managing director, the commission receives the application [processor] and tweaks the administrative processes in terms filling out applications, obtaining required documents, e.g., individual history form, police record, floor plan, SOPs, etc., and then the managing director would submit

the application to the board for consideration and decision. The vice chair then asked if anyone had any suggestions.

Treasurer Iguel indicated that he attended the zoning board's meeting yesterday [June 08, 2023] and spoke about the commission's meeting last Friday [June 02, 2023] informing them that the commission is not striking-out zoning's authorization or disregarding their issues; he basically said that was because the commission had to do what it had to do at its end, and that the commission would place a disclaimer in its applications indicating that although the commission will approve a license, the applicant/licensee will still have to go through zoning and obtain its authorization, and that if zoning disapproves, then that would be a business decision on the applicant/licensee's part and not the commission's.

The treasurer said that the zoning office expressed wanting to meet with the commission in regards to the regulations and asked if the commission has in its current regulatory language that would require applicants obtain zoning authorization first before being licensed by the commission, which he replied that zoning applicability exists in commission regulations; he explained to the zoning office, however, that there was a specific application [processor] where the commission debated on the matter and came to the conclusion that zoning authorization may be inapplicable [at this moment for the time being in this instance], but still required [whenever that date comes around with zoning]; he also suggested that for [processor] applicants that have not received a zoning permit, the commission would not necessarily wait for a zoning permit [absent zoning regulations for cannabis processor use].

The treasurer described his functions during his employment with the zoning office in that if they were to provide clearance for the Northern Marianas Housing Corporation or whoever, for example, they would issue an inter-agency memorandum, which identified the premises, e.g., lot number, district, etc., review its zoned use, which in this case, would be identified as zoned for cannabis use, but that the applicant would still have to return to the zoning office to obtain a zoning permit, whether it be approved or not; that was one of his suggestions that for any new application [for existing cannabis licensees and previously zoning authorized] that do not have a zoning permit, that maybe a letter from zoning would be issued stating that the zoning office has researched and identified the proposed premises as zoned for cannabis use; his issue/concern is that if a new applicant is approved by the commission and then are later informed by the zoning office that cannabis is not allowed in the district being applied for, notwithstanding the commission's disclaimer on the application and his understanding of zoning laws and rules, he does not want to turn a blind eye on that issue and proceed to approve an application knowing that even if they go to zoning, zoning will disapprove it, including



the fact that the commission would accept the application fee that is non-refundable; if he can correct something that needs to be corrected, he would stand for it.

Vice Chair Hofschneider added that to recognize that zoning and business license are only one part of the big puzzle of cannabis business operations, whether there are other permits to obtain, other licenses potentially, the commission is trying to streamline its approach specifically when existing licensees request another cannabis license at the same cannabis licensed premises [and zoning approved].

Treasurer Iguel agreed with the vice chair if it's an existing license for cannabis use, for sure the commission would know that it was allowed [by zoning] in that particular area, but if zoning does not approve, then that would be on them [zoning] although cannabis was still identified/zoned as an allowable use.

Chair Palacios asked Secretary Songsong if he had anything to add. Secretary Songsong replied that he had nothing to add and was good with what was being discussed.

The chair explained that the reason why the commission got to his point was that there are the three requirements to do business in the CNMI, in no descending order, which for cannabis businesses, one gets a cannabis application and an approval, a zoning application and approval, and a business license application and approval, but in no descending order as to which is obtained first, second, and third; there are two parts to this based on our last meeting, the first part is for existing [cannabis] businesses in existing locations, that is where the implied notification of the zoning requirements have been met; zoning approval for that same location that is already in business and operational, therefore, would not be in cost of hinderance to determining approval or disapproval of a cannabis applicant, that's one side and has no problem with that; on the second portion, noting what was said about not wanting to issue or approve an applicant and then that applicant gets disapproved by either zoning or business license, he cannot speak for those other two [zoning and business license] process, but maybe then we as the commission can make it a requirement that before even a cannabis application is issued, one shows proof of a business license, not pending and not a receipt, but an actual business license, and proof of zoning clearance, then the commission can issue an application for cannabis; therefore, those two issues [zoning and business license] are not going to be something that the commission will have to discuss and deal with again, because it's beyond the commission's control; if the commission wants to streamline it, then his thinking is that would be the process, therefore, the commission does not find itself in a compromised position where it already issued an approval for cannabis license but then the person is still waiting for zoning and business license; this way, the commission can just extract itself out of that quagmire and make it a requirement that

prior to one getting a cannabis application, one must first show proof of both but how one goes about obtaining it is on the person, which is business license and zoning approval for that location; therefore, those two things are already done, then all the commission is going to deal with is the commission's business and concerns; we are the cannabis commission, we are not the zoning board, we're not the business license board, we're the cannabis commission, we really have no business talking about zoning and business license; those two should be presented to the commission as a condition for one to get an application, therefore, the applicant is well aware that before even venturing to the commission to obtain an application, those two requirements should be on hand, so when one comes for an application, all the commission is going to deal with is the cannabis commission.

Vice Chair Hofschneider stated to the chair that he is referring specifically to new applicants.

Chair Palacios acknowledged that it's for new applicants, but not for existing licensees, because the commission already set precedence; going back to that, once precedence is set, it is what it is, we own it, it doesn't matter whether if its from the last two years, it's precedence, own it and will live with it and see how we can better streamline it and make it work; and expressed thinking that those are the two different processes, two different regulations, where it is already existing, a business license already exist, so the commission does not have to discuss when there is an existing license, an existing location that is already permitted by zoning; therefore, all we deal with is the cannabis regulation, i.e., where is this business location, is this location going to be consistent in following the regulations, etc., that's one side, but not for new applicants [non-cannabis licensee], so we don't go back to say we cannot process an application because we are waiting for zoning; we shouldn't be waiting for zoning, we shouldn't even be talking about zoning.

The vice chair mentioned that one of the regulations sort of speaks of that, for example, if a Lounge Class 1 would like to offer food, commission regulations state that a CNMI Bureau of Health permit is required, it does not say to submit it, it just says that they have to have it; a disclaimer on the commission's application that would say the applicant is responsible and required to obtain all required permits/authorizations, to regulate what is the commission's to regulate, and for the applicant/licensee to abide by that.

The chair added that with the part on food, it may come down to how is it going to be enforced and suggested that more force may be added to that requirement; a regulation that basically says that if one violates any of the requirements, is a condition for cannabis license revocation; if somebody decides to sell food without obtaining that permit

knowing that is it required to obtain a public health clearance and going about it without obtaining that clearance, it's about protecting the integrity of the industry, that the industry can regulate and police itself, it comes down to that trust, something like that would be for an existing business, that if conditions are violated with whatever permit requirement in the course of conducting business under the license of a cannabis vendor, that would be a condition for license revocation, suspension of license, penalties or whatever the case may be; but as far as just the submission of an application, thinks the commission can get ahead of that and say that before an application is issued, one must have in hand a business license and zoning clearance.

Vice Chair Hofschneider shared that one of the things that was done with the liquor and cannabis branch in British Columbia, Canada, was that in working with municipalities, if it is identified that a licensed cannabis establishment was operating with an expired business license or expired zoning or whatever it may be, their office would be notified and a notice of suspension would be issued; it's an administrative notice, an administrative suspension to obtain the required documents, to put that ownership on the licensee to submit its renewed business license to prove that they have done so and that's it, they would call it done.

Chair Palacios added that in saying that would be the route, he recalled with previous licenses where it basically came down to something of equivalency, of one purchasing a vehicle first and then going to the Department of Motor Vehicle and say since I already bought a vehicle, now give me a license; it's that kind of equivalency, where one has already received a cannabis license, therefore, since they already got a license but are waiting for zoning, now we're like compelled to go ahead and that shouldn't be the case; if that's the case, then anybody and everybody should get a license since money was already spent and we just have to give it to them, and that shouldn't be the case; it should be a managed responsible growth of the industry and not just the wild west.

Treasurer Iguel commented for clarification purposes, for new applications, it's not necessarily going to be a permit [referring to zoning permit], just to clarify that we are not policing and not waiting; he had done this during his time with zoning, it's just a justification letter, and asked the chair if he agrees, he could draft the commission's justification that could be included with the application packet, which would describe the licensed cannabis premises; the applicant would provide it to zoning, zoning would then look it up in their mapping database to verify and all zoning does is certify its zoned use and allow it, so that there would be no need to wait for a public hearing; it takes zoning twenty-one days to publish its notice of public hearing and that's more time that we have to wait for the applicant's zoning permit. The treasurer further indicated that his meeting with the zoning office went very well in which he respectfully explained that the

commission is not necessarily cutting-off zoning's authorization, but that the commission wants to ensure its process stays within its process and that the commission has already heard so much from the public in regards to their [unsatisfactory] comments on processor licensing, and that he explained to the zoning office that the commission is going to change course in this instance but will still continue to collaborate with zoning and other agencies.

Chair Palacios added that the commission is not saying that it will disregard zoning or that we are going to give a license whether one gets a zoning permit or not; maybe it's just giving it [the license] first and knowing that one has a license to operate while knowing of the [other] requirements of this industry; it just makes the process more organized before the applicant comes to the commission because it's what would be the most value of the three processes [commission, zoning, and business license]; of course it's getting their cannabis license pre-approval, that's the most valuable out of the three processes, but the problems that it creates is that it opens up the door of going back to the example of equivalency; again, just to get away from that so when an application does come to the commission, with what Treasurer Iguel suggested, re-draw the application or have it [the proposed draft form] included in the application portion where the applicant would know of what needs to be taken care of first; fill everything out and bring it back to the commission when everything is complete, zoning is approved, business license issued, and then all the commission is going to deal with is the cannabis portion; whether one meets the regulations and does not have to go back; the stories that he heard, it just keeps coming back that we are waiting for zoning and waiting for business license, then the question in back of his mind is then why are you [the applicant] here.

Vice Chair Hofschneider indicated that one thing to consider, it may be something that the commission can consider to amend in the statute, if it is allowed to move forward while an applicant/licensee is still pending a zoning permit with existing cannabis licenses, if by chance or whatever it may be, not knowing what the circumstances may be, if approval was not given for that processor for any reason, the application fee is non-refundable; in that case, through no fault of their own that they were denied that processor application, without zoning, the commission would need to consider [unfinished sentence but seemed to have implied the idea of refunding].

The chair responded, not necessarily, even if we give them the license and everything is in the up-and-up, there is nothing stopping zoning now from going in to any of the licensed operating establishments and shutting them down for zoning violation.

