



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
CANNABIS COMMISSION



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A regular meeting and public hearing of the CNMI Cannabis Commission will be held on **Friday, July 14, 2023, at 10 A.M.** at the office of the CNMI Cannabis Commission Conference Room at Ascension Ct. Bldg. 1341, Capitol Hill, Saipan.

AGENDA

- I. Call to Order
- II. Roll Call/Determination of Quorum
- III. Consideration and adoption of Agenda
- IV. Consideration and adoption of Minutes of prior meetings
- V. Public Comment
- VI. Public Hearing
 1. Cannabis Application No. C-0122-0027-SPN - SPP, LLC dba Canna-Saipan Premium Farms Marijuana Producer - Class 3, discussion and voting
- VII. Chair Report
- VIII. Old Business
 1. Rules & Procedures of meeting and applications
 - Revision of application
 2. Discussion and decision of Robert's Rule of Law for meeting
- IX. New Business
 1. Update Processor applications
 - Solventless/Solvent based
- X. Acting Managing Director's Report
- XI. Executive Session
- XII. Adjournment

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

Written comments on the agenda may be submitted to the office of the CNMI Cannabis Commission located at Ascension Ct., Bldg. 1341, Capitol Hill, Saipan or emailed to info.cnmicc@gmail.com on or before the meeting date. Oral testimony may also be presented during the meeting on Friday, July 14, 2023.

**CNMI Cannabis Commission
Regular Session Meeting Minutes
July 14, 2023**

I. Call to Order

Chairman Jose Palacios called the CNMI Cannabis Commission's meeting to order at 10:05 a.m., which was held at the Office of the CNMI Cannabis Commission Conference Room located at Ascencion Ct., Bldg. 1341, Capitol Hill, Saipan.

II. Roll Call/Determination of Quorum

The chair introduced the following persons present at the CNMI Cannabis Commission's conference room:

- Secretary Thomas Songsong, representing Rota;
- Vice Chair Journie Hofschneider, representing Tinian;
- Treasurer Juan Iguel, representing the Northern Islands;
- Acting Managing Director Erik Basa;
- Executive Secretary Natasha Palacios;
- Assistant Attorney General Keisha Blaise; and
- Ms. Connie Palacios, an applicant for Marijuana Producer – Class 3, dba Canna-Saipan Premium Farms, for licensure consideration during this meeting.

The executive secretary then called roll of the commissioners in which quorum was confirmed.

III. Consideration and adoption of Agenda

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

IV. Consideration and adoption of Minutes of prior meetings

Treasurer Iguel motioned for the adoption of the following meeting minutes: June 24, 2022, July 29, 2022, August 26, 2022, September 23, 2022, and May 12, 2023.

Secretary Songsong asked that the May 12, 2023, meeting minutes be discussed first before its adoption.

Treasurer Iguel then amended his previous motion and motioned to adopt the prior meeting minutes of June 24, 2022, July 29, 2022, August 26, 2022, and September 23, 2022, seconded by Vice Chair Hofschneider. All commissioners voted in favor of the motion; motion carried.

[Part 3 audio recording of meeting started here]

Chair Palacios cited the May 12, 2023, meeting minutes and referenced Commissioner Songsong's mention of inaccurate statements the chairman made about what Commissioner Songsong stated to him and offered his apology if those statements were incorrect but to his recollection, the prior conviction mentioned or admitted to the commission and board by Mr. Malin while he was with Saipan Select, LLC., the chair expressed that he was not a commission member at that time so he [the chair] was not privy to particular information that Mr. Malin admitted about his prior conviction and his statement is that he admitted to the prior conviction while with Saipan Select but not the specific one he [the chair] was concerned about, which was the federal conviction, and if there was any miscommunication at that point, the chair expressed his apology to Commissioner Songsong if he misrepresented what was said, but all he [the chair] said was is that he was not privy to that information other than obtaining that information from somewhere as a result of his [the chair] being a commissioner; somehow that information got to him and if it did not come from Secretary Songsong, he apologized for the misstatement.

Secretary Songsong then requested that those certain [red highlighted] sentences transcribed in the May 12, 2023, meeting minutes be deleted because those were not statements the secretary made as was stated by the chair during that meeting.

The chair acknowledged and reiterated his earlier statements. The secretary indicated it was not about statements made by Mr. Malin, it was about the chair's statements that Secretary Songsong made were incorrect, those two sentences highlighted in red in the minutes should be stricken. The chair said that he was good with striking those parts out.

- The chair then motioned to strike-out the red highlighted sentences in the May 12, 2023, meeting minutes, seconded by Vice Chair Hofschneider. All commissioners voted in favor of the motion; motion carried.
- Treasurer Iguel then motioned to adopt the May 12, 2023, meeting minutes without the red highlighted sentences shown on pages 5 and 6, seconded by the vice chair. All commissioners voted in favor of the motion; motion carried.

V. Public Comment

The chair opened the floor for public comment and then asked Ms. Connie Palacios if she would like to make a comment. There were no public comments.

VI. Public Hearing

1. Cannabis Application No. C-0122-0027-SPN - SPP, LLC dba Canna-Saipan Premium Farms Marijuana Producer - Class 3, discussion and voting

Chair Palacios introduced the agenda item for the acting managing director's (acting MD) presentation of the application as follows:

- The approval-in-principal was issued on March 17, 2022, which allowed the applicant to initiate development of its premises; contact person is _____ aka Ms. Connie Palacios who is the company manager, establishment name is Canna-Saipan as identified in its business license, operations will be conducted on Lot No. 039 L 50 and 51 located in Obyan, Saipan; business operating hours, newly constructed facility was measured at 5,500 square feet, proposed cultivation will be strictly indoors, and canopy size is approximately 1,170 square feet or less; producer class 3 allows for a canopy size of 3,000 to 5,000 square feet;
- Described cultivation medium, well-structured, secured facility and fully enclosed with proper ventilation, air-conditioning and fans, and temperature and humidity controlled indoor environment; sectioned facility/multiple areas as shown in the floor plan; estimated utility consumption is approximately 547,000 kilowatts per year and water usage was estimated at 180,000 gallons;
- Described route to the facility's location at Obyan and displayed site map, concrete perimeter wall constructed surrounding the premises, placement of interior and exterior surveillance cameras, security house, parking space; floor plan consisted of flower, vegetative, storage, office, and a proposed retail space; displayed inspection photographs and described findings, signage, entry and exit ways, rain water catchment system, facility's steel entry gate, thumb print/pin lock/card key door knobs, proposed retail space and the company's submission of a retail application; employee badges, standard operating procedures in place and readily available, cannabis storage and drying rooms, restroom area, water storage tanks, pumps and plumbing fixtures for cultivation areas, air filters, dehumidifiers, etc.;

Vice Chair Hofschneider asked for updated inspection photographs. The acting MD acknowledged that he would provide them upon completing another inspection to ascertain certain requirements, i.e., placement of additional security cameras.

Secretary Songsong inquired about water usage being from the rain water catchment system rather than the public water system. The acting MD acknowledged the source of water will derive from rain catchment.

Treasurer Iguel inquired about the change in the floor plan. The acting MD acknowledged that there was a slight temporary change in the use of a flower room to a vegetative room.

Vice Chair Hofschneider asked how many employees the applicant plans on employing. The acting MD indicated the applicant did not have that number available. The vice chair then asked the applicant if she had an idea of how many employees she plans to hire once her facility is fully operational.

Ms. Connie Palacios said that two employees would be enough to handle the facility's operations because everything will be automatic [automated], e.g., for watering, environmental controls, timers, etc.

