

BEFORE THE OFFICE OF TAX APPEALS

STATE OF CALIFORNIA

IN THE MATTER OF THE APPEAL OF,        )  
    )  
CONTRA COSTA FARMS, LLC,                ) OTA NO. 241017689  
    ) 241017692  
    )  
APPELLANT.                                )  
    )  
    )  
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TRANSCRIPT OF PROCEEDINGS

Sacramento, California

Wednesday, October 22, 2025

Reported by:  
ERNALYN M. ALONZO  
HEARING REPORTER

1 BEFORE THE OFFICE OF TAX APPEALS

2 STATE OF CALIFORNIA

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7 CONTRA COSTA FARMS, LLC, ) OTA NO. 241017689  
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9 APPELLANT. )  
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14 Transcript of Proceedings, taken at

15 400 R Street, Sacramento, California, 95811,

16 commencing at 9:34 a.m. and concluding

17 at 10:07 a.m. on Wednesday, October 22, 2025,

18 reported by Ernalyne M. Alonzo, Hearing Reporter,

19 in and for the State of California.

1 APPEARANCES:

2  
3 Panel Lead: ALJ JOSH LAMBERT

4  
5 Panel Members: ALJ SUZANNE B. BROWN  
ALJ MICHAEL F. GEARY

6 For the Appellant: CHARLES WESLEY

7 For the Respondent: STATE OF CALIFORNIA  
8 DEPARTMENT OF TAX AND  
9 FEE ADMINISTRATION

10 JENNIFER BARRY  
11 CARY HUXSOLL  
12 JASON PARKER

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## I N D E X

E X H I B I T S

(Appellant's Exhibit 1 was received into evidence at page 9.)

(Department's Exhibits A-L were received into evidence at page 9.)

## OPENING STATEMENT

By Mr. Wesley 9

By Ms. Barry 15

## CLOSING STATEMENT

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By Mr. Wesley 22

1 Sacramento, California; Wednesday, October 22, 2025

9:34 a.m.

4 JUDGE LAMBERT: We're now on the record in the  
5 Office of Tax Appeals oral hearing for the Appeals of  
6 Contra Costa Farms, LLC, and Rio Vista Farms, LLC,  
7 Case Nos. 241017689 and 241017692. The date is  
8 October 22nd, 2025, and the time is 9:34 a.m. My name is  
9 Josh Lambert, and I'm the lead panel member for this  
10 hearing. And my co-panelists today are Judge Suzanne  
11 Brown and Judge Michael Geary.

12 And I just heard the hearing transcript will be  
13 available in 21 more days.

14 For CDTFA, can you please introduce yourself for  
15 the record by stating your names.

16 MS. BARRY: Jennifer Barry, attorney with the  
17 Department.

18 MR. HUXSOLL: Cary Huxsoll from the Department's  
19 legal division.

20 MR. PARKER: Jason Parker, Chief of Headquarters  
21 Operations Bureau.

22 JUDGE LAMBERT: Thanks. Thanks for coming.

25 MR. WESLEY: Charles Wesley. I'm the managing

1 member of the two Appellants, Contra Costa Farms and Rio  
2 Vista Farms.

3 JUDGE LAMBERT: Thank you. Thank you for  
4 attending.

5 The issue in this appeal is whether reductions  
6 are warranted to the measure of Appellants' unreported  
7 sales tax reimbursement collected.

8 Prior to the hearing date, CDTFA provided  
9 Exhibits A through L, Appellant provided Exhibit 1.

10 And I think Appellant -- Mr. Wesley, you  
11 submitted the new exhibit today. Can you explain what it  
12 is and the relevance of it?

13 MR. WESLEY: I just -- just anticipated that  
14 there might be a request for it. So it's provided in  
15 anticipation of a request. That's all.

16 JUDGE LAMBERT: Okay. Well, what is it exactly?  
17 Could you explain?

18 MR. WESLEY: It's a -- they're sample receipts  
19 that would have been in effect at the time of the audit  
20 for the period that was audited for both Rio Vista Farms  
21 and Contra Costa Farms. So sample receipt.

