BEFORE THE OFFICE OF TAX APPEALS

STATE OF CALIFORNIA

IN THE MATTER OF THE APPEAL OF,	
F. MADJIDI and B. MADJIDI,	OTA NO. 240516297
APPELLANT.	

TRANSCRIPT OF PROCEEDINGS

Cerritos, California

Tuesday, July 14, 2026

Reported by:
ERNALYN M. ALONZO
HEARING REPORTER

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Transcript of Proceedings, taken at 12900 Park Plaza Drive, Suite 300, Cerritos, California, 90703, commencing at 1:31 p.m. and concluding at 3:40 p.m. on Tuesday, July 14, 2026, reported by Ernalyn M. Alonzo, Hearing Reporter, in and for the State of California.

APPEARANCES:

Panel Lead:	ALJ HANS FAMULARO
Panel Members:	ALJ ASAF KLETTER ALJ STEVEN KIM
For the Appellant:	F. MADJIDI GARY SLAVETT
For the Respondent:	STATE OF CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION
	SOPHIE KUEHL NATHAN HALL

I N D E X

E X H I B I T S

(Appellant's Exhibit 1 was received into evidence at page 17.)

(Department's Exhibits A-V were received into evidence at page 8.)

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Cerritos, California; Tuesday, July 14, 2026

1:31 p.m.

JUDGE FAMULARO: So, then we're going on the record.

And so hello again. This is the Appeal of Madjidi, OTA Case No. 240516297. The date today is July 14th, and the time is 1:31 p.m. This is -- this hearing being held in Cerritos, California.

I am the lead Administrative Law Judge for today's proceeding. My name is Hans Famularo, and I'm joined by my co-panelists Judge Steven Kim and Judge Asaf Kletter. As I'd mentioned earlier, we're all equal decision makers in today's process.

And so now I'm going to ask the parties to please do an introduction, starting with Appellants.

MR. MADJIDI: Farzin Madjidi.

MR. SLAVETT: Gary Slavett for Appellants.

MS. KUEHL: Sophie Kuehl, for Franchise Tax Board.

MR. HALL: Nathan Hall, for Respondent Franchise Tax Board.

JUDGE FAMULARO: Thank you.

Okay. So, we had a prehearing conference in this case, and we issued Minutes and Orders. I want to go over

the issues that are going to be decided in today's appeal and to state that on the record. So, the first issue is whether Appellants are entitled to adjusted basis in real property of $877,000. The second issue is whether Appellants are entitled to the Internal Revenue Code section 121 exclusion of $500,000. And the third issue is whether Appellants are liable for the accuracy-related penalty.

Is that correct?

MR. SLAVETT: The issue with respect to the adjusted basis is -- is that's not the to -- the government has allowed some basis. This is what's in dispute of the adjusted basis, the $877,000.

JUDGE FAMULARO: I understand that. That's the amount that's stated in the notice -- in the government's Notice of Proposed Adjustment and the Notice of Action.

MR. SLAVETT: Correct.

JUDGE FAMULARO: Okay. And, Respondent, you agree that those are the issues?

MS. KUEHL: Yes, Respondent agrees those are the issue.

JUDGE FAMULARO: Thank you.

Okay. So, also as stated in the Minutes and Orders, today's proceeding is expected to last approximately 90 minutes. We have my introductory

remarks, and then we're going to have Appellants' presentation, which is going to be a presentation by Mr. Slavett for approximately 10 minutes, then we have witness testimony.

I understand today, Mr. Madjidi, you're the only witnesses who's going to be appearing on behalf of Appellants; is that correct?

MR. MADJIDI: That's correct.

JUDGE FAMULARO: Okay. And your testimony is going to last 30 minutes. Respondent is going to have an opportunity to cross-examine you after you're sworn in, and your -- your testimony is provided. We're going to provide about five minutes for those questions.

And then Respondent's presentation is going to be approximately 30 minutes; is that correct?

MS. KUEHL: Yes.

JUDGE FAMULARO: Okay. And then finally, we're going to give you an opportunity, Appellants, to do a rebuttal or any closing remarks after Respondent's presentation.

So, moving onto the exhibits in this case. During the prehearing conference, Respondent provided exhibits marked as Exhibits A through V, and Appellants stated that there was no objection to the introduction of these exhibits into evidence. And so, these Exhibits A

through V are going to be admitted into evidence at this time.

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

JUDGE FAMULARO: Appellants, at the prehearing conference, stated that Respondent's exhibits included exhibits that Appellants had provided to Respondent previously, and that those documents were documents that Appellants were also going to rely on to present their case here today. At the time of the prehearing conference, Appellants had no additional exhibits.

I understand that Appellants may have additional exhibits that they now wish to introduce into the record; is that correct?

MR. SLAVETT: Yes, Your Honor.

JUDGE FAMULARO: Okay. And so what are those exhibits?

MR. SLAVETT: It -- it's -- the exhibit is photograph -- additional paragraphs that -- the photographs that were submitted as Exhibit U are current -- or -- or photographs as of the -- the sale in 2017. During the appeals hearing with the FTB, I -- we had gone over additional pictures that were for prior to that time. I had not recalled that. And yesterday when my client came to my office for preparation, he had

brought additional pic -- kind of a PowerPoint that had the pictures from Exhibit -- Exhibit U. Next to them he had older pictures that showed the -- the condominium at -- at previous times. And so, I had forgotten during our prehearing and literally up until yesterday, that there were additional pictures.

JUDGE FAMULARO: Okay. When -- when did your client provide these pictures to you?

MR. SLAVETT: Well, originally when we had our appeals hearing with the FTB over a year ago.

JUDGE FAMULARO: And these pictures were not provided to the FTB --

MR. SLAVETT: They were.

JUDGE FAMULARO: -- at that time?

MR. SLAVETT: They were, but for some -- they were not provided to the FTB's counsel. They were provided to the FTB during the hearing. It was a --

JUDGE FAMULARO: Okay.

MR. SLAVETT: It was a virtual hearing through ZOOM.

JUDGE FAMULARO: Okay. Through -- so at the protest hearing --

MR. SLAVETT: Yes.

JUDGE FAMULARO: -- these pictures were part of --

THE HEARING REPORTER: Sir, I'm going to have to ask you to please let him finish his question before you answer, and vice versa when he's answering your question.

JUDGE FAMULARO: Thank you for the reminder, Ms. Alonzo.

So, I'll -- I'll continue. So, these -- I understand then your position is that these pictures were provided during the protest hearing in this case. They were considered by Respondent, but they have not been provided to Respondent's counsel prior to this appeal; is that correct?

MR. SLAVETT: That is correct.

JUDGE FAMULARO: Okay. And these additional -- these additional exhibits, I see that they have been marked as Appellants' Exhibits 1 through 7; is that correct?

MR. SLAVETT: The intent was I hadn't marked them yet. The intent was 1 through 7 is the page numbers. So, similar to exhibits -- let's see -- similar to Exhibit U that has multiple pictures. This is a supplement to Exhibit U, or an additional exhibit that's intended to be one exhibit with multiple pictures. Some of the pictures are contained in Exhibit U already.

JUDGE FAMULARO: Okay. So, I understand. These pictures will collectively be marked for identification as

Appellants' Exhibit 1. Now, this Appellants' Exhibit 1, has -- have these pictures been provided to Respondent's counsel?

MR. SLAVETT: During the check in period, about half an hour ago.

JUDGE FAMULARO: Okay. And so let me ask Respondents.

Do you have any objection to the introduction of these -- this additional exhibit, which are these additional pictures of the condominium?

MS. KUEHL: First, Respondent would like to note that at least some of these pictures are brand new. I don't recognize from the audit file. For example, on page 5, the picture of the kitchen in the top-right corner, as well as on page 7. He took those photos. I'm not positive where in the record -- in the audit file record.

JUDGE FAMULARO: Okay. Just so that I can clarify for the record; these additional pictures, other than the picture in -- on the top right-hand corner on page 5 of Exhibit 1 and all of the pictures contained on page 7, do you recognize these pictures, and you have seen these pictures previously?

MS. KUEHL: Yes.

JUDGE FAMULARO: Okay. And why were these

pictures -- the other pictures, other than the ones on page 7 and the one on page 5, why were these not contained -- why were these not contained in Exhibit U with the additional pictures?

MS. KUEHL: At some point, there was also Exhibit U was provided to Franchise Tax Board and during appeal. I compiled that exhibit for the record. And Appellant could have provided these photos to the record at any point. So --

JUDGE FAMULARO: But do -- do you recall why they weren't included with Exhibit U? I guess I still didn't understand.

MS. KUEHL: My understanding of Exhibit U was it was one compiled document. So, when I -- that's what I saw in either the protest or the audit file. So, that's kind of what I chose for the -- including in the record.

JUDGE FAMULARO: Okay. I understand. Okay. So, then Respondent's position with respect to Exhibit 1 -- and I can give you a few moments if you want to confer. Would you like to confer about how you want to address Appellants' Exhibit 1, or are you ready to state your position, whether you have an objection to -- to the introduction of this exhibit?