The vice chair asked Ms. Palacios what about during periods of harvests, drying, and product preparation, if she felt she would have enough employees to handle a lot of product considering her facility's large cultivation canopy, and mentioned that upon hiring employees, it is a requirement to report that information to the commission.

[Ms. Palacios responded, however, unable to make out her comments as she is not fluent in the English language and has difficulty expressing clearly or concisely in complete sentences.]

Ms. Palacios acknowledged the vice chair's statement about informing the commission upon hiring employees.

- The acting MD concluded his presentation indicating the facility's generator room being in place and operational in the event of power outage and expressed that based on his inspection findings, recommended approval of Cannabis Application No. C-0122-0027-SPN for Marijuana Producer - Class 3 for licensure.

The vice chair asked the applicant about her marijuana cultivation experience.

Ms. Palacios expressed that she is self-taught through reading, learned cannabis topics through YouTube, and visited the U.S. mainland to learn more about marijuana cultivation.

The acting MD indicated that during the application process, Ms. Palacios went to the U.S. mainland after she was issued an AIP for the purpose of gaining knowledge on cannabis cultivation, facility construction, and required equipment.

[Based on a CNMI business license issued to Ms. Palacios for agricultural crop production and reported taxation for agricultural crop sales, it is surmised that she is an experienced agricultural crop cultivator.]

Treasurer Iguel asked about the CO2 (Carbon dioxide) tanks and usage in the cultivation rooms, if there is anything regulating levels of CO2 knowing there could be a danger to exposure to high levels of CO2. Chair Palacios also expressed concerns with CO2 use and inquired about fire inspection and of the fire department's completion of its inspection of the facility.

The acting MD stated that the facility received a certificate of occupancy for the newly constructed facility, and Ms. Palacios acknowledged that she has a permit for her facility from the fire department.

The chair reiterated concerns about the facility's fire suppression system in the event of fire and asked if the fire department had addressed the issue.

The acting MD mentioned that he did not obtain that particular permit or certificate [from the fire department] and assumed that the Department of Public Works' issuance of a certificate of occupancy would have incorporated that requirement from the fire department as part of DPW's approval process and noted multiple fire extinguishers in place within the facility.

Treasurer Iguel asked Ms. Palacios if she would be using any fertilizers or pesticides. Ms. Palacios responded no. The treasurer then asked her if she had a fire sprinkler system within her building. Ms. Palacios replied that it is not a sprinkler system.

Secretary Songsong indicated that water sprinkler may not be a fire suppression system used due to the electrical systems and that different compound other than water would be used in the fire extinguishers.

The acting MD asked Ms. Palacios if she received a fire permit from the fire department and if she would provide a copy to the commission. Ms. Palacios acknowledged that she has and would provide a copy.

Secretary Songsong asked Ms. Palacios, referring to Commissioner Iguel's mention of CO2 usage, if her facility is equipped with a CO2 meter to measure CO2 levels other than meters for reading temperature and humidity.

Ms. Palacios seemed unable to answer the question and seemed unfamiliar with what Carbon dioxide is. Secretary Songsong then explained to Ms. Palacios that she will be using CO2, which she acknowledged, based on its mention in her standard operating procedure, and that there is a meter that reads CO2 levels and advised her that is something she may want to consider looking into if she does not have one.

Ms. Palacios then said that she does have a CO2 reader. The acting MD acknowledged the presence of a CO2 meter but that it was not in active use at the time of his inspection to verify its operability in reading CO2 levels.

The secretary informed Ms. Palacios that he is very impressed with her facility and that is a high-level cannabis producer facility, and asked if she may share with the commission how much she had invested in the facility.

Chair Palacios asked to be excused and recused himself, considering his last name is the same as Ms. Palacios' while the commission asks the applicant personal questions, the personal aspects of it.

The AAG asked the chair if he was recusing himself from the application itself.

The chair replied that he knows he has a relation with the applicant's spouse, possibly being a nephew of his, and the mere impropriety of it to avoid any conflicts that he should recuse himself to ensure fairness with other applicants, and that the presence of the remaining commissioners constitute a quorum and may carry on with voting on the application. The AAG acknowledged.

Secretary Songsong asked Ms. Palacios if he could ask her some questions, which she acknowledged. The secretary then mentioned that since the chair mentioned family relation, he asked Ms. Palacios her familial relation with Chair Palacios. Ms. Palacios indicated that she does not know her familial relationship with the chair.

The secretary then reiterated his impression of her cannabis cultivation facility and asked Ms. Palacios if she would be able to share the amount of her investments into her facility.

Ms. Palacios seemed unable or unwilling to share that information. The secretary acknowledged Ms. Palacios' unwillingness to share that information and then asked her of her years of cannabis experience considering her impressive cultivation facility.

Ms. Palacios seemed unfamiliar with the question in which the secretary re-explained and then mentioned that he knows she is actively farming and compared her being the same as the secretary engaged in agricultural activity but said that he is not at that level of [indoor] cannabis cultivation considering her impressive indoor cannabis cultivation facility.

Ms. Palacios stated that she has twenty years of farming experience [vegetable and fruit tree crops]. Secretary Songsong acknowledged her farming experience and then asked about her cannabis cultivation experience.

Ms. Palacios replied that she learned from reading books since 2018. The acting MD asked Ms. Palacios if she acquired any training while she went stateside as far as cultivating cannabis. Ms. Palacios mentioned that she went there [stateside] for [cannabis] training with a certain [unnamed] company, which her relatives introduced her to.

The secretary asked Ms. Palacios if there was a company name that she trained with. Ms. Palacios acknowledged there was but could not remember the company name and indicated that her English speaking was not good. The acting MD acknowledged that there was a company name she shared during his email communications with her.

The secretary addressed Ms. Palacios in that one of the commissioners talked about employee hiring and that they would probably be experienced with cannabis cultivation as well, and that every step of the way everything will be monitored. Ms. Palacios acknowledged that things will be monitored and that she has monitors.

The secretary asked Ms. Palacios if she considered herself at a master level with cannabis cultivation. Ms. Palacios said she was not a master but that she could do it.

The acting MD added that when he conducted his inspection, mentioned that Ms. Palacios' standard operating procedure was sophisticated and that it covered hiring, levels of cultivation and other things, and then addressed Ms. Palacios stating that making it available to employees is a must because of that particular guidance and is why the commission needs to ensure that it is made available.

Secretary Songsong went on to mention liking Ms. Palacios' standard operating procedure since it pointed out the use of organics, soil microbial life, engagement in true living organics and soil microorganisms, advanced organics, and then addressed Ms. Palacios that unlike chemical fertilizers, asked Ms. Palacios if she recalls her SOP.

Secretary Songsong went on to express liking Ms. Palacios' SOP which mentioned packaging being non-attractive to minors and that with positive attitudes, plants can sense positive vibrations, growing healthy plants resist pests and diseases and that pesticide applications is prohibited during the flowering phase, but said that he saw a picture of a sign that says, "Peligro, danger, pesticides," and then asked Ms. Palacios what kind of pesticides she has that she considered dangerous.

Ms. Palacios struggled to respond to the question. The acting MD mentioned that during the initial part of the application and its appendix where signage was required and during the document submission process, all sorts of different signage were provided in which one of them had the "Peligro" sign, but during his inspection there was no such a sign.

The secretary Songsong went on to indicate that a portion of the SOP mentioned "pre-testing," and then asked Ms. Palacios the type of pre-testing she will be performing. Ms. Palacios struggled to answer the question.

