This opinion is nonprecedential except as provided by Minn. R. Civ. App. P. 136.01, subd. 1(c).

STATE OF MINNESOTA
IN COURT OF APPEALS
A24-1873
A24-1874

Cristina Aranguiz,
Relator,

vs.

Minnesota Office of Cannabis Management, et al.,
Respondents.,

Jodi Connolly,
Relator,

vs.

Minnesota Office of Cannabis Management, et al.,
Respondents.

Filed July 28, 2025
Appeals dismissed; motions granted
Harris, Judge

Minnesota Office of Cannabis Management
File Nos. DIS-A24-000146, DEL-A24-000054

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Considered and decided by Bratvold, Presiding Judge; Bjorkman, Judge; and Harris, Judge.

NONPRECEDENTIAL OPINION

HARRIS, Judge

In these consolidated appeals, relators challenge respondent agency's decision denying their applications to participate in the social equity preapproval lottery for cannabis licenses because relators did not disclose all true parties of interest with their applications. Because the parties agree that the matter is now moot and the agency did not meet its burden to demonstrate that an exception to mootness applies, we grant relators' motions to supplement the record and dismiss these appeals.

FACTS

In 2023, Minnesota legalized the adult use of cannabis and adopted chapter 342 of the Minnesota Statutes, Minn. Stat. §§ 342.01-.82 (2024). 2023 Minn. Laws. ch. 63, art 1, at 2686-798. Chapter 342 established respondent-agency Office of Cannabis Management (OCM), which is responsible for issuing and renewing cannabis licenses. Minn. Stat. § 342.02, subd. 2(6). OCM is required to issue at least half of the licenses to social equity applicants. Minn. Stat. § 342.14, subd. 1b. Social equity applicants include individuals with past convictions for possession or sale of cannabis or marijuana, military veterans, residents of neighborhoods that are disproportionately affected by past cannabis enforcement or are otherwise disadvantaged, and certain farmers. Minn. Stat. § 342.17(a)(1)-(7).

In 2024, the legislature passed a session law providing that "[p]rior to the adoption of initial rules . . . [OCM] may establish a license preapproval process for [social equity] applicants." 2024 Minn. Laws. ch. 121, art. 2, § 148, subd. 1(a), at 2143. This session law outlined an application and lottery process for social equity preapproval before OCM adopted initial rules. *Id.*, subds. 1(a), at 2143, 8, at 2146.[1] OCM was required to begin accepting license preapproval applications by July 24, 2024, and to end the application period on August 12, 2024. But there was not a deadline for conducting the social equity preapproval lottery. *Id.*, subd. 3(b), at 2144.

Consistent with this legislation, OCM began the social equity preapproval process in June 2024. In August 2024, relators Jodi Connolly and Cristina Aranguiz, who each own a cannabis business, applied to participate in the cannabis license preapproval lottery for social equity applicants. Relators each met the definition of a social equity applicant under section 342.17(a).

When applying for a cannabis license, social equity applicants are required to include "a disclosure of ownership and control identifying any true party of interest," in their applications for a cannabis license. Minn. Stat § 342.14, subds. 1(b), 1c (2024); 2024 Minn. Laws ch. 121, art. 2, § 148, subd. 4, at 2144 (requiring preapproval applications to satisfy Minn. Stat. § 342.14). Applicants must also include, among other things, "copies of any partnership agreement, operating agreement, or shareholder agreement," and "copies of any promissory notes, security instruments, or other similar agreements." Minn. Stat. § 342.14, subd. 1(b)(4)-(5). As relevant here, a "true party of interest" is "an

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[1] In April 2025, OCM adopted initial rules. *See* 49 Minn. Reg. 1143, 1143-50 (Apr. 14, 2025) (adopting rules to be codified at Minn. R. 9810.0200-.42000 (2025)). Presumably because of the limited window in which OCM could establish the licensing preapproval process, the provisions of the 2024 session law governing the social equity preapproval process are not codified in chapter 342.

individual who as an individual or as part of another business . . . has the right to exercise control over a cannabis business." Minn. Stat. § 342.185, subd. 1(g)(10) (2024). "'Control' means the power to independently order or direct the management, managers, or policies of a cannabis business." *Id.*, subd. 1(b). OCM may deny an application if the applicant does not disclose this information. Minn. Stat. § 342.14, subd. 3(b)(2).

