

BEFORE THE OFFICE OF TAX APPEALS

STATE OF CALIFORNIA

IN THE MATTER OF THE APPEAL OF,)
)
MISSION HERBAL CARE, INC.,) OTA NO. 240315676
)
 APPELLANT.)
)
)

TRANSCRIPT OF ELECTRONIC PROCEEDINGS

State of California

Thursday, September 18, 2025

Reported by:
ERNALYN M. ALONZO
HEARING REPORTER

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Transcript of Electronic Proceedings,
taken in the State of California, commencing
at 9:43 a.m. and concluding at 10:20 a.m. on
Thursday, September 18, 2025, reported by
Ernalyn M. Alonzo, Hearing Reporter, in and
for the State of California.

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APPEARANCES:

Panel Lead: ALJ NATASHA RALSTON

Panel Members: ALJ KEITH T. LONG
ALJ GREG TURNER

For the Appellant: ROBERT L. GOLDSTEIN

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

RAVINDER SHARMA
CHRISTOPHER BROOKS
JASON PARKER

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I N D E X

E X H I B I T S

(Appellant's Exhibits 1-6 were received into evidence at page 7.)

(Department's Exhibits A-G were received into evidence at page 7.)

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California; Thursday, September 18, 2025

9:43 a.m.

JUDGE RALSTON: Good morning. We are now on the record in the case of Mission Herbal Care, Inc., OTA Case No. 240315676. The date is September 18th, 2025, and the time is approximately 9:43 a.m.

As I stated before, I'm Judge Ralston, and I will be the lead ALJ for the purposes of conducting this hearing. Also with me on this panel are Judge Long and Judge Turner.

I'm going to ask the parties to introduce themselves and who they represent, starting with the Appellant, Mr. Goldstein.

Mr. Goldstein, you're muted.

MR. GOLDSTEIN: Okay. Strange. I have to -- can you hear me now?

JUDGE RALSTON: Yes.

MR. GOLDSTEIN: Okay. I have to, I guess, go to a different screen and hit tap to speak, but then I can't have my screen, I guess, showing at the same time, or -- maybe I can. Okay. So thank you. I am Rob Goldstein. I am an attorney. I'm representing Mission Herbal in this hearing.

JUDGE RALSTON: Okay. Thank you.

1 And for Respondent CDTFA.

2 MR. SHARMA: Good morning this is Ravinder
3 Sharma, hearing representative for the CDTFA.

4 MR. PARKER: Jason Parker, Chief of Headquarters
5 Operations Bureau with CDTFA.

6 MR. BROOKS: Good morning. This is Christopher
7 Brooks, attorney for CDTFA.

8 JUDGE RALSTON: Okay. Good morning, everyone.

9 We held the prehearing conference in this matter
10 on August 14th, 2025. As discussed at the prehearing
11 conference, there are three issues in this appeal:
12 Whether additional adjustments to the measure of
13 unreported taxable sales are warranted; whether the
14 negligence penalty was properly imposed; and whether
15 additional interest should be relieved.

16 JUDGE RALSTON: Mr. Goldstein, do you agree that
17 these are the issues?

18 MR. GOLDSTEIN: Yes.

19 JUDGE RALSTON: Thank you.

20 And, Mr. Sharma, do you agree that these are the
21 issues?

22 MR. SHARMA: That is correct. Thank you.

23 JUDGE RALSTON: Okay. Thank you.

24 For the exhibits, Appellant has submitted
25 Exhibits 1 through 6.

1 Mr. Sharma, did you receive all of Appellant's
2 exhibits, and did you have any objections to Appellant's
3 Exhibits 1 through 6?

4 MR. SHARMA: We have received the exhibits, and
5 Department has no objection. Thank you.

6 JUDGE RALSTON: Thank you.

7 Appellant's Exhibits 1 through 6 are admitted
8 without objection.

9 (Appellant's Exhibits 1-6 were received into
10 evidence by the Administrative Law Judge.)

11 JUDGE RALSTON: The Respondent has submitted
12 Exhibits A through G.

13 Mr. Goldstein, did you receive Respondent's
14 exhibits, and did you have any objections to Respondent's
15 Exhibits A through G?

16 MR. GOLDSTEIN: I received them, and no
17 objection.

18 JUDGE RALSTON: Thank you.

19 Respondent's Exhibits A through G are submitted
20 without objection.

21 (Department's Exhibits A-G were received into
22 evidence by the Administrative Law Judge.)

