

CNMI Cannabis Commission
Regular Session Meeting Minutes
December 18, 2019

I. Call to Order

The CNMI Cannabis Commission was called to order by Chairwoman Nadine Deleon Guerrero at 10:30 a.m. on December 18, 2019, in the Commonwealth Casino Commission Conference Room, Saipan.

II. Roll Call/Determination of Quorum

Nadine Deleon Guerrero, Commissioner representing Saipan
Matthew Deleon Guerrero, Commissioner representing Saipan
Valentino Taisakan Jr., Commissioner representing Northern Islands
Journie Hofschneider, Commissioner representing Tinian
Thomas Songsong, Commissioner representing Rota

Joseph Deleon Guerrero, Special Advisor (SA) on Cannabis Industry for the Office of the Governor

Monique B. Sablan, Managing Director
Eva and Justine, Reporters, Saipan Tribune

III. Consideration and Adoption of Agenda

- Chairwoman made a motion to amend the agenda to include discussion on the AG's response to Homegrown FAQs; Secretary seconded. Discussion: Adding a special advisor report section and compliance regulation under commercial regulations. All members were in favor.

IV. Consideration and Adoption of Minutes of Prior Meeting

- Chairwoman made a motion to table the minutes to the following meeting. Secretary seconded it. No discussion. All Members voted in favor of the motion.

V. Public Comment

- verified that there were no members of the public present; therefore, no public comments were made to the Commission.

VI. Old Business

1. Discussion on Commercial regulations – update from Vice Chairman:
 - Last meeting, we completed review of pages 1-68, ending with Suspended Licenses
 - Remaining sections on lounges and violations that we need to put forward. In the Oregon regulations, there are classes of violations and throughout the prohibition and privileges sections, they speak to violations. They were omitted from the draft until we figure out how we want to establish violations. The severity will be complicated to determine. Secretary suggested we look at the ABTC violation schedule

and go from there. Chairwoman suggested we break out in committees to deal with this. Vice Chair reiterated that that these violations will be cross-jurisdictional ie. Importation violations, customs will use in the enforcement and DPS as well. The way that Oregon has it, 6 categories of violation class. Each class has a different fine.

- Chairwoman asked for volunteers for committees i.e. hemp
 - Chairwoman felt Val and Thom would make up a good committee for hemp
- We will need to speak to customs, health
- Medical should be the entire Commission team (quorum)
- ABTC scheduled violations are by number of offenses; there are some offenses that we will want to be able to revoke the license right away.
- SA requested to be involved in every committee, MD as well.
- Vice Chairman recapped our current status of items completed, outstanding and in progress: We have completed the bylaws: we decided to get the wording correct – we voted on using the definitions in the law, making sure the citations are correct, we have done the homegrown marijuana registry (HMR), we have done the privileges and prohibitions for HMR, we did the organization of the Commission, bylaw, delegations, we still need to clarify the P.O. Box (MD is handling this), the application processing, we have not clarified yet ownership requirements (requires circling back around), we will send the rough draft to AG for legal sufficiency; however, the number of percentage that defines “owner” is a policy call by the members and whether or not it is regulatorily possible to do. We did the fees, we put in the law, receipt of application processes, approval of application, approval, denying of licenses, withdrawing applications, we need the physical forms need to be done and we have the processes for altering, renewing. We do not have the regulations from other departments regulations yet. Ie. Commerce – standardize scale which components of the scale is standardize, we have a section on licensed premises, signages, what happens when you close, what happens when you die (still in progress) we believe they report it and then the Commission determines each case by its own merit; however, this is a guess. We need to further confirm this decision. We went over trade samples, quality control samples, security plans, surveillance, waivers, safes. We don’t have micro producer yet. We want to complete this after wholesalers to determine the connection, along with lounges. We did work on Procedures – operating procedures, start up inventory of 2 years, we have a section on pesticides and fertilizers that we are not 100% on; we are good on retailers, just need applications, processors we are good with the exception of edibles which we will discuss at a later date and phase this in. Vice Chairman raised the questions about whether does 15% tax get added on at processor? What is our definition of manufacturing; if you are processing from plant to topical, are you manufacturing a marijuana

item. Because of the definition of “marijuana item”, would the processor get taxed as well? Ad valorem is not on the producer. It would be 15% from processor would manufacturer to the lounge and then the retailer. The lounge and retailer would be paying accumulative of 30%. \This is a bigger discussion with Rev and Tax. (end of Nov 21st meeting); Vice Chairman confirmed that Finance has a good tax lawyer; SA confirmed we should meet with him.