The secretary then asked if she is affiliated with anybody, e.g., cannabis consultant or master grower, etc., and reiterated to Ms. Palacios that her indoor cultivation facility is very impressive, and then indicated that he is just wondering how all this is connecting. Ms. Palacios either struggled to answer the question or did not desire to answer the question.

Treasurer Iguel then asked Ms. Palacios if anybody helped her. Ms. Palacios indicated that for right now nobody helps her. Treasurer Iguel asked who helped her build her indoor cannabis cultivation system.

Ms. Palacios indicated that she sought help in Saipan to develop a map of her site and then took that map to the U.S. mainland where she obtained help to develop the plans for a cultivation facility.

The secretary asked Ms. Palacios again if she is affiliated with anyone or if information was shared with her by any licensed producers on Saipan as far as producing. Ms. Palacios struggled to answer the question.

The secretary said to Ms. Palacios that is okay for her unresponsiveness and that said that the reason why he asked that question is because a certain part of her SOP that mentioned "positive attitude" and that "it is important for the growing staff to leave negative energy at the door and come to work" sounds almost exact as another producer's SOP, and said that there is nothing wrong with it, it's a good thing when producers help each other by sharing information but that he was just wondering.

Treasurer Iguel stated to Ms. Palacios that because of the cannabis public law is why the commission asks questions about employment because of the intent of the law is also geared towards helping the community in terms of employment and indicated that the law stipulates employees must be one-hundred percent U.S. citizens; and that is why she was asked who is helping her, the commission wants to know the structure of her organization to run her cultivation facility including the proposed retail store, and asked if that information could be provided to the commission and expressed if a timeline should be established to provide that information, including the company's organizational chart to see if the law is being abided by.

Secretary Songsong indicated to Ms. Palacios that he had one more question and asked about her LLC., if she is the sole person within that LLC., and if there was anybody else that invested with her company. Ms. Palacios replied that she is the sole owner with no others invested in her company.

The treasurer Iguel asked Ms. Palacios about all her equipment if they were labeled in English. Ms. Palacios replied that they are and were acquired from the U.S. mainland. The treasurer inquired and clarified with the acting MD about the applicant's floor plan relating to the proposed retail space, mentioned the differing floor plans, changes that were made, and possible future amendments to the facility's initial floor plan.

The treasurer then asked Ms. Palacios when she anticipates starting cultivation operations. Ms. Palacios indicated that she would begin once the commission approves her application and licensing.

The secretary indicated that he had one more question since the topic of cultivation was raised and asked Ms. Palacios about her awareness of the cannabis market place for cannabis flower production and if she established a market for her product and her ability to compete profitably.

Ms. Palacios indicated that cannabis retailers have asked her about her [cannabis] product but she indicated to them that she was not able to provide them an answer until she has production. The secretary then asked Ms. Palacios if she communicated with cannabis retailers who acknowledged that she has. The secretary then asked Ms. Palacios about her proposed retail store at her cultivation facility if she feels she will have customers at that [rural] area. Ms. Palacios acknowledged that she would have customers.

The treasurer then entered into discussion with the applicant and the acting MD about the applicant's [rural out-of-sight] location [at Obyan], the route to the facility, nearby villages, etc.; the treasurer then indicated to Vice Chair Hofschneider that he would like

to insert some conditions on this application if it is to be approved and inquired if a motion was needed before the inclusion of conditions. Secretary Songsong asked about learning of the conditions first before entering a motion for conditions.

Treasurer Iguel indicated that he would like to insert conditions once approved for licensing for the submission of an employment list and to conduct an on-site visit of the cultivation facility to verify if a CO2 meter reader exists.

Vice Chair Hofschneider stated that licensees are required anyway to provide the commission an employee list the moment an employee is hired or changed, so it does not have to be a condition. The acting MD added that it would be considered a violation if an employee list is not submitted.

The vice chair then asked Ms. Palacios if a CO2 meter was present and if she could provide the commission with a video of it to ascertain that it is operational. Ms. Palacios indicated that she may be unable to do it, being that she does not have any CO2 yet and then described the CO2's piping system to flower room and reiterated that she does not have CO2 yet and that it won't be shown in the meter. The vice chair acknowledged and asked if there was another means of showing that [CO2] it works, is functional, ability to be turned-on... Ms. Palacios indicated that it cannot be turned on because there is no CO2.

Secretary Songsong indicated that the package specifications of the CO2 device would be able to provide information. The acting MD mentioned that he had indicated to Ms. Palacios about compiling a list of equipment used in the facility for submission to the commission.

The vice chair suggested to the acting MD that he provide updated photographs or video upon reinspection when Ms. Palacios amends her floor plan, and inquired with the treasurer and others if that would be satisfactory.

Treasurer Iguel asked Ms. Palacios at what point she will use CO2. Ms. Palacios indicated that CO2 is not always used and that it may be used when needed or has it in case of need. The acting MD indicated from his reading on CO2 use, it is not used all the time, or is mostly used during the flowering stage.

Discussions followed on CO2 safety concerns, its inclusion in the applicant's standard operating procedure, arrangement of a site inspection of the facility's CO2 meter after licensing...

- Treasurer Iguel then motioned for the approval of Cannabis Application No. C-0122-0027-SPN - SPP, LLC., dba Canna-Saipan Premium Farms for Marijuana Producer - Class 3.
- The executive secretary then called roll of the commissioners for vote on licensure as follows:
 - Secretary Songsong voted yes for approval;
 - Vice Chair Hofschneider voted yes for approval; and
 - Treasurer Iguel voted yes.

Vice Chair Hofschneider stated for the record that Chair Palacios recused himself from voting on the application due to potential familial association with the applicant's spouse and reiterated that all votes were in favor of licensure. Ms. Palacios was congratulated.

RECESS: Chair Palacios reentered the conference room and called for a five-minute recess at 11:19 a.m.; the meeting back to order at 11:38 a.m.

VII. Chair Report

Chair Palacios reported the commission's current FY2023 budget at \$180,756 and said that the commission's proposed budget was submitted for \$236,623, and recalled earlier discussions that there was a big expenditure item for a vehicle at \$45,000; other information was shared on current budget expenditures, e.g., staff hiring, FY2024 projected budget, small savings or surplus, possibility of additional funding, the favorable revenue outlook from the governor's office and legislature relating to the cannabis industry's employment and salaries generated, taxation, rentals, etc., contributions to the economy at around \$2 - \$3+ million for the fiscal year for an industry that has been active for approximately two years showing potential for growth, expansion, and diversification.

The chair indicated that one of the things discussed with Commissioner Iguel relating to new applicants, especially for production, is to make it inclusive through policy or regulation to show that producer applicants are not just getting a license to be producers, because the problem with it is if that is the only requirement to get a production license, which is the easiest thing to do, there is no requirement to at least say that in the initial application, there are up to three means of distribution; meaning does the producer have a retailer ready to come on line or is the producer going to come on line to market its product, such as this morning's case with the producer applicant where there is already a plan for distribution with a retail store; in tracking with what's happening stateside, the problem that is hurting even the big markets is over production because there are so many producer licensees but not enough retailers because the requirements are more stringent

and that is something to consider addressing, that it is shown that there is some form of commitment for distribution; the chair cited the state of Ohio, where only medicinal marijuana is legalized, that its legislature is considering expanding its market base by including additional illnesses for medical marijuana use, their way of expanding its customer base because there is so much product that its basically fueling the so called black market, which is also being experienced in many other states, it is not isolated to the CNMI; as he speaks at least to his knowledge, there has not been any type of compliance aspect, be it going out and monitoring; basically, an applicant gets a producer license and they plant an X number of plants, there is really no means as to ensure that there is compliance; they could simply say that the product was burnt because the product started to mold and we just have to take their word for it; it's not to insinuate anything but it's just that these are the kind of mechanisms that need to be in place to ensure that the commission looks out for the best interest of the industry overall, inclusive of the stakeholders and consumers, and the government's side, which is are revenues being generated; referring to Public Laws 20-66 and 21-05, a provision was included that part of the revenues generated through the cannabis industry would be allotted to the Public School System, those are the kinds of things, knowing that they are the beneficiaries, it's not just an adult commodity but that there are benefits coming out of this adult commodity that would benefit school children; in pointing that out, the chair asked the treasurer where is he at with data on revenue collections.