When relators applied to enter the preapproval lottery, they had option agreements with NXMN Partnership LLC. The option agreements provided that NXMN had "the right (the Call Right), but not the obligation, to cause [relators] to sell all or any portion" of their businesses to NXMN for $100,000. As consideration, the agreements provided that NXMN shall pay $100,000 to relators or on their behalf for application fees for preliminary license approval from OCM, and that NXMN will provide "coordination and assistance with respect to certain applications and filings." Relators authorized NXMN and its agents "to make filings . . . for the purposes of entity formation and application for such [p]reliminary [l]icense [a]pproval," and authorized NXMN to execute documents and act as relators' attorney in fact for such purposes. Relators did not include these option agreements in their applications.

On November 18, 2024, OCM denied relators' applications. OCM informed Aranguiz that the denial was based on her failure to submit documentation related to ownership and control of her business. Connolly contends that she did not receive an explanation from OCM about why her application was denied.[2] The day after their applications were denied, relators disclosed the option agreements to OCM.

Because OCM was intending to hold the social equity preapproval lottery approximately a week after it denied relators' applications, relators filed a motion in district court for a temporary restraining order or temporary injunction to pause the lottery. In district court filings, OCM asserted that if the social equity preapproval lottery was delayed, the most likely outcome would be that OCM would not proceed with the preapproval lottery and would instead move forward with the standard application process and lotteries under chapter 342. OCM also disclosed more details about why it denied relators' applications. OCM alleged that relators were part of a "straw applicant scheme" involving an out-of-state cannabis operator who recruited hundreds of people to apply for cannabis licenses on his behalf and then agreed to sell him their company for $100,000 if they won the lottery. OCM stated that it identified and denied 240 applications that used the same email domain, used the same file labeling conventions, and contained identical information about the anticipated first year earnings of the companies.

Following a hearing, the district court ordered a stay of the lottery to allow relators to seek a certiorari review in this court. Relators filed petitions for writs of certiorari on November 26, 2024.

On December 11, 2024, OCM issued a press release, announcing that, "[t]o avoid further delay and risks to social equity, OCM is ending the license preapproval process and

[2] The record demonstrates that OCM denied Connolly's application for the same reason it denied Aranguiz's.

moving forward with opening a standard licensing cycle for both social equity and general applicants beginning early next year."[3]

In January 2025, relators moved to supplement the record with an email that OCM sent to all preapproval applicants. The email notified applicants that, unless they request a refund, their applications for preapproval will be considered for inclusion in the next licensing cycle, during which applicants will have "the opportunity to respond to requests for more information to update applications and correct issues found during the initial review." But the email also explained that some applicants, which OCM later clarified included relators, would remain denied. OCM did not oppose supplementing the record with this email.

Concerned that their applications would remain denied following cancellation of the lottery, relators communicated with OCM about potential methods to resolve the matter. Ultimately, OCM informed relators that they could apply/re-apply under the current cycle if they withdrew their current applications and voided any options agreements in their new

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[3] *Minnesota Office of Cannabis Management announces next steps for cannabis licensing process*, Minn. Off. of Cannabis Mgmt. (Dec. 11, 2024), https://mn.gov/ocm/media/news-releases/?id=1202-660604 [https://perma.cc/8FRP-FL22]. "Just as a reviewing court may consider cases and statutes that were not presented to the district court, this court may consider . . . publicly available articles that were not previously presented to the [original decision-maker]." *Fairview Hosp. and Health Services v. St. Paul Fire & Marine Ins. Co.*, 535 N.W. 2d. 337, 340 n.3 (Minn. 1995); *see Hous. & Redevelopment Auth. ex rel. City of Richfield v. Walser Auto Sales, Inc.*, 641 N.W.2d 885, 888 (Minn. 2002) (taking judicial notice of post-decision development "that [a] judgment was recorded to transfer title" after the district court's order).

applications.[4] Following correspondence with OCM, relators withdrew their preapproval applications.

In March 2025, relators filed a second motion to supplement the record with documents relevant to this court's consideration of relators' mootness argument. Relators moved to supplement the record with their email correspondence with OCM and documentation affirmatively demonstrating that they withdrew their applications for cannabis licenses.[5] OCM did not respond to relators' second motion to supplement the record. Relators stated they planned to submit new applications in the general licensing round and void their option agreements with NXMN. At oral argument, relators' counsel stated, and OCM did not dispute, that relators submitted new applications on a separate application track and received preliminary approval.