22 JUDGE LAMBERT: Okay. I think you could like  
23 back up a little from the microphone. I think we could  
24 hear you.

25 MR. WESLEY: Okay. Yeah. I'm having a little

1 hard time hearing. So I just want to make sure you can  
2 hear me.

3 JUDGE LAMBERT: I think these are pretty loud.

4 MR. WESLEY: Okay.

5 JUDGE LAMBERT: Okay. And on the Minutes and  
6 Orders, it stated to provide any new exhibits on/or  
7 before, like, October 7th. So unless -- so we can't admit  
8 them until there's good cause. So can you give good cause  
9 as to why these weren't submitted earlier?

10 MR. WESLEY: I -- I believe that sample receipt  
11 were provided during -- can you hear me okay now?

12 I -- I believe that sample receipts were provided  
13 during the audit, but then I -- I was -- well, I'm not  
14 sure. So I thought I'd provide them just in case. That's  
15 all. So it didn't occur to me until a couple of days ago  
16 that maybe they weren't provided. That's all. And the  
17 agency has a copy of them.

18 JUDGE LAMBERT: Okay. And, Ms. Barry, have you  
19 had a chance to look at the exhibits? Do you have any  
20 comments or objections to admitting them? Or do you know  
21 if they're already in the record?

22 MR. HUXSOLL: Well, CDTFA objects based on  
23 timeliness under Regulation 30420. But also, I'm not  
24 sure -- I'd have to check with the working papers. I know  
25 they do include some receipts. But these reference

1 transactions dates of 2024, which is outside of the audit  
2 period. So I'm not sure that these particular receipts  
3 would be relevant or part of the audit package. Often,  
4 this can be done with printing. So a print date is the  
5 date that shows up on the transaction date, but I just  
6 can't confirm at this point whether these are in the  
7 audit -- these specific receipts are in the audit.

8 JUDGE LAMBERT: Okay. Thank you, Mr. Huxsoll.

9 Okay. So, Mr. Wesley, so these exhibits are from  
10 outside the audit period. So maybe are they relevant then  
11 to this appeal if they're outside the audit period?

12 MR. WESLEY: The -- that format is the same  
13 format that we've used since we began operation. It  
14 changed in the summer of 2024, which is why I didn't  
15 provide that. But that is from early -- early 2024, that  
16 receipt. So it's not from the audit period, but it's --  
17 it's -- the format is the same as those produced during  
18 the audit period.

19 JUDGE LAMBERT: Okay. I think that -- well,  
20 based on the fact that they seem outside the audit period  
21 and it's past the deadline, you know, I don't think we'll  
22 admit them just based on our regulations, which requires  
23 relevance and also good cause. So we won't admit them,  
24 but, you know, you could just discuss anything you want in  
25 your arguments and testimony.

1 MR. WESLEY: Yeah.

2 JUDGE LAMBERT: Okay. So based on the previous  
3 exhibits that are mentioned, there were no objections to  
4 those, and that evidence is now in the record.

5 (Appellant's Exhibit 1 was received into  
6 evidence by the Administrative Law Judge.)

7 (Department's Exhibits A-L were received into  
8 evidence by the Administrative Law Judge.)

9 JUDGE LAMBERT: So, Mr. Wesley, you stated you'll  
10 be a witness during your presentation, so I can swear you  
11 in now. Can you please raise your right hand.

12

13 C. WESLEY,

14 produced as a witness, and having been first duly sworn by  
15 the Administrative Law Judge, was examined, and testified  
16 as follows:

17

18 JUDGE LAMBERT: Okay. Thanks. And this is your  
19 opportunity to explain Appellants' position. And you have  
20 30 minutes, and you can proceed when ready.

21 MR. WESLEY: Okay. Thank you.

22

23 PRESENTATION

24 MR. WESLEY: The points I'm going to make are all  
25 contained in my prehearing statement. And at a very high

1 level, we don't -- we don't dispute the data. The only --  
2 that the agency is presenting. The only thing we dispute  
3 is that the agency is alleging or contending that the  
4 service fee is taxable, and our contention that it's not  
5 as a result of publication 1115.