MR. HALL: Judge, we'll confer for just one moment.

JUDGE FAMULARO: So, we'll -- we'll go off the record for just a few minutes.

(There is a pause in the proceedings.)

JUDGE FAMULARO: We're go back on the record.

Okay. So, Respondent, do you have an objection to the introduction of Appellants' Exhibit 1 into the record?

MS. KUEHL: Respondent would like to point out that, per the June 18th order, exhibits were required to be exchanged prior to June 29th. And the -- that order stated that they may be excluded absent a showing of good cause. So, Respondent would like to ask Appellants what their showing of good cause is.

JUDGE FAMULARO: Okay. So -- and that's as to all of the pictures contained in Appellants' Exhibit 1; is that correct?

MS. KUEHL: Yes.

JUDGE FAMULARO: Okay. Okay. Appellants, what is the reason for not -- I understand that you said -- Mr. Slavett, that your client had provided you these pictures previously. You provided it during the protest hearing, and that it was an oversight, I understand, on your part as to why the pictures were not provided to OTA 15 days prior to today's appeal. Is that -- is that your position?

MR. SLAVETT: That's correct, Your Honor. I will -- I will confirm that page 7 was not provided to the Franchise Tax Board prior to -- at any time prior to today.

JUDGE FAMULARO: What does page -- what do these pictures show?

MR. SLAVETT: So -- so, it's really 1 through 6 are what -- are -- are relevant with respect to the improvements to the condo. Page 7 is just was -- it's not even -- I could ex -- it could be excluded from the record. It was kind of a -- an illustration of -- of taxpayer's bus -- prior business. So, I'm --

JUDGE FAMULARO: What -- what about on page 5, the top right-hand corner picture of the kitchen? Respondent said that this is the first time that they're -- that they've seen that picture.

MR. SLAVETT: In confirming with my client, it is recollection that that was provided.

You want to make a statement as to why you believe that?

MR. MADJIDI: Yes, Your Honor. During the presentation, I shared screen on Zoom, and I had a PowerPoint, and I went through picture-by-picture saying, "Here is my daughter at seven years old. This is the wall she was standing in front. Look how wall is different at

nine years old. Here is the kitchen. See, my babies were small. Now, they're grown-up." And I just printed those yesterday for a conference and showed it to my attorney, and we included it.

JUDGE FAMULARO: Okay.

MR. MADJIDI: But I showed those actually.

MR. SLAVETT: So, we believe it was all part of the same PowerPoint that I had provided to FTB, excluding page 7.

JUDGE FAMULARO: Okay. Thank you.

So, regarding Respondent's timeliness objection, because OTA is satisfied that these records, except for the final page on page 7, were previously provided, I don't have a particular problem with introducing them at this time.

I wanted to ask before I do, Respondent, page 7 in particular, do you have any objection to -- to the pictures appearing on page 7 of Appellants' Exhibit 1?

MS. KUEHL: No objection.

JUDGE FAMULARO: Okay. Then for good -- for good cause, then I'm -- pardon me for just a moment.

MR. HALL: Excuse me, Judge. Thank you.

JUDGE FAMULARO: Okay. Sorry. I'm meant -- so --

MR. HALL: This is Nathan Hall on behalf of

Respondent.

JUDGE FAMULARO: Yes.

MR. HALL: Yeah. I just wanted to point out also, that with respect to these pictures having not being in the record previously, you know, there's been no argument or written briefing on these, you know, with regard to these. So, we'd just like to point that out as well. And as Appellants' counsel is aware, in his -- the letter that you provide when you acknowledge the appeal states, "These are separate and distinct agencies. So, anything that was provided during the, you know, the audit phase, you know, would not be automatically presumed to be a part of this appeal."

So, we'd just point that out. If the OTA, you know, believes there should be additional briefing with respect to these pictures, then Respondent would be happy to provide that.

JUDGE FAMULARO: Okay. Well, let me ask. Respondent, would you like additional briefing? Because we certainly would provide you that opportunity, if you would like the opportunity to address these pictures in post-hearing briefing.

MS. KUEHL: Yes. We would prefer that --

JUDGE FAMULARO: Okay.

MS. KUEHL: -- additional briefing.

JUDGE FAMULARO: Okay. So, then what we're going to do is that we are going to admit Appellants' Exhibit 1 in its entirety into the record.

(Appellant's Exhibit 1 was received into evidence by the Administrative Law Judge.)

JUDGE FAMULARO: But we are going to hold the record open, and we are going to give the parties an additional opportunity to provide briefing regarding Appellants' Exhibit 1.

And so, Respondent, let me ask. Would 30 days be sufficient for you to respond and provide your views in writing regarding this exhibit?

MS. KUEHL: Yes, 30 days is sufficient.

JUDGE FAMULARO: Okay. And then Appellants I will provide you 30 days to respond to -- to anything that Respondent files.

And so, we will hold the record open in this case until the additional briefing has been provided and then issue an Order closing the record.

Okay. Are there any additional exhibits from either party?

MR. SLAVETT: Not from Appellant, Your Honor.

MS. KUEHL: Not from Respondent.

JUDGE FAMULARO: Okay. Thank you.

Let me now move on to the -- to the presentation.

But before we do, one of the things that would be helpful for OTA would be if we can have an agreement by the parties how to address the three properties that are referenced in the briefing in this case. There are two Los Angeles addresses, and there's one Santa Monica address. The parties refer to the Los Angeles addresses in different ways. And so that we have a clean record, I would like for all of us to agree on one -- on a term that we would use to describe each of these properties.

So, Appellant I'll let you make a suggestion and find out if -- if Respondent has any objection to that. So, again, there are the two Los Angeles properties. One is the Goshen property. The other is the Gretna Way property, and then there is the Santa Monica property. So, how would you suggest that we refer to these properties?

MR. SLAVETT: I think that's -- I think that's Gretna -- Gretna Green property.

Gretna Green I think is the name, correct?

MR. MADJIDI: Correct.

MR. SLAVETT: Gretna Green property is how I've been referring to it; the Goshen property and the Santa Monica condo or the Santa Monica property.

JUDGE FAMULARO: Okay. I like Santa Monica property. I apologize. Gretna Green -- so, Gretna Green

Way actually I think is how -- how it's identified in the record. I think that's a full address. So, we're going to refer to the Gretna Green Way property as the Gretna Green Way property; the Goshen Avenue property as the Goshen Avenue property; and then the Ocean Avenue property as the Santa Monica property.

Respondent, is that okay with you?

MS. KUEHL: Yes. Just to clarify, the Santa Monica property, the Ocean Avenue, we're call Santa Monica property?

JUDGE FAMULARO: Yes. And you can interchangeably refer that -- to that as -- let's keep this easy -- as the Ocean Avenue property as well. This really the two Los Angeles properties that I want to keep distinct --

MS. KUEHL: Okay.

JUDGE FAMULARO: -- for the record. So, we'll refer to the Los Angeles properties again, as the Goshen Avenue property and the Gretna Green Way property.

Is that okay with the properties?

MS. KUEHL: Yes.

JUDGE FAMULARO: Okay. So, we're ready to move on to the presentation in the case. And so Appellants, as I had stated, Mr. Slavett indicated that he wanted 10 minutes to give his presentation, and then we're -- we

will go ahead and swear-in the witness, Mr. Madjidi, and provide you an opportunity to testify. So, we'll start with Mr. Slavett.

So, proceed when you are ready.

MR. SLAVETT: Thank you, Your Honor.

PRESENTATION

MR. SLAVETT: As the Court has previously stated, the issues today relate to Mr. and Mrs. Madjidi's residence located at 515 Ocean Avenue penthouse in Santa Monica referred to as the Santa Monica property; specifically, whether the Madjidis are entitled to the section 121 exclusion, and whether they properly claimed their basis in the Santa Monica condo upon sale in 2017. On their tax returns, the Madjidis reported the sale price of $6,550,000 and the basis of $1,273,617, closing costs of $340,170, and the section 121 exclusion of $500,000. The results is that -- the result is that the Madjidis reported $4.4 -- $4,436,213 million of capital gain on the sale price of the -- of the property that had a sale price of $6.55 million.

With respect to the basis, what is at issue is the improvements made to the condo over a 40-year period that the Madjidis owned the property. The total amount of improvements that the Madjidis claimed was approximately

$880,000. Again, that's $880,000 over a 40-year ownership of a luxury penthouse in Santa Monica. The -- the -- the condo has -- is a top -- condominium has panoramic views of the ocean and is just a magnificent property. And improvements were needed, and testimony will be given as to that. The FTB did not allow any improvements. None. Perhaps we wouldn't be here today if there was some reasonableness in the government's position that there was zero improvements over a 40-year period, but here we are.

