PROTEST and LOCAL GOVERNMENT CORRESPONDENCE

Compliance Report: **JUNEAU GREEN MARKET** Owner: Elizabeth Romanoski
Case: ENF21-02 Address: 263 Marine Way

Subject: CBJ License Review and Denial

- License inspection was not requested 60 days prior to expiration per terms of License Renewal.
- A courtesy email was sent on November 2 asking for their license renewal application, and schedule an inspection.
- Application was completed on November 25, 2020.
- The Inspection occurred on 12/2/2020.
- Inspection results – The property met the Building and Conditional USE permit requirements.
- License documentation review – The License issued to ISG d/b/a Juneau Green Market had a discrepancy and was nearing expiration. The registered agent information and address was not consistent with the CBJ application and needed further verification.
- January 14, 2021 Marijuana Establishment License Ownership and Entity Inquiry (attached)
    - Documents provided by Mr. Bean stated the owner of ISG / Juneau Green Market Ms. Romanoski resigned as the sole officer and director of the company, and elected Aaron Bean to serve as the sole Officer and Director.
    - This is a violation of 49.65.1220 (a) – Term of License; Renewal that No license granted or issued under any of the provisions of this title shall be in any manner assignable or transferable.
- January 29, 2021 – Marijuana Establishment License Denied. (attached)
    - Summary explaining the reason for denial was provided. A statement that it is unlawful to engage in business, and subject to civil files of $500 per day.
    - Civil fines have reached $14,500 as of March 20, 2021.

Appeal Rights
Juneau Green Market was given the opportunity to appeal their license denial to the Assembly in accordance with CBJ 01.50, but had not appealed within 20 days of the date of the decision.

Discussion notes: 2/4/21 **Action taken: Citation**

Mr. Bean stated that because of our License Ownership Inquiry on 1/14/21, he updated the owner information to show *he* owned the business, and claimed that I (Nate Watts) instructed him to do so. This information is not true. The letter, addressed to Elizabeth Romanoski, stated that CBJ needed updated proof of ownership and control of the establishment. Information, which is verifiable to the State business registry. At that time, January 14, 2021 the documents were expired. Mr. Bean stated prior registered agent was terminated and no longer affiliated with Juneau Green Market. Mr. Bean also stated that he was manager, yet is essentially the owner because he is the only one here; acting on Ms. Romanoski behalf. Also stating that Ms. Romanoski had been in Arizona the whole time and is incapable of taking responsibility. Mr. Bean asserts that we denied his license after doing what CBJ instructed him to do. S*trongly implying* that by updating the proof of ownership that those actions led to his denial and not the fact that the business was already not in Ms. Romanoski's control.

CITY AND BOROUGH OF JUNEAU
ALASKA'S CAPITAL CITY
COMMUNITY DEVELOPMENT

(907) 586-0752
Nate.Watts@juneau.org
www.juneau.org/CDD
155 S. Seward Street • Juneau, AK 99801

January 14, 2021

Elizabeth Romanoski
263 Marine Way
Juneau, AK 99801

Parcel No: 1C070K820022
Case No.: ENF2021 0002

Subject: Marijuana Establishment License Ownership and Entity Inquiry

Dear Ms. Romanoski,

Upon review of your 2021 Marijuana Establishment License renewal, we require the following supplemental documents in compliance with CBJ Title 49.65.1215(a) (6) and 49.65.1220 (a).

1. Updated proof of ownership and control of the license establishment entity.
2. Registered corporation details with the registered agent's name, mailing, and physical address.
3. Summary explanation why your physical address of 263 Marine Way is in discrepancy with your entity information reported as 5011 Short Street with the State of Alaska Division of Corporations.
4. Disclose business related activity for ISG, Inc. that is associated with 5011 Short Street.

A timely response within five business days, no later than January 21, 2021, is required. This inquiry is to verify compliance in accordance with CBJ 49.65.1220, in order to grant a city license for the establishment.

Sincerely,

Nate Watts
Code Compliance Officer
(907) 586-0752
Nate.Watts@juneau.org

CC: Charlie Ford, Building Code Official
CC: Jill Maclean; Director, Community Development

CERTIFICATE OF CONSENT TO ACTION WITHOUT MEETING

CERTIFICATE OF CONSENT TO ACTION WITHOUT MEETING of the sole shareholder of ISG Inc. (the "Corporation") dated this 15th day of January, 2021.

The Secretary of the Corporation certifies that the Corporation is a corporation duly organized and operating under the laws of the State of Alaska.

IT WAS RESOLVED THAT:

1. The company's board members have a duty to prevent corporate officers and other directors from needlessly harming the corporation.