Treasurer Iguel expressed that he has some revenue data to provide and then shared that a certain producer [Primo Farms] had communicated that they are starting to see some sort of monopoly with producers where he as a producer is now having a hard time selling his product to retailers because a lot of the retailers are also producers, and being a Class 1 producer, he is worried that if all those producers have their own retail store, who would accept his product and asked for the commission to look into that scenario and how it could balance that situation; the treasurer indicated that based on some information he gathered, some retailers are only selling their own product and has not noticed any other producer's product in retail stores other than Primo Farms' main customer and cannabis retailer CanaMarianas.

Chair Palacios expressed that it goes to show what we just recently discussed, which is we have a producer license but there is really no requirement in place to show that the producer has at least identified that within six months, it would have an outlet to distribute product; other than that, the commission needs to revisit that and come up with some kind of regulation to say that if a producer has not acquired an active distribution point for its product, then basically they would just be holding a license that may constitute or be referred to as feeding the black market; that is why in his discussion with the acting managing director that the commission needs to put some emphasis on

promoting retailers and lounges so that licensed producers won't be experiencing situations as was just mentioned to provide more avenues for product distribution; the fact that this person has a license to produce, then a question is raised as to where is their product at; is the product being taxed, is the public or the industry as a whole getting anything out of this, because if one is just holding on to a license that is not active as in transactions, then it would not be fair to the next person that wants to apply for a producer license; when now we are saying that we have too many producer license on paper and not on actual production and product; that is where it is encumbered upon the commission to ensure that the industry doesn't eat itself up, as in most cases, compatible to stateside and not isolated to the CNMI; those are the two things, understanding that it is not on the agenda for adoption and vote, but in revisiting Public Law 20-66, the commission has the authority to set and even deviate from the agenda. The AAG inserted that the agenda is amended to remove or add items.

Chair Palacios replied to the AAG that he would like to clarify that and cited Public Law 20-66 and said that in Section 108, Powers and Duties of the Commission, reads, "The powers and duties of the commission specified in this act", which is enabling, "The powers necessary or proper to enable it to carry out fully and effectually all the purposes of this act, the jurisdictions..." Then explained that the first one is on, "the powers and duties of the commission specified in the act" and, "the powers necessary or proper to enable it to carry out fully and effectually all the purposes of this act" and then said, that's one language, unsure if he is reading too much into that, and the second one is under the same Section 108 (b), which read, "To promulgate such rules and regulations as may be necessary to fulfill the intent of the policies and purposes of this chapter, the commission may use such rules and regulations to interpret, enlarge upon, accept provisions defining the authority and powers of the commission, or define any provisions of this chapter to an extent that such provision is not specifically defined by the next chapter." The AAG asked the chair if he wanted to use that language to add an item into the agenda.

The chair replied not necessarily to add an item to the agenda but to effectuate a vote and to make these rules and regulations as necessary; what he's saying is that it does not necessarily have to be on the agenda because it's an internal function of the commission, and granting these powers to enlarge upon, and then re-read the section of the statute, "The commission may use such rules and regulations to interpret, enlarge upon, except provisions defining the authority and powers of the commission already defined, or provisions of this chapter to an extent that such provision is not specifically defined by this chapter"; in other words, if it's not clearly defined in the chapter, the commission has the authority and the power based on the law to interpret it. The AAG asked that the matter be discussed in the executive session. The chair acknowledged.

Chair Palacios then said that those issues discussed could be included in the next session for voting and mentioned that based on the producer's letter [difficulty selling product to cannabis retailers], that the reluctance of changing the tax structure having no takers with the legislature at this point, and in thinking creatively, the commission can look at diversifying, not with the industry but ensuring that it is regulated for growth and not regulated for restrictiveness; there's already enough [compliance] components, i.e., product being properly labeled, not in view of minors, having required permits, etc., that's enough for regulations on the commission's end; as far as other agencies, there is one [producer] licensee Max Farms who is looking for an outlet for retail but had a zoning issue relating to the number of parking space, which the commission has nothing to discuss about, but the fact that company is already producing and looking for an outlet, those are the questions, knowing that the commission discussed about capping it and placing a value on licenses through a bidding process; those are the things he would like to include in the final quarterly report to the governor's office and legislature...

The chair shared that there were concerns raised by some existing licensees of product making its way into the black market, and the commission's inability to address it directly because it is really a law enforcement issue, but regulatorily, the commission can have mechanisms in place where at least those that are licensed know or assured through regulations or policies that this is something geared more towards ensuring that licensed producers have a means to distribute product, be it through a different form of the product through processing; there was discussion about monitoring where exactly the current processor licensee is at, and in his conversation with Mr. Norita [Saipan Select, LLC.] was that in the first month, they sold about 700 units of cannabis infused product with the highest seller, according to him, was cannabis infused coconut oil [topical]; unsurprisingly, the big market or biggest consumers of it were the seniors, the elderly, they are using cannabis infused coconut oil to rub joint pains, etc.; that shows a growth expansion in distribution, not just with industry growth but also in developing a market that is consumable or that can generate addition revenues; of course, the [reported] numbers are not included in the report from Commissioner Juan Iguel in terms of Business Gross Revenue Tax, but it shows that in one month, which includes the processor portion of it, they paid close to \$30,000 in BGRT alone; if we are to go back two to three months prior to the [processor] license being issued, according to Mr. Norita, it showed an increase of about \$7,000 in BGRT payment; if we take that \$7,000 in and of itself and calculate it based on 15% [surtax], it can show that at least that particular part of his business, which is the processing and selling the product through different means is that it can be increased exponentially; there is also that interest in Tinian for processing and knows that with taxes, there has been people that have expressed interest in, at least to do retail, but right now it's just costing too much and may be difficult to get them to bite into retail outlets or distribution points; the commission can do that part with an

existing producer in getting that [retail] license without having to pay the additional fees, these are some of the in-house things the commission can put out.

Secretary Songsong mentioned the statutory limit on fee reduction and referenced the statute that provides for a reduction in fee not more than 25%, and the need for reduced fees for small consumer population on Tinian and Rota.

Chair Palacios acknowledged that those are ways to engage in those matters lawfully and the opportunity to look at it to consider if it would be applicable to constituents in municipalities where reducing fees would allow this commodity to make its way to the other islands.

Vice Chair Hofschneider expressed that conversations with people within her municipality have expressed worry of who will be their customer base. The chair then mentioned his conversation with [Tinian] Mayor Edwin Aldan who proposed to designate a certain beach on Tinian for adult use cannabis consumption as it is a place where cannabis consumers go to and a location where visitors or tourists may also use for cannabis consumption, especially during events on Tinian, there are ideas to consider in expanding the market place.

The chair moved on to the issue with the acting managing director with what he suggested when it was raised with AAG Dela Cruz in regard to compensation for Mr. Erik Basa for his role as acting managing director past ninety-days which was talked about with the Office of Personnel Management, and inquired if it could be voted on. Discussions followed on the matter of the acting managing director...

