

**Office of the City Treasurer**

October 5, 2023

VIA EMAIL ONLY TO GAUSTIN@AUSTINLEGALGROUP.COM

Mr. Adam Knopf  
GSG PL INC  
3452 Hancock St  
San Diego, CA 92110

Ms. Gina Austin  
Austin Legal Group  
3990 Old Town Ave, Ste A-101  
San Diego, CA 92110

RE: Determination of Hearing Board – Cannabis Business Tax Appeal for GSG PL INC  
(Account Number 2015021560) for the Audit Period of 4/1/18 through 12/31/21

Dear Mr. Knopf and Ms. Austin:

On September 14, 2023, the Cannabis Business Tax Appeals Board (Board) heard the appeal of Notice of Tax Deficiency in the amount of \$542,727.06, pursuant to the San Diego Municipal Code (SDMC) section 34.0117 (Administrative Remedies and Appeals). The Notice of Tax Deficiency (Attachment A) represents the Cannabis Business Tax (CBT) and associated penalties and interest due per the Summary of Audit Findings (Attachment B) for the audit period of April 1, 2018, through December 31, 2021, regarding GSG PL INC. (Operator).

The Hearing was heard via virtual teleconference and participants included:

- Board Members: Tracy Cadena, Deputy Director, Office of the City Treasurer; Benjamin Battaglia, Assistant Director, Department of Finance; Jeffrey Peelle, Assistant Director, Department of Finance; and Justin Bargar, Deputy City Attorney, City Attorney's Office (representing the Board in a legal capacity).
- Appellant/Operator: GSG – Adam Knopf and Justus Henkes; represented by Austin Legal Group – Gina Austin, Tamara Leetham Rozmus, Brittany Biesterfeld.
- Office of the City Treasurer – Revenue Audit Staff: Dianne Modelo, Revenue Compliance Manager; Mark Calantoc, Supervising Revenue Auditor; and Michelle Cachuela, Supervising Revenue Auditor.
- Gerardo Quintana-Roo, Business Tax Manager, was also present to administer the Hearing.

At the hearing, you disputed the entire audit deficiency amount of \$542,727.06, stating the Operator is due a refund from the City of \$24,278.80. The appeal primarily focused on the disallowance of medical sales due to substantiating documentation not being provided to the City during audit fieldwork. You contend the Operator is not required to provide records to

substantiate the medical sales due to (1) Statute of Limitations and (2) a lack of basis for the City to require Medical Marijuana Identification Cards (MMIC) to substantiate medical sales during an audit. The Board disagrees with these positions and maintains the disallowance of MMIC customer exemptions due to missing MMIC cards because the Operator was unable to provide these during the audit. The SDMC requires the preservation of all business records relevant to determining Gross Receipts and resulting CBT due to the City. This requirement includes support for qualified non-taxable medical transactions. Any excluded sales that cannot be confirmed through documentation obtained during the audit are considered taxable, for reference:

SDMC section 34.0124 (Audit and Examination of Records) provides, "It shall be the duty of every person liable for the payment to the City of any Cannabis Business Tax imposed by this Article to keep and preserve, for a period of three years, all business records as may be necessary to determine the amount of such tax for which the Operator is liable. The Tax Administrator and authorized deputies or agents in the exercise of duties imposed by this Article shall have the right to inspect such records at all reasonable times and to apply auditing procedures necessary to determine the amount of tax due to the City."

In addition, per the Office of the City Treasurer Cannabis Business Tax – Medical Cannabis Regulation- Applicability of the Medical Cannabis Exclusion, "Cannabis business owners must confirm the validity of doctors' recommendations and Medical Marijuana Identification Cards, and must provide documentation of validity to the City upon request. Any excluded sales that the City cannot confirm through documentation will be deemed taxable."

Further, the Board finds the penalties and interest were appropriately applied in accordance with the SDMC, as a result of the underpayment of taxes due to the City.

As the Board disagrees with your position, the appeal is denied and the audit is upheld. The total amount due pursuant to the audit is \$542,727.06. Please remit this amount within fourteen (14) calendar days of the serving or mailing of this determination to avoid further assessment of penalties. You may appeal this determination as provided in SDMC section 34.0117 by submitting an appeal in writing within fourteen (14) days of the serving or mailing of this determination to the City's Chief Operating Officer Eric Dargan.