2. Michael J Scarcelli is responsible for remitting City of Juneau sales taxes in the amount of $11,473.34 (eleven thousand four hundred seventy-three dollars and thirty four cents) on or before January 1st 2021.

3. Michael J Scarcelli failed to file City sales taxes.

4. Michael J Scarcelli has and is unduly interfering with the operations of the business to wit, prolonged absence from duty as registered corporate agent, misappropriation of funds, and ignoring ownership.

5. Elizabeth Romanoski is desirous of resigning as the sole Officer and Director of the Company;

6. The Board of Directors deems it in the best interest of the Company to elect Aaron D Bean to serve as the sole Officer and Director of the Company.

7. The Board of Directors deems it in the best interest of the Company issue all 10,000 shares of ISG Inc Common stock to Aaron D Bean as compensation for his appointment as the Sole Officer and Director of the Company.

8. Aaron D Bean has accepted his appointment as the sole Officer and Director of the Company.

9. Aaron D Bean be appointed as the sole Officer and Director of the Company;

10. All 10,000 outstanding shares of common stock be issued in the name of Aaron D Bean or his chosen designee;

11. Shareholder Elizabeth Romanoski has entered into a transaction to transfer her ownership of all shares of the Company to Aaron D Bean and Michael J Scarcelli.

12. The Board of Directors has determined that Michael J Scarcelli's actions have rendered him unfit to act as a shareholder, Officer, or Director of the Company and hereby have determined to cancel all shares, if any, which may have been issued to or for the benefit of Michael J Scarcelli and to further prevent any further shares from being issued to or for the benefit of Michael J Scarcelli.

In witness whereof, I have duly executed this Certificate of Corporate Resolution this 15th day of January, 2021.

E. Romanoski

Elizabeth Romanoski, Secretary

I, Elizabeth Romanoski, President of the Corporation, do hereby certify that Elizabeth Romanoski is the duly appointed Secretary of the Corporation. I also certify that any signatures set out above are the correct signatures of those persons. I further certify that I have executed this resolution for the purpose stated above for and on behalf of the Corporation.

IN WITNESS WHEREOF, I have duly executed this certificate this 15th day of January, 2021.

E. Romanoski

Elizabeth Romanoski, President

Aaron D Bean, by signing below, hereby approves the forgoing Consent to Action Without Meeting and further accepts his appointment as sole Director and Officer of the Company.

Aaron D Bean

CITY AND BOROUGH OF
JUNEAU
ALASKA'S CAPITAL CITY
COMMUNITY DEVELOPMENT

(907) 586-0715
CDD_Admin@juneau.org
www.juneau.org/CDD
155 S. Seward Street • Juneau, AK 99801

January 29, 2021

Elizabeth Romanoski
263 Marine Way
Juneau, AK 99801

Parcel No: 1C070K820022
Case No.: ENF2021 0002

RE: Marijuana Establishment License Denied

Dear Ms. Romanoski,

Upon review of your 2021 Marijuana Establishment License renewal application, I regret to inform you that your application has been denied. Prior licenses were issued to you because you were the authorized representative for Juneau Green Market and sole owner, shareholder of ISG, Inc.

The marijuana license requirements under CBJ 49.65 states that no person may operate a marijuana establishment within the borough without a conditional use permit, a valid license issued by the City and Borough of Juneau, and a valid license issued by the State of Alaska. According to correspondence from Aaron Bean received January 22, 2021, you assigned or transferred control of the entity to Aaron D. Bean, in violation of CBJ 49.65.1220. The same correspondence also describes that Michael J. Scarcelli had a duty to remit sales tax collected before January 1, 2021, which suggests that you had assigned or transferred control of last year's license in violation of CBJ 49.65.1220.

In addition, the correspondence from Mr. Bean also indicates that an ownership change and change in controlling interest of the marijuana establishment occurred without any proof of approval by the State of Alaska Marijuana Control Board. 3 AAC 306.040; 3 AAC 306.015; CBJ 49.65.1220.

Notably, the document titled *Shareholders' consent to Action without Meeting (signed)* states the following:

> *5. Elizabeth Romanoski is desirous of resigning as the sole officer and director of the Company.*
> *6. The Board of Directors deems it in the best interest of the company to elect Aaron D. Bean to serve as the sole officer and Director of the Company.*
> *7. The Board of Directors deems it in the best interest of the Company issue all 10,000 shares of ISG Common stock to Aaron D. Bean as compensation for his appointment as the Sole Officer and Director of the Company.*
> *8. Aaron D. Bean has accepted his appointment as the sole Officer and Director of the Company.*
> *9. Aaron D. Bean be appointed as the sole Officer and Director of the Company.*

Given the statements in the correspondence, the violations regarding ownership, and the highly regulated nature of marijuana, the CBJ cannot issue the local license until you provide proof that the Alaska Marijuana Control Board has approved of the transfers or changes in ownership.