23 JUDGE RALSTON: With regard to witnesses,
24 Respondent has indicated at the prehearing conference that
25 it does not intend to call any witnesses.

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Is that still the case, Mr. Sharma?

MR. SHARMA: That is correct. Thank you.

JUDGE RALSTON: Thank you.

Mr. Goldstein, you indicated that Mr. Vugelman might testify. Looks like he's not here today, so you're not going to have any witnesses testifying today?

MR. GOLDSTEIN: Correct. I really don't need them for what I'm raising.

JUDGE RALSTON: Okay. Great. Thank you.

So that leads us to the time estimates.

Mr. Goldstein, you had requested 20 minutes for your presentation and 30 minutes for witness testimony. So since we're not going to have the witness testimony today, is 20 minutes sufficient for your presentation?

MR. GOLDSTEIN: Yeah. I -- I don't think I'll go that long, but that's sufficient.

JUDGE RALSTON: Okay. Great. And then so we will have Mr. Goldstein go first. Then after that, the panel members may have some questions for you.

Mr. Sharma, you have requested 25 minutes for your presentation. Is that still correct?

MR. SHARMA: We may not need all that, but that is still correct. Thank you.

JUDGE RALSTON: Okay. Thank you.

So then Mr. Sharma will give his presentation.

1 After that, the panel members may have questions as well.

2 And then we will give Appellant 10 minutes for rebuttal.

3 MR. GOLDSTEIN: Would you like me to start?

4 JUDGE RALSTON: Just a second. I just have --

5 MR. GOLDSTEIN: Oh, okay.

6 JUDGE RALSTON: Yes, sure. Just checking my
7 notes. So, okay.

8 Mr. Goldstein, you have 20 minutes for your
9 presentation. Please begin when you're ready.

10 MR. GOLDSTEIN: Okay. Thank you very much.

11

12 PRESENTATION

13 MR. GOLDSTEIN: So my presentation is really very
14 straightforward. It -- it's really just common sense
15 argument here, just asking us to use common sense overall.
16 So the -- the -- what -- what our position is -- is as
17 follows.

18 So the CDTFA initially did an audit starting with
19 the fourth quarter of 2013 and going for the statutory
20 three years. One of our argument, which the CDTFA has
21 conceded, is that there was no retail business actually
22 open in 20 -- December of 2013 or first quarter of 2014.
23 The reason is that the retail business closed in the
24 summer of 2013, before my client actually purchased the
25 corporation. So my client is the corporation, but there's

1 a specific owner, and the prior entity closed its retail
2 business in the summer of 2013. And did not actually open
3 its retail business until, really, end of April, early May
4 of 2014.

5 Initially, the audit report included retail sales
6 in those two quarters, and since then they've confirmed
7 they conceded that there were no retail sales, and the
8 business was closed. So I appreciate that, but what --
9 what the point of this overall is that for almost a full
10 year, this business was closed, and then opened, let's
11 just say May of 2014. And basically, was an entirely new
12 business, and new running, new everything, and had no
13 legacy customers at all. Meaning, there was no repeat
14 business coming in the door because their door wasn't open
15 up to a certain point. And basically, they had to rebuild
16 their business and rebuild their customer base starting
17 May of 2014 and moving forward.

18 Now, when the auditor did the site test, that was
19 three -- I think three-and-a-half years later or so, after
20 the business reopened. And -- and the site test basically
21 what it did was, it took the sales from that day or those
22 few days and extrapolated that over a period of -- of the
23 preceding three years or so. And the -- the -- our issue
24 with that is simply that such a site test can't and does
25 not take into account that, you know, the business that

1 just opens its doors needs to ramp up and -- and does not
2 have the daily business it will have three-and-a-half
3 years later after advertising, after word of mouth, after
4 people seeing the doors open.

5 So our position is -- is really simple, is that
6 there needs to be taken into account with respect to the
7 retail sales or all the sales -- but retail sales, there
8 needs to be taken into account that when a -- when a
9 business opens its doors, it's not going to have the same
10 business it will three-and-a-half years later. Not even
11 getting into -- although, it should be taken into
12 account -- inflation and things of that nature. Meaning,
13 2013 to 2017 are vastly economic periods with different
14 prices and things like that. But the fact is it -- it
15 just opens its doors, and there needs to be, in our
16 opinion, some sort of discount for '13 the most, '14 the
17 second most, and '15 the third most. So there needs to
18 be, I believe, a discount in -- in the rates or in the
19 quantity of sales.