The chair moved on to the hiring of two employees between now and October 1st [2023] in that if they come on board, they would be paid out of the special funds, which is sitting at \$284,818; but after October 1st, they will be absorbed into the general fund, the same with the managing director upon hire.

The acting MD inquired with the chair of other funds aside from the special fund... which the chair indicated must be appropriated by the legislature. Discussions followed on funding sources...

The chair moved on to another topic of discussion in which he pointed out that what is happening with some excise tax collections that are not shown in the books as deriving from cannabis but from Customs [collections]; imported items, for example CO2 tanks, soil amendments, fertilizers, etc., for cannabis production, are being shown as a Customs generated tax collection and not showing its relationship with the cannabis industry; yes

it is a Customs excise tax, but the purpose of why it was imported was for cannabis; that is where some of the numbers are escaping and that's why there is that gap in the presentation last year with Ms. Sablan [former managing director] to the legislature in that her numbers showed, based on calculations, approximately 2.7 [million], which is consistent with what was discussed earlier, but yet, the legislature asked where; most of the numbers are not being captured and not being correlated because of the cannabis industry; employees' salaries as an example, there are about forty-three employees right now employed in the cannabis industry, but that's not showing as coming out of this industry, it's just shown as an increase in forty-three private sector employees, but their salaries are also being taxed in addition to other contributions; all of those revenues are not really being captured; are there mechanisms to do it other than to identify all the licensees, i.e., utilities and rental payments, etc.; all those specific numbers can be taken and said that these revenues are also as a direct result of the cannabis industry and not a result of the Department of Commerce as an example, and expressed amazement at the amount of investment with an earlier applicant that was approved for licensure, the building, equipment, etc., and [for the legislature] to say that there is no revenue in this industry and that it is not viable; sorry, but people don't spend that kind of money, legitimate businesses, people that seek to get a license and know the numbers don't spend that kind of money without doing some kind of research on return of their investment, so it's a matter of capturing that [data]. Chair Palacios then inquired with Treasurer Iguel about the Cannabis Tracking System and where he is at with it.

Treasurer Iguel indicated that there is still a lot of ongoing communications; he reached out to another CTS company who is familiar with the other CTS company he communicated with; he received some feedback and has more follow-up questions with both CTS companies through video conference, and another video call with a third CTS company; he is being due diligent with his approach to avoid any outlook of impropriety or favoritism and seeks to determine what they can offer the CNMI with its CTS. Vice Chair Hofschneider indicated that she would provide the treasurer with additional information on other CTS companies.

The treasurer shared his discussions and assessment of the CTS companies and identified one with reasonable rates and indicated one or more licensees are currently utilizing its system. Discussions followed on cannabis tracking systems... The chair indicated that the CTS could be funded through the special funds... The vice chair mentioned that a meeting was held with one CTS company back on October 23, 2020. The treasurer said that he will have a video conference next week with a CTS company...

Chair Palacios concluded his report stating that those were the two or three primary things he wanted to talk about and suggested moving on to the next agenda item then take a lunch recess.

VIII. Old Business

1. Rules & Procedures of meeting and applications -Revision of application

Treasurer Iguel suggested going on lunch recess first as this agenda item could take a while to discuss. The chair then suggested taking care of agenda item IX (2) on the acting managing director before going on lunch recess because it is just for discussion and approval. The commissioners agreed.

[Moved to agenda item IX (2) and then re-entered this agenda item VIII (1) after lunch recess and voting relating to the compensation of the acting managing director.]

The chair asked the treasurer if he was the one to handle or introduced this agenda item. Vice Chair Hofschneider asked what this item was regarding.

The treasurer indicated that this was in regard to Approval-In-Principal and recalled a previous meeting where the board wanted to cease the issuance and renewals of AIPs based on the board's lengthy discussion; he has also consulted with the acting MD about the matter and discovered some things like a possible applicant the commission might hear from in the near future within a couple of months; this person was issued an AIP in 2022 and is bound for [AIP] renewal and that they already started renovations and are almost completed their facility, and in regards to that since the commission voted to cease any renewals, asked if the commission can have grounds to amend that approval for businesses that are ninety percent (90%) completed [during the course of the one-year AIP timeline].

Secretary Songsong explained that was not the decision, the discussion and vote was to cease issuing or renewing AIPs until the board is updated with the existing/remaining AIPs; in this case, now that we find out what is happening with this near expiring AIP, it could be addressed, it did not mean that we will totally scrap the existing AIPs; similar to the recent producer applicant that was just approved for licensure, that was one AIP down, now we have other pending AIPs to be updated on and contend with.

Treasurer Iguel agreed that based on his conversation with the acting MD, those AIPs that are consistently asking for renewals but there are no physical improvements that those can be denied.

Vice Chair Hofschneider asked and/or explained to the AAG that in the last meeting, Chair Palacios raised the issue of AIPs that because we changed the process of how the commission first started with the former managing director's issuance of the first license, which the board then changed to be the approving authority, that first license is no longer in existence, but back then, technically, the process was not thought through in the sense of changing the language in the process that was called the approval-in-principal letter, which stated to the applicant that they met the requirements and may move on to the next step, which is setting up shop or facility; many AIPs were issued since and the letter after the AIP is when the managing director sends out an inspection notice (for an inspection of the facility's status) which then goes to the board; one of the point that the chair made was that in this process, the commission is not seeing the actual presentation of the entire application until the day of discussion and decision, so the managing director does not have that authority to send out an approval-in-principal letter because the board are the ones that makes that decision at the end of it and so there was a decision to change the wording on that AIP letter based on the fact that the board doesn't make that decision until the very end; so in that AIP letter, the managing director essentially says that the applicant is good to go, but then the board is actually going to make the decision; the current board basically decided to stop issuing the letter called the approval-in-principal, the language needs to be changed but there are several AIPs in that stage and that is what has been discussed, but AIP renewals are coming up and the board cannot issue another approval-in-principal or extensions on AIPs and so that is what the treasurer is saying to make an exception for the ones that are in that certain stage nearing completion of their facility, having to articulate how the board is going to act on those situation.

The vice chair continued discussions with the AAG... The AAG then asked if the commission is having issues with AIPs... The treasurer indicated that one of the issues that was raised was when the AIP was issued, one could have spent thousands of dollars to build their facility and set it up but may come to the commission to ask for an extension because they are not fully completed and that they may have grounds to sue the commission because they were issued an AIP to start building and now will be told that their license will be denied.

Discussions continued discussion on exposure to liability, the board having approval authority, the [new] board did not decide the approval-in-principal, changing or eliminating the AIP letter or AIP process... The AAG asked to enter into executive session to discuss the matter. Chair Palacios moved into executive session at 2:51 pm.

[Re-entered from executive session]

Chair Palacios asked Treasurer Iguel if there was anything else on this item in which the treasurer indicated that there was nothing further. Chair Palacios then requested that the AIP matter be included in the next agenda, the new process replacing the commission's internal AIP process.

Vice Chair Hofschneider indicated that she has been revising the processor application documents that Commissioner Songsong assisted for editing, which was discussed in a previous meeting to include and distinguish solventless and solvent-based extraction, and also a review of the regulations on processor and endorsements to ensure that it coincides with what the processor application states and requires; definitions should be developed for solventless and solvent-based because it is not outlined anywhere; Public Law 20-66 blankets it as extraction by solvents, it does not separate the two processing methods; Commissioner Songsong is taking that lead and will be presented agenda when its ready while she amends [processor] application forms with the commission authorization form that was approved recently for existing licensees who apply for a new license to operate within the same [licensed] premises.

