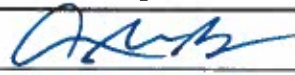



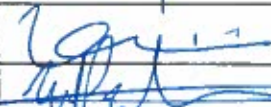
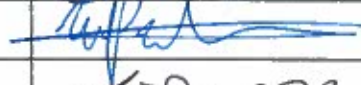
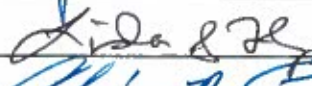


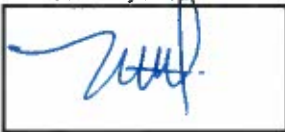


Guam Department of Revenue and Taxation  
 Cannabis Control Board Regular Meeting  
 Small Conference Room | Richardo J. Bardallo Governor's Complex, Hagatna  
 Meeting Date: November 05, 2019 | Time 1:30pm

	Board Members	Position Title	Signature
1	Chelsa Muna-Brecht	Director, Department of Agriculture	
2	Linda U. DeNorcey	Director, Department fo Public Health & Social Services	
3	Dafne Mansapit-Shimizu	Director, Department of Revenue & Taxatlon (Vice Chairperson)	
4	Theresa Arriola	Director, Guam Behavioral Health & Wellness Center	
5	Chief Stephen Ignacio	Guam Police Department	
6	Nico Fujikawa	Director of Tourism Research, GVB	
7	Ursula Herrera	Board Secretary	
8	Atty. Vanessalee Williams	Board Chairperson	
9	William M. Parkinson	Member	
10	Linda Flynn	rep. for WBHWC.	
11	Adrian Cruz	Adelap	
12	Nico Fujikawa	GVB	
13			
14			
15			

This is to certify that the above inforcation is ture and correct:



Board Secretary

11/5/2019

Cannabis Control Board  
Meeting Minutes  
November 5, 2019

**Opening**

Chairperson Williams called the regular board meeting of the Cannabis Control Board to order at 1:34 p.m. on November 5, 2019.

Location: Small Conference Room, Ricardo J. Bordallo Governor's Complex, Hagatña.

**Attendees Present:**

Vanessa Williams (*Appointee-Representing the general public*)  
Chelsa Muña-Brecht (DofAg.)  
Ursula Herrera (*Appointee-representing the business community*)  
Stephen Ignacio (GPD)  
Dafne Shimizu (DRT)  
Linda Flynn (GBHWC Designee)  
Linda U. DeNorcey (DPHSS)  
William Parkinson (*Appointee-Medical cannabis card holder*)  
Nico A.C. Fujikawa (GVB)  
Adrian Cruz (Gov. Office)

**Apologies:**

~~Theresa Arriola (GBHWC)~~ *TH.*

**Approval of Minutes**

- The minutes of September 10, 2019 meeting were unanimously approved as distributed, subject to corrections:
  - *Director Ignacio makes a motion to approve the September 10, 2019 meeting minutes subject to corrections: On page 2, under new business committee reports, add 'P' to read DPHSS. Director Muña-Brecht seconds the motion.*

**Old Business**

- Public Awareness Committee
  - FAQ Revision 3 (Appendix A)
    - *Director Muña-Brecht makes a motion to adopt '10 Things To Know About Recreational Cannabis Use FAQ', subject to grammatical correction: Number 8, to read, 'Can I travel with it?' Director Herrera seconded the motion. Motion carried.*

**New Business/Committee Reports**

- Rules and Regulations
  - Vice Chair Shimizu:
    - Draft Rules, see Appendix B; subject to legal review by the Attorney General
    - Currently working with Director Muña-Brecht on cultivation fees
    - Vice Chair Shimizu reached out to Guam Fire Department (GFD) on fire code input
    - Chairperson Williams: Smart language needs to be incorporated for cultivating standards, which lab standards will be mirrored after. GFD and GPD consultation will be needed for the security, transport and inspection piece. 60 pages need to be

reviewed by the board to be gone through line by line at the next CCB meeting. Reminds the board that this is draft language. The next steps are as follows: adopt the rules, start the administrative adjudication process, work with compiler of laws to codify the section numbers, CCB hearing process, Department of Administrations review, Governor review and finally transmitted to the Legislature. The deadline to adopt is April.

- Seed to Sale Software
  - Nico Fujikawa:
    - It's nearing RFP completion, pending AG's approval
- Economic
  - They are negotiating with a firm for award of the EIS; agreement will be within the week.
  - Director Parkinson: Presentation on "Cannabis Industry Primer", see appendix C; Informational presentation on data production and market estimates.