Sincerely,



Tracy Cadena  
Chair, Cannabis Business Tax Appeals Board

Enclosures: 1. Attachment A – Notice of Tax Deficiency  
2. Attachment B – Summary of Audit Findings

Page 3  
Mr. Knopf and Ms. Austin  
October 5, 2023

Cc: Elizabeth Correia, City Treasurer  
Benjamin Battaglia, Assistant Director, Department of Finance  
Jeffrey Peelle, Assistant Director, Department of Finance  
Nicole LeClair-Miller, Deputy Director Financial Operations  
Ricardo Ramos, Deputy Director Business Operations  
Justin Bargar, Deputy City Attorney, Office of the City Attorney

CONFIDENTIAL



OFFICE OF THE CITY TREASURER  
 CANNABIS BUSINESS TAX  
 PO BOX 122289  
 SAN DIEGO CA 92112  
 (619) 615-1580

# Notice of Tax Deficiency

Account Number: 2015021560  
 Business Name: GOLDEN STATE GREENS  
 Business Owner Name: GSG PL INC  
 Business Address: 3452 HANCOCK ST  
 SAN DIEGO CA 92110

Invoice Date: 05/02/2023  
 Payment Due Date: 05/16/2023  
 Amount Due: \$542,727.06

Dear Cannabis Business Owner,

Based on the results of the Cannabis Business Tax audit for the period of April 1, 2018 through December 31, 2021, it has been determined that an underpayment of \$542,727.06 has occurred. In accordance with San Diego Municipal Code (SDMC) §34.0114, the total due includes late fees and interest. The monthly breakdown is included on the following page. If you wish to schedule a hearing to appeal this invoice, submit your request in writing to the Office of the City Treasurer within fourteen (14) days from the invoice date; late requests will be denied.

Your payment must be received by the due date listed above to avoid additional penalties. If paying by check, please use the enclosed envelope and include a copy of this notice. Cash payments in excess of \$3,000 require an appointment. For questions or to schedule an appointment, please call (619) 615-1580 or send an email to [cannabistax@sandiego.gov](mailto:cannabistax@sandiego.gov).

Failure to submit a written request for an appeal or submit payment will result in the assessment of additional penalties and the referral to the City's Delinquent Accounts Program. Referred amounts are subject to a collection referral fee of 10% or \$25, whichever is greater, up to \$1,000, and interest. As required by law, you are hereby notified that a negative credit entry reflecting on your credit report may be submitted to a credit reporting agency if the amount is not paid by the due date.

**\* PAY YOUR TAX NOTICE ON-LINE \***

Visit <https://www.sandiego.gov/business taxpayment>

FRONT

ACCOUNT NUMBER: 2015021560  
 BUSINESS NAME: GOLDEN STATE GREENS  
 BUSINESS ADDRESS: 3452 HANCOCK ST  
 SAN DIEGO CA 92110

CITY OF SAN DIEGO  
 OFFICE OF THE CITY TREASURER  
 CANNABIS BUSINESS TAX  
 PO BOX 122289  
 SAN DIEGO CA 92112-2289

NOTICE DATE: 05/02/2023  
 PAYMENT DUE DATE: 05/16/2023

AMOUNT DUE:	\$542,727.06
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GSG PL, Inc

Reporting Period	Cannabis Tax Due	Cannabis Tax Paid	Over/Under Total	Total Penalty	Total Amount Due
April 2018	73,260.47	47,067.33	26,193.14	41,640.55	67,833.69
May 2018	75,679.52	52,534.86	23,144.66	36,238.75	59,383.41
June 2018	72,235.32	45,593.06	26,642.26	41,135.65	67,777.91
July 2018	64,218.26	43,338.40	20,879.86	31,753.04	52,632.90
August 2018	63,644.80	44,051.63	19,593.17	29,340.78	48,933.95
September 2018	55,797.90	40,863.71	14,934.19	22,027.94	36,962.13
October 2018	53,011.49	41,056.65	11,954.84	17,364.40	29,319.24
November 2018	49,899.30	38,891.43	11,007.87	15,733.01	26,740.88
December 2018	52,767.91	41,501.09	11,266.82	15,841.15	27,107.97
January 2019	51,491.00	41,986.70	9,504.30	13,163.46	22,667.76
February 2019	51,093.40	42,924.95	8,168.45	11,111.15	19,279.60
March 2019	60,817.34	51,492.64	9,324.70	12,488.10	21,812.80
April 2019	57,170.17	57,148.77	21.40	28.16	49.56
May 2019	58,116.02	58,837.43	(721.41)	-	(721.41)
June 2019	59,794.54	60,306.36	(511.82)	-	(511.82)
July 2019	94,494.81	95,415.37	(920.56)	-	(920.56)
August 2019	95,033.97	94,952.89	81.08	99.28	180.36
September 2019	86,066.41	85,793.58	272.83	327.75	600.58
October 2019	83,055.71	82,996.29	59.42	69.95	129.37
November 2019	73,965.31	74,049.02	(83.71)	-	(83.71)
December 2019	77,262.25	77,738.32	(476.07)	-	(476.07)
January 2020	77,821.24	76,939.96	881.28	977.34	1,858.62
February 2020	71,348.34	71,097.18	251.16	272.88	524.04
March 2020	72,801.78	72,569.45	232.33	247.38	479.71
April 2020	60,120.10	59,955.36	164.74	171.45	336.19
May 2020	69,073.57	68,554.42	519.15	529.02	1,048.17
June 2020	73,316.29	71,771.09	1,545.20	1,538.63	3,083.83
July 2020	78,158.29	76,772.31	1,385.98	1,347.86	2,733.84
August 2020	81,999.62	80,629.23	1,370.39	1,301.88	2,672.27
September 2020	76,165.27	76,700.61	(535.34)	-	(535.34)
October 2020	71,930.48	77,030.78	(5,100.30)	-	(5,100.30)
November 2020	65,369.09	66,849.66	(1,480.57)	-	(1,480.57)
December 2020	66,860.34	67,906.98	(1,046.64)	-	(1,046.64)