20 I -- I suggested a 30, 20, 10 percent structure.
21 Meaning, a discount of 30 percent for the first year the
22 business is open, and understanding that three-and-a-half
23 years later the business will grow. A 20 percent discount
24 for the second year, and a 10 percent discount for the
25 third year. I -- I believe that's fair and -- and

1 warranted here, given that the business started from
2 scratch. So that's my -- my -- like I said, very
3 straightforward argument. I don't think it's complex, and
4 I think it's common sense. That's what we're asking for
5 here.

6 The second issue is the penalty, very
7 straightforward argument. This was a business that we --
8 we acknowledge opened -- I mean, it opened in 20 -- 2014.
9 It -- it was not immediately audited, but -- but the
10 period was immediately audited. And it did have a point
11 of sale system. I believe this auditor recognized that.
12 The point of sale system wasn't -- I don't believe kept a
13 Z-tape. That was an issue, but -- but in good faith they
14 were trying to track their sales. Given that it's the
15 first audit, given that they did have a point of sale
16 system with thousands of page of sales that the auditor
17 really just didn't want to go through, we believe that
18 the -- there shouldn't be a penalty or should be a
19 discounted penalty applied for that.

20 The third argument is with respect to interest.
21 The position was simply that -- it's not for the entire
22 period by the way. It was really -- this audit was really
23 going during right when COVID hit. And due to COVID,
24 everything was basically put on hold for about a year or
25 two, and we're just asking for the interest -- the

1 statutory interest to not -- not be calculated, basically,
2 during that year or two year period of time, so to speak,
3 when -- from COVID through about two years after when
4 everybody was still trying to get their -- their feet
5 under them and figure it out about how to proceed with
6 this type of hearing. I mean, we're now in 2025, believe
7 it or not. And, you know, and about two years, maybe
8 more, were -- I don't want to say wasted, but simply, we
9 were in limbo due to COVID and -- and the restrictions and
10 regulations at that point in time.

11 So I've touched upon discounting the -- the audit
12 report due to basically, ramping up time, the penalty
13 issue, and now the interest, and that -- that's really my
14 three arguments.

15 JUDGE RALSTON: Okay. Thank you, Mr. Goldstein.

16 Judge Long, did you have any questions for
17 Mr. Goldstein?

18 JUDGE LONG: Yeah, just a couple of questions.

19 I wanted to clarify, Mr. Goldstein, when you
20 referred to retail sales, are you referring strictly to
21 walk-in sales, or are you disputing that there were
22 delivery sales during that period?

23 MR. GOLDSTEIN: Well, I believe the audit -- so
24 for the first two quarters only, they -- they assessed
25 delivery sales. We're not really disputing that because

1 that was -- they're -- they're basically basing that upon
2 reviews -- from online reviews from the prior owner. And
3 we don't -- the prior owner didn't provide all the records
4 and what they did and didn't do. We don't know. So only
5 the first two quarters, I believe, are -- are delivery
6 sales. But again, that was not our sales. We're just --
7 we just don't have the records to contest that. Because
8 certainly my -- the -- the current owner did not do any
9 delivery sales during that time.

10 But I was just referring to retail sales just to
11 distinguish between those first two quarters and the rest.
12 May of 2014 on, there were no delivery sales. It was all
13 retail. But the first two quarters of this audit
14 technically are delivery sales, but from the prior owner.

15 JUDGE LONG: Okay. Can you clarify when did your
16 client takeover the business?

17 MR. GOLDSTEIN: May -- May of 2014.

18 JUDGE LONG: Well --

19 MR. GOLDSTEIN: And that's -- and in the
20 exhibits, I believe, should be the city license, the
21 approval, and all the purchase papers, plus the rental
22 agreement, meaning with the landlord. That all started --
23 I think they were signed April or May of 2014.