6 So just -- just to emphasize a few of the points  
7 in -- in my statement. We have always charged a service  
8 fee. The parent company, Kolaboration Ventures, is the  
9 owner of eight cannabis dispensaries in the state, and  
10 we've always charged a service fee. And we've --our  
11 position has always been that the service fee is not  
12 taxable. And we came by this knowledge in -- in  
13 participation with the industry panels and things like  
14 that where we learned that other dispensaries were also  
15 charging service fees and not taxing them. Whether that's  
16 true or not, I don't know, but that's what we heard.

17 So our collections, which is the basis for the  
18 calculations in our workbooks and the workbooks that the  
19 agency has, our collections have never included this --  
20 any kind of excise tax or sales tax in the -- in the  
21 collection. The only tax that's included is the city tax,  
22 because the city tax is explicitly taxable on service fees  
23 and the revenue. So the \$7 million that's -- that's --  
24 that's in -- in play here has never been collected. We  
25 don't have \$7 million. On any given day, maybe the

1 company has 50 to \$100,000 in the bank. That's it.

2 So the reason we charge a service fee is because  
3 we provide a customer experience that's heads and  
4 shoulders above any dispensary. And the principle  
5 differentiators are it's very secure. We have armed  
6 guards 24-7. We have -- it's very safe. Our products  
7 right now, 75 percent of the products sold are products  
8 that we cultivate and extract and produce ourselves.  
9 Nobody else outside the company touches those products.  
10 And 25 percent of what is sold is from vendors who have  
11 never had a product recall.

12 As -- as you may be aware, and it's included in  
13 on of the exhibit -- in my Exhibit 1 to the statement, is  
14 that there's a rash of product recalls in California right  
15 now. That's because black market product is being  
16 introduced into the supply chain, and we don't permit  
17 that. And if any one of our vendors has a recall, they're  
18 off the shelf, because that's how it happens. And then  
19 also our experiences are very -- it's an uplifting  
20 experience. It's not dark and dingy like a lot of  
21 dispensaries. And we provide a lot of free education. So  
22 I want to emphasize that the service fee is not at all  
23 associated with cost of operations. It's associated with  
24 the -- the -- the great customer experience that we  
25 provide. That's what it's for.

1                   In the summer of 2024, there's an audit that's  
2 being -- that was being done by the new cannabis division  
3 of the CDTFA audit. And they -- they informed us that  
4 well, to specifically meet the requirements of publication  
5 1115, it has to be itemized. The service fee has to be  
6 itemized after subtotal, and the payment of it has to be  
7 optional. As soon as we learned that -- because we hadn't  
8 heard that from anybody prior to that time. As soon as we  
9 learned that, we immediately changed the invoice, and it's  
10 post -- a placard is posted in all the dispensaries that  
11 the payment of the service fee is optional. And if a  
12 customer chooses not to pay it, the -- the -- the  
13 transaction is canceled, and the total due is reduced to  
14 whatever the subtotal is, is what they pay with a cash or  
15 debit card.

16                  The -- bear with me here. The -- as I mentioned,  
17 the parent company, Kolaboration Ventures, owns these  
18 eight dispensaries. We also own two cultivation  
19 facilities. We own our own manufacturing facility, our  
20 own packaging facility. We print our own labels. All  
21 together, these -- this company -- by the way, this --  
22 today we're talking about Rio Vista Farms and Contra Costa  
23 Farms, but the same issue pertains to all the other  
24 dispensaries. So at some point, they'll come -- come to  
25 this point in the process, I assume. But we have 306

1 employees. If there's an adverse ruling, basically, the  
2 companies go out of business because we don't have the \$7  
3 million. We've never taken the \$7 million.

4 The -- there are five directors in the company.  
5 We each earn -- each earn \$200,000 a year. We don't get  
6 bonuses. We don't get stock grants. We don't even get  
7 mileage, okay. So it's not that we're living off the  
8 state or anything like that. These are very modest  
9 incomes. We pay \$9.6 million a year in various forms of  
10 taxes and all the charities that we support in the various  
11 cities. For example, in Vallejo alone, we contribute  
12 \$150,000 a year to local charities. It's all controlled  
13 by the city.