The vice chair indicated that what she is saying is that if a processor application that the commission approved is issued a license and they are still pending zoning authorization,

and zoning denies an authorization, the commission already issued a license and accepted the applicable application and license fees; if they happen to not obtain the zoning authorization, the licensee is out of that money, this is for the scenario that the commission experienced on Friday [June 02, 2023, approval of processor license].

Chair Palacios indicated that to minimize any potential loss and any liability exposure on the commission's side and loss on the business side, suggested that moving forward, let's tighten up the knot then; moving forward, if one wants a cannabis license, get zoning issues straightened out, make sure it can operate there, get a business license and make sure it can operate there, and then we can talk about issuing a cannabis license; therefore, it takes the commission out of that liability exposure, out of that scenario that the vice chair just mentioned that now what are we going to do about that money [fees] that were paid, how are we going to give it back to them; therefore, we are not even going to go there; if that happens, he's not going to lose any sleep, going and asking for one person to get refunded than trying to ask for ten people to get refunded; if this is going to be the problem and this might come up potentially as a problem, then let's minimize our loss, if you will, let's manage our risk.

Vice Chair Hofschneider indicated that is something to consider and that it would be a business decision; an applicant could say not to approve their license right now because they are not ready, are waiting on zoning authorization, at their own risk, thinking of the course of that.

The chair stated that in taking all that into consideration and all things said, if that's the case, then let's just, for a lack of a better word, cut our loss, cut our exposure to that potential risk of having to refund, because it is easier to refund one person than it is to refund ten; that said, cut it off and moving forward, it doesn't matter whether it is an existing business or a new business; if one wants a new license to expand or new license in an existing business, then these requirements need to be cleared before even coming to the commission, we'll give the application, but we're not going to entertain it; so in this case, one can fill-out all of these forms and take care of what the requirements are, and then on another part, it says zoning clearance, receipt number, however it can be accounted for, provide a copy of zoning's clearance, tracking, business license, and on the bottom [of the application or form], this is where the cannabis commission is, it should be blank when it comes to us; when it comes to us at that point, we already know that number one, we have all the information that was provided and required as part of the application process for cannabis, we already know that they're cleared with zoning and got a business license, and all we have to decide at that point is whether the application is going to be issued a cannabis license or not; that way it just takes all of that and addresses what you [the vice chair] brought up; he wouldn't want to be the person on

that receiving end, because he knows what it's like trying to have the government refund one's money.

Vice Chair Hofschneider shared that she thinks it would be unlikely that zoning wouldn't want to give that approval, but perhaps that's the only reason why she raised that concern, the off chance that someone, at no fault of their own, not given an approval for zoning would want a refund, just thinking about that...

Chair Palacios acknowledged and referenced back to his experience with risk management in exposures that if one doesn't need to take a chance, don't...

The vice chair stated that just to be clear, in wanting to understand the discussion, we are talking about a "new process." The chair replied, "New and old." The vice chair then asked if the process would be the same for both... the chair replied that it would be the same; the vice chair then said, basically going back to... The chair inserted, so therefore standardized, but the only difference would be before we approve anything, as far as cannabis, one would have to get zoning approval.

The vice chair then asked, completely? The chair acknowledged, completely. The vice chair asked, so we are going back to what we were... The chair reiterated, completely, yes. The vice chair reiterated; we're going back to... The chair inserted, so when they [applicant] come here, all we're going to deal with is, cannabis; we are not going to deal with zoning, we are not going to be asking the question of what if one doesn't get approved by zoning; in other words, it's just strictly you're complete and ready to do business; now if one is before us as to whether the commission will approve one's business or not, but you're ready to do business versus approving them to do business, but they're not ready to do it, because they need the zoning and business license, so when they come to us, it's because they're ready to do business.

The vice chair addressed the chair, so this is just like what we had discussed before in our meeting on Friday [June 02, 2023], is that correct?

The chair said no, because in the meeting on Friday, we tried to determine, with zoning, this is where... it's just that for the last thirty minutes we've been talking again about zoning...

The vice chair indicated that she just wanted to be clear because she thought that our understanding was that if they are an existing licensee, currently... The chair inserted, yes but you brought up... The vice chair entered saying, the anomaly... The chair replied, you brought up exposure... The vice chair inserted that if by chance, through no fault of

their own, although unlikely to be denied, but if they would want a refund, would recommend a change to the statute because for no fault of their own, specifically because of its uniqueness and compelling or, do you hear what I'm saying.

Chair Palacios acknowledged Vice Chair Hofschneider's reasoning and said that what he's saying, (referenced Murphy's law), if you think that it's going to happen, then let's address it; and the way that we're going to get in front of it is, moving forward, with existing licenses with existing businesses, if they want another license for another type of business, there is no problem with us discussing that, but we're not going to discuss it until zoning has been cleared and business license cleared; so that when they come before the commission, all we're going to talk about is the cannabis commission, we're not going to be talking about zoning, finance and business licenses, we're the cannabis commission, we're going to talk about cannabis and cannabis application because they already met zoning requirements, already got business license, they are ready to do business; it's up to us if we're going to approve it to do business; you're ready to do business but whether one does business or not is not going to be based on the commission's approval; but coming before us without showing us that one is ready to do business, because if one does not have a zoning clearance and no business license or one of the two, then they're not ready to do business, the commission can never approve it, because they are not ready to do business; but if they are ready to do business, when they come before us, then now it's on the commission to decide on approval of one doing business; one may be ready to do business but it doesn't mean that one can do business, that is dependent on approval.

The vice chair then stated, so that is a distinguishing factor in that situation is because that they're ready to do business, application is already in and ready to do business, and there was a consideration, that is the finding...

The chair reiterated, when they come here because everything is done, done with zoning and business license, and all we have to talk about is business location, inspection findings, etc.; zoning is done, we're not going to talk about it because it is already approved by zoning and a business license obtained, so they're ready to do business at this location; now the question is, have they met the requirements of the cannabis commission to get an approval to do business; an analogy would be, building a house for example, go to the bank, get a loan, get approved, etc., build a house, etc., but the house cannot be occupied until one gets a permit of occupancy from the fire department; but the fire department is not going to say first show me your bank statement, bank loan; all they're going to look at is, they're going to go in there because you're ready to occupy the house, as in you're ready to do business; and if all fire codes are met, here's your occupancy permit, that's because all requirements were met of that occupancy, but the

process to get there got nothing to do with the fire department; just as much as them getting a zoning clearance, has nothing to do with us; the process of them getting a business license has nothing to do with us, so by having that presented to us, ready in hand, that shows that they are ready to do business; the only thing they're waiting on now is for us to decide whether they met regulations, those things can be corrected if it's a matter of putting in a sign, then that can be corrected, but getting that zoning approval, we have nothing to do with that.

Vice Chair Hofschneider asked Treasurer Iguel if there is another meeting with the zoning office. The treasurer said that they wanted to schedule a meeting between both agencies to establish communications regarding statutes.

**RECESS:** Chair Palacios asked if a ten-minute break could be taken. All commissioners agreed. The chair then called recess at 11:47 a.m.; the meeting was called back to order at 12:17 p.m.

The chair stated that before going back into regular session he wanted to ask Commissioner Hofschneider, because an accusation was made against him in front Commissioner Iguel, that doing the course of this discussion prior to recess, he did not give the vice chair the opportunity to talk and that he cut her off, and for the record, asked the vice chair if she would state if that was true or not.

The vice chair stated that she can definitely speak, so she did not personally feel that the chair cut her off and did not feel that way, and for the record, she would speak anytime when she has something to say, no matter what, and actually did not feel that way...

The chair said he brought it up because of the integrity of this process, and when a vendor makes an accusation that he does not give the vice chair an opportunity to talk and that he cuts her off, he takes that as a question of his integrity, so he wanted to put that to rest on record if that is the case.

The vice chair reiterated and elaborated similar sentiments made earlier about her opportunity to speak...

The chair asked the vice chair if she ever felt that way [being cut off from speaking] in the commission's three prior meetings. The vice chair said no...

The chair then detailed that the person's exact words were, "Journie has been trying to help us"; in other words, questioning his integrity and making it look like that he had already made his decision, that was the person's exact words; now that person may



decline it, might deny it, but that is what really displeased him when that came up; he takes it personal, when somebody makes a comment about employees of the cannabis commission as well as commissioners; his first task, as the chairman, is to take care of you guys, that's his first task, to protect you guys, so any liability, it's going to be on him; he's the chairman, he'll make that decision and make those chips fall where they may, but when somebody accuses one of his commissioners of being predisposed because, quote on quote, "Journie has been trying to help us," but she's not given a chance to talk because he is always cutting her off, and takes that personally because now it brings into question your integrity.

Vice Chair Hofschneider stated that she takes her integrity and work ethic very seriously; as a public servant, being a public servant for sixteen years, specifically working with the industry, cannabis and liquor, she takes it very seriously, and explained that her goal is to ensure fairness; her passion is to ensure that everyone has a fair chance and believes in fairness and that she will always speak what she feels and thinks; she may sometimes interpret things wrong and learn things, and sometimes she has a fair point and is definitely a person that tries to see all angles no matter what it is in what we are doing; she regretted that the complaint happened today and did not feel that she was cut off; if it's helping, it's helping everybody, it's helping every applicant that comes to the commission; what she suggested and recommended, that is her intent, her integrity, and for fairness and transparency, that is what she is trying to do here.

Chair Palacios mentioned that a couple of days ago, Commissioner Juan Iguel made a comment that one thing he noticed about this board is trust; maybe he did not say it to the vice chair, the three of you [commissioners], but he'll say it now because it's something that he would normally say to his staff, he's been in management himself in the executive branch, he will give the commissioners his trust but he will earn theirs; Commissioner Iguel made that comment in that is what he felt with this commission's board, that there is this trust, and so he took the accusation very personal; it's not the question that he cut her off because he knows that he doesn't, he gives everybody a chance to speak, but when somebody accuses, whether they are aware of it or not, or the implications of the words they chose, is that, quote on quote, "Journie has been trying to help us, but she keeps getting cut off and not given the chance to talk"; to him, that person clearly is implying that he comes to meetings with predisposed decisions, predisposed notions, and he takes that personally, because his job and task is to protect the commission and wants the commissioners to know that; that was brought to his attention, that somebody has said that to him in front of Commissioner Iguel, so that you will be aware of that, that somebody is already questioning your integrity; not the board, it's not the board, it's not the commissioners, but a member of the public has brought that, questioning, whether they knew it or not, that's exactly what they did to you.