- SA discussed that when they were writing the law, research was done to determine how much tax each legalized state added to cannabis; SA also advised that municipalities could add additional tax on top of the state tax.
- Vice Chairman mentioned that the BGR tax is only for retailers; if a processor sold to a retailer, there would be a 15% tax on the total value, or the value added but that it would be up to Rev Tax. Retailers are getting most of the surtax. Lounges will not.
- Nov 26th meeting included endorsements, more processor stuff and wholesalers
- SA mentioned the story about a corrupt mayor that extorted money from a licensee and provided an approval for an endorsement
- Vice Chairman mentioned that a variety of license types can have endorsements; Secretary mentioned the potential of a lounge license applying for a catering endorsement, which would enable them to serve marijuana products (ie. Edibles) at temporary events, off-site of the premises.
- Vice Chairman gave an example: If the owner of a warehouse subdivided the premises and allowed for growing in the warehouse, is the owner now a wholesaler? Is he holding the product in bailment? What is the relationship and the licensee requirement for the person who maintains ownership and leases sections of the premises? Secretary said the owner would be the landlord or another idea would be they could apply as a “third party operator” which would allow them to operate the business on behalf of the licensee; however, this is not in the regulation.
- Discussed whether transportation providers can also maintain a wholesaler license; stand-alone transportation services (like an armored truck), there would be a “black spot” in the CTS tracking when the product is being transported out of the hands of the wholesaler to the retailer. Who is responsible for the product at that time and how do we report that in CTS. Chairwoman recommended we create a transportation license and they would have to sign up for CTS to track the product in their hands and out of their hands upon delivery. Secretary mentioned it could be an endorsement of the wholesalers – that they would be authorized to have an approved transporter, move the product from the producer or the wholesaler.
- The question was asked who is responsible if something happens to the product in transit. Secretary felt that once the product changes hands, it is no longer the sender’s liability.

- The idea came up that we create a transportation license; the most likely scenario would be a wholesaler getting an endorsement.
- Vice Chairman: It is important that the supply chain is suitable enough to make sure that everyone has the means to supply product.
The idea was raised that a licensee representative should be the one to transport product so that if they are pulled over, they are authorized to speak/act on behalf of the licensee. The question was raised whether an individual can work for multiple licensees. Like a consultant, it should be permitted; however, considerations would include that different licensee's product would be in the same vehicle. Secretary mentioned that this would be the same scenario as bank armored vehicles where they are a contracted company that delivers/receives and transports several financial institution's money.
- Laboratories – we did not cover off on because of the questions we have; members decided to hold off on this section until later
- In the package to AG, we will omit the section for laboratory component
- Vice Chairman continued to summarize what members covered: Research certificate, marijuana item recalls, packaging and labelling, CTS (seed to sale), waste management – we do not have the criteria for an approved waste disposal management; however, the Commission could license these companies and set out the regulations surrounding waste management. We need a separate section for waste disposal. Advertising, promotions, no inducements (the producer cannot go to a retail store and give them a deal if they carry their product), inspections, uniform standards for decoy inspections, suspensions.
- Send package 1 and 2 to AG without laboratories. If we get this approved and published, we establish the homegrown registry, we have the application process for commercial producers, wholesalers, retailers, processors (but not endorsements). Medical and labs will come later.
- We may wish to add to the regulation a limit on licenses the Commission issues in order to establish so we can build a regulatory structure and perhaps build an initial, separate consideration criteria for initial stages so we get applicants that are willing to help build a regulatory framework with the Commission, and one that could be a model licensee and provide education to the public. Ie. Seminars on how to grow etc. to build an ecosystem within the industry to avoid silos of information with a few licensees and monopolizes the industry.
- SA recommended all of us watch a training session/webinar on CTS to see if we can take any information that would be relevant to establishing a CTS in the CNMI; perhaps create a low budget tracking system.
- The question was raised whether we require UID tags at this point when we are allowing a 2-year gap time on procurement/start up inventory. But if we do not have it, how do we track it? Chairwoman believes it is necessary for the roll-out. Whether it is asking for more money to include the CTS, tracking is the only way we will have data to request further financial assistance in the future.