DECISION

As a threshold matter, we grant relators' motions to supplement the record for the limited purpose of considering whether relators' appeal is moot. *See Walser*, 641 N.W.2d

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[4] OCM also expected that all other applicants identified and denied for failure to disclose a true party of interest would also withdraw their applications. And OCM clarified that relators and any other applicant must disclose an options agreement as a true party of interest and that applications will be denied if they do not comply with Minnesota Statutes section 342.185, subdivision 2, which limits individuals from being a true party of interest for more than one application of any single license type. OCM also clarified that if relators "have an ownership interest in NXMN, then ***all*** options agreements with NXMN (not just their own options agreements) must be voided because [relators] would otherwise themselves be a [true party of interest] in the other pending non-withdrawn applications."

[5] The motion also states "[r]elators are separately moving the Court to dismiss the appeals as moot." Relators filed their reply brief the day after they filed their second motion to supplement and argued the matter is now moot. Relators did not file a motion to dismiss or notice of voluntary dismissal.

at 888 (supplementing the record to review mootness). The email correspondence and documents indicating that relators requested to withdraw their applications provide additional context for the parties' arguments and demonstrate, as we explain further below, that effective relief is no longer possible. *See In re Application of Minnegasco*, 565 N.W.2d 706, 710 (Minn. 1997) (explaining that "the general rule is that when, pending appeal, an event occurs that makes a decision on the merits unnecessary or an award of effective relief impossible, the appeal should be dismissed as moot").

I. This appeal is moot because we cannot grant effective relief.

"A moot case is nonjusticiable." *Snell v. Walz*, 985 N.W.2d 277, 283 (Minn. 2023). "An appeal should be dismissed as moot when a decision on the merits is no longer necessary or an award of effective relief is no longer possible." *Dean v. City of Winona*, 868 N.W.2d 1, 5 (Minn. 2015). The parties agree that relators' appeal is now moot.[6] We also agree.

After relators appealed OCM's decision denying their applications, OCM cancelled the social equity preapproval lottery. Relators also formally withdrew their applications to participate in that lottery and plan to void any option agreements to move forward in the cannabis licensing process on a separate application track. Therefore, even if we agree with relators and reverse OCM's decisions, we cannot grant effective relief.

[6] In their principal brief, relators argued that the matter was not moot because their applications would remain denied in the general licensing round, so we could still provide effective relief by deciding that NXMN was not a true party of interest. But relators changed position in their reply brief, arguing that because relators have now withdrawn their applications, an award of effective relief is now impossible.

II. OCM did not meet its burden to demonstrate that a mootness exception applies.

"We should decide a case when an issue, while technically moot, is functionally justiciable and of public importance and statewide significance." *In re Schmalz*, 945 N.W.2d 46, 49 n.3 (Minn. 2020). OCM is responsible for demonstrating that the exception applies.[7] *See Quinn v. LMC NE Minneapolis Holdings, LLC*, 985 N.W.2d 571, 574 (Minn. 2023) (placing burden on party seeking exception to mootness doctrine to demonstrate exception applied).

Although the preapproval lottery has been cancelled, OCM argues that we should still decide relator's appeal. OCM argues this case is "functionally justiciable" because the issue—whether entities like NXMN are a true party of interest that must be disclosed—"is a question of statutory interpretation" that is likely to reoccur in future application cycles. We are unpersuaded.

A. OCM did not meet its burden to demonstrate that this case is functionally justiciable.

"A case is functionally justiciable if the record contains the raw material (including effective presentation of both sides of the issues raised) traditionally associated with effective judicial decision-making." *State v. Rud*, 359 N.W.2d 573, 576 (Minn. 1984); *see also Snell*, 985 N.W.2d at 284 (determining case to be functionally justiciable because "the issues are primarily legal and were well-briefed by the parties"); *In re Guardianship of Tschumy*, 853 N.W.2d 728, 740 (Minn. 2014) (determining question to be functionally

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[7] Because OCM has the burden, we limit our analysis to the exceptions raised by OCM.

justiciable because it "was ably briefed and argued by the parties and the record contains the factual information necessary for a decision").

OCM argues that this case is functionally justiciable because "whether OCM's decision to deny relator's applications was supported by substantial evidence, including the subsidiary issue of whether NXMN is a true party of interest, has been thoroughly briefed by the parties." Additionally, "the issue of whether NXMN is a true party of interest is a purely legal question concerning the interpretation of the definition of a true party of interest under the OCM statutes." OCM asserts that the "facts and law will not change between the pre-approval and general licensing rounds, and the issues have already been briefed." We disagree.