24 JUDGE LONG: Okay. Thank you. I don't have any
25 further questions.

1 JUDGE RALSTON: Thank you, Judge Long.
2 Judge Turner, did you have any questions for
3 Mr. Goldstein?

4 JUDGE TURNER: Not yet. Thanks.

5 JUDGE RALSTON: Thank you.

6 Mr. Sharma, you have 25 minutes for your
7 presentation. Please begin when you are ready.

8 MR. SHARMA: Thank you, Judge Ralston.

9

10 PRESENTATION

11 MR. SHARMA: Appellant operated a cannabis
12 dispensary in San Francisco, California, since July 2010.
13 The Department performed an audit examination for the
14 period October 1, 2013, through December 31, 2017.
15 Appellant reported total sales of around \$1.9 million,
16 claimed deductions of \$130,000 for sales tax, resulting in
17 reported taxable sales of \$1.8 million for the audit
18 period; Exhibit A, page 10. Appellant provided limited
19 books and records, such as federal income tax returns for
20 2014 to 2016; bank statements for 2016; point of sale
21 sales report in Excel format for July 2014 through
22 December 2016; and point of sale sales report in Excel
23 format for August 14, 2017, to August 28, 2017.

24 Despite various requests, Appellant failed to
25 provide point of sale sales report for October 2013

1 through June 2014 and point of sale data for the audit
2 period. Due to lack of sales records, the Department
3 could not verify the accuracy of reported amounts. In the
4 absence complete sales records, the Department used block
5 test method to determine audited taxable sales and
6 unreported taxable sales for the audit period.

7 The Department reviewed submitted sales reports
8 and noted that most of the sales reports did not have the
9 date and time of sales, except for a 15 days period from
10 August 14, 2017, to August 28, 2017. The Department used
11 sales reports for August 14, 2017, to August 28, 2017,
12 adjusted for an allowance of 5 percent and the applicable
13 sales tax rate to determine average daily sales of around
14 \$2,700; Exhibit A, page 7, 12 through 14. Based on the
15 Yelp review and available information on Wayback Machine,
16 the Department determined that during fourth quarter 2013
17 and first quarter 2014, the business was open for online
18 sales only. Therefore, the Department determined the
19 quarterly sales during those periods were only 20 percent
20 of Appellant's typical total sales.

21 Based on the stated audit procedures, the
22 Department determined audited taxable sales of around
23 \$3.8 million for the audit period. Appellant reported
24 taxable sales of \$1.8 million, resulting in unreported
25 taxable sales of around \$2 million for the audit period;

1 Exhibit A, page 7.

2 When the Department is not satisfied with the
3 amount of tax reported by the taxpayer, the Department may
4 determine the amount required to be paid based on any
5 information which is in its possession or may come into
6 its possession. It is the taxpayer's responsibility to
7 maintain and make available for examination on request all
8 records necessary to determine the correct tax liability,
9 including bills, receipts, invoices, or other documents of
10 original entry supporting the entries in the books of
11 account. If taxpayer's records are insufficient or are
12 proven unreliable, it is appropriate for the Department to
13 compute and estimate the taxpayer's liability by
14 alternative means. The burden of proof is upon the
15 taxpayer to prove all issues of fact by a preponderance of
16 evidence. The taxpayer must establish that the
17 circumstances it asserts are more likely than not to be
18 correct.

19 In the case of an appeal, the Department has a
20 minimal initial burden of showing that its determination
21 was reasonable and rational. Once the Department has met
22 its initial burden, the burden of proof shifts to the
23 taxpayer to establish that a result different from the
24 Department's determination is warranted. Unsupported
25 assertions are not sufficient to satisfy a taxpayer's

1 burden of proof.

2 The Department assessed 10 percent negligence
3 penalty for the audit period. Appellant's unreported
4 taxable sales measure is 114 percent of the reported
5 taxable sales, which is due to negligence in maintaining
6 necessary books and records. Since the understatement
7 could not be attributed to a bona fide and reasonable
8 belief that the bookkeeping and reporting practices were
9 sufficiently complied with the requirements of sales and
10 use tax law, the penalty should be upheld. Appellant
11 contends that there should be no assessment for fourth
12 quarter 2013 and first quarter 2014, and claimed that the
13 business was closed during this time.

14 In response, the Department submits that based on
15 the Yelp review and Wayback Machine website, Appellant's
16 business was open for online sales during fourth quarter
17 2013 and first quarter 2014. As previously stated, the
18 Department has already made an allowance of 80 percent for
19 fourth quarter 2013 and first quarter 2014. In the
20 absence of any documentary evidence, no further
21 adjustments are warranted for this contention. Appellant
22 contends that adjustment should be made to the average
23 daily sales, based on block test for 15 days in 2017,
24 because its business activities were not the same during
25 the earlier period.