It is unlawful to engage in business contrary to the terms or conditions of the license or provision of article XI of CBJ 49.65. A person who violates causes or permits a violation is guilty of a civil violation and subject to a fine of $500 per day in accordance with CBJ 03.30.75 civil fines.

Sincerely,

Nate Watts
Code Compliance Officer
(907) 586-0752
Nate.Watts@juneau.org

CC: Jill Maclean, AICP, Director Community Development
Charlie Ford, Building Code Official Community Development

CBJ 03.30.75 Civil Fines.

CBJ 49.65 Article XI. - Marijuana Establishments

49.65.1200 – Purpose.

49.65.1205 - License required.

49.65.1210 - Prohibited acts.

49.65.1215 - Application for license.

49.65.1225 - Corrective orders

49.65.1230 - License suspension or revocation

49.65.1235 - Appeal.

49.65.1270 - Penalty.

3 AAC 306.040

3 AAC 306.015

MEMORANDUM

155 Municipal Way
Juneau, AK 99801
Phone: (907) 586-5215
Fax: (907) 586-0358

DATE: January 4, 2021

TO: Rorie Watt, City Manager

THROUGH: Jeff Rogers, Finance Director

FROM: Erin Russell, Revenue Officer

SUBJECT: **Request to Replace Estimates with Actuals for ISG Inc's (ISG) Delinquent Sales Tax**

Summary:

As a result of a valid protest of their Retail Marijuana License, ISG has reached out to the Sales Tax Office to take the necessary steps to bring their account into compliance. ISG representatives have now submitted the previously missing Sales Tax Return Forms and required documentation to justify their sales and request that the City & Borough of Juneau accept their actual sales figures as a replacement of previously estimated and recorded Sales Tax liability. **The CBJ Sales Tax Office recommends acceptance of the actuals with a revised total due of $11,473.34 for all outstanding sales tax, marijuana tax, interest and penalties for 1Q 2019 through 3Q 2020.**

Background:

After significant compliance efforts failed to result in submittal of returns or payments, ISG was sent a notice that their 2Q 2019 – 1Q 2020 returns were prepared using estimates. On August 13, 2020 they were notified that these amounts were to become final on September 14, 2020 per CBJ Ordinance 69.05.100 (a). These estimates were prepared using large-scale marijuana retail operations as a comparable retailer. The deadline passed with no communication from the merchant making the estimates legally final.

In early December 2020, the Sales Tax Office moved to protest the renewal of the ISG's Retail Marijuana License based upon a balance due of $74,763.82 for the periods estimated plus 2 additional unreported periods' sales tax, marijuana tax, late fees, penalties and interest. Upon notification of the protest, ISG representatives made contact with the Sales Tax Office to bring the account into compliance. They questioned the portion of the outstanding balance based on the estimated returns. Since this could not be resolved prior the Assembly meeting, the protest was upheld. The merchant was informed that the CBJ will rescind the protest prior to the January 6, 2021 AMCO meeting provided all outstanding returns are filed and all periods are paid in full.

Since then, ISG has submitted returns for all periods to bring the account current, including the periods previously estimated. The supporting documentation was closely reviewed by our Sales Tax Compliance Accountant II and the noticeably smaller reported sales appeared to be reasonable in comparison with other small-scale marijuana retailers.

A quote based on actuals good through December 31, 2020 was calculated and the total outstanding sales tax, marijuana tax, interest and penalties for all periods from 1Q 2019 to 3Q 2020 was $11,072.63 of which $9,226.26 is actual tax due. The merchant was provided this amount and failed to remit payment. Additional penalties and interest accrued as of January 1, 2021 bringing the total to $11,473.34. A representative of ISG indicated he believed the Administrator/Manager would waive interest and penalties. Given the long history and efforts to collect on this account, including the efforts of our Law Department, Clerks Office and Assembly, I do not

support waiving the interest and penalties incurred on the actual taxes due during the period of delinquency. I recommend collection of the full amount due based on actuals provided, including the accrued interest and penalties.

It is the opinion of the Sales Tax Office that we should accept the actuals and reduce the balance due. The purpose of estimating the Sales and Marijuana tax liability is to force the merchant to come to the table and submit the required documentation and taxes, and allow us further collections options if the merchant fails to comply. ISG is now making efforts to bring the account into compliance. While it is true that the merchant has an obligation to communicate with our offices and submit timely reports and taxes and failed to do that on many occasions in the last 12 months, it could also be said that our economic and social climate was also far from standard during this time. With the end goal in mind and all required reports, calculated taxes, penalties and interest due based on actual sales submitted by the merchant, it feels severe to hold the merchant to the higher tax liability.