- The regulations say that for the first 2 years, the licensee does not have to reveal the source; however, we can still require them to tag them for tracking purposes.
- Commissioner Songsong feels there may only be a cannabis floral shop on Rota. He knows of one company interested in commercial on Rota.
- He mentioned that farming and agriculture is a dying breed for the generations nowadays.
- There was conversation about the limitations Rota has regarding power and the ability to have CTS due to the lack of infrastructure.
- He mentioned that education is needed for Rota residences to thrive in the industry.
- Vice Chairman mentioned on the commercial growing side of things – whoever we approve for a license on the onset, maybe they have preference for indoor growing on a regulatory front because it is far easier to grow indoors than outdoors. Secretary stated not to mention there are no approved pesticides for cannabis at this time.
- SA confirmed that our regulations for commercial production does not discriminate whether they plant indoor or outdoor. Vice Chairman mentioned on the onset, we may want to consider just indoor and incentivise it.
- SA mentioned companies he is aware of that are environment friendly when it comes to treating their wastewater or dispose of it. Chairwoman recommended that this could be a consideration upon wholesale application. It could give them preference if they have a good proposal. Vice Chairman said it is another discussion topic to speak with CRM about and environmental impact.
- Chairwoman advised that MD is preparing the master package to submit to AG. Vice Chairman made updates to the word document and Secretary mentioned she noted the changes in the minutes.
- Vice Chair: Plan was to do simultaneous emergency regulations and formal publication at the same time, especially for homegrown and violations of things.
- Chairwoman: discussed public education and outreach, and development of homegrown marijuana application form (secretary to start work on this with MD)
- MD started research on graphics and educational resources that exist in other states
- MD is trying to hire an executive secretary and mentioned we need an IT person for website, forms etc.
- Vice Chairman: he needs a bit more time on micro producers and lounges; he mentioned we could adopt Oregon's 6 tier violation for now and amend it in the future and once we have talked to stakeholders. He needs to determine a criminal violation versus non.
- Chairwoman asked for Vice Chairman and SA's help to create a list of required committees.

- Public outreach and visits to Tinian and Rota should be scheduled prior to end of March if budget permits it.
- MD is submitting a request to the post office for a PO box. MD will get back to us on if we will use Governor's PO box or if the waitlist is not long, we will get our own.

RECESS Chairwoman recessed the meeting at 12:23 p.m.

IN SESSION Chairwoman brought the meeting back in session at 12:59 pm.

NEW BUSINESS

- Chairwoman and MD met with MVA – MVA expressed that they will not be promoting cannabis whatsoever. They will assist us with planning promotional activities; however, they will not take part.
- MD mentioned that Asia still believes cannabis is taboo in their countries and places like Korea can drug test upon arrival back into the country. MVA recommended we talk to tour companies.
- Members discussed lounges and the requirement to have them enclosed but it is something we could change in the future.
- Secretary asked if Temporary Use License need to be enclosed and it does not, so what is the difference? More discussion is required on temporary licenses.
- SA mentioned that a hotel association is discussing the possibility of developing marijuana hotels – the hotel could also have a retail store and a lounge. Members discussed this concept and how it would work with the regulations.
- Clarification is required from legal to determine if you are on private property/residence if you are staying overnight at a hotel.
- Chairwoman recommended we speak to zoning to protect investors to ensure daycares and schools to be built in the area.
- The Commission should share information with zoning so they understand where the licensed establishments are for them to avoid providing zoning for schools/daycares.
- Vice Chairman recommended revocation of the public smoking provision on the entire islands of Tinian and Rota so there is incentive to travel there.

RECESS Chairwoman recessed the meeting at 1:29 p.m.