14 We have 526 investors that will lose their  
15 investment. These are investors and lenders. And some  
16 portion of what we sell will go back to the black market  
17 because our prices are so compelling that the -- the  
18 people who shop with us, they're gonna go to the black  
19 market for their product if -- if we're out of business.

20 Let's see. Those -- those are really the points  
21 I want to emphasize. All -- again, all this is contained  
22 in the -- in the statement. But that's what I'd like to  
23 emphasize.

24 JUDGE LAMBERT: Okay. Thank you, Mr. Wesley.

25 I will ask the panel now if they have any

1           questions.

2           Judge Brown, do you have any questions?

3           JUDGE BROWN: I will just ask one brief question  
4           to Appellants. I just want to confirm that your position  
5           about the service fee being nontaxable. You never  
6           received anything in writing from CDTFA about that,  
7           correct? From --

8           MR. WESLEY: No. Not until the summer of 2024.

9           JUDGE BROWN: Thank you.

10          JUDGE LAMBERT: Judge Geary, did you have any  
11          questions?

12          JUDGE GEARY: I didn't, but I do now. So are you  
13          saying, Mr. Wesley, that in the summer of 2024 the  
14          Department, California Department of Tax and Fee  
15          Administration, informed you that this service charge  
16          would not be taxable if you followed certain rules? Is  
17          that basically it?

18          MR. WESLEY: That's correct. Yeah.

19          JUDGE GEARY: And one of rules was that it had to  
20          be separately stated on the invoice?

21          MR. WESLEY: Correct.

22          JUDGE GEARY: And the other is that it had to be  
23          optional?

24          MR. WESLEY: Correct.

25          JUDGE GEARY: And you have that in writing from

1 the Department?

2 MR. WESLEY: No. I have that verbally from -- it  
3 was on a call with three of the auditors and Michael  
4 McGinnis, and that was conveyed to me on the call.

5 JUDGE GEARY: Okay. It's a big difference in the  
6 law between oral advice and written advice from the Board.  
7 Those are the only questions I have. Thank you,  
8 Mr. Wesley.

9 JUDGE LAMBERT: I don't have any questions now at  
10 this time, but thank you for your presentation.

11 And now we'll move on CDTFA's presentation for  
12 30 minutes. So when you're ready, you may proceed.

13

14 PRESENTATION

15 MS. BARRY: Good morning. Can you hear me okay?  
16 Okay.

17 The liability in each of these cases stems from  
18 an audit of each account for the period January 1, 2020,  
19 through December 31, 2022. During the liability period,  
20 Appellants operated cannabis dispensaries in Antioch and  
21 Rio Vista, California. The Department issued Notices of  
22 Determination for the liability period based upon  
23 unreported sales tax reimbursement collected in the amount  
24 of \$2,979,646 for Contra Costa Farms, LLC, and \$525,954  
25 for Rio Vista Farms, LLC.

Upon audit, Appellants provided records for both accounts, including point of sale records. The Department determined that Appellants' records were adequate for audit. Therefore, the Department utilized a direct audit method to examine Appellants' sales during the liability period as set forth in Exhibit C, on Schedule 12A of the audit working papers for Contra Costa Farms, LLC. Using Appellants' point of sale data, the Department scheduled \$120,252,070 in gross sales for the liability period and subtracted \$12,309,784 in recorded discounts to compute \$107,942,287 in taxable sales, which included sales tax reimbursement since Appellant included sale in its all-in pricing -- sales tax in its all-in pricing. The Department then calculated the sales tax due for the liability period totaling \$9,372,813 based upon the applicable tax rate applied to Appellants' net taxable sales. Finally, the Department subtracted Appellants' reported sales tax of \$6,393,179 from the sales tax due for the liability period to arrive at unreported sales tax reimbursement collected of \$2,979,636.