Vice Chair Hofschneider clarified her intention with the accusation and expressed not knowing if the commissioners are okay.... The chair said that he has the vice chair's back...

Treasurer Iguel added that he was also displeased with the accusation and said that the commission is always communicating with each other, everybody has their fair share to speak in meetings and none of the commissioners are intimidated, everyone shares their opinions; the way the accusation was said angered him because since he has gotten to know the vice chair, she is not biased, non-discriminatory, doesn't play favoritism, and the accusation gives a wrong impression about the commissioners; we don't make decisions outside of meetings or before meetings, agendas are posted and are discussed in meetings, and did not appreciate the accusation because that is not how the board operates; from what he has seen, he trusts all the commissioners, the way he sees everyone, there is trust amongst commissioners, and for someone to say that about the vice chair is appalling and can be misinterpreted...

The vice chair expressed that everything is merit based and is not afraid to say what she needs to say when she needs to say it, and appreciated Treasurer Iguel's recognition of that, and tries to be consistent and fair with everything she does in the commission; she does try to think outside the box with what's in front of her and thinks of future consequences and potential issues that may arise, or how it may affect other licensees or potential future applicants; if that isn't any more clear, people are more than welcome to ask her questions, but she rests her case when she explained where she stands, and appreciated that the issue was brought up because as was said, she likes to communicate, does not have problems with conflicts and whatever way things are communicated, as long as it is respectful.

Chair Palacios added that in fairness to Commissioner Iguel, asked if at any time in the commission's previous three meetings and in today's meeting, has he ever cut him off and did not allow him to talk or express his thoughts.

The treasurer thanked the chair for asking and said that as the youngest member of the commission, all that he has felt with the commission's board members is that there is respect and trust, and with everyone's background, the way everybody comments, the chair gives everyone the opportunity to comment although everyone may have different thoughts, but the chair still opens the floor for them and concluded that he has not felt any sort of impression that he was cut off from speaking.

Chair Palacios then asked Secretary Songsong the same question he asked Treasurer Iguel who replied that he did not feel that way.

The chair then continued with the agenda item on rules and procedures of meetings and applications and expressed that he does not know how else to go around with that take, the discussions on the agenda item, and mentioned that the commission spent about three hours in its last meeting talking about zoning, yet here we are again a week later finding ourselves in the same conundrum, and then asked the AAG if there is anything he has to share with the commission on how it can get around this.

The AAG asked, with respect to zoning and the commission's licensing procedures?

The chair said, what the commission is trying to do is streamline it, where right now the commission has applicants that would get pre-approved for licenses but are pending zoning clearance or business license, or one of the two; but Commissioner Hofschneider brought up the fact that what would happen should the commission issue the conditional license, the fees were paid, but zoning comes two, three weeks, or a month later and denies the application to do business at that location [that was initially licensed/approved for cannabis use].

The AAG indicated remembering one of the concerns of whether or not an applicant would be refunded and expressed that he does not think that the cannabis commission has to refund an applicant; if zoning wants them to submit a fee because that fee is an application fee, the fee, in a general sense, is used to off-set administrative costs in reviewing the application, cost of communicating with the applicant and what not, it's an administrative cost; so when somebody's money is taken in order to review the application, thinks a cost is in fact incurred; the commission can say that it is non-refundable because the commission is going to take the time to review the application, get back to and assist the applicant with however way it can with the application; if they are not approved, there is no reason why, nothing comes to mind unless it's in the commission's rules, that say that the commission has to reimburse the applicant because it is not unusual to say that an application fee is non-refundable, because administrative resources have been used in the process of reviewing applications, an administrative cost has been incurred; and suggested that the commission should not reimburse in his opinion, but legally, it does not have to, but it is entirely up to the commission to consider its approach on the matter.

Vice Chair Hofschneider clarified the discussion and referred to the license fee [reimbursement of the license fee] and mentioned that the non-refundable application fee

has already been established, and that although a reimbursement may be unlikely, just wanted to raise that issue in case of its occurrence.

The AAG acknowledged the vice chair's clarification and said in hearing earlier discussions, expressed probable belief that both are feasible, one being the commission's suggestion to incorporate a disclaimer when the commission issues a license because that's as far as what the cannabis commission can do to... they have to do their business as far as consulting with zoning prior to issuing a license; one way to look at it is that the applicant must comply with every other law, abide by all applicable laws, and not just those the cannabis commission is responsible for governing or overseeing; the other option is to have them submit in advance all of the approvals so that nobody has to worry about zoning... and expressed that he thinks either one would work but his immediate thought is that nothing will prevent the cannabis commission from issuing the license but its just the importance of promulgating it in rules and regulations; not being very familiar with that but as long as it is done in accordance with the commission's rules and regulations; if it is silent about consulting with the zoning board, then there may be no issue for the cannabis commission to provide the applicant with a license in accordance with the commission's requirements, which should be published, as long as the requirements are published, then the cannabis commission should be able to issue it; and yes, the commission should probably have that disclaimer saying that although one is licensed by the commission, that does not necessarily mean that ... because zoning has the responsibility of the applicant to pursue on their own, otherwise the commission would be caught in the middle; you may offer help to go back to zoning, the ownership there is really on the applicant to consult with other necessary agencies, and if needed, of course, the cannabis commission can step in and maybe see what they can do if the zoning board is just being unreasonable; but the applicant itself can also do that on their own with cannabis and zoning boards, and is not sure if the cannabis commission wants to get involved with another agency's regulatory duties and responsibilities as to the question of the scope of their authority; that's one way to look at it if he heard the chair correctly...the bottom line is if the cannabis commission follows its procedures to issue a license, he thinks there should be no legal issue that would haunt the commission, the applicant of course has to have that notice of what the license entails; it may not necessarily tell them to have legal permission to operate their business, which may be governed by other agencies because each business is governed by multiple departments, e.g., department of finance, cannabis commission, zoning, fire department, etc., and so with zoning it may be probably problematic at this point... not being familiar with these issues but seems to be what makes sense to him.

Chair Palacios indicated that he thinks what the commission is trying to address, looking at it from a cost factor, as an example, the commission issues a pre-approved license

pending zoning and/or pending business license, a person invests thousands of dollars based on the commission's pre-approved license, hasn't gotten the zoning permit and/or business license or gets it months later, nothing yet, but how does the commission protect that investor from having to spend all that money without knowing clearly that it is ready to do business at a given location; we're going back to how do we protect these potential investors from not getting turned away... by saying don't go to Saipan or Tinian because all they do is pre-approve your license, they take your money, their not obligated to give it back to you, capital was invested to start a business and then zoning does not approve it... so it is more costly for the business, the investor, to act on a pre-approved license than it would be for that investor to leave his money in the bank, go to zoning and pay its \$10.00 fee, and wait two months if it has to, but it's only going to cost \$10.00; timewise, yes, but that is something with zoning, but it's only going to cost \$10.00; go to business license, it's going to cost whatever it may be, but it is not going to cost the hundreds of thousands of dollars to get supplies, put in infrastructure, and everything else, only to be told that it cannot operate there; it's about protecting the industry so that other investors do not look at the CNMI as a commission that just hands out applications and charges fees, and all these monies are being spent to do all these things and bring in equipment only for nothing; that is going to chase away anybody that comes here, but if they already know ahead of time what is required, get zoning cleared and business license, then come to the commission because before one spends all that money, one is already going to know whether one will get its [zoning] permit or not, or license or not from the commission because all one has to do is read the regulations and not public mandates... public laws covered by zoning; whereas as the commission, we come up with regulations that we can take a vote on change if we feel that it is detrimental to the industry as a whole, so that is where we are trying to get to that point; where, if we were to give a pre-approved license from the cannabis commission, it could be said that they now can take that million bucks and go and buy property and build this warehouse, lights, filtration, etc., but then one doesn't get approved by zoning to operate there, the million bucks is then washed; God forbid somebody else is told not to go to the CNMI because that is what happened to them because they gave a pre-approved license who initially thought they were in the game, but it doesn't end there; so again, to protect the industry for other potential investors is that so when they come to us, it's whether we are going to approve one's business or not, it's not a question of whether one is ready to do business, it's whether one is going to be approved or not.

The AAG indicated seeing where the chair is coming from and expressed that so that the applicant does not go back and sues the commission on the basis of getting a pre-approved license, and zoning didn't approve it and then wants money back, including money back for investments, thinks that the most important thing, the key to prevent, knowing the commission's concern with the perception, that's one concern; the other

concern is the applicant's basis for suing the cannabis commission, especially if there is a misunderstanding of what exactly it needs, so long as it is clarified; one way is to have all your ducks in a row and then the commission can issue its cannabis license; the question for the cannabis commission might be whether or not it really wants to get into that area, this means that it has or meets all legal requirements to operate because that implies that the applicant has satisfied all the requirements...[reiterated what was explained earlier]... and protecting the investor, whatever the commission decides, those are some considerations to make; definitely sees the merit in all having your ducks in a row, even though the cannabis commission did its best effort, people have a way of doing things; that is something the commission will have to think about because the commission cannot be a guarantor of all legal rights to operate because there are so many other departments, rules constantly change, new statutes are always promulgated; that would require extra work with the commission and is unsure if that is something the commission would want to commit itself but understands the concern about negative publicity, and then again, the commission could go back and explain its definitions about licenses and requirements but it does not mean that it satisfies all legal requirements to operate a business because there are many other applicable regulations of other entities; that could be a way for the commission to remove itself from that process as much as the commission would like to help out, it's a legitimate reason to say this is as far as we can go and then at the same time they can come; because the cannabis commission wants revenue, it at least gives that opportunity to keep both the application fee and license fee so long as they're warranted, it's one way to look at it in however way the cannabis commission thinks best.

Chair Palacios asked Secretary Songsong if wanted to chime in on the discussion. Secretary Songsong [with operable microphone from this point] replied that he was trying to put the conversation together [due to inaudibility] and that he thinks the discussions referred to Saipan Select's processor application.

The chair said no, it's just about the process of moving forward, how to streamline it where we don't find ourselves talking about zoning for three hours in a cannabis commission meeting.

Secretary Songsong said that he is not sure if the zoning office requires its applicant who apply under cannabis if they have to include their cannabis application, but thought and suggested that the commission could consider deferment of the cannabis application fee until zoning clearance, business license and all other required documents are received to complete application; another scenario is if an applicant first gets a zoning permit, business license, etc., but then when they come to the commission for a cannabis application, the commission could inform a potential applicant that a limitation on

processor or other licenses has been implemented; the commission should coincide the processes with everything else and expressed that he does not know if the commission is ever going to have limitations on other licenses besides processor.