Although a portion of this matter involves a "legal question concerning the interpretation of the definition of a true party of interest under the OCM statutes," it is also a fact-specific issue that may not arise in an identical way with future applicants in the general licensing round. *Snell*, 985 N.W.2d at 286-87 (declining to review mask mandate under functionally justiciable exception because it was "unlikely to arise in the same way again").

The parties seem to agree that a true party of interest as defined in section 342.185, subdivision 1(g)(10), must presently have control over an applicant's cannabis business. But the parties disagree whether the specific option agreements between relators and NXMN gave NXMN enough present control to make them a true party of interest that must be disclosed. Even if we were to decide the meaning of a true party of interest under the cannabis statutes as OCM urges, whether a particular option agreement creates a true party of interest that must be disclosed is ultimately a fact-specific question. And although the parties both adequately briefed the issue as applied to the facts here, the parties did not address the full definition of a true party of interest. OCM's brief is limited to whether NXMN is a true party of interest under subdivision 1(g)(10). On this limited record, we are not convinced that we should exercise our discretion and decide this appeal. *Cf. Tschumy*, 853 N.W.2d at 739 ("We likely would not have any more information at our disposal if we were to wait for another case to present the same issue."). Therefore, we conclude that OCM did not meet its burden to demonstrate that the issues are functionally justiciable.

B. OCM did not meet its burden to demonstrate that this is a matter of public importance and statewide significance that should be decided immediately.

Even if a matter is functionally justiciable, we also consider whether we should exercise our discretion to decide the moot case immediately. *Quinn*, 985 N.W.2d at 573. We should decide a moot case immediately if it "presents an important question of statewide significance that should be decided immediately." *Dean*, 868 N.W.2d at 5-6 (quotation omitted). When analyzing whether this exception applies, we focus on "the broad impact of leaving the legal question unresolved." *Snell*, 985 N.W.2d at 285; *Quinn*, 985 N.W.2d at 574. We also consider whether nonparties will be affected if the issue is not immediately addressed. *See Rud*, 359 N.W.2d at 576 (weighing whether the court's "failure to decide [the issue] now could have a continuing adverse impact in other criminal trials"). This exception is generally applied "narrowly." *Dean*, 868 N.W.2d at 6; *Growe v. Simon*, 2 N.W.3d 490, 501 (Minn. 2024).

OCM argues that this exception applies because:

> OCM has already denied 240 pre-approval applications based on the straw applicant scheme here. While those applications cannot be corrected, it is possible that new applications operating under a similar arrangement could be submitted in the general license round. Having a clear answer from this Court as to whether the undisclosed straw application scheme here is a violation of the requirement to disclose all true parties of interest will provide certainty in the current general licensing round to OCM and applicants alike.

Relators argue that this exception does not apply because "OCM made that statement before relators withdrew their applications and before OCM told relators that they could proceed in the general licensing process. At bottom, this case now involves two withdrawn applications in a now-cancelled preapproval licensing round."

We are not persuaded that this appeal needs to be decided immediately. While having a clear answer from this court could affect the 240 applications that were denied for similar reasons to relators, the issue does not necessarily affect every Minnesotan like the governor's executive orders did during the COVID-19 pandemic. *See Snell*, 985 N.W.2d at 285 (noting that executive orders "impacted every Minnesotan" and "many more Minnesotans than did the questions at issue in [previous] cases"). Also, OCM does not persuasively argue that this issue should be decided immediately, but seeks "certainty" for the general licensing round because the issue is "likely to come up again in future application cycles." But, as discussed above, whether a particular option agreement creates a true party of interest that must be disclosed is a fact-specific question that "is unlikely to arise in the same way again." *See id.* at 286-87 (declining to apply exception to issues that would arise on different facts in future cases and implicated "no serious harm or uncertainty that requires immediate resolution"); *see also Quinn*, 985 N.W.2d at 573 (concluding "nothing in the record supports the broad claim that these parties' unique circumstances present a statewide issue affecting most landlord-tenant relationships so as to require an immediate decision from this court"). Therefore, we conclude that OCM did not meet its burden to demonstrate that this is a matter of public importance and statewide significance that we must decide immediately.

Appeals dismissed; motions granted.