1 In response, the Department submits that despite
2 various requests, Appellant failed to provide adequate
3 point of sales data or complete sales reports for the
4 audited period. Critically, as of now, Appellant has not
5 provided any documentary evidence to support its
6 contention. So no adjustments are warranted for this
7 contention. Appellant contends that interest should be
8 relieved due to COVID-19 protocol and in-person
9 conferences were not permitted for approximately two
10 years. In response, the Department submits that it has
11 reviewed its records and noted that the delay in having an
12 appeals conference was due to multiple postponement
13 requests from Appellant; Exhibit D, page 3606. However,
14 in compliance with the Governor's Executive Orders issued
15 in response to the COVID-19 pandemic, the Department has
16 already granted relief of interest for the period
17 March 2020 through June 2020. No further adjustments are
18 warranted for this contention.

19 Based on the foregoing, the Department has fully
20 explained the basis for the deficiency and proved the
21 determination was reasonable based on the available books
22 and records. Further, the Department has used approved
23 audit methods to determine the deficiency. Therefore,
24 based on the evidence presented, the Department requests
25 that the Appellant's appeal be denied.

1 This concludes my presentation, and I'm available
2 to answer any question you may have. Thank you.

3 JUDGE RALSTON: Thank you, Mr. Sharma.

4 Judge Long, did you have any questions for
5 Mr. Sharma?

6 JUDGE LONG: I did. A couple of questions. So
7 first, is there any dispute that Appellant took control of
8 the business during this April 2014 period?

9 MR. SHARMA: Based on the Department's record,
10 this permit is -- was opened in July 2010 for the
11 corporation. So there maybe change in the corporation
12 officer, but the permit was still valid as of July 2010
13 and valid as of now.

14 JUDGE LONG: Okay. But is there any dispute then
15 as to whether the business opened its physical location
16 during this April/May 2014 period?

17 MR. SHARMA: No. I think the business was open
18 for walk-in customer, as of Yelp review, in April; and
19 it's on page 3556. There's a Yelp review. They say,
20 "Business is re-opened now for walk-in customers."

21 JUDGE LONG: Okay. And then is there any sort of
22 allowance or consideration with respect to the growth of a
23 business over time?

24 MR. SHARMA: The Department had requested the
25 Appellant to provide the information. They provided those

1 Excel worksheets, and those worksheets don't have any date
2 and time. So as compared to the 15-days test where we
3 have the date and time of the sales, somehow, those
4 reports appear to be, either changed or something has to
5 be done. So the Department could not verify the accuracy
6 of those statements, and absent those statements, the
7 Department has no reason to believe that there was some
8 adjustments that needed to be done.

9 JUDGE LONG: Okay. Thank you.

10 MR. PARKER: Also, Judge Long, I just wanted to
11 add something real quick. This is Mr. Parker. If you
12 look at Exhibit A, page 162, it's an analysis of the POS
13 data that we received on November 17th, 2017.

14 JUDGE LONG: Okay.

15 MR. PARKER: The -- one of the reasons we could
16 not trust the information we received is, you can see the
17 number of transactions per hour. It shows two for -- at
18 least the first six to seven quarter. So they were even
19 showing that the -- the business could sustain being open,
20 only having like two customers per hour. Where the
21 records that appear to be more reasonable were around 10
22 customers per hour -- or over 9. So that's -- that's why
23 we -- we did not make any adjustments.

24 We did do the 5 percent adjustment for all the
25 earlier periods. So we have allowed that, and we also

1 took away the -- or made the reduction of 80 percent for
2 the two periods where we contend the place wasn't open.

3 JUDGE LONG: Okay. Judge Ralston, I know I'm
4 going out of order, but I'd like to follow up with
5 Mr. Goldstein, if that's okay?