Today you will hear testimony from Mr. Madjidi. Mr. Madjidi is originally from Iran. He came to the U.S. in 1976 to study. In 1977, he purchased the Santa Monica property for $375,000. In 1979 during the Iranian Revolution, his family lost everything, and his parents came to the U.S. and lived with Mr. Madjidi in the condo, in the Santa Monica property. In 1981, Mr. Madjidi was married. They had kids in 1985 and 1987. At that time, all six were living in the Santa Monica property, the Madjidis, the kids, and the parents, and the grandparents. As the kids grew older, in 1994, they moved into a house they purchased on Goshen Avenue in Los Angeles in the Brentwood area of Los Angeles. The kids later attended college locally. And in 2010, Mr. Madjidi's dad died, and Mr. and Mrs. Madjidi moved back to the Santa Monica property to look after Mr. Madjidi's mom and frankly, to

enjoy the condo and its -- and its -- the beauty of the condo. The kids were young adults at the time and remained at the Goshen residence.

In 2014, an opportunity surfaced for the Madjidis to buy a residence on Gretna Green in Los Angeles that needed work. So, they sold the Goshen property and purchased the Gretna Green property. The Madjidis remained at the condo, and the adult children ultimately moved to the Gretna Green property. Mr. Madjidi had a home office in the Gretna Green property. Mr. Madjidi conducted all his personal financial and business matters out of his office in the Gretna Green residence. He used the Gretna Green residence on all his mail so that he could receive all -- all his mail in one location at his office.

While the facts show that Gretna Green address was used as Mr. Madjidi's mailing address, it was not, again, where he lived. The FTB relies on the address on every piece of paper that is in the exhibits. There's no dispute that that's -- the address is on those pieces of paper. But again, it does not establish that it was his principle place of residence. Again, that address was used to receive all his mail in one central location where he conducted his business. The evidence will include -- does include a letter from the property management firm,

as well as Mr. Madjidi's testimony today. Accordingly, since the condo -- the Santa Monica property was owned by the Madjidis and was used as the principal residence for at least two of the five years prior to sale, section 121 is applicable.

The Madjidis made significant improvements over the 40 years of ownership. The FTB disallowed all claimed improvements. You will hear testimony today from Mr. Madjidi regarding the improvements. Further, paragraphs have been provided as well as a letter from the designer that assisted the Madjidis with two improvement projects. It is not reasonable to conclude that in the 40-year period there were no improvements to a luxury condominium. In fact, letters from Hootan Design identifies two of these improvement; one for $90,000 and one for $225,000. Further, a letter from the property management firm was provided that includes a special assessment of $38,000.

While the Madjidis do not have perfect records of the improvements, it's not un -- it's -- it's unreasonable to conclude that there are no improvements. You will also hear testimony as to the -- the recordkeeping of the documents related to the improvements and -- and what we believe may have happened to them. Further, regarding the accuracy-related penalty, taxpayers acted reasonably and

with ordinary care and prudence in the preparation of their tax return. They provided all facts and information to the tax preparer and acted reasonably in estimating the improvements based on the best available records. Therefore, the accuracy-related penalty should not apply.

And that concludes my opening remarks.

JUDGE FAMULARO: Thank you, Mr. Slavett.

So, before I swear in Mr. Madjidi to provide his testimony, I would like to remind Appellants and Mr. Slavett that you can either ask questions of your witness, or you can have him testify in the narrative. So, we're flexible. And whatever would facilitate your testimony, we're comfortable with either one.

So, Mr. Madjidi, I'd like to ask you raise your right hand.

F. MADJIDI,

produced as a witness, and having been first duly sworn by the Administrative Law Judge, was examined, and testified as follows:

JUDGE FAMULARO: Okay. Thank you.

And so you may go ahead and begin.

MR. SLAVETT: Yeah. And I think we will use the narrative form for quite a bit of his testimony.

DIRECT EXAMINATION

BY MR. SLAVETT:

Q Mr. Madjidi, start with your background, maybe going back to 1977?

A By the way 1977, 50 years ago. So, at the time we sold the condo it was 40-plus years. In 1976 we had suffered a tragedy in the family. My sister -- older sister was studying in the United States at BYU, and on graduation night we lost her to a car accident. So it -- and that was -- that left the three of us. So, it was very important for my parents to blame themselves to be very close to me and for us to be a family unit.

So, in 1976 when I started the -- when I was gonna start college, I came to United States. I went to Santa Monica college. We had means, and then I had a portfolio in Iran, and we saw that place on Ocean Avenue and I fell in love with it. It's the most beautiful thing.

JUDGE FAMULARO: Mr. Madjidi, I'm sorry. I don't mean to interrupt, but --

MR. MADJIDI: Please.

JUDGE FAMULARO: -- you're speaking just a little bit quickly, and I speak quickly too. So, why -- why I'm aware of it. So, if you could slow down just a little bit for our hearing reporter, I'd appreciate it.

MR. MADJIDI: Thank you, Your Honor. I'm a little nervous. I'll slow down.

So, we bought that -- in 1977 we bought that condominium. In 1977, condominiums were something new. Everybody thought this kid crazy wanting to buy a property at that price without land. And you got a box. You got a concrete box. Nothing inside except plumbing and everything else. You had to develop the rest of it. That was the first time where we had to fix up the condo.

In 1979, there was an Iranian revolution, and we were on the wrong side. So, my parents had to leave the country. We could never go back. We haven't gone back, and we lost everything we had that we hadn't brought to the United States. My -- and family units are a little different in my culture than they are here. We were a family unit. It wasn't my money. Even though it was my money, it was the family money. So, my parents moved in as though, you know, they were every part of us. And they lived there until -- my father at least lived there until his death. And my mother was there until we sold the place in 2017.

At the onset, I lived there. I --I went to school there. When I got married, our after-party and everything was there, until we had kids. With two kids in a penthouse -- and we changed the floors to dampen the

noise, but that wasn't sufficient. So, we found a place nearby on Goshen Avenue, about two-and-a-half miles away, with four bedrooms, four bathrooms, a place for the kids to run around on the first floor; and we moved there. We lived there until the kids were ready to -- to go to college.

The Gretna Green property became -- I started a business with a partner that I refer to as Kreation -- it's a juicery -- and we could afford to buy another property. In my way of upbringing, you buy property, you hold on to them, and you never sell a property. That's part of the -- part of our raised reality. A customer came to Kreation and complained of finances and said they had a house on Gretna Green, which is down the street from us. And it was an excellent opportunity to buy that house, and I purchased it and financed it. And it took about a year to fix it up because it was three quartered done, and they had run out of money.

We used that as an opportunity. I -- I kept my office there. I did all my work there. The kids stayed there, and my mom and dad and I, with my wife, consistently lived at Ocean Avenue. Mr. -- the property managers are managers who watches everything like a hawk, everybody who comes and goes. He has provided a letter testifying that we lived there and -- as such. I never

thought I would sell that Ocean Avenue property, and I consider it one of the biggest failures in my life not be able to keep it. My partner -- equal partner at Kreation defrauded me -- this is in the public records -- created a sub-company, moved all the money there, and I ended up having to sue. And spent over $2 million in legal fees until I surrendered, in essence.

So, I ended up being forced to sell Ocean Avenue, the Santa Monica property, at -- at very short notice to be able to have cash flow to support the litigation. That's the only reason that we sold that place. I moved back with Betty, my wife, to -- to Gretna Green. We got it. My mom had difficulty moving. So, we -- she couldn't man -- manage stairs. So, we got an apartment for her in Westwood; flat just like Ocean Avenue was. And I, you know --

BY MR. SLAVETT:

Q It's okay. Good. So, in -- you can keep that. When did -- when did your father pass away?

A 2010.

Q And -- and -- and when your father passed away, did you move back into the -- the --

A No.

Q Tell us about that.

A Yes. When my father passed away, my mother

need -- my mother needed to be cared for. We don't move our parents into retirement homes. So, we moved into Ocean Avenue. Ocean Avenue by many when -- when we listed it, it was called the "Crown Jewel" of Ocean Avenue for a penthouse. The Gretna Green property is -- is large, but it's on a side street, and the best view it has is my neighbor's roof. So, we moved back in. It wasn't an option for my mom to move into Gretna Green and have to navigate stairs. We couldn't get an elevator, nor would we. And that became our home. I -- I was planning to die there.

Q Okay. And -- and with respect to -- you mentioned, when it was purchased in 1977, there was work that had to be done. It was somewhat -- I don't know if you used the word "shell", but it was somewhat of a shell. If you look to Exhibit 2 -- I'm sorry -- Exhibit B, page 2, there's a list that -- that has been floating around, which is the list of the improvements that -- that Appellants could recall were -- were done to the property, with respect to -- and it's a table. With respect to the build out in -- in 1977, is that what you're referring to when you -- when you purchased the property that work needed to be done?

A Yes.

Q Do you recall -- I know it's been a long time.

Do you recall what needed to be done at that time?

A Yes. Everything from carpeting to painting to kitchen equipment, refrigerator, oven. There were bathroom hardware. We -- in essence -- in essence you bought a shell, and you had to fix it up. Window treatment.