The chair asked the AAG that since the commission is going to be dealing with regulations as to differentiating or identifying the use of chemicals, etc., he wouldn't want anybody questioning Commissioner Songsong on whether he is a chemist or not, etc., the question is would that require some kind of expert, chemist, a lab. The AAG asked for discussing regulation? The chair replied in order to put forth regulation as to what chemicals, what solvents. The AAG expressed that the commission are supposed to be experts in this field, does not see why an expert would be needed, and the need to conduct research... The chair mentioned it is on the use of solvents and that with solvents, there are all these different mixtures, components, etc.; one of the challenges right now and it got some of the industry in the west coast questioning the delta-8, and the loophole of that he recalled was the process that was used, in this case the solvents or whatever, and that was what... The AAG expressed not seeing the commission's need of an expert.

The vice chair indicated that Commissioner Songsong has been doing a lot of research and emailed the commissioners recommending processors obtain a cannabis extraction certification since the commission is starting its processor licensing.

Discussions followed on processing knowledge, questioning the commission's processing knowledge, processor certifications or training, meeting with processor stakeholders, solvent-based processor laboratory-like facility, laboratory testing requirement for solvent-based extraction, zoning requirement for solvent-based processors, sticking with solventless extraction and consideration on striking out solvent-based extraction, the lack of a lab testing

facility, model after Oregon's regulations, policies and directives, placing these processor concerns in future agendas for consideration...

2. Discussion and decision of Robert's Rule of Law for meeting

[Tabled during the end of discussions under agenda item IX (1).]

IX. New Business

1. Update Processor applications -Solventless/Solvent based

Vice Chair Hofschneider indicated that this matter was discussed earlier [under agenda item VIII (1)] when she updated the commission about updating the processor application forms, definitions, and regulations.

The acting MD inquired about the process for processor application with the new form being created for zoning and aside from new applicants, existing licensees that are interested in processing where zoning does not have an actual permit for, the application process for that is they would use that newly created form to supplement the commission's zoning requirement for the application in order to move forward. Secretary Songsong specified for solventless extraction only.

The vice chair agreed that process will be for solventless processing only for new applications of existing licensed establishments on the same premises already zoned for cannabis use, including a change in size of canopy in an existing processor premises, or a change to processor endorsement.

Treasurer Iguel asked if the commission wanted to use the newly created zoning authorization form for all new applications as well; he was thinking when he created that form, he would be okay with its use for new applications because there is really no process as to which agency initiates [clearance] first, it should be left to the applicant to decide as a business decision; that authorization form is not a zoning permit and not a zoning clearance, it just basically lets us know [area zoned under cannabis use] because in our laws it states that we have to deny any application if it is zoned as a residential area or...

Discussions followed between the vice chair and treasurer... The vice chair indicated that the application will be accepted but will not be approved until a zoning permit is received. The treasurer expressed that he will be okay even if there is no zoning permit and to entertain any application so long as a zoning authorization is provided saying that the proposed site is in an area zoned for cannabis use. The vice chair asked if the zoning office

would be willing to give that assessment right away. The treasurer indicated that it would be very easy for the zoning office to determine that which areas are zoned for what use, it has been done with the Northern Marianas Housing Corporation and other agencies when they required the zoning office's assessment of zoned areas, residential or commercial, it has been done. The acting MD added that the zoning office does not have a zoning permit for processor, they cannot conduct an inspection on the proposed processor site and the commission will be stuck because to issue a [processor] license, an on-site inspection must be conducted.

Chair Palacios asked if this [processor] matter could be tabled for now because it seems that it is increasing the approval-in-principal with now a pre-approved zoning; we can get away from all these things, if it's a zoning issue, it's a zoning issue, the commission has nothing to do with zoning... Secretary Songsong indicated that only for existing licensees who apply for processor license like Saipan Select and for no other new application because precedence has been set. The chair indicated for that [Saipan Select] one because zoning passed it because they were already an existing business in the same licensed location, but if it is an existing business but at a different location, then no, it has to go through the zoning process because it's a different location even though it's the same business establishment; in Saipan Select's case, its an existing [cannabis] business in the same location, so nothing changed as far as being zoned for cannabis use.

The acting MD mentioned that he has an applicant now [Top Shelf, LLC.] that is an existing licensee who submitted an application for processing in which the application review is completed, but because of the known of the AIP being stricken-out and that new zoning document that is being furnished, the acting MD knows that the location is going to be on the same cannabis licensed premises, and added that a copy of the applicant's [processor] business license application and payment was submitted to the commission but there is no zoning [permit].

The chair related to a similar licensee [Canna-Saipan Premium Farms], a licensed producer who will soon submit a retail application to open a cannabis retail shop on the same licensed premises and that the same principal should apply [for solventless processing], an existing business to open another cannabis business in the same place, nothing has changed there as far as zoning [zoned for cannabis use], and there's a need to streamline that process.

Discussions followed... zoning permit is required for new applications, hold off on the [zoning] authorization form, a new application on standby, new process as a result of precedence with Saipan Select as far as zoning is concerned because the zoning office has no permit for processor...

Chair Palacios then indicated that the zoning office voted favorably on Saipan Select's processor application over a month ago. The commissioners and commission staff expressed surprise and unawareness of the zoning office's favorable decision on Saipan Select's processor application. According to the chair, Saipan Select informed the chair about the zoning office's decision...

Vice Chair Hofschneider asked the acting MD to follow up with the zoning office about that [processor] matter because there is no point on using that newly created authorization form for zoning... the chair added that according to what he was told by attorney Mike Evangelista, the zoning board's decision was because there is no existing zoning regulation for processor but there is zoning regulation for cannabis and because its an existing [cannabis] location that has already met the zoning requirement, and that the zoning office now has to develop that part of their regulation, a zoning issue... discussions continued...

- Vice Chair Hofschneider indicated that she would like to make a motion specifically regarding the revision of application because she was actively changing it prior to hearing this new zoning information, and then motioned to table the implementation of cmmicc form... [searched for form number]

The acting MD asked that before the motion is made, because he has an applicant who is an existing cannabis licensee [Top Shelf, LLC.] that submitted a processor application based on the precedent that was set, how would he move forward with that application.

Secretary Songsong indicated that they still would have to submit an application to the zoning office just like Saipan Select did. The vice chair agreed that they will likely get an approval quickly or be voted on favorably. Treasurer Iguel said that we cannot say the zoning office's approval will be quick because we do not know their scheduling. The chair indicated that would be a zoning issue.

The acting MD stated that his question would be like how Saipan Select was handled because of the precedent that was set already. Discussions followed...

Treasurer Iguel cited his conversations with CanaMarianas' interest in obtaining a processor license and how Saipan Select has no zoning permit because of the absence of zoning regulations for processor but has a business license, and how finance was able to issue Saipan Select a [processor] business license because its an existing [cannabis] business adding another business line, and indicated that he would just suggest to CanaMarianas to proceed with business licensing.

Vice Chair Hofschneider asked Commissioner Iguel if he could meet and inquire with the zoning office if their recent process which addressed Saipan Select's processor application would also be applied to other existing cannabis establishments who apply for processor licensing at their same locations, in the interim while zoning's processor regulations is being developed. Discussions followed about the zoning office's addressing processor applications, cancellation or tabling of the newly created zoning authorization form as it may cause confusion, additional questions...