Chair Palacios acknowledged and asked to bear with him, and then addressed the AAG that zoning doesn't require a cannabis license or application to issue a zoning permit, business license from finance doesn't require a cannabis application or license to get a business license, the cannabis commission requires zoning and business license; so the commission says before one gets a cannabis license, get a business license because it is required, get zoning because it is required, because these two entities do not require the commission's application or license for them to issue their zoning permit or business license.

Secretary Songsong suggested that maybe in this case, the commission can hold-off on accepting an applicant's application fee until they complete their application with all required documents, especially with zoning, because if there is no zoning permit, the commission's application fee is non-refundable.

The chair asked if that before the application is given, which would come with the fee, is that they would provide a zoning clearance and a business license first, then a cannabis application would be issued, which comes with the [application] fee so that it is at the tail end, and not at the front end; therefore, moving forward from there, we're not going to be talking about zoning and business license; all we're going to be talking about is that when a cannabis application is submitted, is what is on that application, and the findings of compliance and inspection; that's where the approval or disapproval would then be made, to avoid those potential liabilities of having to refund, get sued, and all those things; the applicant wanting to get a zoning license and business license is on the applicant, the applicant being the one deciding on engaging in a cannabis business is on the applicant, but cannabis commission requires zoning clearance and a business license; zoning doesn't require a cannabis application or license.

The chair asked Treasurer Iguel, having been employed at the zoning office, if an applicant goes to zoning, does zoning ask an applicant if they have a cannabis application or license? Is that a requirement to issue a zoning permit?

Treasurer Iguel replied that it is not required from his experience there; an applicant just fills out/submits a zoning application, pay the fee, and then zoning schedules meetings for them and go from there; same with the cannabis commission, it's a non-refundable fee whether its approved or not; but it's really the business's movement, the ones that

want to get into business, whether they get approved or not, those are risks getting into business, money will be spent.

Treasurer Iguel then asked the chair that he wanted to circle back to what he proposed or his proposal is just a simple justification letter from zoning because the statute does state that applicants have to submit in their application a zoning clearance or permit, if applicable; only for Saipan is zoning applicable, so his proposal for consideration is to have a justification letter attached to the commission's application; this justification letter will go to zoning, which will be filled-out by the applicant with information identifying the lot number, company name, and other information, and submitted along with zoning's application; when he was employed there, the zoning office could process justification letters within the same hour or day but not more than two days, but the justification letter would be proof for the commission that cannabis use is allowed in that proposed business area; once the commission has that justification letter, that should be sufficient for the commission to show that cannabis use is allowed at the proposed area, and said that he does not want to get involved in waiting for zoning to issue a permit mainly because it takes twenty-one days for a public hearing to be announced, in addition to not knowing if there would be re-scheduling of public hearing; that's not what he wants to wait for because he knows how long it can take for a zoning permit to be issued; that's his proposal and offered to draft a simple justification letter that would be attached with the commission's applications that an applicant can include with zoning's application; if zoning denies it, then in his opinion, that has nothing to do with the cannabis commission, those are risks that businesses may encounter with requirements; if the commission approves but zoning denies, he is sorry; if the applicant wants to come to the commission first, considering what was mentioned that there was no prescribed order with applying between the commission and zoning, and they get approved and then go to zoning and they were denied, not that the commission is trying to gain funds from application fees but its non-refundable; it would be a business decision that they would want to come to the commission first, which would require and include the justification letter; if they want to complete zoning first, then come to the commission with its zoning permit, it would be up to them, either way, just so that the new business is confirmed and allowed for cannabis use.

Chair Palacios said, just to clarify, if we go into recess at the end of the day, we are still coming back tomorrow to address this and not wait until next week, just to keep that in mind.

The treasurer stated that he could present the draft form/justification letter sometime soon, it would contain basic information and addressed to the zoning administrator that identifies the proposed business, lot number and location, etc., the commission would just



need zoning's findings that cannabis use is allowed in that area. Chair Palacios then asked who is going to provide the letter, that's the first question.

Treasurer Iguel mentioned that the way it worked when he was at the zoning office was that whatever agency that is requesting for it would provide it.

Chair Palacios acknowledged and then asked the treasurer, who would be the one to define for the commission, legally; is it the commission as an independent body or would it be the attorney general's office, to define "justification," when you say, "justification letter," what would that word justification entail.

The treasurer expressed understanding where the chair is going and said that maybe it doesn't have to be called a justification letter; there is a name for that type of letter but it doesn't come to mind at this time; he knows it exists because the Northern Marianas Housing Corporation uses it a lot for home construction and renovation, they check with the zoning office if home construction is allowed in an area; there is that letter that NMHC always uses and sends to zoning, he received them, looked into zoning's system for a couple minutes, make a determination, and sign-off the document; maybe it's not called a justification letter but it is there.

The chair shared his experience with court hearings and the use of words can make or change meanings of things, what is it, and expressed that the discussion was informative and good moving forward, but it still takes him back to what was mentioned that the current statute requires that the cannabis commission receives, in order to issue the license, requires zoning to clear, and then asked Commissioner Songsong if that was correct, which he replied that he thinks everyone knows that.

The chair continued, so then the statute requires to have a zoning clearance... Secretary Songsong jumped in and said that he is not sure at this moment if it is statutory, but it is part of the commission's application process... The chair continued, so in order for the commission to approve it, it is required, whereas, zoning doesn't require a cannabis license or application to issue a clearance; same thing with the finance department, the commission requires a business license to approve a license, not to give an application; the commission requires it, that's one of the requirements, but to get a business license, finance doesn't require that a cannabis license be provided.

The AAG entered the conversation and said that is where he feels there may be an error in regulations; he may have misunderstood the zoning requirements in that case, he thought earlier that it was just something up in the air but in that case, he believed at one

point about the regulations, if it is in the statute and the regulations, the commission would be bound by those... and sees where the chair is coming from.

The chair, in addressing the AAG, said that the problem it was causing the commission for the applicants, they're thinking that we're going to process their license, approve it, but zoning is still not addressing it, not hearing it, it's on zoning, nothing to do with the commission; it's a matter of zoning addressing it, convene, hear it, vote on it, etc., and similar with finance for business license... the commission has no control whatsoever, but what its causing is a bottle neck here where applicants and investors are, and again, because they already got their cannabis license conditional approval or pre-approval, under that perception, that is where he can see the potential liability of a false misrepresentation that the commission gave them this false misrepresentation that because one has a cannabis license, therefore, one can do cannabis business; the commission gave them that false misrepresentation, we're now liable, we can be challenged for liability because we gave them a license; to simply get away from that, the commission has nothing to do with zoning, we don't want to talk about zoning...

Vice Chair Hofschneider expressed that she feels the commission has kind of gone outside of its regulation, it's shame on us, which is something we can change as a board, which is great, it's not in statute; in the statute, the only thing that is says is that zoning has the authority to make the rules however they want to, it essentially says that they are allowed to make their own rules, that's what it says, not that we have to get it now; the commission needs regulations, what the commission first implemented was that in § 180-10.1-325 in application review:

- a) *Once the commission has determined that an application is complete, it must review the application to determine compliance with the Act and these regulations;*
- b) *The Commission: must (not may) prior to acting on an application for a new license, a change to a larger producer canopy designation, a change to producer cultivation method designation or change in processor endorsement type, receive the appropriate zoning authorizations (if applicable) for the applicant's proposed premises.*

The AAG added that it made it clear. The chair said that so then it goes back to before we give approval... the vice chair inserted, technically, we've been processing...both the chair and vice chair voiced, "And we shouldn't have," and the vice chair added, which was already issued, unfortunately.

Chair Palacios reiterated that is where the misrepresentation of pre-approval comes in because it misrepresents itself as if they can do business.

Vice Chair Hofschneider stated that with the regulations, since we are able to change it if we choose to, perhaps go for the licensees that are existing in the same place, if we meet with zoning or whatever; if we had that letter, we as commission can change the regulations to reflect how it is being applied but currently it says that we *must prior to acting on an application for a new license* and obviously, we have not been following that, so we've already set precedence again and that is something we have to consider.

Treasurer Iguel shared his experience at the zoning office with AAG Keisha Blaise also being counsel for zoning on an issue with an applicant during a public hearing in which she stated that just because a mistake was made doesn't mean it's going to continue.

The commissioners entered in to a conversation... The vice chair voiced that applications were processed against regulations, the treasurer mentioned that if it's there [in the regulations], it must be followed, it's doesn't say zoning permit or authorization... the vice chair said that it could be reflected accurately in the commission's regulations...

Chair Palacios asked Secretary Songsong if he wanted to chime in on the discussion. Secretary Songsong said it's difficult to understand what's happening [due to inaudibility/faintness of discussion via Zoom microphone] and said that he thinks all the discussion refers back to Saipan Select's processor application/pre-approved license and the lack of a zoning permit, right?

The vice chair reiterated any application that requires zoning, or licensee, they are not able to receive at the time because they don't have a use permit for it. Treasurer Iguel added that they [Saipan Select] are a part of it but they're just... the chair jumped in and stated that they are trying to standardize, so moving forward, we're not going to be sitting down talking about zoning, don't want to hear about zoning anymore.

The commissioners entered into a conversation... the drafting of the treasurer's proposed letter... recess until tomorrow or next meeting... it's new business rules and procedures of meeting and applications, having the new regulations on the agenda for vote...

Treasurer Iguel asked if because it's under new business, would the commission be able to vote on it already, on rules and procedures of applications.

Discussions followed relating to the Treasurer Iguel's question... vice chair indicated not having the regulations... AAG indicated that it's unrelated to what was discussed and that it cannot be voted on what was just discussed right now... the vice chair mentioned that we are talking about a process and that process is different from a regulation amendment...

Chair Palacios expressed that he thinks what Commissioner Iguel is thinking is that because we are discussing under new business rules and procedures of meetings and applications, which is what this discussion is, there's all these things that were discussed to try and streamline this process and standardize it, is that it's basically in that general term, that's one of them; we just didn't specifically, saying it is this topic or that topic, it's basically more of everything that we've learned in the last three meetings that these things are resurfacing... the vice chair entered and said yes, if it's interpreted that way, maybe... the chair continued, so his question is can it be voted on.

The AAG indicated that is something the commission may decide on if the discussion about zoning falls within this agenda item, the commission could decide on it today.

Vice Chair Hofschneider said that it [zoning] is covered under rules because rules are different from processes and procedures. The AAG asked, and that's in your current rules, you're considering to amend the current rule... the vice chair replied that the current rule is that you have to process prior to working on the application, and that is an error... the chair added, because of the practice and the precedence set, and now we're trying to correct that but be consistent with the rules and at least with the language with the proposed draft letter. The vice chair added, in conjunction with the new process.