Q Okay. And -- and with respect to documentation, it's my understanding -- and -- and I want you to provide testimony on this -- that -- that there was file cabinets that were kept at the Santa Monica property with documents. Can you tell us what happened to that, or tell us a little bit of history about those -- those file cabinets?

A Got it. We had three sets of large filing cabinets that you would see in -- in other places. We kept all of our records in there. When we decided to sell Ocean Avenue, everything happened really fast. And we hired a crew to come in, to clean it up, and to stage the property. We had steel cages that was our storage. And we asked them to put the -- the filing cabinets and all the other stuff and pack it into the steel cage so we could quickly put the property on the market and quickly sell it to pay legal fees. After we sold the property and we moved our personal property from there, we went to the steel cage, and the steel -- and those cabinets were

thrown away.

Q Okay. And if -- I bring your attention to what is marked as Exhibit C, page 2. It's -- it's a -- on the letterhead of a Hootan Design studios. Could you tell us a little bit about Hootan Design and what this -- this letter is about?

A Hootan Design -- Hooten Hamedani, the principal owner and the architect -- he's a well-known architect. He has helped me remodel property at -- at Ocean Avenue and elsewhere. He's the architect that I worked with on remodels, and he -- he helped me with two remodels as he has testified in his letter to us.

Q And -- and the second project -- the second project in the letter, which is the -- the second to last paragraph, goes through additional work that -- that was going to be done in 2010 when your father passed away. At the end it says, "This is an estimate of the renovations." Were those renovations completed? Why is he using the word "estimate"?

A He did not. He's an architect. He did not -- actually, was not the contractor who do did the work, or the subcontractors I hired to do the work. In 2010 when we moved back -- Ocean Avenue is a 3,300-square foot place right near the water. Everything rusts. Everything breaks. Everything leaks. So, I asked him to come up

with a design. He came up with a design. We implemented the design, but he did not do the financial management of it. He did not do the construction management. That's why he used the term "estimate".

Q So, for clarification, this work or similar to this work was completed?

A Absolutely.

Q Okay. And with respect to Exhibit K, page 7, which is a -- a letter from, believe, the property management. In that letter it talks about a special assessment of $38,805 in 1994. Can you tell us about that?

A Yes. When the Northridge Santa Monica earthquake happened, the building, the high rise, that Park Plaza building in which we own the penthouse, suffered significant damage. And our portion of the damage; this is exterior and building damage, reenforcing the building, reenforcing the columns, rods, everything. Our portion of it came to that $39,000.

Q Okay. And going back to the table in Exhibit B, page 2, No. 1 was the build out of $135,000. Do you recall No. 2 of $95,000 of remodel. Do you have any specific recollection of what was done?

A Invariably, every seven to eight years, because of the direct sun, the moisture, and everything, we had to

change the floors. They would fade away. We had to change the curtains. We had to change the faucets. We had to change the drains. And -- and frankly, this is a very, very nice place. Upgrade them and bring them up to whatever is the latest in home remodeling and what have you.

Q And do you recall remodel number two? Same idea or --

A A smaller one, but yes.

Q Okay. And Item No. 4 on table 1 of Exhibit B, page 2 says, "EQ". I imagine that's earthquake --

A Yes.

Q -- of '94. We understand there was a special assessment by the condo association, but we -- you've also listed $275,000, approximately, of improvements. Can you tell us a little bit about that?

A Yes. Our building was orange tagged. There was green tag, red tag, and orange tag. So, you could still live in, but it suffered substantial damage. We are on the top floor, so we got the worse of it. We had cracks in the walls. We had a marble fireplace, two-sided marble fire -- fireplace. The columns on one side completely broke. The marble was cracked. We had a glass -- a -- a -- mirror bar. All of it broke down. We had damage in the kitchen. We had damage in the bedrooms, and all of

that had to be repaired.

Q Okay. And I believe Item 5 was covered in the Hootan Design letter. The second paragraph discusses improvements of $90,000. So that's similar to the $87,000 --

A Yes.

Q -- that you had included. And Item Number 6 references remodel 2010 of $225. That's also in the Hootan letter; is that correct?

A That's correct. That was the last one when we moved in.

Q Yeah?

A Yes.

Q Okay. Very good. With respect to Exhibit 1, can you tell us a little bit about this exhibit, starting with page 1? What do we see on -- on the right side, and what do we see on the left side?

A The large full colored picture on the right-hand side are the listing photos by the broker. And the pictures on the left-hand side is the few pictures that I would find over the years of gatherings or parties we had, but of the same spot. So on page No. 5 -- on No. 1, on the left-hand side, first you see a piano. To the left of the piano there is a bar. It's harder to see, but the bar is clad with the same carpet that was on the floor. That

was the -- you know, that's how they did things back then. And it has a wooden top and a glass bar behind it.

Q And is the bar affixed to the wall?

A Yes, it is.

Q So, it's something permanent there?

A Yes, it is. It's -- yes. In the second picture you see a different version of that. You see that the glass has changed. The mirror has changed. And the side is now clad with stone, not carpet. In the listing photo, you see actually two additional rendition. I didn't have one in between. You would see the bar now has customized mirrors. There is granite, a granite frame all the way around the upper portion of the bar. The bar top is also green granite, matching, that rolls around the bottom. And inside the bottom there is stone also.

Q Taking a look at Exhibit 1, page 2, what do we see?

A So, every few years with the sun we had to change the curtains. On the lower right-hand side, you see the sales picture. And on the left-hand side, you see my various family members standing in front of the same location in our condo, and the curtains are different in each one. We went from curtains to curtains to blind to shades to curtain to -- to blinds.

Q Okay. With respect to Exhibit 1, page 3, what do

we see?

A The -- you -- you -- by the way, you also see the fireplace here, but I want to direct your attention please to the bar. You -- on the upper left-hand corner you see a different marble cladding the fireplace, and the fireplace is two-sided. On the lower picture, you see the other side of the fireplace in a subsequent picture. On the left-hand side of the lower left-hand corner where two ladies are standing, you see a yellow marble column. That broke during the earthquake on both sides. And the only other picture I could final subsequently is the final picture of the fireplace that looks very different than the first two.

Q Okay. With respect to Exhibit 1, page 4, what do we see.

A Okay. We changed the floors every so often. Part of it is in -- in -- I have a large family. So, there are family get together and people dancing and people below get upset. So, on the right-hand side, you see a number of pictures. The first -- the first one shows my wife with the two kids, and you can see marble floor behind them. Below that you see a young lady, my daughter, sitting down, and you see carpet in that same area.

You see that's a different carpet in the picture

above it, a lady in blue holding a baby. You see the fireplace and the carpet with the two vertical columns in another picture. There is a graduation picture below that, and behind there you see a different floor than you finally see in the two sales pictures.

Q Okay. With respect to Exhibit 1, page5, what do we see?

A This was the document the -- the kitchen. So, in the two left-hand pictures, you see one of us sitting in the kitchen, and another one you get a peak-a-boo look at the kitchen. And I direct your attention to the dark cabinets. In the right-hand side, you see the same kitchen. You can see the same doors -- glass doors to the left-hand side. You see the kitchen. And then in the last picture on the lower right-hand, if -- if I -- I can provide this picture so you can zoom. You see a peak-a-boo picture of the cabinets, and you see the matching color of the cabinets showing that at the time of sales these were the cabinets.

Q With respect to Exhibit 1, page 6, what do we see?

A In this picture -- in this exhibit, I tried to capture the different lighting that we had over the years that we'd replaced. You see chandeliers. You see sconces. You see a different chandelier. And finally,

you see canned lights in the ceiling. What I don't have pictures of are improvements to the bathrooms. And frankly, we don't take pictures in the bathrooms.

Q And with respect to Exhibit 1, page 7, this is not related to the Santa Monica property, what is -- what is this picture?

A In the -- in the ruling from the appeal letter that came up, it is stated that the investigator had determined that 9465 Charleville was the headquarters of Kreation Juicery; and -- and the corporation was registered as such. 9465 Charleville is a 600-square foot hole in the wall juice bar that I have taken a picture of. That was the first store we opened. We didn't think Kreation was gonna go from one hole in the wall to 15 restaurants and juice bars in three years. So, that was the address we used. We had a factory that -- that made bottled juice. Our paperwork was there. I conducted all of my business at home.

MR. SLAVETT: Just for clarification, it seemed that the FTB auditor made conclusion that - that Mr. Madjidi could not be working from his home in Gretna Green because the corporation documents for Kreation somehow had a Charleville address. And so this is just to show what Charleville is. Okay.

BY MR. SLAVETT:

Q All right. So, with respect to the -- the Gretna Green Way property, it's your testimony today that you had an office there and conducted your -- your personal and -- and business out of that -- your personal financial items and your business out of the Gretna Green property and used that address on -- on -- on all related documents. Tell us a little bit about that?