January 2021	65,484.40	62,961.35	2,523.05	2,109.27	4,632.32
February 2021	60,884.06	57,094.76	3,789.30	3,079.75	6,869.05
March 2021	74,791.04	71,863.89	2,927.15	2,315.38	5,242.53
April 2021	74,382.44	71,581.84	2,800.60	2,148.06	4,948.66
May 2021	72,130.71	69,347.95	2,782.76	2,073.85	4,856.61
June 2021	71,744.50	68,469.50	3,275.00	2,359.64	5,634.64
July 2021	74,121.76	70,090.08	4,031.68	2,817.14	6,848.82
August 2021	72,224.75	68,977.12	3,247.63	2,196.22	5,443.85
September 2021	67,036.69	64,712.71	2,323.98	1,515.81	3,839.79
October 2021	67,394.52	65,037.51	2,357.01	1,486.10	3,843.11
November 2021	61,265.67	59,150.35	2,115.32	1,284.53	3,399.85
December 2021	63,776.51	61,317.25	2,459.26	1,436.21	3,895.47
<b>Total</b>	<b>\$ 3,099,077.37</b>	<b>\$ 2,875,921.82</b>	<b>\$ 223,155.54</b>	<b>\$ 319,571.52</b>	<b>\$ 542,727.06</b>

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GSG PL, Inc  
 Point Loma Patient Consumer Cooperative Corp  
 Summary of Audit Findings  
 For the Period of 04/01/2018 through 12/31/2021