21                   Using the same method as set forth in Exhibit H  
22 on Schedule 12A of the audit working papers for Rio Vista  
23 Farms, LLC, using Appellants' point of sale data, the  
24 Department scheduled \$21,371,214 in gross sales for the  
25 liability period and subtracted \$2,097,401 in recorded

1 discounts for the liability period to compute \$19,273,813  
2 in net taxable sales, including the sales tax  
3 reimbursement, since, again, Appellant included sales tax  
4 in its all-in pricing. The Department then calculated the  
5 sales tax due for the liability period totaling \$1,448,325  
6 based upon the applicable tax rate applied to Appellants'  
7 net taxable sales. Finally, the Department subtracted  
8 Appellants' reported sales tax of \$922,367 from the sales  
9 tax due for the liability period to arrive at unreported  
10 sales tax reimbursement collected of \$525,954.

11 Revenue & Taxation Code section 6051 imposes  
12 sales tax on a retailer's sales in this state of tangible  
13 personal property measured by the retailer's gross  
14 receipts, unless the sale is specifically exempt or  
15 excluded from taxation by statute. For these purposes,  
16 gross receipts mean the total amount of the sales price of  
17 the retail sales of retailer's valued in money without any  
18 deduction on account of the cost of the property sold, the  
19 cost of the materials used, labor or service cost, or any  
20 other expense. Generally, the total amount of the sales  
21 price includes any services that are part of the sale.

22 Pursuant to Revenue & Taxation Code section 6091,  
23 all gross receipts are presumed to be subject to tax,  
24 unless the contrary is established. When a right to an  
25 exemption from tax is involved, the taxpayer has the

1 burden of proving its right to the exemption. A taxpayer  
2 seeking exemption from the tax must establish that right  
3 with evidence of the entitlement to the exemption. A mere  
4 allegation that sales are exempt is insufficient. Except  
5 as otherwise specifically provided by law, the applicable  
6 burden of proof is upon the taxpayer to prove all issues  
7 of fact by a preponderance of the evidence. That is, the  
8 taxpayer must establish by documentation or other evidence  
9 that the circumstances that it asserts are more likely  
10 than not to be correct.

11 Further, unsupported assertions are not  
12 sufficient to satisfy a taxpayer's burden of proof. Where  
13 the Department is not satisfied with the accuracy of the  
14 tax returns filed, Revenue & Taxation Code section 6481  
15 provides that the Department may base its determination of  
16 tax due upon the facts contained in the return, or upon  
17 any information that comes within its possession. Where  
18 the Department's determination is reasonable and rational,  
19 the burden of proof is upon Appellant to prove all issues  
20 of fact by a preponderance of the evidence.

21 During the audit, the Department utilized a  
22 direct audit method by reviewing the point of sale data  
23 for each of Appellants' accounts. The reconciliation of a  
24 taxpayer's recorded and reported sales using taxpayer's  
25 own books and records, such as point of sale data, is a

1 recognized audit procedure. Thus, the Department's  
2 approach was reasonable and rational and therefore,  
3 Appellants bear the burden of proof to show that  
4 adjustments are warranted here.

Appellants have argued that the amount charged to their customers include optional service fees that are not taxable and thus, an adjustment to the liabilities should be made to account for Appellants' claimed nontaxable service fees. Appellants further contend that the selling price of their products during the liability period included the price of tangible personal property, service fees, and all tax due. As described in the Department's decision for each case, which may be found at Exhibits A and E, Appellants have asserted that the alleged service fees included amounts that were intended to recoup certain extraordinary cost associated with their operations, such as city audits, licensing fees, and security guards.

1                   Rather, Revenue & Taxation Code section 6012  
2 specifically states that no deduction may be taken from  
3 gross receipts for the cost of the property sold, the cost  
4 of the material used, labor or service cost, interest  
5 paid, losses, or any other expense. Further, the same  
6 section provides that the total amount of the sale  
7 includes any services that are part of the sale of the  
8 tangible personal property. Appellant has not provided  
9 any evidence to show that the service fees it alleges to  
10 have charged for its services that were not a part of the  
11 sale of related tangible personal property.