A Certainly. I didn't have a home office at Santa Monica. I am a full -- at the time I was a full-time professor, so I taught a full load of courses at -- at Pepperdine; and some of them online, some of them in person. I had the Kreation business that just blew up and faster than I could ever imagine. And also, we had a small property that we rented for a while. Everything I did I did at Goshen -- I'm sorry -- at the Gretna Green. Ocean Avenue was where my mom lived with us. God bless her soul. She loved to go open the mail and take things out and put them anywhere. And, you know, I just wanted one place where all of my business stuff went, and nobody else touched them, opened them, or did anything with them.

I needed a place that I could work. A quiet place that could, you know, put my stuff in, have my computer there and work. And we were never planning to sell Ocean Avenue, and we were gonna keep Gretna Green until we either rented it and -- you know, or kids moved

into it. And it was very convenient. I also got to watch football there without anybody bothering me.

Q All right. So, just on that line of discussion, Exhibit L and Exhibit O are -- are bank statements, and the address is Gretna Green Way. Why is that?

A I received all of my mail at Gretna Green Way.

Q Okay. And similar then, we would expect to see Exhibit P. There's a check made out to Park Plaza Homeowners, which you obviously had to pay because you owned, but it has the Gretna Green Way. Why does it -- the checks have Gretna Green Way on there?

A Everything that I did that had to do with business, finances, or anything, I did from the Gretna Green Way. So the mail would come over there, and I worked there, and I kept everything there.

Q And even the property tax statement Exhibit R for the Santa Monica property didn't go to Santa Monica.

A No.

Q It went where?

A It went to the Gretna Green Way. No reason for anything to go to the Santa Monica.

Q Okay.

MR. SLAVETT: I have no further questions, Your Honor.

JUDGE FAMULARO: Okay. Thank you, Mr. Madjidi,

for your testimony.

MR. MADJIDI: Thank you, Your Honor.

JUDGE FAMULARO: Respondent, would you like to cross-examine Mr. Madjidi? Do you have any questions for him?

MS. KUEHL: Yes.

CROSS EXAMINATION

BY MS. KUEHL:

Q I have one clarification question on Exhibit 1, page 5. You said that one of the kitchen photos was as it was sold. Were you referring to the sale that you bought it for in 1977 or in 2017?

A In 2017.

Q And you're referring to the upper left-hand corner kitchen photo?

A The lower right-hand and upper right-hand photos are of the same kitchen at the same time.

Q In 1977?

A No. I'm sorry. The upper -- the lower -- I'm sorry. I'll get it together.

The pictures on the left-hand side I'm trying to judge what year. They were different years. It wasn't 1977. It wasn't 2017. I look in my 40s. I -- we bought the place when I was in my late teens, so somewhere in the

1900s, maybe 2000.

MR. SLAVETT: Nineteen-nineties.

MR. MADJIDI: Yeah, 1990. Gave away my -- the two on the right-hand side are the latest pictures I could find of the kitchen.

MS. KUEHL: No further questions. Thank you.

JUDGE FAMULARO: Okay. Thank you.

So, at this time, the panel members may have questions to ask you. I'm going to go ahead and start with some of the questions that I have.

One of the questions I had regarding your Exhibit 1, in these pictures I wanted to just ask you about each of the pages. And if you can, give us the approximate date to the best of your recollection when these pictures were taken. Not the ones on the right-hand side that obviously were taken right before the property was sold, but of the other pictures that are mostly on the left-hand side.

MR. MADJIDI: The picture on the upper left-hand corner, I know it's on the March 20th, but I don't know the year. It's the Iranian New Year, and that's the ceremonial spread that we have. Judging by the age of the people in there, it's probably late '80s, early '90s.

JUDGE FAMULARO: Okay. And then going to page 2.

JUDGE KLETTER: Sorry. Just a clarification

picture, the picture under the spread where they're in front of the bar, is that also the late '80s, early '90s?

MR. MADJIDI: No, Your Honor. That would be much earlier, probably early '80s. This one is early 80s.

MR. SLAVETT: The top left, page 1, what do you believe the top left is?

MR. MADJIDI: Early '80s.

MR. SLAVETT: What about the bottom left?

MR. MADJIDI: Early '90s.

JUDGE FAMULARO: Okay. So, I'm sorry. Just for clarification, the top left-hand corner early '80s. The bottom left-hand corner early '90s. Is that --

MR. MADJIDI: Yes, Your Honor.

JUDGE FAMULARO: -- what you're testifying to? Okay. Okay.

Thank you, Judge Kletter for the clarification.

Okay. Now, going to page 2. So, again, all the pictures, other than the most recent picture in the bottom right-hand corner, when approximately were these pictures taken?

MR. MADJIDI: I can tell you sequentially, and I'll do my best to pin them to a year. The upper left-hand corner where my late mom is standing, that's probably the earliest of the pictures.

MR. SLAVETT: Would that be early '80s, late

'70s?

MR. MADJIDI: Late '70s, early '80s. The picture below it is maybe ten years later. I'm trying to judge by how old I think I am in that picture. The two pictures up top are five years apart because my -- I can tell my -- my daughter; the young lady in the pictures.

MR. SLAVETT: And -- and the top middle picture of your daughter, approximately what year was that?

MR. MADJIDI: About 25 years ago or so.

MR. SLAVETT: How old do you think she is in that picture?

MR. MADJIDI: I think she's like 9, 10.

MR. SLAVETT: Was she born in 1985, or is it --

MR. MADJIDI: Yes.

MR. SLAVETT: So, that's somewhere in the mid-'90s?

MR. MADJIDI: Yes.

MR. SLAVETT: And the picture to the right of that picture?

MR. MADJIDI: I think Bobby is in there, my son. And so I think five years.

MR. SLAVETT: Probably early '90s or so?

MR. MADJIDI: Yes. The --

JUDGE FAMULARO: I'll stop you just for a quick second. An observation that my co-panelists just made,

Judge Kim, is that the center picture has a date on it. It has 1996 on it. Your -- your recollection is accurate. So, please go ahead and continue.

MR. MADJIDI: The picture in the middle of the page is at least early 2 -- you know, early 2000s, maybe a little later, this one. And the last picture on the lower right-hand corner is the picture on the listing of the condominium.

JUDGE FAMULARO: Okay. Thank you. So then page 3, the two pictures on the left-hand side; when -- when do you think those were taken?

MR. MADJIDI: This is where my daughter is three-years old. So --

MR. SLAVETT: Late '80s.

MR. MADJIDI: Late '80s. The other one is -- the lady in the blue is my sister-in-law. That's her wedding, so maybe 10 years later.

MR. SLAVETT: So, mid-'90s --

MR. MADJIDI: Yes.

MR. SLAVETT: -- late '90s?

MR. MADJIDI: Yes.

MR. SLAVETT: What do you think? Late '90s? Say it in the microphone.

MR. MADJIDI: Sorry. Late '90s. Yes.

JUDGE FAMULARO: Okay. And, Mr. Slavett, I would

just ask you not to prompt your witness.

MR. SLAVETT: I understand. I realize I was doing that.

JUDGE FAMULARO: And so moving on to page 4. The pictures, this time they're all on the right-hand side. When -- when do you think that these were taken?

MR. MADJIDI: So, the one that I -- with my graduation is 1991. The -- the one with the lady in the blue holding a baby would be 1986, roughly, because my daughter was nearly born. The one next to it with my wife and the two kids, the kids are in their -- 12 -- so, late '90s. The one in the center of the page depicting my mom and I, that's very early; so, early '80s.

JUDGE FAMULARO: Okay. So, I just wanted to make sure I understand. I think I -- I got four of the pictures. I think the one -- the one of the young girl at the bottom left-hand corner, when was that taken?

MR. MADJIDI: So, late 1990s, early 1920s.

MR. SLAVETT: Which -- which --

MR. MADJIDI: This one.

MR. SLAVETT: Are you talking about the bottom all the way to the right or the --

JUDGE FAMULARO: To the left. So --

MR. MADJIDI: Oh. Oh, to the left, no. No. That would be -- she's about 5 or 6-ish, so '91-ish.

JUDGE FAMULARO: And then the one at the very top right-hand corner?

MR. MADJIDI: The kids are early teens. So --

JUDGE FAMULARO: So, when I'm saying top right-hand corner, I'm sorry. I'm talking about the girl specifically sitting by herself.

MR. MADJIDI: Oh, then '97, '98.

JUDGE FAMULARO: Okay. Thank you. So, turning to page 5, I heard you testify earlier that the -- those two pictures, the top picture and the bottom picture were taken approximately at the same time in the late '90s. Is that -- is that still correct? Did I understand you correctly?

MR. MADJIDI: Within five or six years of each other. Not at the time. Because --

JUDGE FAMULARO: And the -- and the first picture was taken in -- was taken when? I'll ask you to -- to clarify, please.

MR. MADJIDI: I'm doing my best to estimate. Early '90s.

JUDGE FAMULARO: Okay. Thank you. And so the -- and I understood, from your testimony, the top right-hand picture is a picture -- is one of the listing pictures. That's one of the more recent pictures that you had provided; is that correct?

MR. MADJIDI: Yes.

JUDGE FAMULARO: Okay. So, it's just darker in the pictures. So, I think that's why I just wanted to clarify it. Okay. Going to page 6, the three pictures that are on the left-hand side, when were each of those taken approximately?