The chair continued to say that the letter [proposed draft] then would meet the language, the general intent of the language of what's already in there; it's not changing the rules, not changing the intent of the rules, just putting it in process of how to make it more... in other words, to create a piece of paper that says this piece of paper is relevant to this and the intent is the same.

The AAG said that he needs to back up to clarify, when the commission votes on this, it would actually be a vote to put it out in the commonwealth register, it won't be effective until it's in the commonwealth register; just to be clear, the commission can change its regulations until it's in the commonwealth register; an additional safeguard and so the commission can vote today to... and put it in the commonwealth register.

The vice chair asked that until it goes into the register, it can't be applied; until it's in the register, it can be applied. The AAG said not right away until... there's actually a

comment period, thirty days... The commissioners entered into a conversation about posting regulatory amendments, 30-day public comment period...

The AAG acknowledged that it will give opportunity for public comment, invite written comments for the actual thing published, and expressed belief that ten days after its publication it will be effective, then the commission can use that new rule, so the commission would have to wait at least...

Treasurer Iguel expressed that we're not trying to change the regulations now, the regulations is there; the regulations just states "zoning authorization," so the commission has no zoning authorization in place; for the commission to create this zoning authorization today [relating to the proposed draft letter or form], asked if it can be voted on.

The AAG asked if there is anything in the commission's current rules and regulations that will change as a result. The treasurer replied that there was none. The vice chair added that the regulations state that it must prior to acting on an application. The treasurer added, so prior to acting on an application, instead of the commission getting a zoning permit, which is going to take days, it's going to be zoning authorization. The AAG replied that it going to have to be new regulations, so it would still need to be published in the commonwealth register...

Discussions continued on regulatory amendments, publication in the commonwealth register... the draft document that the treasurer proposed to create that says to receive the appropriate zoning authorization, if applicable, it's creating a letter for zoning to sign-off on... because the law requires zoning authorization... it states the intent and having it on paper, taking the intent of the language and putting it on paper...

Secretary Songsong entered the conversation and said that he has this one question about zoning and recalled Saipan Select saying that zoning does not have regulations for [cannabis] processing. The commissioners acknowledged.

Vice Chair Hofschneider said that is the big issue here, it's that it's hindering our business, that's why we made that consideration [pre-approved license] because it's hindering the ability of the applicant. The chair said that is why we were talking about zoning for the last three hours again. Treasurer Iguel said he thinks it's been for the past twenty hours since last Friday. The chair added that the last meeting was the same thing, we spent all that time on zoning...

The AAG added that so he can understand this correctly, what the commission is proposing is already reflected in the commission's regulations. The commissioners acknowledge and entered into a conversation... [conversing at the same time] ... this [the proposed letter] is a zoning authorization, not a zoning approval, zoning just has to sign-off on it... The AAG indicated that he does not want to sound like he's completely clueless and asked if the zoning authorization comes from the regulations. The vice chair said that they get a zoning approval with the whole requirements, what they considered, etc.

The AAG asked if in the commission's application, the commission has to wait for zoning authorization, and the commission is proposing that this is a zoning authorization to help zoning help the commission... [the commissioners responded collectively acknowledging that it is]... to show that the applicant went to zoning to start that zoning authorization process because, essentially in good faith, the commission already feels that it will be zoning authorized because an applicant for another cannabis license is already licensed to do cannabis activity was already zoning approved at the exact same lot/location for cannabis use.

Discussions followed... The AAG said that the difficulty with that is that when it says, "the appropriate zoning authorization," the reason why is the proper zoning application is normally for them to decide what is the appropriate zoning, they have their own rules and procedures, and expressed seeing where the commission is coming from and its strategy to solve the dilemma, if that will work, then great...

The commissioners entered into a conversation... the commission's regulations don't say permit, it say's authorization... the chair said that zoning doesn't have to sign it, but it just comes back to that same argument... it might be adopted, who knows...

Treasurer Iguel mentioned that he brought this matter up with zoning during their meeting yesterday in which he suggested that the commission and zoning can work towards this zoning authorization that the commission is talking about, where the commission provides this form for an applicant and that all zoning has to do is sign-off to show that it [cannabis use] is allowed in this district, not necessarily approving it but that they are authorizing that the [cannabis] use is allowed.

The AAG added that so long as they issue the appropriate zoning authorization according to their rules and regulations; the commission's concern is their stamp of authorization, whatever that is, because one of the issues is not knowing what the position their office would take, it's unusual but a proactive approach and sees that's what the zoning definition wants to assist stakeholders...

Discussions followed on approaching the matter with zoning... Secretary Songsong entered the conversation and shared that zoning would be required for chemical-based processing, but in this case [Saipan Select] with solventless processing, it's naturally occurring and already existing so maybe that is something that can be justified; it [cannabis flowers] is already existing in Saipan Select; the other common dangers involving chemicals or solvent-based processing is where it's a different scenario; there's a difference between the two processing methods, solvent-based and solventless; obviously, solvent-based processing requires zoning approval because it involves chemicals and being in proximity to residences and things like that, and that is something they [zoning] should start working on because it involves chemicals, e.g., propane, butane, etc.; solventless processing, it's nothing, the product [referring to cannabis flowers] already exist in Saipan Select. Treasurer Iguel added that was a good point.

Chair Palacios asked that for processors then, based on what Commissioner Songsong brought up, is that for processors, the authorization letter would suffice for non-solvent processing, e.g., using water, etc., but it won't apply for solvents [processing], because those two processing methods are totally different, especially with the use of solvents.

Discussions followed between commissioners on the separation of the two processor types and methods... zoning's consideration and approval based on the type of extraction, solvent-based or solventless; licensee still waiting for zoning authorization, the commission satisfying what it wanted, what the commission needs, it [the regs] does say zoning authorization, it doesn't say zoning permit...

The chair added that in trying to find a solution for the commission to streamline its process and regulation and don't want to end up creating a problem for one of the other requirements, zoning or business license, because if that's the case, there is nothing stopping them from saying that from now on they are going to require this if one is getting into cannabis; it just becomes a tit-for-tat, it comes down to how do we make the process more user friendly because right now it's not user friendly, and the sad thing with that is in the short time that we've been together, he can just imagine, going all the way back, how frustrating and how many potential investors that turned away, it's just not user friendly; the sad thing also is that we are a part of that process that is not user friendly because it's the commission, zoning and business license, we're a part of that process that's not user friendly; so it's how do we come up with something where we don't want to over engineer this thing anymore than it already is because honestly it's like what we think is a solution might create more problems, and then again, we are back to where we started.

Treasurer Iguel added that he just wanted to say on record that the commission's meetings are very different from zoning's meetings; we as commissioners don't have regular jobs and we can easily meet as long as we publish notice of meeting in accordance statute, but for the zoning board, they have other jobs, so they're not easily available to meet like the commission; just to justify that the commission is trying to help applicants in a way that gets one thing done [zoning] and not in any specific order, instead of the commission waiting; the commission can have quorum any day but are we going to wait twenty-one days [referenced zoning's hearing notice and process] just for an application to come to the commission, or thirty days, but while we have pending applications that can possibly be voted on by next week or the following weeks.

**RECESS:** The chair called for a one-hour lunch recess at 1:35 p.m.; the chair called the meeting back to order at 2:30 p.m., and mentioned the meeting still being in agenda item number VII of new business, that Commissioner Iguel proposed to draft some kind of letter [to address a stalemate with zoning] and asked the AAG if it was appropriate to address what was discussed before lunch recess.

The AAG mentioned that it could possibly be doable based on the regulation that he read this afternoon; as he recalls, it requires the appropriate zoning authorization before the cannabis commission can issue a license; very broadly written, so it may suffice for zoning, it sums it down to if it would require any changes, they [zoning] would make those changes, it may help speed things up... Discussions followed on voting to adopt the draft letter, review of the draft letter...

Chair Palacios indicated that for clarity, asked of the same statute if it was only for commercial. The commissioners acknowledged that it was for commercial only, not home grown and entered into a conversation of the processes, how the draft letter will go to zoning, its acceptance or stamp of receipt, Secretary Songsong's review of the draft letter...

The commissioner's called on Secretary Songsong and inquired about his review of the draft letter or form that was proposed by Treasurer Iguel. Secretary Songsong mentioned that zoning might say that it would depend on the type of activity if it were something new. The chair asked, meaning to specify. Secretary Songsong clarified that zoning might say that authorization depends on the type of activity or product to be processed. The chair asked that perhaps the draft letter/form could include a brief description.

Secretary Songsong said that for processors, the commission must give an endorsement [through a marijuana processor endorsement application and/or marijuana processor endorsement product description], and was unsure whether the commission issues a letter



of endorsement after a processor application is received endorsing or not endorsing a type of processor activity or product, i.e., the commission endorses solventless processor activity, natural form of processing, etc.; the commission has processor regulations in Part 800, it speaks a lot about processor requirements and solvent-based processing, but it doesn't speak about solventless processing, and thought that a letter of endorsement would have been issued to a marijuana processor endorsement applicant, endorsing [or not endorsing] this type of processing... the commission's regulations does not make a distinction between the two types of marijuana extraction process, solventless and solvent-based, a lot of it is on solvent-based and there are huge requirements for that under Part 800 of the regulations; now for this type of [solventless] extraction process, he thought the commission would endorse solventless processing activity in the same business location that was licensed for cannabis use.

Chair Palacios stated to Secretary Songsong, just for clarification, the form actually is it applies to any and all applications because of the current regulations, so it's just taking the intent of the current regulation and putting it together to make it easier for us so that once zoning signs-off the very first application for processor, producer, or any application that comes before the commission, that in lieu of getting the outright zoning permit, the draft letter or form in the interim would suffice to meet the language in § 180-10.1-325; and this is for all applications, and just for clarity, that is what the form is for, it's not specific to whether it's going to be for processor water, processor solvents, or CBDs for that matter, or producer, it's just so that we can go back to meeting the regulation. The chair then asked the secretary if he was good with the draft form's format. The secretary replied that he was good with it.

Treasurer Iguel stated that Secretary Songsong expressed a point that he thinks for processors, the commission may include in its board order the distinction of processor types, either solvent-based or solventless, at least to make it very clear as to state the purpose of the operation so that zoning don't come back to say that wasn't the expressed purpose.

The chair acknowledged the treasurer and said that would be specific though to processor; the form is for everything, for all the varying applications/license types but when it comes to processor licenses, then that's what you're suggesting, being specific.