6 JUDGE RALSTON: Sure.

7 JUDGE LONG: Mr. Goldstein, I know that part of
8 your argument is that adjustments should be made based on
9 the growth of your business or the growth of the
10 business -- not your business -- and I just wanted to
11 verify. I'm looking at the reported taxable transactions,
12 which is exhibit -- CDTFA Exhibit A, page 7, column K. And
13 the reported amounts look pretty consistent for, you know,
14 the first year or so, 2Q '14 through 1Q '16, and then
15 there's a rather large leap in the reported amounts. And
16 I wanted to ask a couple of questions, one, if there's any
17 sort of explanation. Because if you look, for example, at
18 3Q '15, we're looking at reported taxable transactions of
19 \$47,346. And then by, you know, two quarters later, it's
20 double that amount. Is there an explanation for that sort
21 of exponential growth? And then also, do you have any
22 evidence to support this idea that the business grew over
23 time and adjustments should be made based on that?

24 MR. GOLDSTEIN: Yes. Actually, we do on both
25 accounts, an explanation and evidence. So I don't know if

1 you know who Wiz Khalifa is. He's a -- I think he's a
2 rapper, quite a famous one. And what it is -- is -- so
3 around that time -- and we provided the screenshots. But
4 around that time, Wiz Khalifa basically sent out quite a
5 few -- not tweets -- but maybe Instagram or -- or other
6 advertisements for Mission Herbal, basically, hyping a
7 product that he -- he was promoting with -- with the
8 business. And so that drove a lot of business to Mission
9 Herbal.

10 You can -- you can Google Wiz Khalifa. I've
11 known the name, you know, just pop culture, I guess. But
12 yeah, he's an American rapper and singer and song writer.
13 But he's very well known with -- with millions of
14 followers. So -- and we provided the evidence. Meaning,
15 within the documents we provided, there are -- we have
16 copies of -- of his -- I don't know what you call it --
17 Instagram or -- or his -- his marketing -- let's say his
18 materials for our business. And so that's -- that's what
19 caused the growth, was -- was him hyping the business.

20 JUDGE LONG: Okay. And then -- so, I'm looking
21 at that now. That's exhibit -- your Exhibit 6, correct,
22 these Instagram posts. And so the contention is that
23 these efforts from Wiz Khalifa contributed to sudden
24 growth?

25 MR. GOLDSTEIN: Yes.

1 JUDGE LONG: Okay. Thank you. I don't have any
2 further questions. Thank you.

3 JUDGE RALSTON: Thank you, Judge Long.

4 Judge Turner, did you have any questions for
5 Mr. Goldstein -- I mean, for either party?

6 JUDGE TURNER: No. I think Judge Long went down
7 the road I was going to go down. So thanks.

8 JUDGE RALSTON: Okay. I just want to check my
9 notes, and I think I might have a question. Okay.

10 For Mr. Goldstein, with the post with Wiz
11 Khalifa, was he just a fan of the business, or was that
12 something that was, like, contracted and worked out with
13 him?

14 MR. GOLDSTEIN: That -- that was -- he was a fan
15 of the business.

16 JUDGE RALSTON: Okay. Thank you.

17 MR. GOLDSTEIN: I mean, I also think they were
18 selling his product, but -- but it wasn't like a -- there
19 was no contractual obligation for him to promote it or
20 anything like that.

21 JUDGE RALSTON: Okay. Thank you. Okay.
22 Mr. Goldstein, you have 10 minutes for a rebuttal, if
23 you'd like.

24 MR. GOLDSTEIN: Yes. Thank you. I -- I'll be
25 hopefully brief.

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15 I think it's really just a matter of the point of
16 sale system, unfortunately, did not track the date and
17 time. It tracked the sales. So, you know, this goes to,
18 I think, cooperation and the penalty. I don't -- I -- I
19 think for a first time audit, again, they cooperated. It
20 wasn't perhaps exactly as the CDTFA wanted it, but -- but,
21 I mean, I think it was only two months of documents that
22 were not provided out of the three-year period.

23

24

25

1 Meaning, you know, basically from -- what? -- 2009, '10,
2 '11, '12, '13, we were still, you know, in the Great
3 Recession, just coming out of the. So '13, '14, '15 that
4 was still just not as a good economic period as 2017. And
5 again, we -- we are ramping up the business, and I just
6 don't think 5 percent is -- is accounting for enough;
7 especially, at least, for that first year to two years.

8 I mean, other than that, you know, I -- I think
9 it seem like the -- the arguments, the principles were in
10 agreement. I just think it's the extent of it.