12                  Accordingly, the presumption that all of  
13 Appellants' sales are taxable, as set forth in Revenue &  
14 Taxation Code section 6091, applies here. And Appellants  
15 have not met their burden of proof to show that they are  
16 otherwise entitled to an exemption from tax in these  
17 cases. Appellants also argue that they did not collect  
18 sales tax reimbursement on the portion of the sale that  
19 was attributable to the alleged service fees. Thus,  
20 Appellants assert they should not be required to remit  
21 sales tax that they did not collect from their customers.  
22 However, sales tax is imposed on the retailer, and  
23 Appellants are liable for sales tax on the portion of the  
24 charges that they contend were for service fees.

25                  Appellants next argue that the Department did not

1 previously explain to them the requirements regarding  
2 service fees prior to the audits and therefore, they  
3 should be relieved from the liability. However, taxpayers  
4 are charged with knowledge of the law, and ignorance of  
5 the law does not excuse failure to comply with the  
6 statutory requirements. The Department publishes  
7 informational tax guides, along with applicable statutes  
8 and regulations on its website, and taxpayers may contact  
9 the Department by phone to receive informal advice or  
10 their -- on their general tax questions, or may submit  
11 written questions to the Department to receive formal  
12 written advice.

13 Finally, Appellants make several equitable  
14 arguments regarding the challenges that they have faced in  
15 the cannabis industry, along with their ability to pay the  
16 liabilities at issue here. The exercise of equitable  
17 jurisdiction is a uniquely judicial function, and neither  
18 the Department nor OTA are empowered to grant the  
19 equitable relief that Appellants have requested. Based on  
20 the foregoing, Appellants have not established that it is  
21 entitled to adjustments in either case, and these appeals  
22 should be denied.

23 Thank you.

24 JUDGE LAMBERT: Thank you, Ms. Barry.

25 I'll turn to the panel now to see if there's any

1 | questions.

2 Judge Brown, do you have any questions?

3 JUDGE BROWN: I don't believe I have any  
4 questions at this time. Thank you.

5 JUDGE LAMBERT: And, Judge Geary, do you have any  
6 questions?

7 JUDGE GEARY: No questions. Thank you.

8                   JUDGE LAMBERT: And I have no questions at this  
9 time, but thank you for the presentation.

10                   And, Mr. Wesley, we're going to move on to your  
11 closing remarks. And you have five minutes, and you can  
12 proceed.

13 MR. WESLEY: I'm sorry. I didn't hear that.

14 JUDGE LAMBERT: You have five minutes to give  
15 your closing remarks on the matter.

## CLOSING STATEMENT

18 MR. WESLEY: Well, I mean, the agency makes good  
19 points. I mean, we -- we were ignorant of what we -- of  
20 the requirements we had to meet. And I guess the agency's  
21 argument is that doesn't excuse us, but -- but I believe  
22 it does. We first -- we first encountered the audit with  
23 the Fairfield office when they audited 2020, and at no  
24 point during the audit were we informed; hey, in order for  
25 these service fees to be deductible, you have to meet

1       these requirements. So no one was forthcoming in  
2       explaining this to us until 2024 when the audit team from  
3       the excise tax division said, hey, you have to meet these  
4       requirements -- these requirements of publication 1115,  
5       which I then looked up. And since then we've met these  
6       requirements.

7                   So I mean, basically, we're sitting here at the  
8       mercy of -- of this hearing, of this -- of this tax  
9       hearing. So I don't have anything other than that.

10          JUDGE LAMBERT: Okay. Thank you, Mr. Wesley.

11          JUDGE GEARY: Judge Lambert, before you move, can  
12       I just ask Mr. Wesley something?

13          JUDGE LAMBERT: Of course.

14          JUDGE GEARY: Mr. Wesley, did you hear and  
15       understand what Ms. Barry just indicated about the  
16       Department's position that these so-called service fees  
17       are not taxable period, that she did not say they were not  
18       taxable unless you list them separately on a receipt, or  
19       unless they are optional. Did you hear her say that?

20          MR. WESLEY: No. What I heard her say was that  
21       services are not deductible. Services are taxable. This  
22       was a service fee also known as a tip or gratuity. That's  
23       what publication 1115 addresses. It's -- it's not a  
24       service. It's a service fee. It's like a tip or  
25       gratuity, and those are -- by publication 1115 is explicit

1 that those are deductible.