The secretary said that it should be reflected in the [processor] application itself and that the processor application just indicates extracts, concentrates, and topicals.

Vice Chair Hofschneider asked Secretary Songsong if he could email her his suggested changes to the [processor] applications so that she could have it changed right away. The secretary acknowledged.

Chair Palacios asked that so with the change in the processor application, the language, that's just to specify the two types of processing, solvent-based and solventless, versus just extraction, concentrates, and topicals, and then asked the secretary Songsong if that was what he suggested.

The secretary acknowledged and said that it was to identify the processing method, whether it be solventless and solvent-based extraction, because right now all three types [extraction, concentrates, topicals] listed in the application can be produced through both methods [solventless and solvent-based].

The vice chair asked the secretary if he could look at both processor applications and endorsement forms and inform her of the needed changes or additional changes, to remove things that are redundant or not necessary or to add something in place, so that she could make the changes. The secretary acknowledged.

The chair then said that there are two items to put on vote, which is to accept the form [proposed by Treasurer Iguel] and the second is to make appropriate changes/updates to the processor application.

Treasurer Iguel then motioned to approve a recent document that the commission will provide to... the chair interjected and said, just real quick commissioner, now that we have forms that are numbered, maybe a number could be assigned to that form so that it is known specifically what document is being referred to... the vice chair threw in examples of numbered documents... the chair suggested that it also cite the regulation so that forms could be referenced to a particular regulation, so that it could be voted on pending the assignment of a form number and asked if it would be okay.

The commissioners entered into a conversation with the AAG on addressing his curiosity about the form the commission is proposing and unsureness of zoning's applicable rules and regs, zoning forms... zoning signing-off on other agency's forms, a disclaimer that the form does not constitute a zoning permit, assigning a number to the commission's proposed form for attachment to commission application... adoption of the form, number assignment with reference to commission regulations § 180-10.1-325 (b)(1)... the chair then asked if there was a motion on the discussion.

- Treasurer Iguel then motioned to adopt a [draft form] document before the board that will be in line with subsection § 180-10.1-325 under application review (b)(1), language, for the purpose of obtaining zoning authorization of an application before it is entertained by the commission. Chair Palacios asked if there was a second.

Vice Chair Hofschneider requested discussion as she was reviewing some statute and/or regulation, then subsequently said that she was fine, and seconded Treasurer Iguel's motion.

- The chair reiterated Treasurer Iguel's motion to adopt a new form pending its number designation pursuant to the CNMI Cannabis Commission regulation § 180-10.1-325 (b)(1), which is now just in draft form, and then called for all those in favor. All commissioners voted in favor of the motion; motion carried.

Chair Palacios introduced the second item for vote, which was for processor applications to include the words, for purposes of clarification, "solvent-based" and "solventless" processing of extracts, and that the recommendation was made by Commissioner Songsong, and if Commissioner Songsong was okay with that, asked if anyone would like to make a motion on that recommendation.

- Secretary Songsong motioned for the updating of the commission's processor application to identify the two different types of cannabis extractions, solvent-based and solventless extractions. Seconded by Treasurer Iguel. All commissioners voted in favor of the motion; motion carried.

The chair reiterated the vote of approval to change/update the commission's processor application, the method of extraction as to solvent-based or solventless extraction, and then asked if there were anything else on rules and procedures of meetings and applications.

Treasurer Iguel, expressing unsureness if it was the right time, mentioned that in the upcoming meeting, the commission is brining forth Robert's Rules of Order and asked if the commission should vote, not knowing what the past commission knew, but wanted to see if the commission should vote to adopt Robert's Rules of Order for the commission's proceedings in its meetings.

The vice chair said that the commission has been following it the entire time and said that she will email what AAG Keisha Blaise provided the commission [Robert's cheat sheet] for following Robert's Rules of Order. The treasurer acknowledged.

Discussions followed amongst commissioners and with the AAG on Robert's Rules of Order, its adoption that govern the commission's meetings would have to be made known to the public, may affect the public's ability to participate in meetings because they need to know the rules of how meetings are conducted, its publication in the commonwealth register, possible conflict with some statute on emergency meetings, not all Robert's rules may be consistent with some statutes, consult with the commission's designated AAG, adoption of rules under the Open Government Act must go through a public comment period, commission by-laws, will look more closely into it and provide short analysis, understanding the necessity of Robert's rules but if the commission is going to be bound by Robert's rules in addition to the statutes, it should be published in the commonwealth register, may conflict with some statutes, CNMI agencies have published how meetings would be conducted, the possibility of moving public comment agenda item further down the agenda before executive session for public opportunity to comment after an agenda item has been discussed... [the vice chair had to leave the meeting to catch her flight back to Tinian but will enter meeting via Zoom while on the move]... public comment on the agenda, misunderstanding in the last meeting about public comments, connectivity problems with Zoom, four hour discussion about zoning, streamlining processes to make it user friendly, exchanging of ideas, responding to public comments...

Chair Palacios concluded that the commission, based on the above discussion, will table the adoption of Robert's Rules of Order, and then asked Secretary Songsong if he had any comment about its tabling who replied that he had no comment.

The chair then addressed Treasurer Iguel if the adoption of Robert's would be tabled until the commission has further clarification from the commission's counsel and how the commission would move forward with it.

- Treasurer Iguel then motioned to table rules and procedures of the commission's meetings with regards to Robert's Rules of Order for further clarification and guidance from the commission's counsel, AAG Keisha Blaise. Seconded by the vice chair. All commissioners voted in favor of the motion; motion carried.

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*[Reentered into this agenda from the managing director's report]*

The chair announced the exit from the acting managing director's report, agenda item VIII, and reentry into agenda item VII under new business, rules and procedures of meeting and applications for reconsideration of Treasurer Iguel's motion.

- Treasurer Iguel then motioned to reconsider voting on the rules and procedures of the application process to include the AIP process, the approval-in-principal, to hold-off on any future AIPs, and then asked if the commissioners wanted to add anything else, they may do so, so moved.

Chair Palacios then asked, what is the commission going to do with the current eight AIPs. The treasurer mentioned that could be a tricky part and asked if Commissioner Songsong had anything to say about it because he believes they were issued and is unsure if it can be recalled.

Secretary Songsong added that the commission is going to stop the issuance of AIPs and AIP extensions and will review all current AIPs to see how far they have come along for a determination if the commission will move forward with them or cancel those that are not ready yet. The treasurer then asked the secretary if he could make the motion because there was more clarity about that AIP stoppage and review.

- Secretary Songsong the motioned to cease the issuance of any approval-in-principal by the managing director and acting managing director, and to cease extensions of any AIPs, and that the commission will review all pending AIPs to determine whether any of them are prepared to move forward or are still lagging with their facilities. Seconded by Treasurer Iguel.

The chair reiterated the secretary's motion on the cessation of AIP issuance and extensions thereof, and to review the current eight AIPs that were issued for compliance verification to see how far along they have progressed in the process and with operational readiness. The chair then asked all those who were in favor of the motion. All commissioners voted in favor of the motion; motion carried.

Hearing no further comments or discussion under new business, the chair announced reversion back to agenda item VIII to the acting managing director's report.

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The chair asked the commissioners if there were any other matters they would like to bring up, and then asked Secretary Songsong if he had anything to add to the rules and procedures and streamlining processes to make it user friendly as he's been very quiet.

The secretary replied that he had no comment and that he couldn't talk much because the Zoom connectivity keeps staggering. The chair then asked the vice chair if she had any comment, to which she replied that she had nothing more to add.

Chair Palacios then stated that meetings and applications rules and procedures, unless there are other things the commission finds or remembers from the three previous meetings as to how we can move these processes forward and make them more consistent with open government laws and other CNMI laws, pursuant to rules and regs of how we conduct business as the commission, if there is nothing else, then we'll move on to the next agenda item.

### **VIII. Acting Managing Director's Report**

The chair asked the acting managing director Mr. Erik Basa if he was available via Zoom.

Treasurer Iguel stated that Mr. Basa was not available at this time but was provided information to update the commission and read the following:

- Permitting and licensing: There are fifteen active licenses, four inactive applications, six pending applications, ten applications who were issued approvals-in-principal (AIP); out of the ten AIPs, two withdrew due to financial constraints, so there are eight active AIPs now.

The chair asked about the fifteen active licenses, how is that defined, how is active defined. The treasurer indicated that they were issued licenses, are licensed, and should be in operation or operating soon. The chair expressed the reason why he raised that question, going back to what we've been talking about in regards to value of the license, where using Hawaii as an example, liquor licenses in Hawaii are limited and because they limit the number of liquor licenses, the value of each license goes up because its only so many that are available; the reason why he's keeping that in the back of his mind when we talk about active licenses is the last thing we would want is for one person to get ten licenses and only one is active, while the other nine are just sitting idle, therefore saturating and giving a false impression as to whether the industry is really contributing; it's almost like corralling the market and trying to create that captive monopoly, maybe the commission can go back to this and find out exactly; with the fifteen licenses, he counted the dispensaries in Garapan, producers/retailers...

Secretary Songsong stated that there are six retailers and one lounge, and the rest are producers. The treasurer acknowledged the licensed numbers mentioned and did a head count of six retailers and one lounge. The chair then asked the treasurer if he had an extra list of licensees.

Secretary Songsong indicated that his estimations of application and license fees from retailers and lounge licensees add up to \$42,000.000 annually, while licensed producers add up to approximately \$72,000.00 annually in application and license fees, and that those application and license fees may not cover the annual cost for a cannabis tracking system.

Chair Palacios reiterated the numbers of active licenses and then asked how many of the producers are active. Treasurer Iguel stated that all licensed producers are active and then stated the company names of all licensed active producers.

The chair then asked about the four inactive and if it is known why. The treasurer stated that one was a denial of application, another withdrew application, a third did not renew license, and the fourth surrendered license.

The chair then said in reality that those are not inactive licenses, they don't exist. The treasurer agreed. The chair continued that in reading this or with the senate reading this, they can say those are nineteen marijuana businesses and why are revenue collections only this much and that this industry is not worth nurturing or growing; if there are only fifteen active licenses, then that is all that should be shown, there is no reason to indicate the inactive because they are non-existent...

Treasurer Iguel stated that he'll mention it to the acting managing director that there will be no need to report the numbers of inactive applications or licenses, if they no longer exist.

The chair indicated that they should be kept on record for information purposes should they apply later under a different business name like the ones that withdrew under AIP; if they withdrew for financial reasons today, then if they apply again next year, we want to make sure that they are financially sound this time...