Treasurer Iguel indicated that he could follow up with the zoning office about that [processor] issue because the commission has two applicants for processor license, and that if he receives favorable information, suggested the commission hold a special meeting to consider the processor applications... Discussions followed about special meetings having certain criteria than regular meeting, scheduling additional regular meetings...

Chair Palacios requested that agenda items VIII (1) and (2) of old business be tabled, which is on rules and procedures of meetings and applications and discussion and decision of Robert's rule of Law for meetings, and then asked if anyone wanted to make a motion to table.

- Treasurer Iguel motioned to table agenda item VIII (1) and (2) of old business, seconded by Secretary Songsong. All commissioners voted in favor of the motion; motion carried.

[Note: Discussions took place under agenda item VIII (1) on the revision of processor application forms and approval-in-principal, and tabled rules and procedures of meeting and applications.]

The chair then moved to agenda item X, the Treasurer's Report.

2. Acting Managing Director's 90-day grace period timeline; for discussion and approval

Chair Palacios mentioned that in talking with the Office of Personnel Management, one of the things that they brought up was that it was an actual appointment letter that is needed from the previous board designating or appointing Mr. Erik Basa as the acting managing director back in April of 2022, and so Mr. Basa's acting as managing director which exceeded the ninety-day period is not workable as far as compensation for his acting capacity according to OPM; however, the chair's response to that was that the commission has documents and records showing acceptance of that particular authority exercised under that appointment, even though it was not memorialized in black and white.

Vice Chair Hofschneider indicated it needs to be checked on because it had to be on the agenda for it to be official and voted on.

The chair indicated that OPM said that unless the commission could provide them an actual [written] black and white on the date designating Mr. Basa as the acting managing director, there is nothing the OPM could do that would trigger the ninety-days to compensate Mr. Basa for his acting capacity exceeding ninety days, but the chair's response was if the documents exist showing Mr. Basa's acting capacity past ninety-days, which would be after August 2022, because the authority that was executed under that appointment or designation was accepted by the board, then is that something that the commission can vote on and accept that yes Mr. Basa was and is the current acting managing director, it is more on a vote of acceptance of the prior acts of the prior board even though it was not memorialized, but we are going to memorialize it with our own vote.

Vice Chair Hofschneider said she wants to make sure by looking into the matter and recalled that every time there is a designation for acting managing director, the board would always have it on the agenda so the public understands that there is a handover; similar to her designation to assist the managing director and Ms. Janina Maratita's designation as acting managing director, it had to be on the agenda and was voted on, which included a designation letter or email, and said to the chair unless he wants to vote right now without that certainty, she would be happy to do that but she'll be happy to look into the commission's records.

Chair Palacios indicated that if it is voted on, it is a matter of how it is memorialized as in what words are effectuated. Secretary Songsong added the date would be after the resignation of the former managing director.

The acting MD inquired if the letter that the former managing director issued him and the board which delegated him as acting managing director is not the letter OPM needs.

The chair indicated that it is the appointment letter that OPM needs, but that can be memorialized, the prior acts going back to ninety-day from April 2022, which would make it August 2022, anything from that initial delegation of authority date, notwithstanding any other information or records of prior meetings of the board concurring or accepting the appointment to present; from August 2022 to May 2023, which is just to accept the actions of the prior board up to that point, but then from May 2023 to present, there is that continuation, but now this board also recognizes it and continues to allow the acting managing director retroactive...

Chair Palacios asked the AAG if the commission could retroactively appoint, in Mr. Erik Basa's case, the prior board did not appoint him as acting managing director, it was a letter from the previous managing director delegating the authority, and that OPM is saying that because there was nothing from the previous board codifying or memorializing that designation, Mr. Basa's compensation after ninety-days in an acting capacity is not applicable or is not effective unless there is an actual appointment letter.

Discussions followed with the AAG relating to Mr. Basa's situation who was in an acting capacity since April 2022 who was delegated to that role by the former managing director after her resignation, retroactive appointment and effective date, OPM's need for an appointment letter...

Secretary Songsong pointed out that his understanding was that the previous board delegated full authority to the former managing director to handle all aspects of the commission, including her staff and staff hiring, and that the former managing director's delegation of authority was just as good as the board's delegation of authority or appointment, and that in Ms. Janina Maratita's case, being from outside of the commission, the board had to act on that appointment for Ms. Maratita to act as managing director during the absence of the managing director.

Vice Chair Hofschneider and the AAG agreed that was their understanding as well with the previous board delegating authority to the former managing director, and the vice chair indicated that authority is contained in the meeting minutes and then read the minutes of April 27, 2022 of that delegation of authority to Mr. Basa, which the former chair [Nadine Deleon Guerrero] acknowledged and indicated that she will get that delegation of authority disseminated; the question was then raised if the former chair initiated that written delegation of authority to Mr. Basa.

The chair added that the OPM also expressed that the former managing director was still on annual leave (using up accrued leave before her effective resignation date) when she made the delegation of authority, and that when the former managing director officially left, the OPM asked if there was another delegation of authority from the previous board since that position became vacant.

Discussions continued on the subject matter... the AAG asked the chair if the OPM provided a written explanation. The chair said there was no written explanation, he just happened to follow-up with OPM on the matter since he was already at OPM with a Ms. Antonette Aguon and a Ms. Jenadine, a classification supervisor... The AAG said she would provide advice in executive session.

Chair Palacios said he wanted to act on this matter before lunch recess and then moved into executive session.

[Re-entered from lunch recess/executive session]

The chair called the meeting back to order at approximately 2:10 p.m. and indicated that the board made an agreement in executive session in regard to addressing the compensation for Mr. Basa but did not vote on it so the board will go ahead and take a vote on the matter to submit an official letter from the commission that Mr. Basa's designation of acting managing director was effective April 28, 2022, and that Mr. Basa shall be compensated under the provisions of his appointment exceeding ninety-days, commensurate with the responsibilities that Mr. Basa continues to provide the commission from that date to present; the vote will be for submittal of the commission's request for compensation to Mr. Basa from April 28, 2022, to present for the position of [acting] managing director.

- Vice Chair Hofschneider motioned to approve the commission's letter to OPM confirming Mr. Basa's appointment as acting managing director and for compensation effective April 28, 2022, to present, seconded by Treasurer Iguel. All commissioners voted in favor of the motion; motion carried.

The chair then moved back to agenda item VIII (1).

X. Treasurer's Report

Treasurer Iguel indicated that he had some stats to share that he has collected and wanted to bring to the commission's attention that he emailed a licensed producer and retailer Cannablyss to provide monthly sales report but who asked for more time to prepare their report; a week has past and Cannablyss has yet to submit its monthly report which is delaying the commission's report and suggested actions be taken to remedy the delay, e.g., warning, penalty, etc.

Discussions followed on reporting requirements, examination of books and licensed premises without prior notice, failure to maintain records, books, timelines, licensee's failure to report for the months of April, May, and June 2023...

The treasurer then reported the following:

- \$200,699.08 in utility payments (electric and water usage) were paid by licensed cannabis establishments, pending those that have not submitted utility information;
- \$1,418,087.48 cannabis sales from inception to May 2023;

- \$388,260.00 in employee salaries paid by cannabis establishments of which many are part-time employees;
- \$125,018.86 in Business Gross Revenue Tax, however, the amounts the finance department provided him does not match his calculations based on the monthly reports received from cannabis licensees and will follow-up on the matter; and
- \$17,229.55 cannabis tax (surtax) derived from only two cannabis licensees.