### Open Discussions/Announcements

- Monte Hanley: Is there any update in the banking situation as far as whether banks are going to be able to accept funds from cannabis operation?  
Chairperson Williams: We don't have anything to do with regulating what the banks do. There are different regulators for that, local regulators and of course, the federal level. What we have heard from the FDIC generally is it's a gray area. There are so many different forms, like CBD and what's related to cannabis, so I don't think the board can say anything definitively.  
Vice Chair Shimizu: So, we have concerns and that's why at the last board meeting I did bring up two issues. One of them is section 280E of internal revenue code, which has to do with the way that cannabis businesses are taxed. And that's something that we need to make sure that we educate the public on because there may be some, I guess maybe some thought that the way that the taxes or the income tax started, the way that cannabis businesses are taxed for income tax purposes, is the same as all other companies. And that's not true. And that's because that's been an issue we be concerned about in the insurance making board (clarify, inaudible). And, you know, there is a fact and I think for a while, and there will be people who are monitoring that to see the status and we're having an actual board meeting this week and perhaps some of our banker people can assist us in finding out where that is, but I don't know that that's been any further forward, as it has been for a while.  
Director Parkinson: I've actually been doing some research on the IRS 280E and something that you folks might run into at the Rev and Tax, is there are some very clever people who have figured out ways to get around IRS 280E.  
Vice Chair Shimizu: So when we met with the other regulatory agencies, we've not only met with just the regulators, we've met with the taxation people, we've talked with the AG's office as well, because, you know, we recognize that there are loopholes, and that people do try to put things into cost of goods sold, so that that way they reduce their taxable income. And so those are things that we know we need to work with.  
Director Parkinson: There's something that's called the 'two business strategy' to get around the IRS 280E and what they do is they have a separate a second business that's tied up with the cannabis business. So on the one hand, I could be selling cannabis, but on the other hand, I'm

also selling food or glass bongos or some sort of other business and the cannabis businesses will pay the taxes on the cannabis stuff. But then all the other normal expenses, they will expense to the second business.

Vice Chair Shimizu: Yes caregiving services, getting services as part of those products involved, right and products or cannabis products, but there's a service and so these are things as well. We've been talking with the taxation people about and how to make sure that we address those.

Director Parkinson: There's a case law you could possibly look into. And it was with Champa. What they did was not only were they selling cannabis, but they were also a therapeutic service. And so you would pay them for their therapeutic services and you would get some cannabis as part of it, and that was how they were able to deduct a lot of their expenses. So you know, just as a primer, you might show that to some of your officers at DRT so that they'd be prepared for the kind of creative accounting that some businesses may employ.

Chairperson Williams: So Mr. Hanley, I'm not sure if we initially answered the question, but we aren't regulators for the banks. We do have one.

Monte Hanley: Thank you Mr. Parkinson for the hypothetical presentation. It was very, very useful for me. The price per gram that he has, at the dispensary level, the hypothetical price per gram was that at the discount?

Director Parkinson: Yes, that would be that would be the final retail price and this was based off models that had happened to the States, you know, they'd seen significant spikes, stabilization and then a solid drop. And so I just applied that exact same methodology to Guam's prices and what would look like if we followed the same four-year trends.

Monte Hanley: Okay, so the cultivator could expect approximately 60%?

Director Parkinson: I figure 40 to 60%. Yeah, that's fair for a wholesaler, I'd say. But then, you know, granted I was looking at it and I'm like, wow, a cultivator could just sell 10% to the retailer and avoid the GRT. So that's why that's how that discussion came around.

Chairperson Williams: Good hypotheticals, good issues that will help us take the discussion to the economist. Yes, John Savares?

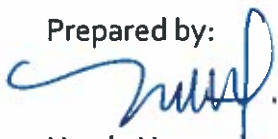
John Savares: Hypothetically, did you factor in extracts into that number?

Director Parkinson: Oh, well, I just it just figures like flower in totality. And you know that it assumes that some of it gets manufactured, some of it is just sold. It counts. Kind of like a big omnibus.

### Adjournment

The Cannabis Control Board meeting was adjourned at 2:42 p.m.

Prepared by:



Ursula Herrera  
Secretary

Noted by:



Vanessa Williams  
Chairperson

## CANNABIS CONTROL BOARD

Regular Meeting | November 5, 2019 | 1:30pm

Small Conference Room | Ricardo J. Bordallo Governor's Complex, Hagåtña

- I. Call to Order
- II. Roll Call of Members/Quorum
- III. Secretary's Report/September Meeting Minutes
- IV. Old Business
  - a. Public Awareness Committee - FAQ Revisions
- V. New Business – Committee Reports
  - a. Rules and Regulations Committee
  - b. Seed to Sale Software
  - c. Economic Committee
- VI. Open Forum
- VII. Adjournment