The chair then asked about the six pending applications. The treasurer indicated that the pending ones are not complete yet with their facilities, they submitted applications, paid fees, got zoning permits so he's thinking that their facilities is not ready for any inspection [initial inspection for operational readiness], pending completion of their application.

The chair stated that this is where the cloudiness is coming in; we have fifteen licenses, the six that are pending are not licenses, they're applicants; so those six, their licenses are pending, they are going through the process.

Treasurer Iguel acknowledged the chair and said same with the AIPs, they're not licenses, they are still pending initial inspection.

Chair Palacios asked who issues the AIP. The treasurer replied that would be the acting managing director, once an applicant completes its application, checklist of required documents, the acting managing director issues an AIP and for the applicant to schedule an initial inspection of its facility to determine readiness to operate before being introduced to the board for licensing consideration.

The chair asked to hear him out, so the acting managing director issues an approval-in-principal license. The treasurer replied that it is more like a letter.

Vice Chair Hofschneider added that the approval-in-principal letter is essentially to indicate to the applicant that as far as we can see on the application, they have met licensing requirements and gives them the okay to proceed with its facility's construction, ordering equipment, etc., which allows them one-year... the purpose is to give them an approval-in-principal essentially, that the commission would need to confirm at the time of inspection is everything that was indicated in their application, and then the managing director makes that confirmation and prepares a presentation to the board to vote on licensing.

The chair mentioned that he just wanted to make sure that there is no over stepping or under stepping of bounds and responsibilities because while the managing director is protected as far a personal liability or lawsuits, protected because he's a government employee, we the commissioners are not because we are not government employees, therefore, we are not sovereign to it; his concern would be if the managing director issues an approval-in-principal, that approval-in-principal letter has the weight of a board approval but was not voted on. The vice chair indicated that she sees what the chair is saying.

The chair continued that now that the approval-in-principal is given, now one can invest all these monies on all these things because the words approval-in-principal; just wanted to make sure that there would be no problems with getting sued when he doesn't need to be, that's what his problem is.

The vice chair added that what she will say because she thinks the chair doesn't know the history on it, and thanked the chair for raising that point is initially, the commission implemented the approval-in-principal process when the managing director originally was approving licenses; part way through, that process was changed to align with what zoning does and instead had the managing director present to the board; so perhaps, we



just overlooked that fact, exactly what the chair said, is that giving the approval-in-principal now is not in line with or not ideal anymore, essentially; the commission had the approval-in-principal before because the managing director was the one approving licenses, then we realized the board should be the ones to decide and followed zoning's hearing process, and that the chair raised a very good point and is something to reconsider completely.

Chair Palacios mentioned that going back to authority, if he's not clear on it or if he misread it or if its just the part of the ambiguousness of Public Law 20-66, is that the commission, the board, approves cannabis licenses, not the managing director; so where then does the managing director get that authority, regardless whether it's in principal, temporary, or part of the procedural efficiency; if there's no authority to issue that approval, then he does not mind donating to the Red Cross but does mind getting sued.

Vice Chair Hofschneider reiterated that when the commission first issued its very first license, which no longer exist and is closed, it was approved by the managing director at the time and luckily it doesn't exist anymore, and said that the chair was right, if the statute simply says that the commission is the approval authority, then we need to change that, remove that step...

The chair said that it seems to express that the managing director, by proxy, is representing and constitutes the decision of the board, or the commissioners as far as issuing this AIP; if he's the one that is going to get sued, he wants to be the one to have a say in it and does not want that decision to be made by somebody else; there are eight AIPs and wanted to know who are those applicants and what are those applications for; he referred to Commissioner Songsong for information on solvent and solventless, and the last thing he wants is for somebody to be processing with solvents, contaminating the water, etc., and now the commission is getting sued because the managing director took his authority that truly belongs to the commissioners.

Treasurer Iguel indicated to the chair that he wanted to ask a question from the two senior members of the commission, Vice Chair Hofschneider and Secretary Songsong, and then asked them if the commission has a definition of AIP and what its purpose; to his understanding, once an application is completed, an AIP is issued, but what is the purpose of the AIP.

Secretary Songsong replied that once all application requirements are complete, an AIP is issued, similar to a conditional approval, that allows the applicant to proceed with setting-up its business site for operations; once the applicant is ready to operate its business operation, they will call commission inspectors to inspect their business location for

operational readiness; if the inspection passes, the managing director will present it to the board with recommendation for the board's consideration for licensing.

Vice Chair Hofschneider added that the AIP also stipulates that the applicant is not authorized to operate its business until an approval is given; for example, if a producer receives an AIP, they are not allowed to grow their crop until they receive a license.

Treasurer Iguel asked if the AIP is basically saying that the applicant has met the requirements of the applications and the requirement checklist for the approval of its facility.

The vice chair replied that it essentially says that, if the commission conducts an on-site inspection [of the facility] and it is the same as proposed in the application, then there should be no issue in approving the license.

Chair Palacios asked the AAG to what degree of culpability the approval-in-principal place the commissioners.

The AAG replied that based on the discussion, two things come up, and said the chair was right, only the commission can issue licenses; that authority cannot be delegated to the managing director unless its in the statute; if its not in the statute, only the commission can issue licenses through vote, majority vote and in open meeting; the culpability with respect to the commission, in an event the managing director issues an AIP, which he believed is conditional, he wouldn't have the managing director issue that if it's not in the rules and regulations; the reason why it's problematic is if it is issued, because those things have a way of being misconstrued, it leads to a lot of complications; if its something in the regulations and that's why its coming up, then it may be followed, but there should be an official notice through regulations if that's the case, that it is not a license; it's like to say it's a preliminary step before getting a license and opinioned against that happening because its problematic; if it is used, there should be a very clear disclaimer in the regulations that says this is not a grant of license, it's just to ensure that all conditions have been met right before the commission board is able to take it into consideration, that would be something preferred because you don't want the managing director doing that and not necessarily at the direction of the board; the issue that comes to mind is when it is misconstrued as a conditional grant of a license, for example, because that could be where the potential for legal problems that come, if it is not clearly communicated, then a vendor could come up with anything, any reason to sue... and exemplified scenarios with contract awards... and that he has advised agencies to avoid giving out notices of intent to award because issues are often discovered down the line, and when vendors communicate about it, they raise the notice of intent to award as a

basis to file suit against the government for saying the contract was awarded to somebody else when they received a notice of intent of contract award... Treasurer Iguel added that AIP should be defined, what does the AIP mean.

Chair Palacios expressed that he comes across it as it was board sanctioned, that we somehow sanctioned it; he's being told that there are eight AIPs, which he has not seen even one of them, who are they, what are they; he's the chair and looking stupid here because he has not seen one of them AIPs but yet the managing director issued AIPs, basically placing him and the rest of the commissioners in a problematic situation; if anybody is going to be sued, it's going to be us; his question is, by what authority did the managing director get this from to issue this approval-in-principal because if it's a matter of saying, you can go ahead and continue with the progress of your business, all of those things should've been on the checklist, that you need to have water and power hooked-up, etc., all those things should be in a checklist; but to say here's your approval-in-principal, just that word alone is very powerful, you're approved in principal, what principal, when we say principal, are we saying principal as in all criteria has been met and we're just waiting for you to get your phone hooked-up, etc., what is the limit to that.

The AAG added that if that is the route the commission is going to allow that, if there is no such thing as approval-in-principal in the regulations, the managing director should not issue that; only the commission can approve licenses in the first place, that's the bottom line... it could be misconstrued to allow them to purchase equipment, and other investments...

Treasurer Iguel said in looking at the regulations, he does not see anything on approval-in-principal and that some good points were brought up with the approval-in-principal; we had some issues earlier regarding comments from the public challenging the board with some concerns; since he's been with the commission, he did not have the opportunity to ask what is an approval-in-principal, the authority on it, why do we issue it; if anything, we already voted to table rules and procedures of meetings and applications, and in reviewing some of the language, he wanted to move to reconsider... or rather, he wants the AIP to be defined first before the commission moves forward to avoid possible lawsuit, knowing the senior commissioners have more information on the AIP, it's just that it's not in the regulations.

The chair said that action could be taken at least to vote on some decision when we go into executive session regarding AIP. The treasurer asked if it could be placed in the next meeting's agenda as new business to discuss AIP.

Chair Palacios said his next question between now and the next meeting, what are the implications should any of these approval-in-principals, counsel brought it up and mentioned it before, they go out and spend hundreds of thousands of dollars based on the approval-in-principal.

Treasurer Iguel asked the AAG that because of this approval-in-principal, the commissioners also noted it in that letter, it's not a license, it states that they have completed application requirements, but it does state that they shall not operate the business... is that statement strong enough for the board or can it be challenged.

The AAG replied that the thing is he does not think the managing director has authority to issue it because by statute, only the commission can approve licenses... believes the sole authority to approve a license is with the commission and that authority is assigned to the commission; it does not say that it cannot be delegated but that type of authority, if legal decides, it cannot be delegated; similar to the authority to fine, it lies with the commission, the managing director cannot issue fines without the commission; the commission is the one that approves fines... the final say is with the commission, same with the license, and then asked if it was a conditional approval.

The treasurer replied that it's not really an approval, and asked the commissioners to correct him if he is wrong, it's a letter stating that they've completed their application and are due for inspection or maybe pass inspection...

Vice Chair Hofschneider said that the original way that it was processed, and Commissioner Songsong knows this, the managing director approved the first license so what she is seeing here, the template wasn't appropriate, the template is not correct; even if we were changing the process that we are currently using right now, the reality is the purpose of this AIP letter is to inform the applicant that their application is administratively complete, and then asked the treasurer if it says that they can start building. The treasurer responded that it does not.

The vice chair said to excuse her previous statement, it's basically saying the applicant's application is administratively complete and now it's time for inspection or schedule an inspection of the premises, and that the approval-in-principal is obviously not correct.

Secretary Songsong added that there is an expiration on the approval-in-principal, a one-year time span, and when the applicant is ready to operate when [facility/business] everything is completed, the commission inspects for operational readiness; if the inspection passes, the managing director brings it to the board with a recommendation, and recalled that the former commissioners granted that authority to the managing

director to issue the approval-in-principal, similar to a conditional approval; but at the moment since this question is important, the commission should advise the acting managing director to cease any extensions on AIPs until the commission looks into these AIPs, and thought that a lot of the AIPs were issued by the former managing director and that the acting managing director may have issued a couple AIPs; so no AIP extensions for now until the commission takes a look into the existing AIPs.