Exhibit A

L N E	(1) Month	(2) Taxable Gross Receipts Per Audit	(3) Disallowed Medical Sales	(4) Total	(5) Over Collected CBT	(6) Over Collected Excise Tax	(7) Total Taxable Gross Receipts	(8) CBT Due	(9) CBT Paid	(10) (Over)/Under Paid CBT	(11) Penalty Interest Due	(12) Tax Interest Due	(13) Penalty Interest Interest Due	(14) Total Penalty Interest Due	(15) Total Due
1	Apr-18	\$ 941,346.60	\$ 523,516.63	\$ 1,464,863.23	\$ -	\$ 346.10	\$ 1,465,209.33	\$ 73,260.47	\$ 47,067.33	\$ 26,193.14	\$ 13,096.57	\$ 19,079.32	\$ 9,514.66	\$ 41,640.55	\$ 67,833.69
2	May-18	1,050,697.19	462,565.81	1,513,263.00	-	327.49	1,513,590.49	75,679.52	52,534.86	23,144.66	11,572.33	16,444.28	8,222.14	36,238.75	59,383.41
3	Jun-18	911,861.20	532,613.86	1,444,475.06	-	231.36	1,444,706.42	72,235.32	45,593.06	26,642.26	13,321.13	18,543.01	9,271.51	41,135.65	67,777.91
4	Jul-18	857,905.88	426,428.89	1,284,334.77	-	30.37	1,284,365.14	64,218.26	43,338.40	20,879.86	10,439.93	14,208.74	7,104.37	31,753.04	52,632.90
5	Aug-18	842,039.40	430,728.67	1,272,768.07	-	127.97	1,272,896.04	63,644.80	44,051.63	19,593.17	9,796.59	13,029.46	6,514.73	29,340.78	48,933.95
6	Sep-18	740,737.94	374,974.17	1,115,712.11	-	245.81	1,115,957.92	55,797.90	40,863.71	14,934.19	7,467.10	9,707.22	4,853.62	22,027.94	36,962.13
7	Oct-18	690,657.95	369,152.96	1,059,810.91	-	418.95	1,060,229.86	53,011.49	40,863.71	14,934.19	7,467.10	9,707.22	4,853.62	22,027.94	36,962.13
8	Nov-18	657,058.85	340,539.20	997,598.05	-	387.87	997,985.92	49,899.30	38,891.43	11,007.87	5,503.94	6,819.38	3,409.69	15,733.01	26,740.88
9	Dec-18	724,211.94	330,806.44	1,055,018.38	-	339.83	1,055,358.21	52,767.91	41,501.09	11,266.82	5,633.41	6,805.16	3,402.58	15,341.15	27,107.97
10	Jan-19	716,793.48	312,631.76	1,029,425.24	-	394.84	1,029,820.08	51,491.00	41,986.70	9,504.30	4,752.15	5,607.54	2,803.77	13,163.46	22,667.76
11	Feb-19	736,212.02	285,263.24	1,021,475.26	-	392.74	1,021,868.00	51,093.40	42,974.95	8,168.45	4,084.23	4,684.61	2,342.31	11,111.15	19,279.60
12	Mar-19	884,905.13	330,976.97	1,215,882.10	-	464.61	1,216,346.71	60,817.34	51,492.64	9,324.70	4,662.35	5,217.17	2,608.58	12,488.10	21,872.80
13	Apr-19	1,019,345.38	123,630.08	1,142,975.46	-	427.93	1,143,403.39	57,170.17	57,148.77	21.40	10.70	-	5.82	28.16	49.56
14	May-19	1,161,095.23	-	1,161,095.23	782.67	442.41	1,162,320.31	58,116.02	58,837.43	(721.41)	-	-	-	-	(721.41)
15	Jun-19	1,192,053.48	2,818.85	1,194,872.33	562.74	455.65	1,195,890.72	59,794.54	60,306.36	(511.82)	-	-	-	-	(511.82)
16	Jul-19	1,173,051.24	6,647.27	1,179,698.51	1,030.75	458.68	1,181,185.18	94,494.81	95,415.37	(920.56)	-	-	-	-	(920.56)
17	Aug-19	1,181,826.61	5,639.31	1,187,465.92	-	458.68	1,187,924.60	95,033.97	94,952.89	81.08	40.54	39.16	19.58	99.28	180.36
18	Sep-19	1,071,858.86	3,555.74	1,075,414.60	-	415.56	1,075,830.16	86,066.41	85,793.58	272.83	136.42	127.55	63.78	327.75	600.58
19	Oct-19	1,034,646.54	3,148.33	1,037,794.87	-	401.50	1,038,196.37	83,055.71	82,996.29	59.42	29.71	26.83	13.41	69.95	129.37
20	Nov-19	921,476.00	2,622.70	924,098.70	121.12	346.50	924,566.32	73,965.31	74,049.02	(83.71)	-	-	-	-	(83.71)
21	Dec-19	961,871.11	3,014.00	964,885.11	547.51	345.48	965,785.10	77,262.25	77,738.32	(476.07)	-	-	-	-	(476.07)
22	Jan-20	948,817.57	-	948,817.57	-	23,947.96	972,765.53	77,821.24	76,939.96	881.28	440.64	357.80	178.90	977.34	1,858.62
23	Feb-20	861,198.13	-	861,198.13	2,201.33	28,454.84	891,854.30	71,348.34	71,097.18	251.16	125.58	98.20	49.10	272.88	524.04
24	Mar-20	877,977.51	-	877,977.51	2,331.25	29,713.47	910,022.23	72,801.78	72,569.45	232.33	116.17	87.47	43.74	247.38	479.71
25	Apr-20	724,855.76	-	724,855.76	1,966.90	24,678.62	751,501.28	60,120.10	59,955.36	164.74	82.37	59.39	29.69	171.45	336.19
26	May-20	832,000.92	-	832,000.92	1,994.35	29,424.30	863,419.57	69,073.57	68,554.42	519.15	259.58	179.63	89.81	529.02	1,048.17
27	Jun-20	881,333.60	-	881,333.60	1,264.40	33,855.61	916,453.61	73,316.29	71,771.09	1,545.70	772.60	510.69	255.34	1,538.63	3,083.83
28	Jul-20	940,995.32	-	940,995.32	1,492.68	34,490.67	976,978.67	78,158.29	76,772.31	1,386.98	692.99	436.58	218.29	1,347.86	2,733.84
29	Aug-20	989,621.65	-	989,621.65	1,459.50	33,914.09	1,024,995.24	81,999.62	80,629.23	1,370.39	685.20	411.12	205.56	1,301.88	2,672.27
30	Sep-20	914,382.35	-	914,382.35	3,550.02	34,133.52	952,065.89	76,165.27	76,700.61	(535.34)	-	-	-	-	(535.34)
31	Oct-20	858,582.02	-	858,582.02	8,344.22	32,204.76	899,131.00	71,930.48	77,030.78	(5,100.30)	-	-	-	-	(5,100.30)
32	Nov-20	784,845.25	-	784,845.25	4,062.04	28,206.32	817,113.61	65,869.09	66,849.66	(1,480.57)	-	-	-	-	(1,480.57)
33	Dec-20	803,482.16	-	803,482.16	3,628.41	28,643.65	835,754.22	66,860.34	67,906.98	(1,046.64)	-	-	-	-	(1,046.64)
34	Jan-21	792,426.02	-	792,426.02	7,924,726.02	26,129.02	818,555.04	65,484.40	62,961.35	2,523.05	1,261.53	565.16	282.58	2,109.27	4,632.32
35	Feb-21	736,694.90	-	736,694.90	-	24,355.86	761,050.76	60,884.06	57,094.76	3,789.30	1,894.65	790.07	395.03	3,079.75	6,869.05
36	Mar-21	904,935.76	-	904,935.76	-	29,952.24	934,888.00	74,791.04	71,863.89	2,927.15	1,463.58	567.87	283.93	2,315.38	5,242.53
37	Apr-21	898,484.51	-	898,484.51	-	31,296.03	929,780.54	74,382.44	71,581.84	2,800.60	1,400.30	498.51	249.25	2,148.06	4,948.66
38	May-21	868,194.10	-	868,194.10	-	33,439.72	901,633.82	72,130.71	69,347.95	2,782.76	1,391.38	454.98	227.49	2,073.85	4,856.61