11 JUDGE RALSTON: Okay. Thank you.

12 Judge Long, did you have any final questions?

13 JUDGE LONG: No more questions. Thank you.

14 JUDGE RALSTON: And, Judge Turner, did you have
15 any final questions?

16 JUDGE TURNER: I think may be one, and it's for
17 either side, really, or both. So we went through a
18 process of legalization starting in 2016. The licensing
19 system didn't really get into place until later in 2017,
20 but we're pulling, essentially, sales volumes from the
21 latter period post Prop 64. Is there been any submitted
22 evidence in the record, or did CDTFA take into
23 consideration the volume of sales might be different
24 reflected in the fact that although, obviously, medical
25 dispensaries operated in San Francisco for many years, but

1 of a volume of sale increase as result of passed prop 64.
2 And I know this argument was made in the record. I don't
3 know if there's any sort of documentation in the record as
4 to how that volume might have impacted the sales measure.

5 I wouldn't mind hearing from either of you.

6 MR. SHARMA: Good morning, Judge Turner. This is
7 Ravinder Sharma. The decision has already addressed this,
8 and Proposition 64 became operative as of January 1, 2018,
9 which is after the audit period.

10 JUDGE TURNER: Yeah.

11 MR. SHARMA: So the decision have already
12 discussed this in detail. And I just wanted to let you
13 know that the only thing is Proposition 64, which is
14 different. I means customer base or client base, whatever
15 they call it, it is operative as of January 1, 2018, after
16 the audit period. So it should not impact the customer
17 base.

18 JUDGE TURNER: Understood.

19 MR. SHARMA: Thank you.

20 MR. GOLDSTEIN: And if I may add from our side,
21 I -- you know, it did pass. You know, my feeling and the
22 owner's feeling is that while it may not have been enacted
23 until January of 2018 -- right, 2018 I think it was -- the
24 fact that it did pass, I think gave people unofficial
25 license that it was now acceptable. And I believe more

1 people then, once it to passed, especially in celebration
2 for those who partake, but I think they felt more
3 comfortable going. And perhaps people wouldn't go
4 ordinarily sought it out. May have been unofficial, but
5 I -- I think it's just natural that, yes, it did increase
6 sales.

7 So that -- that's an argument I understand that
8 it didn't officially go -- go into place. But -- but the
9 fact that it passed, I think, suddenly made it okay for
10 more people too partake and would have effected sales.
11 But -- but as far as -- it be just more of an explanation
12 for why sales increased in 2017 compared to the prior
13 years. But, you know, there's no -- unfortunately, we --
14 you know, there's no evidence that -- to say someone came
15 in and said, oh, I came in because it passed, and -- and I
16 feel comfortable coming here now.

17 MR. TURNER: Thank you.

18 MR. PARKER: Judge Turner, can I add one thing to
19 that.

20 MR. TURNER: Sure.

21 MR. PARKER: If you look at -- this goes back to
22 Judge Turner's question. If you look at Exhibit A,
23 page 7, with the reported taxable sales, the reported
24 taxable sales in fourth quarter of '16 were \$241,000, and
25 it decreased to \$231,000, then \$208,000, \$197,000, and

1 then \$170,000. So this -- this theory that sales went up
2 in 2017, this taxpayer's reported sales actually went
3 down. So there -- it doesn't really support that argument
4 at all.

5 JUDGE RALSTON: Thank you.

6 MR. GOLDSTEIN: Well, yeah. And I have -- just
7 to state, you know, obviously we're -- we're going to
8 concede that -- that sales have gone up. I think -- I
9 think, again, we're not really contesting the '16 and '17
10 sales, but we're -- because that -- that -- the two-week
11 audit period they used is fine. It's -- it's really the
12 '14 and '15 that we're -- we're disputing as far as the
13 audit itself, not -- not the reporting.

14 JUDGE RALSTON: Okay. Thank you, Mr. Goldstein.

15 Looks like we are ready to conclude this hearing.
16 This case is submitted on September 18th, 2025, and the
17 record is now closed.

18 The judges are going to meet and discuss this
19 case and decide it. We will issue a written opinion
20 within 100 days.

21 Today's hearing in the Appeal of Mission Herbal
22 Care, Inc., is now concluded. This hearing is adjourned,
23 this concludes the hearing calendar for today.

24 Thank you, everyone, for attending.

25 (Proceedings concluded at 10:20 a.m.)

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I, Ernalyne M. Alonzo, Hearing Reporter in and for
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I have hereunto subscribed my name this 8th day
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