Discussions followed on BGRT information from finance and the fifteen percent surtax, non-inclusive of application and license fees, excise tax collections from products as a direct result of the cannabis industry, advise Cannablyss of monthly reporting requirement, indirect revenues derived from the cannabis industry, *the reduction of application and/or license fees by twenty-five percent (25%) as allowed by statute for the municipalities of Tinian and Rota* for inclusion in the next meeting's agenda as well as applying the *25% fee reduction on retail licenses for licensed producers in Saipan or for retail licensees or existing licensees opening another outlet at a different location on Saipan or in the municipalities of Rota and Tinian, and that the 25% fee reduction would also apply to new or existing licensee on Tinian and Rota* to entice growth or expansion...

Vice Chair Hofschneider requested that potential prospects for laboratory be included in the next meeting's agenda and to schedule a meeting with the laboratory prospect, and then asked the acting MD if he was the one that mentioned that there was a prospect for a laboratory.

The acting MD mentioned that someone from stateside expressed interest in setting up a cannabis laboratory testing facility (THC, testing delta-8 and delta-9 cannabinoids) because their intention is to import and export, CBDs (delta-8) ...

Discussions followed on the Tinian group interested in processing CBDs ... the vice chair expressed the need to see what the commission can do about having a laboratory established for discussion in the next meeting, the review laboratory regulations before the next meeting to determine the next steps to take and to reach out to people who are interested ... the chair then moved on to the acting managing director's report.

XI. Acting Managing Director's Report

The acting MD reported the following:

- **Permitting & Licensing:** There are fifteen (15) active licenses and with the approval of SSP, LLC., (Canna-Saipan Premium Farms), there would be sixteen (16) active

licenses; there are four (4) inactive and seven (7) pending in which 2 out of the 7 are new applicants, which is something he wanted to iron out for new applicants because of the commission's a new process; for AIPs, there are still ten (10), but there are nine (9) AIPs now with the recent approval of SSP, LLC., for licensing;

Secretary Songsong asked the acting MD about the AIPs that in a previous meeting the commission ceased the issuance and extensions of AIPs because the chair and commission members did not know who the AIPs were and asked if the commission staff provided information and statutes of those remaining AIPs so the board would know how far they've gone. Treasurer Iguel raised a certain AIP applicant.

The acting MD indicated that particular AIP [mentioned by the treasurer] applicant is working on his premises who also provided photographs of the development of his premises and which the acting MD recommended to him of the need to ready his premises in order for the board to act on licensing; Commissioner Iguel was also informed that he would contact the commission for an inspection of his premises.

Chair Palacios shared information that there was a time when the governor was contemplating on shutting down the commission because he was not privy to detailed information such as the commission having a certain number of active licenses and AIPs, yet cannabis taxes suggest only \$17,000 in collections; sometimes the commission ends up shooting itself in the foot in that regard because the information the public or people in authority see is not really the true picture of where the cannabis industry is at... discussions followed ...

The acting MD explained that with four (4) AIPs, they have exceeded their duration and has consulted with Commissioner Iguel and that he will be issuing notices of denials in the coming days or give them the opportunity to withdraw, but they never reached out to request for an AIP extension and if there was, he communicated with Commissioner Iguel to review the project site to see how it's going to determine the necessity to extend an AIP extension, deny, or rescind the application.

The chair spoke of over production, the possibility that the four pending AIPs are holding back another potential serious investor or cause the potential hold back of a new producer applicant because there are four AIPs pending, AIPs going on almost two years are occupying a spot that others could have engaged in... the acting MD mentioned that there are eight (8) active producer licenses...

- The acting MD continued his report that the homegrown marijuana registry has fifteen (15) active, thirteen (13) inactive, and four (4) pending, and mentioned that

based on the statute, the commission lacks the power to deny homegrown applications.

Discussions followed on homegrown issues... the statute states that homegrown cultivation shall not be regulated, yet it seems to be regulated with the mandating of a fee and maintenance of a homegrown marijuana registry... no homegrown fee in Canada and that personal home growers are just provided the rules... becomes a law enforcement issue thereafter, should not be inspecting people's private dwellings, statutory ambiguities, people's rights against illegal searches and seizures... some people feel it is not right to grow for personal consumption in the privacy of their own home or property but yet have to pay the government to do so which may be the cause of low homegrown marijuana registry numbers... discuss and interpret the homegrown statute, regulations, and consider appropriate changes in the next meeting...

- The acting MD continued on the announcement of the Managing Director position and his communication with the Office of Personnel Management in which they were unable to provide him the number applicants for the position because they are under review; he clarified with OPM that the commission is able to interview the first three applicants and that OPM said that they usually provide the top five applicants but because there are currently three top applicants, the commission may conduct an interview of those three applicants, while other applicants may be forwarded to the commission after the reannouncement of the position;
- Enforcement Section: Licensees' monthly [production and sales] reports are being received and the acting MD has communicated with Commissioner Songsong on the compilation of those reports; basically, when reports are received, they are consolidated into a report to see what types of information can be extracted from there, including for reporting to the legislature if needed; on-site inspections will be conducted next week with an existing producer who is expanding to outdoor cultivation;
- Administrative Section: The executive secretary is clearing all the balances and followed up with finance on payments to vendors; there are outstanding balances with the cost of the second computer and that all licensees were notified of the commission's new website and new emails.

Discussions followed on the management of old and new documents in google drive, the proposed new positions for administrative assistant and office coordinator...

Chair Palacios shared the OPM's questioning of the administrative assistant position being expedited and the response being that if there were an administrative assistant, the chair wouldn't be at the OPM following up on personnel matters, and that being that the office coordinator position does not have an OPM classification under the cannabis commission, the commission would have to absorb that employee cost out of the special fund possibly up to October 1st until that position classification is addressed, and if the position is occupied after October 1st, it would be funded through the general fund; the chair continued that at the time period when the commission was funded through ARPA, at one point believe it or not, there were about thirty-two employees under the cannabis commission during ARPA, whether or not those thirty-two employees showed up to the commission is questionable. The acting MD indicated that there were only two commission staff, and two others were detailed from other agencies, and at one point, he was the only staff...

- The acting MD concluded his report on the administrative section that they are also scanning files to make them available electronically in the shared folders, the payout to commissioners for the months of June and July, and the attempted processing of travel for two commissioners to attend a cannabis regulatory stakeholders meeting but due to time constraints, the commissioners were not able to make it to that meeting.

Discussions followed on electronic files and sharing, costs associated with providing electronic copies and inclusion in the regulations, hard copy/electronic copy... online cannabis training certifications... the nearing term expiration of the vice chair... consideration of an oversupply of cannabis in the marketplace and a temporary moratorium on accepting producer application/licensing until an assessment is made with existing producer and retail licensees, look out for the best interest of the industry and stakeholders, over production of cannabis and the potential of funneling of cannabis into the black market... outlet options such retailer, processor, or lounge to determine adjustments for producer licensing... avoidance of creating an outcry upon placing a temporary moratorium on producer licenses...

The chair then asked if there was a motion to adjourn.

XII. Executive Session

Chair Palacios moved into executive session at 1:03 p.m. from agenda item IX (2) relating to the acting managing director's compensation, and subsequently exited executive session at 1:07 p.m. and explained that discussions involved the process the commission will initiate to address the compensation for Mr. Basa's role/position as acting managing director since April 2022.

The chair then called for a one-hour lunch break recess at 1:08 p.m.

Entered from agenda item VIII (1) relating to approval-in-principal, the chair moved to enter executive session at 2:51 p.m.

XIII. Adjournment

Vice Chair Hofschneider motioned to adjourn the meeting, seconded by Secretary Songsong. All commissioners voted in favor of the motion; motion carried.

Time of meeting adjournment was not stated, or audio recording ended.