2 JUDGE GEARY: Okay. Those are the only questions  
3 I have. Thank you.

4 MR. WESLEY: Thank you.

5 JUDGE LAMBERT: CDTFA, do you want to respond to  
6 what he just stated?

7 MR. HUXSOLL: The Department's position would not  
8 be that these -- would be that these charges are not in  
9 the nature of the tips. And I would note that publication  
10 1115's written specifically for the restaurant industry  
11 that has customary situation like -- it's -- it's  
12 basically addressing a situation where you have tips given  
13 at a restaurant that may be optional versus service  
14 charges that restaurants may charge for certain parties of  
15 eight or more. So it really is not written to apply to  
16 this particular situation. And the Department would not  
17 view these charges as being anywhere similar to tips.

18 JUDGE LAMBERT: Thanks.

19 And in the briefing it says the cost are for --  
20 associated with operations such as city audits, licensing  
21 fees, and security guards. Mr. Wesley, can you describe  
22 the service fees exactly? And you stated they're not  
23 operational costs is what you're saying?

24 MR. WESLEY: The service -- the service fee is  
25 not cost recovery. The service fee is -- is our way of

1 permitting the customers to agree with us that the  
2 experience they're given is heads and shoulders above any  
3 other dispensary experience. And it's posted right there  
4 in the dispensary that the payment of it is optional. And  
5 yet, to my knowledge, no customer has ever refused to pay  
6 it because they agree it's an exceptional experience.  
7 It's not cost recovery.

8 JUDGE LAMBERT: Okay. And this is in the  
9 evidence, these receipts with the service fee?

10 MR. WESLEY: I'm sorry.

11 JUDGE LAMBERT: The service fees is in the  
12 evidence, like your receipts showing this?

13 MR. WESLEY: It shows at the bottom, at the  
14 bottom of that receipt. And I believe I provided receipts  
15 during the audit. But -- but it says, "Includes all  
16 service fees." It doesn't say includes all service,  
17 includes all service fees. And -- and again, that's a  
18 receipt from before the summer of 2024 when we're told oh,  
19 no because they saw that. And they said, no, no. That  
20 doesn't -- that doesn't qualify. What qualifies is this,  
21 and ever since that time that's the way we've done it.  
22 And I actually brought samples of that with me today just  
23 in case. I can show you how almost like the next day, we  
24 were compliant with publication 1115.

25 JUDGE LAMBERT: Okay. Thank you.

1                   MR. HUXSOLL: We're just noting that there are  
2 receipts in the record from the audit period in Exhibit C  
3 and H that show the reference of the service fees being  
4 included in the sales price. But this does not make these  
5 charges nontaxable as we've stated earlier.

6                   JUDGE LAMBERT: Okay. Thank you.

7                   So I'll just turn one more time to the  
8 co-panelists.

9                   Judge Brown, did you have any final questions?

10                  JUDGE BROWN: No, I do not. Thank you.

11                  JUDGE LAMBERT: And, Judge Geary, do you have any  
12 final questions?

13                  JUDGE GEARY: No. Thank you.

14                  JUDGE LAMBERT: Okay. I have no further  
15 questions.

16                  So if there's nothing further, I'm going to  
17 conclude the hearing, and I want to thank both parties for  
18 attending today. We will issue a written opinion within  
19 100 days.

20                  The record is now closed.

21                  Thank you.

22                  (Proceedings concluded at 10:07 a.m.)

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HEARING REPORTER'S CERTIFICATE

3 I, Ernaly M. Alonzo, Hearing Reporter in and for  
4 the State of California, do hereby certify:

5 That the foregoing transcript of proceedings was  
6 taken before me at the time and place set forth, that the  
7 testimony and proceedings were reported stenographically  
8 by me and later transcribed by computer-aided  
9 transcription under my direction and supervision, that the  
10 foregoing is a true record of the testimony and  
11 proceedings taken at that time.

12 I further certify that I am in no way interested  
13 in the outcome of said action.

14 I have hereunto subscribed my name this 12th day  
15 of December, 2025.

ERNALYN M. ALONZO  
HEARING REPORTER