MR. MADJIDI: Late '90s.

JUDGE FAMULARO: And that's for all three pictures?

MR. MADJIDI: The top two -- the -- the one on the lower left-hand corner of the page depicting a gentleman in a white suit, that -- that's probably late '80s.

MR. SLAVETT: The bottom left.

MR. MADJIDI: The bottom left.

JUDGE FAMULARO: Okay. And the two top pictures late '90s? Is that what you said?

MR. MADJIDI: Yes. Late '80s.

JUDGE FAMULARO: Oh, okay. And I also had a question going to page 7. I wanted to understand when the pictures here were taken of your business, the Kreation Juicery that you have depicted here.

MR. MADJIDI: They are fairly recent. I went online, and I searched for -- on Yelp for pictures -- recent pictures of the store, and I find these.

JUDGE FAMULARO: Okay. So, I understood from your testimony that during the period when -- when you moved, I think between 2000 -- or during the time that you bought the Gretna Green Way property; so, that -- that period between 2010 and '20 -- or I guess -- I'm sorry -- 2014 and 2017, between -- between that period you mentioned that you had a smaller business location, and it's this location, which was -- which was, I think you said, about 600 square feet. But you're saying this picture is an accurate picture of the business location that you testified about; is that correct?

MR. MADJIDI: May I explain, Your Honor?

JUDGE FAMULARO: Please.

MR. MADJIDI: So, Kreation had, at the time of the settlement, 15 stores. Each store was incorporated by itself. So, the store on Charleville was incorporate by itself. The store on Abbot Kinney was incorporated by itself, et cetera, and I have the list of that. So, yes, at the time this was a business entity, 640-square foot, roughly; and we had multiple other restaurants. We had three restaurants and 12 juice bars.

MR. SLAVETT: It was -- it was a retail location, right?

MR. MADJIDI: It was a retail, yes. It was a retail location. There was no office space. Most of it

was a store front with refrigerators and a counter to make juice. And in the back we had a restroom and storage and refrigerators.

JUDGE FAMULARO: Okay. For clarification, you mentioned that there are 15 separate stores. Were the other stores similarly situated, or were those different location? Were those -- the configuration, were those different?

MR. MADJIDI: I -- I believe there was one larger, and the rest were about the same or smaller.

JUDGE FAMULARO: Okay. And did any of those spaces have office space?

MR. MADJIDI: No, Your Honor.

JUDGE FAMULARO: Thank you. I wanted to ask you to clarify about the Goshen Avenue property. You mentioned that -- that it was sold, I believe, in 2010. Is -- so, is -- is that correct? So, when did you -- did you -- regarding the Goshen Avenue property, let me first ask you why -- I understand your testimony to -- to be that your family needed more space. You needed more sound proofing. This was a bigger location. And is it your testimony that you purchased the Goshen Avenue property?

MR. MADJIDI: Yes.

JUDGE FAMULARO: When did you purchase it?

MR. MADJIDI: Kids were going to school, so '91,

'92.

JUDGE FAMULARO: Okay. And you -- your -- your testimony is that you lived in the Goshen Avenue property from 1994 to 2010; is that correct?

MR. MADJIDI: I don't remember the beginning of the date but to 2010, yes.

JUDGE FAMULARO: Okay. And did you sell that property?

MR. MADJIDI: Yes.

JUDGE FAMULARO: When did you sell that property?

MR. MADJIDI: We sold the property and bought Gretna Green.

JUDGE FAMULARO: So, okay. That would -- so, that would have been in 2014 that you sold Goshen Avenue? I want to understand that I make sure that I understand this timeline. So, I understood. Let me -- let me back up a little bit. So, the Santa Monica property, you purchased it in 1977. It was sold in December of 2017. You -- your testimony and your position is that you lived in the Goshen Avenue address from 1994 to 2010; is that correct?

MR. MADJIDI: I'm trying to figure out the '94. So, may I refresh my recollection --

JUDGE FAMULARO: Yes.

MR. MADJIDI: -- a little more.

JUDGE FAMULARO: And would you -- would you like a few minutes? We can give you a few minutes.

MR. MADJIDI: No. It's just the font is very small. I have a -- that's correct.

JUDGE FAMULARO: Okay. So, you -- you lived -- you lived in the Goshen Avenue property from 1994 until 2000?

MR. MADJIDI: 2000 --

JUDGE FAMULARO: Two-thousand ten.

MR. MADJIDI: Yes.

JUDGE FAMULARO: I apologize. Until 2010. Okay. And you're saying that you sold that property. When was that sold?

MR. MADJIDI: Same year. I apologize for being confusing. These are -- we -- we sold Goshen, and we bought Gretna Green. So --

JUDGE FAMULARO: Okay.

MR. MADJIDI: -- let's see if I can find the date.

JUDGE FAMULARO: Okay. And I understood from your testimony and from your briefing that you moved from the Goshen Avenue property in 2010 into the Santa Monica --

MR. MADJIDI: That's right.

JUDGE FAMULARO: -- property. What -- what were

you doing with the Goshen Avenue property from 2010 until the period that you said you sold it in 2014?

MR. MADJIDI: Thank you. Same thing I did when we bought Gretna Green. I had an office there, and the kids had their rooms there. That -- my kids went to Pepperdine, and it was a lot easier and cheaper to keep them at home than to pay dormitory rates there.

JUDGE FAMULARO: So, you had an office and your kids. They're adult children at this point. They're living there, and you had your office --

MR. MADJIDI: That's right.

JUDGE FAMULARO: -- at the Goshen Avenue address. But you and your wife and your mother moved backed to the Santa Monica property --

MR. MADJIDI: That's correct.

JUDGE FAMULARO: -- in -- in 2010?

MR. MADJIDI: That's correct.

MR. SLAVETT: The mother had always -- never left there. The mother was there. He moved back in when his father died in 2010.

MR. MADJIDI: My parent lived at Ocean Avenue from 1977. My dad died in 2010, and my mom moved out when we sold the property.

JUDGE FAMULARO: Okay. What did -- what did -- who -- during the period that you after -- when you bought

the Gretna Green Way property, you said that your -- your children had been living at the Goshen Avenue property until the -- until 2014. And that's when you -- you testified that you bought the Gretna Green Way property. Is it your position then that your children moved out of the Goshen avenue property? And where did they go?

MR. MADJIDI: The problem with the Ocean Avenue Santa Monica property wasn't space, 3,300-square feet. Kids would run around and make everybody upset. So, we bought Goshen Avenue nearby because it was on the first floor, and they could run around and do whatever they wanted to do. When they grew up, they went to school, and when they went to college they stayed home. They stayed at Goshen Avenue. We moved back with my mom after my dad died, and I held -- I kept my office there.

JUDGE FAMULARO: Where -- where did your children go after you sold Goshen Avenue?

MR. MADJIDI: They moved to Gretna Green.

JUDGE FAMULARO: Okay. And what is the size -- I'm sorry. What is the size of the Gretna Green Way property? How many bedrooms? How many bathrooms in the approximate square footage?

MR. MADJIDI: Approximate square is about 4,300-square foot, and four bedrooms, four-and-a-half bathrooms, approximately.

JUDGE FAMULARO: Okay. I wanted to change my line of questioning a bit. And I wanted to ask you specifically about the improvements that were made and your testimony regarding the improvements. Who paid for the improvements that were made?

MR. MADJIDI: I did.

JUDGE FAMULARO: For the all the improvements, including the improvements going back to, I believe it was the one -- the first description was a build out in 1977 of $135,000. You paid for that?

MR. MADJIDI: The build -- the build out I -- that, I very specifically remember I did because we were allowed to bring money out of Iran in $500,000 bunches, and it all went for -- for buying Ocean Avenue. My parents had money when we first came. They -- they didn't have -- they didn't have recurring money. So, they spent out their money over the years. So, originally they helped out. They, you know, some of the -- remolding early on they paid for. But toward the end of their life, I was the only moneymaker at the -- at the family.

The Gretna Green property was a once in a lifetime opportunity in terms of a business transaction. This was somebody who had built the custom home, ran out of money -- about 85 percent down -- needed cash immediately. I could sell Goshen Avenue, move to the made

up part of the house, the part that was completed. So, that's why we moved the kids and then went to Gretna Green.

JUDGE FAMULARO: Okay. I understand. So, I just want to clarify though, with respect to the -- the payments for these improvements. So, starting -- starting with the first one, the one in 1977. Your position is that you paid for that.

MR. MADJIDI: Yes, Your Honor.

JUDGE FAMULARO: The second one in 1984, $95,000; who paid for that?

MR. MADJIDI: I'm relying on my memory, but most likely my dad. I'm -- I'm going with memory because they still had money.

JUDGE FAMULARO: And so, the $60,000 listed --

MR. MADJIDI: The -- the master bathroom one, yes.

JUDGE FAMULARO: Who -- who paid for that?

MR. MADJIDI: Again, I'm going by memory, most likely my dad.