Even so, the Law Department has concerns about accepting the actuals after the estimates have become final under CBJ 69.05.100(a) without more justification. In doing so, we could be setting a precedent for the future. If we have a full record of what occurred leading up to the finalizing of the estimates, then we <u>should</u> be holding them to the estimates and resulting balances. If so, we have to be prepared to go to court to defend that. Based on what we know, the Finance Director believes our case would be strong but not clean and thus we might not prevail. His recommendation supports the Sales Tax Office's of accepting the actuals in lieu of the estimates for 2Q 2019 thru 1Q 2020.

OFFICE OF THE MUNICIPAL CLERK
Ph: (907)586-5278 Fax: (907)586-4552
email: City.Clerk@juneau.org

December 16, 2020

Sent via e-mail
State of AK Alcohol & Marijuana Control Office (AMCO)
The Atwood Building
550 West 7th Ave., Suite 1600
Anchorage, AK 99501

Re: CBJ Assembly Action on Marijuana License within City/Borough of Juneau

Greetings AMCO Staff,

At its meeting on Monday, December 14, 2020, the City and Borough of Juneau Assembly recommended protest of the following marijuana license due to non-filing/non-payment of CBJ Sales Tax.

MARIJUANA LICENSE RENEWAL
Retail Marijuana Store, License #12313
Licensee: ISG Inc., d/b/a Juneau's Green Market
Location: 263 Marine Way, Juneau

MOTION: by Ms. Gladziszewski to recommend that the Assembly protest this license until their tax accounts are brought into full compliance. ***Motion passed 8:0*** (Assemblymember Loren Jones was recused from discussion and voting due to his role on the Marijuana Control Board). City staff will notify AMCO staff as soon as protest is lifted.

Thank you for the opportunity to comment. If you have any questions, please the Municipal Clerk's Office.

Sincerely,

Diane Cathcart

Diane Cathcart
Deputy Municipal Clerk

Enclosures: letter to Licensee recommending protest
cc via email: Licensees & CBJ Staff Reviewers

OFFICE OF THE MUNICIPAL CLERK
Ph: (907)586-5278 Fax: (907)586-4552
e-mail: city.clerk@juneau.org

December 4, 2020

Via certified, regular mail & email
Attn: Elizabeth Romanoski
ISG, Inc. dba Juneau's Green Market
PO Box 21974
Juneau AK 99802
Elizabethromanoski28@yahoo.com

Re: AMCO Retail Marijuana Store License #12313 Protest Recommendation

Dear Ms. Romanoski,

The City and Borough of Juneau has received notice of your Retail Marijuana Store License #12313 located at 263 Marine Way, Juneau AK 99801 from the Alcohol Marijuana Control Office.

As is our practice in these matters, staff from the Fire, Finance, Police, Community Development and Engineering/Public Works Departments have reviewed your establishments to insure compliance with CBJ Code 20.30.020.

The Finance Department recommends the Assembly protest the issuance of this license renewal based on the following: a balance due of $74,763.82 for 2019 2nd, 3rd and 4th Quarter and 2020 1st Quarter Sales Tax, unfiled 2020 2nd and 3rd Quarter returns and unremitted sales tax, marijuana tax, late fees, penalties and interest. The protest recommendation will remain in effect until your sales tax accounts are in full compliance.

Staff from the Community Development, Engineering/Public Works, Fire and Police Departments recommend the Assembly waive its right to protest the issuance of these licenses.

The Community Development Department (CDD) noted the CBJ Business License for the operation is valid until December 31, 2020 and must be renewed by that date in order for the business to continue to operate in the Borough.

CBJ Code 20.30 provides you with the right to an informal hearing before the Assembly to address this issue. T**his matter will be considered at the Monday, December 14, 2020 Assembly Human Resources Committee (HRC) meeting at 5:30 p.m. via Zoom Webinar and the HRC will then forward a recommendation to the Assembly for action at its regular meeting that same evening at 7:00 p.m. also via Zoom Webinar.** You will be given the opportunity to participate in an informal hearing before the Assembly during these meetings if you wish to do so.

Copies of the CBJ Code and Alaska Statutes pertaining to the protest process are enclosed for your reference. In the meantime, I urge you to work with Finance staff to ensure all issues are resolved prior to this appearing before the Assembly on December 14.

Sincerely,

Diane Cathcart

Diane Cathcart
Deputy Municipal Clerk

Enclosures
cc via email: Assembly & Staff Reviewers