Treasurer Iguel wanted to bring up one applicant who is SPP, LLC., dba Canna-Saipan Premium Farms, a Ms. Palacios, which was already approved by zoning, her building size, etc.; that is one of his concern in that he believes she build her facility already and the commission issued her an AIP, but let's say if her checklist was all checked-out, what happens if we deny her application and she has already built because they gave her an AIP to get her facility ready, knowing that's the term always used to "get your facility ready;" they are purchasing things and setting-up and what happens if the board denies, and agreed with Commissioner Songsong that the commission should cut off issuing AIPs if possible.

Chair Palacios said that the two points here, Commissioner Songsong mentioned that the former commission granted that authority, unless he read the statute wrong, the statutory authority for approval rests with the commission's board members and only the commissioners, there's no language of such, and that counsel hinted to it several times earlier, is that it's not transferrable; it's like with law enforcement, is that authority he can delegate his authority but he cannot delegate his responsibility, responsibility rests with him; with that being in place that the statute is more defined, that it is the commissioners that have the authority to approve; now what the AIP does is it gives an implied approval of the commissioners, it's implying that he approved eight licenses and he can argue that he's only been with the commission for a month and a half; so anything before that, he's sorry he's not, it's just that implication that he somehow gave an implied approval of an application; he has nothing to do with it and he's not even aware of it, so again, it goes back to where does this authority, it puts the commissioners in a very compromising situation he does not want to be in; that said, it was mentioned that one applicant has already bought and built a warehouse, that person wouldn't have done that and would put his money on it if that word approval-in-principal, they relied on those three words, approval-in-principal; it's approved, decision approved, just need to get my building, seeds, lights, etc., but my business is approved, basically that is what it is saying; so it's the commission's, the commissioners' approval is already granted but yet we haven't even voted on it because if that person is aware that this approval-in-principal, maybe it's just the semantics of the word approval, if that person is aware that this approval-in-principal has no weight, no authority, other than to complete the checklist and buy whatever it is that needed to be bought but not obligated by it, then that's on that person

but to look at those three words, approval-in-principal, approved in principal to start their business, and starts doing it and here we come and what do we do, we disapprove it, we deny it...

Secretary Songsong added that his review of the application processes in the regulation does not show AIP in the application process, and that the commission should act on it as soon as possible to cease AIP extensions and issuance until the commission investigates all the pending AIPs.

Discussion followed on the cessation of AIPs... acting on it in executive session or in open public meeting...

Treasurer Iguel asked if he could motion to reconsider what was voted on for procedures on applications to include that the commission stop the AIP process, not in the next agenda but under the same agenda item of rules and procedures of meetings and applications; it was voted on, but we may need to go back to that agenda item for reconsideration of the motion. The chair asked if it was to get out of agenda item VIII and go back to agenda item VII.

Discussion followed and clarification was sought on Treasurer Iguel's question to revert back to agenda item VII to reconsider amending the motion, the treasurer cited Robert's Rules of Order allowing a reversion to a previous decision to reconsider to amend or make changes, the issue of the agenda item already past... motion to reconsider, board member's motion to reconsider being a standard motion or practice in board meetings... the AAG was unsure about reverting back to an agenda item to reconsider its prior vote on a decision without additional notice to the public and would need to get back with the commission for more clarity on that issue...

The treasurer asked the AAG that because it's not in the regulations and in the application process as Commissioner Songsong mentioned, does the commission have to vote on it or can the AIP process be internally or administratively stricken out; the commission has not voted on AIP, it's not in the regulations or application process. Discussions followed...

Chair Palacios said on voting on it, if the commission is going to do anything with it because it's a consensus of the board and the board ultimately are the ones to have to face the music on it, either way, whatever is decided.

The treasurer then asked if the commission is going to be okay with waiting until the next meeting to tackle it. Discussions followed with the AAG...

Chair Palacios added that his only caution as far as even letting it breathe for another day is which person out of this eight AIPs, what are they going to do tomorrow, how much money are they going to spend tomorrow based on AIP that the commission is going to be in the hook for because basically the AIP, again, this is what breeds that scenario... (buying a truck and asking DMV to issue license]... that's what this breeds because of that implication that somehow, the commissioners have already approved the applicant to do business when he does not even know anything about this; that's why he's asking all these questions because who gave this approval and what authority because as he understands it, the board commissioners are the ones that are on the hook, it's not the managing director, he does not want to give this another day to breathe. Discussions followed with the AAG...

Treasurer Iguel addressed the commissioners and reiterated that he raised a type of motion with the AAG, a motion to reconsider, that by majority vote if everybody agrees to the motion to reconsider, we can go back to new business under rules and procedures of meeting and applications, to include in there to hold-off on AIPs.

The chair clarified that the commission should first vote on moving out of its current agenda item and to revert to a prior agenda item, that way it would be a board consensus.

- The chair then motioned to exit from the acting managing director's report, agenda item VIII, and to revisit agenda item VII, new business, under rules and procedures of meeting and applications for discussion. Seconded by Secretary Songsong. All commissioners voted in favor of the motion; motion carried.

The chair announced exiting from the acting managing director's report agenda item VIII and to reenter agenda item VII under new business, rules and procedures of meeting and applications.

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*[Reentered into the acting managing director's report from agenda item VII, new business, after acting on a motion on an application process to cease approval-in-principal.]*

Treasurer Iguel stated that was basically it with AIPs and then continued with reading the acting managing director's report as follows:

- In January, commission Executive Secretary Ms. Natasha Palacios attended a time keeper training with Acting Managing Director Mr. Erik Basa;
- On the 27<sup>th</sup> of January, CNMICC enforcement agent Mr. Dominic Pangelinan resigned from the CNMICC;

- January 31<sup>st</sup> was the last board meeting with Chairman Mathew Deleon Guerrero and Treasurer Valentino Taisacan;
- On February 1<sup>st</sup>, the executive secretary attended a two-hour live stream budget training;
- On February 10<sup>th</sup>, the CNMICC staff met with Congressman Diego Camacho and other staff of the legislature;

Treasurer Iguel then stated that the managing director is providing a brief overview of what transpired in the past, and then continued his reading:

- On March 10<sup>th</sup>, the acting managing director and executive secretary attended a one-day training on alcohol and drug free policy and procedures; this day was also the opening date of the job vacancy announcement for managing director position with a closing date of March 24<sup>th</sup>;
- On March 20<sup>th</sup>, the CNMICC staff, former Managing Director Monique Sablan, and Acting Chair Journie Hofschneider met with the honorable governor and lieutenant governor to discuss the commission's background, application statuses, lack of board quorum, staffing issues, and enforcement transportation; at this time, the governor authorized the CNMICC to route an RFPA for change of account in order to keep staff since the CNMICC was one hundred percent dependent on ARPA funds;
- On March 31<sup>st</sup>, due to lack of funding, the CNMICC stopped services for lawn care;
- On April 17<sup>th</sup>, the CNMICC staff met with the Office of Management and Budget to discuss fiscal year 2024 budget report and 2023 spending plan;
- On April 20<sup>th</sup>, the CNMICC received the list of three qualified applicants for the managing director position;
- On May 1<sup>st</sup>, the Acting Chair Journie Hofschneider arrived in Saipan to attend a two-day inspection;
- On May 5<sup>th</sup>, the executive secretary attended the swear-in ceremony for the two newly appointed commissioners, Messrs. Jose Palacios and Juan Iguel;
- On May 8<sup>th</sup>, which was austerity Monday, the first board meeting [with the new commissioners] was held at the CNMICC's office to elect its officers;
- On May 12<sup>th</sup>, a second board meeting was held at the CNMICC office; in that meeting, the executive secretary presented a power-point presentation for Top Shelf on behalf of the acting managing director;
- On May 16<sup>th</sup>, the executive secretary sent the first board payment, paying out Commissioners Palacios and Iguel for the month of May service;



- On June 1<sup>st</sup>, the executive secretary sent out an invoice entry for payment of an outstanding Docomo billing with the special funds account;
- On June 2<sup>nd</sup>, a third board meeting was held at the CNMICC office;
- On June 6<sup>th</sup>, an outstanding Docomo balance was paid; and
- Up to date, the executive secretary continues to assist the acting managing director along with the cannabis commission board with various tasks and duties to ensure the office is kept up and running.

Treasurer Iguel expressed his appreciation to the acting managing director and the executive secretary for all their hard work that they provided for the office, the community, and to the board.

Chair Palacios asked about Mr. Erik Basa's starting date as the acting managing director. The vice chair said that he's been acting for over a year since April [2022] of last year.

The chair addressed the AAG and referenced Guam that anything past ninety days requires a desk audit; the desk audit would then trigger one of two things, the person is removed from the position, anything over ninety days, the person has to be compensated for that position in regard to wage and salary; and then asked, what is the trigger, it's rhetorical and already knows what the answer is, but the question still needs to be asked because we are in session; what is the trigger day where the desk audit is mute at this point because of the duration of occupancy, and then asked if it is also a ninety day period in the CNMI.

The AAG replied that it has been a while since he has investigated that statute but is not familiar with a desk audit requirement but knows of the ninety days; normally when an acting has been in the position for ninety days, they are entitled to a rate increase, and believed that once it exceeds ninety days, its automatic from what he understood.

The commissioners entered into a discussion along with the AAG about Mr. Erik Basa's acting capacity for over a year and compensation... unsure if compensation has to equate to the managing director's salary, entitled to a rate increase and the rate increase does not have to be at the same level as the previous managing director, exact rate increase not known at this time, will review, something the commission will work to correct in fairness to Mr. Basa, verification with the Office of Personnel Management rules, to be discussed with AAG Keisha Blaise... All commissioners were all in agreement to settle the compensation matter of the acting managing director... review of finances, justify with the Office of Management and Budget...

Discussions then followed about the executive secretary's additional duties and responsibilities outside of her prescribed duties and responsibilities that may be consideration for compensation being one of only two commission employees that kept the commission operational...

The chair then asked if there was anything for the acting managing director's report. Treasurer Iguel replied that it was concluded.

The chair asked if the compensation matter for the acting managing director needed to be voted on. The commissioners and AAG entered discussion about the matter...

The chair then asked the commissioners if they had anything they would like to discuss in the execution session. There were no subject matters offered for discussion. The chair then expressed his appreciation to the AAG Carl Dela Cruz for this presence and the helpful and meaningful information he provided for the commission.

#### **IX. Executive Session**

There were no matters discussed in the executive session.

#### **X. Adjournment**

Chair Palacios adjourned the CNMICC's June 09, 2023, meeting at 5:19 p.m.