JUDGE FAMULARO: Okay. Then the earthquake 1994 expense of $275,000?

MR. MADJIDI: I think I paid most of it.

JUDGE FAMULARO: Okay. And then the remodel in 2006 of $87,000?

MR. MADJIDI: We may have partially paid. I honestly -- so, we had a bank account on Union Bank in Santa Monica on Montana, and my dad used to walk there. It's very important in my culture to let the patriarch save face. So, I would deposit money there, and, you know, my dad would write checks. And he had his own money there, but that money -- that bank account always had money. So, most of this came from them. Now, what portion of it was my dad, what portion of it was mine, I -- it's been so long.

JUDGE FAMULARO: Okay.

MR. MADJIDI: But the goal was to make him feel like he's still, you know, head of the family, and he's still taking care of all of us.

JUDGE FAMULARO: And so, just to -- the last one just to complete my question. So, for '20 -- for 2010, the $225,000, the same -- same thing or do -- it was different?

MR. MADJIDI: No. No. That was me.

JUDGE FAMULARO: Okay. Okay. I wanted to ask you. You mentioned the -- the design letter. You mentioned that Hootan is an architect --

MR. MADJIDI: Yes, Your Honor.

JUDGE FAMULARO: -- and that you paid contractors and subcontractors to do the -- to do the work. I wanted

to first ask you. How was -- how was the design -- designer listed here, the one who signed this letter, how did he come up with these amounts -- these total amounts?

MR. MADJIDI: Okay. So, one of the -- when -- when we wanted to file our tax, I needed an expert to hold me -- help me estimate what each of these renovation had cost. So, like the $60,000 for the two -- Ocean Avenue has his and her master bathroom, fairly large. So, I consulted with him and said, "You know, we did this. We did this. How much does it cost to update a bathroom from this condition to that condition? You give me estimate."

With the $220,000 I said I want to do this with the kitchen. I want to remove this portion of the wall. I want to get a bigger refrigerator. We want to change the floors. We want to change that. Can you price this out for me? And his estimate was $220,000.

JUDGE FAMULARO: Okay. So, these are estimates that he gave you for both of these projects, but he didn't actually do the work; is that correct?

MR. MADJIDI: No. He's an architect. He's a designer.

JUDGE FAMULARO: Okay.

MR. MADJIDI: He doesn't contract.

JUDGE FAMULARO: Did you pay him any -- yes.

THE HEARING REPORTER: Excuse me. Can you both

please wait for each other to finish your sentences?

JUDGE FAMULARO: I'm sorry.

MR. MADJIDI: My apology.

JUDGE FAMULARO: Did you -- did you pay him any amounts to do these projects?

MR. MADJIDI: He also was the architect for Kreation endeavor, so no. He would do that for me as a favor.

JUDGE FAMULARO: Okay. I also wanted to clarify your testimony regarding your files being thrown away. I believe you used that -- those -- you know, that term. Can you provide a little more clarification as to what happened to your files?

MR. MADJIDI: Certainly. So, when we came -- came to a point when we -- we needed money fast, so we had to sell Ocean Avenue. So, we talked to the broker, and we said, "We need to sell this. We need to stage this."

And he said, "Okay. You know, I'm going to come in, and I'm going to move the furniture here. But get rid of all your stuff."

And by now I have Kreation. I have a full time job, and I have a disaster on my hand with the -- with the trial. So, we hired somebody to clean the place up. And I said put this -- put these things in the -- in the storage. The storage is over there is like -- you know,

like, in the garage when you go in, there's spaces, and they have like a cage. And I said put everything in the cage. Throw away everything else. And that cage is about six-foot deep. So, he said we did that and, you know, hired a guy and went in there and did that and took the rest of the trash out. When -- after we sold the building and I went back to collect our stuff from the cage, the filing cabinets were gone.

JUDGE FAMULARO: Okay. And what -- and what were -- what specifically was in those filing cabinets with respect to the appeal and the issues --

MR. MADJIDI: Tax returns --

JUDGE FAMULARO: -- in this case?

MR. MADJIDI: -- receipts, medical records, academic records.

JUDGE FAMULARO: Okay. But, specifically, you mentioned tax returns. Anything else specific to the issue in this case regarding your basis in the property?

MR. MADJIDI: If -- if I still had those files, I could document my expenses.

JUDGE FAMULARO: Okay. And did you -- were any permits pulled for the work that was done to the Santa Monica property?

MR. MADJIDI: The -- the subcontractors would pull their own permit. I would general manage the

project. I have degrees in engineering construction.

JUDGE FAMULARO: Okay. So, there were permits that were -- were pulled for the work that was done; is that right?

MR. MADJIDI: I did not pull the permits, but yes.

JUDGE FAMULARO: Okay. I -- I appreciate -- I appreciate your answers. I don't have any additional questions at this time, but I'm gonna ask my co-panelists if they have any -- any questions at all.

I'll go ahead and start with Judge Kim.

JUDGE KIM: Thank you.

Mr. Madjidi, you stated that the Gretna Green property was undergoing construction. Can you -- can you explain that a little more, like, when -- when construction happened, and when it was completed?

MR. MADJIDI: Yes, Your Honor. So, Gretna Green and Goshen Avenue are very close, about quarter of a mile away, and -- and it is on my way home when I -- when I drive there. So, I watched this -- this house starting to be built. It went up really nicely. It was really pretty, and then they stopped construction. And then one day I was at the store and this lady comes in and, you know, goes, "Well, how are you guys doing? You know, are you interested in a property?"

I go, "Where?"

They go, "On Gretna Green."

Sorry. I'm telling the story. Let me -- I apologize. I'll get to the point.

So, the house was about three quarters of the way, 80 percent done. The shell was done. A lot of improvements inside were done. Part of the kitchen was done. But she ran out of money, and she was in default. So, she offered to sell the house to us. And it was a, you know, buy of an opportunity of a lifetime for an investment. And so we bought it, and I started fixing it up little by little. I -- I -- if I -- I -- I have some pictures, if it's --

JUDGE KIM: So, you're saying that your children moved in, and then you completed construction little by little?

MR. MADJIDI: Yes, Your Honor. There is a main house. There is a 930-square foot garage. And top of the garage there's a fully functioning one-bedroom guest house. The front of the house were facing the yard where my office was. And the bathroom and the kitchen was -- those were done. The guest house was fully done.

JUDGE KIM: Okay. Thank you.

MR. MADJIDI: Yes, Your Honor.

JUDGE FAMULARO: Okay. And, Judge Kletter, do

you have any questions?

JUDGE KLETTER: Yes, I have a few questions.

So, the Ocean Avenue property, that's a 3,300-square feet, three bedroom, four-and-a-half bathroom; is that correct?

MR. MADJIDI: I'm sorry. Did you say Ocean Avenue?

JUDGE KLETTER: Yes.

MR. MADJIDI: Yes, Your Honor.

JUDGE KLETTER: So, when you purchased the property in 1977, did it have, you know, work -- let me ask it a different way. Was the amount of bathrooms increased, or the amount of bedrooms increased?

MR. MADJIDI: No, Your Honor.

JUDGE KLETTER: So, you mentioned that the -- switching gears. You mention that the Goshen Avenue property was sold, and then you acquired the Gretna Green property. Was there a gap in time between when the children were living in the Goshen Avenue property and when they, you know, moved to the Gretna Green property?

MR. MADJIDI: No, Your Honor.

JUDGE KLETTER: And then also, you mentioned that you general managed the projects, the remodels on the Ocean Avenue project. You know, in this appeal you reached out to the designer and also the property manager,

I believe the Ocean Avenue property. Do you -- were you unable to reach out to or get invoices from those subcontractors who did the remodels?

MR. MADJIDI: I was not able to. It's 20, 30 years. Hence, most of those -- you know, some had passed on. Some had moved out of the state.

JUDGE KLETTER: I understand. I don't have any more questions. Thank you.

JUDGE FAMULARO: Thank you, Judge Kletter.

Okay. So, Respondent, you have 30 minutes for your presentation. Are you ready to begin?

MS. KUEHL: Yes.

JUDGE FAMULARO: Okay. Please begin.

PRESENTATION

MS. KUEHL: Good afternoon.

At issue in this appeal is Appellants' basis and gain from the sale of real property. Taxpayers bear the burden to substantiate capital improvements that add to a property's basis. Taxpayers also must maintain accurate books and records to support the claims on their tax returns. Here, Appellants' basis in the property as reported on their 2017 tax return is not supported by sufficient evidence. It is well settled that a presumption of correctness attends Respondent's

determinations as to issues of fact, and the taxpayer has the burden of proving such determinations erroneous. Basis is an issue of fact, which the taxpayer has the burden of proving. Here, Appellants have not met that burden.

In 1977, Appellants purchased their Santa Monica property for $377,500 and sold it in 2017 for $6,550,000. On their 2017 tax return, Appellants reported an adjusted cost basis for $1,273,617. Appellants have failed to substantiate $877,000 of expenses for claimed capital improvements. Also, Appellants' representative stated that Respondent allowed zero improvements, but that's actually incorrect. Respondent has allowed additions to basis of $19,117 for painting and lighting, but the remaining $877,000 of expenses for claimed capital improvements remains unsubstantiated.

