

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.)	
)	
_____)	

TRANSCRIPT OF PROCEEDINGS

Sacramento, California

Wednesday, October 22, 2025

Reported by:
ERNALYN M. ALONZO
HEARING REPORTER

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Transcript of Proceedings, taken at
400 R Street, Sacramento, California, 95811,
commencing at 9:34 a.m. and concluding
at 10:07 a.m. on Wednesday, October 22, 2025,
reported by Ernalyn M. Alonzo, Hearing Reporter,
in and for the State of California.

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APPEARANCES:

Panel Lead: ALJ JOSH LAMBERT

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

For the Appellant: CHARLES WESLEY

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

JENNIFER BARRY
CARY HUXSOLL
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

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1 Sacramento, California; Wednesday, October 22, 2025

2 9:34 a.m.

3
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.

23 And for Appellants, can you please introduce
24 yourself for the record by stating your name.

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.

1 Upon audit, Appellants provided records for both
2 accounts, including point of sale records. The Department
3 determined that Appellants' records were adequate for
4 audit. Therefore, the Department utilized a direct audit
5 method to examine Appellants' sales during the liability
6 period as set forth in Exhibit C, on Schedule 12A of the
7 audit working papers for Contra Costa Farms, LLC. Using
8 Appellants' point of sale data, the Department scheduled
9 \$120,252,070 in gross sales for the liability period and
10 subtracted \$12,309,784 in recorded discounts to compute
11 \$107,942,287 in taxable sales, which included sales tax
12 reimbursement since Appellant included sale in its all-in
13 pricing -- sales tax in its all-in pricing. The
14 Department then calculated the sales tax due for the
15 liability period totaling \$9,372,813 based upon the
16 applicable tax rate applied to Appellants' net taxable
17 sales. Finally, the Department subtracted Appellants'
18 reported sales tax of \$6,393,179 from the sales tax due
19 for the liability period to arrive at unreported sales tax
20 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.

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

18 Appellants also have contended that their service
19 fees are intended to provide an elevated customer
20 experience. The services covered by the charges that
21 Appellants have described pertain to the recoupment of the
22 cost of Appellants' business operations, and are not
23 optional service charges. There is no exclusion or
24 exemption from sales and use tax for reimbursement or
25 recoupment of operational costs collected from customers.

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.

16

17 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

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

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

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

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

ERNALYN M. ALONZO
HEARING REPORTER