IN SESSION Chairwoman brought the meeting back in session at 1:33 pm.

MD REPORT

- Provided an update on the proposed office space located adjacent to Humanities Office (same location as Casino Commission); feels we will be in the proposed office for the next 2-3 years based on limited staff we will have on the onset. It is a year-to-year contract. MD will contract out to build the partitions.

- MD has found a prospective individual to hire for the executive secretary
- Vice Chairman made a motion to amend the agenda to add an executive session; Secretary seconded; no discussion, members voted in favor of the amendment.

EXECUTIVE SESSION

Chairwoman made a motion to move the meeting to executive session to discuss the executive secretary hiring at 1:43 pm; Secretary seconded it; Discussion: this was not on the original agenda as members were not aware there was a prospect for the executive secretary position. All members voted in favor of the motion.

- MD is waiving the announcement for the position; Vice Chairman said we did not need a waiver because the position is civil servant; however, OPM insisted. MD preferred this approach to have it documented efficiently.
- The candidate (Matilde C.), works at AG's office currently, she would be familiar with LSRs, she has great work ethic. She has covered for the executive secretary at AG. MD believes she would work well with the Commission; MD needs to ensure we have money for the position. Only downside does not have a degree; however, we do not need to pay her at \$35, 000 but if she does obtain it, we can pay more.
- Once MD gets the waiver, she will be interviewing Matilde.
- MD advised Secretary and Commissioner Songsong that they will have their TA as soon as possible. There was a confusion with accounts.

IN SESSION

Chairwoman made a motion to move out of executive session at 1:49 pm to discuss remaining topics of MD report; Secretary seconded. No discussion; all members voted in favor of the motion.

- Chairwoman summarized executive session: we discussed the qualifications and a possible candidate for the executive secretary position.
- MD met with the Casino Commission executive director – he provided insight on how to implement the cannabis infrastructure. He was very resourceful and willing to assist. He offered for MD to meet with all Casino Commission managers to understand the structure of the Commission.
- MD likes the structure and feels it would be good to mimic.
- MD gave an update about our accounts – met with the acting secretary of finance.
- SA recommended we have an account for licence fees, separate from others.
- Chairwoman emailed Bertha regarding our pay for the two days in September that we were not paid for. She hopes to have a better idea next week.

- Questions were raised from the public about CNMI government employees using cannabis; it is not the commission's jurisdiction.
- MD went over stakeholders we need to book meetings with.

SA REPORT

- SA summarized the API presentation he attended – he gave them an overview of the law and policies, he talked about the challenges we are facing; a lot of questions were asked. Some jurisdictions were already considering something similar, but they are unclear on what they want to do. Ie. Palau wanted to export; however due to federal law, it would not be possible.
- He provided the history around the law for class 2 lounges – CNMI is the lead in this.
- MD also attended and mentioned that Hawaii was in attendance and advised that each island has the exact same amount of cannabis. (medicinal)
- Guam mentioned the possibility of a floating lab.
- SA met with the Governor and advised that he wants us to start our public education drive as soon as possible. He wants us to get our information out to the public as soon as possible. SA recommended we meet with the Governor to provide an update.
- Members discussed the 4/20 event proposed by Governor; Chairwoman explained her perspective on what the event would consist of. She mentioned similarly to an informative convention, followed by a celebration.
- SA mentioned that he briefed Governor on the Emerald Cup – perhaps in the future, having an event similar in the CNMI
- Submit a LSR to clarify our authority over Homegrown Marijuana Registry
- Suggestions were raised where the Commission should work with the drug task force for enforcement of homegrown
- Vice Chairman provided the summary of AG's response: they commented on portions of the bylaws that needed to be beefed up, opinions of things that should be there and not, the ethics component needs to be beefed up (adopt CNMI ethics), things stricken
- Chairwoman, Secretary and SA to review AG's changes to Homegrown FAQ and regulations and update accordingly.
- Vice Chairman confirmed a scheduled meeting with Governor at 2:00 pm, December 19th.

ADJOURNMENT

Chairwoman made a motion to adjourn the meeting at 2:36 pm; Secretary seconded, no discussion; all members agreed with the motion.