GSG PL, Inc  
 Point Loma Patient Consumer Cooperative Corp  
 Summary of Audit Findings  
 For the Period of 04/01/2018 through 12/31/2021

Exhibit A

L I N E	(1) Month	(2) Taxable Gross Receipts Per Audit	(3) Disallowed Medical Sales	(4) Total (Col. 2 + Col. 3)	(5) Over Collected CBT	(6) Over Collected Excise Tax	(7) Total Taxable Gross Receipts (Cols. 4 thru Col. 6)	(8) CBT Due (Col. 7 x CBT Rate)	(9) CBT Paid	(10) (Over)/Under Paid CBT (Col. 8 - Col. 9)	(11) Penalty Interest Due	(12) Tax Interest Due	(13) Penalty Interest Interest Due	(14) Total Penalty (Cols. 11 thru Col. 13)	(15) Total Due (Col. 10 + Col. 14)
40	Jul-21	894,951.35	-	894,951.35	-	31,570.70	926,522.05	74,121.76	70,090.08	4,031.68	2,015.84	534.20	267.10	2,817.14	6,848.82
41	Aug-21	871,905.28	-	871,905.28	-	30,904.11	902,809.39	72,224.75	68,977.12	3,247.63	1,623.82	381.60	190.80	2,196.22	5,443.85
42	Sep-21	809,129.86	-	809,129.86	-	28,828.75	837,958.61	67,036.69	64,712.71	2,323.98	1,161.99	235.88	117.94	1,515.81	3,839.79
43	Oct-21	813,013.93	-	813,013.93	-	29,417.61	842,431.54	67,394.52	65,037.51	2,357.01	1,178.51	205.06	102.53	1,486.10	3,843.11
44	Nov-21	739,389.42	-	739,389.42	-	26,431.45	765,820.87	61,265.67	59,150.35	2,115.32	1,057.66	151.25	75.62	1,284.53	3,399.85
45	Dec-21	766,465.67	4,311.96	770,777.63	-	26,428.79	797,206.42	63,776.51	61,317.25	2,459.26	1,229.63	137.72	68.86	1,436.21	3,895.47
47	Grand Total	\$ 39,851,155.87	\$ 4,875,586.84	\$ 44,726,742.71	\$ 35,339.89	\$ 718,865.17	\$ 45,480,947.77	\$ 3,099,077.37	\$ 2,875,921.82	\$ 223,155.54	\$ 117,016.04	\$ 135,037.00	\$ 67,518.48	\$ 319,571.52	\$ 542,727.06