In support of their position that they underwent a renovation in 2006 and 2010, Appellants provided a letter from a design studio, Hootan Design. Regarding the 2006 claimed remodel, the letter states that design and consulting services were provided to Appellants, and the approximate cost was $90,000. First, Appellants have not substantiated proof of payment of $90,000 towards a renovation. Second, the letter itself does not establish that any renovation occurred. For example, it is not

clear from the letter whether the $90,000 was paid by Appellants for updates, or it was simply an estimated cost for the updates. It is also unclear whether the $90,000 included payment for Hootan Design's consulting services. Moreover, the letter does not state that Appellants followed through with the remodels after any design and consulting services were provided.

Regarding the 2010 claimed remodel, the letter also asserts that Hootan Design provided an estimate for renovation for $225,000. Again, Appellants have provided no proof of payment for such renovation. And in this instance, the letter clearly refers to the $225,000 cost as an estimate. Finally, Appellant testified that the design and consulting services from Hootan Designs were favors to Appellant.

Typically, costs paid and incurred for renovations are substantiated through contracts, invoices, work permits, bank statements, canceled checks, and similar documentation. Appellants have provided none of those documents. Here, the letter from Hootan Design constitutes an unsworn statement unsupported by actual proof that any particular expenditures were incurred and paid. In Sparkman versus Commissioner, the Internal Revenue Service disallowed a taxpayer's claimed depreciation deductions in full. The taxpayer furnished a

letter from a third party in support of his depreciation losses and argued that in light of the letter, the Internal Revenue Service should apply the Cohan Rule to estimate his losses.

Pursuant to the Cohan Rule, a reasonable estimate may be made where a taxpayer has established that he or she has incurred an expense for which a deduction may be properly claimed but is unable to support the exact amount of the expense. The Ninth Circuit Court of Appeals in Sparkman versus Commissioner declined to apply the Cohan Rule, reasoning that estimations made under the Cohan Rule must be based on some reasonable evidence and testimony alone is generally considered insufficient evidence on which to base an estimation.

Similarly here, Appellants have provided an unsworn statement from a third party. However, the letter is not accompanied by any underlying substantive evidence. A Cohan-type analysis first requires that the taxpayer present reliable evidence on which to base an estimation. The letter from Hootan Design, in of itself, is not sufficient evidence on which to base an estimation. California taxpayers have a duty to maintain necessary information, documents, books and records relevant to support the claims on their tax returns, and the loss of supporting records needed to substantiate a deduction

generally does not relieve the taxpayer of his burden. Appellants maintain that it is difficult to locate records for over 40 years of ownership. However, difficulty in locating supporting records needed to substantiate their adjusted basis does not relieve Appellants of their burden. The evidence submitted is insufficient to substantiate the improvement projects claimed by Appellants on their 2017 tax return.

Next, to establish they're entitled to exclude $500,000 of gain pursuant to Internal Revenue Code section 121, Appellants must show that they used the Santa Monica property as their principal residence for at least two years between 2013 and 2017. Excuse me.

Elements that determine whether a residence is the taxpayer's principal residence include records concerning moving expenses, utility bills, and patterns of usage, addresses used for mail, whether there was a homeowner exemption, and information concerning the address used in the Department of Motor Vehicle records. In 2014, Appellants purchased a second property referred to as the Gretna Green Way property and reported the Gretna Green Way property as their address on their 2014 through 2017 tax returns. Appellants claim that the Gretna Green Way property was merely used as a mailing address, but Appellants have fail to explain why this

address was also listed as the address of their residence on their tax returns starting in 2014. Appellants also furnished a letter from the Santa Monica property manager. The letter states that to the best of the manager's knowledge, Appellants owned and occupied the Santa Monica property unit until it sold in 2017. However, this is, again, an unsworn statement. Examining all the facts and circumstances, this letter without more is insufficient to show that the Santa Monica property was used as the Appellants' primary residence during the taxable years at issue.

Finally, Respondent imposes an accuracy-related penalty based on substantial understatement of income tax. The understatement of income tax is $183,141 for the 2017 tax year. The penalty is properly calculated as $36,620. Appellants have not set forth any defenses as to the penalty. Accordingly, the imposition of Respondent's accuracy-related penalties should be stained.

I'm happy to take any questions at this time.

JUDGE FAMULARO: Okay. Let me first go ahead and -- we need to take a break, but I think we're pretty close to wrapping up.

So, I wanted to ask Appellants whether you have rebuttal to Respondent's testimony and, if so, how long do you think it would take?

MR. SLAVETT: I really only have a couple of questions, really, follow up to Your Honor's questions.

JUDGE FAMULARO: Okay. That sounds like that may take a while. So, we're gonna go ahead and take -- okay. No. We'll -- we'll -- we need a break. We'll take a break. It's more than just no. So, we'll -- we'll go ahead and take a break at this time. So, let's take a break for 5 minutes -- 10 minutes -- 15 minutes -- 15 minutes. It is now 2:58, so we'll come back at 3:13.

Thank you. And we're off the record.

(There is a pause in the proceedings.)

JUDGE FAMULARO: So, we're back on the record.

And where we are is that Appellants have an opportunity to ask questions, provide a brief rebuttal.

I understood from you, Mr. Slavett, that you didn't have questions of Respondent, but you did have some clarifying questions for the panel; is that correct?

MR. SLAVETT: I have some clarifying questions I'd like to Mr. Madjidi that relate to the questions that the panel asked.

JUDGE FAMULARO: Thank you for that clarification. You may proceed.

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REDIRECT EXAMINATION

BY MR. SLAVETT:

Q Mr. Madjidi, if you owned the condo, the Santa Monica property, why did your dad pay for some of the improvements?

A We are a traditional family. It's -- it's one money. You don't, you know, like, I'm dutiful to not let -- let my dad lose face where he could pay, you know. It's almost like a gift.

Q And your --

A I don't know if I answered that question.

Q And your dad did live there until 2010?

A Until he died. From the day we came here until he died.

Q Okay. And then with respect to the purchase of Gretna Green in '20 -- in 2014; first, in 2014 where were you living?

A When in 2014?

Q During the year 2014?

A Oh, during 2014 Goshen Avenue.

Q You were living at -- no.

A No. No. No. Sorry. In 2014 I lived in Ocean Avenue.

Q And -- and when did you move back into Ocean Avenue?

A Two thousand ten when my dad died.

Q And when you sold the -- the Gretna Green in 2014 -- I'm sorry. When you purchased Gretna Green in 2014, did you also sell Goshen in 2014?

A One transaction. The money from one escrow funded the other escrow.

Q Okay. And when you purchased Gretna Green in 2014, was there work to be done on -- on Gretna Green?

A Yes. We had one room up front with a half bathroom. So, upstairs wasn't done. All the bathrooms weren't done. The kitchen wasn't fully done.

Q And so hypothetically -- well, first you had stated that your daughters were able to move in there above the garage or some livable portion of the house; is that correct?

A Yes. There's a 930-square foot guest house fully equipped.

Q And -- and while you were living at the Ocean -- the Santa Monica property at that time, hypothetically, if you wanted to -- to move in or live at the Gretna Green in 2014, would there have been any place for you to live there? Habitable?

A We didn't have a kitchen, bathrooms to take a shower. No.

Q Okay.

A No.

Q So -- so, while the FTB would like to imply that -- that when Goshen was sold that somehow you were living at -- at Goshen, and you moved into Gretna Green. However, Goshen was -- was sold at the same time Gretna Green was purchased?

A Yes.

Q You didn't own them at the same time; is that correct?

A That's correct.

Q And -- and you -- it was -- it would be impossible for you to live -- practically impossible; is that true, for you to live at Gretna Green in 2014?

A That's correct.

MR. SLAVETT: Okay. No further questions.

JUDGE FAMULARO: Okay. So, I'm gonna to ask Respondent if you have any cross-examination or other questions that you would like to ask of the witness. Would you like a few minutes to confer?

MR. HALL: Just -- just a brief moment, Judge. Thank you.

MS. KUEHL: We're ready.

JUDGE FAMULARO: Okay. You may proceed.

MS. KUEHL: Just one question for Appellants.

RECROSS-EXAMINATION

BY MS. KUEHL:

Q You just testified that Gretna Green Way property remained unhabitable in 2014. Did you provide Respondent with any proof or substantiation that there was no kitchen, or Gretna Green Way property was otherwise uninhabitable?

MR. MADJIDI: No.

MS. KUEHL: That's all. Thank you.

JUDGE FAMULARO: Okay. Thank you.

And so, now I'm gonna ask my co-panelists if they have any additional questions of either party.

So, I will start with Ms. -- with Judge Kletter.

JUDGE KLETTER: Yes, I have just a question for the court reporter's benefit for taxpayer. Can you please spell your son's name that you mentioned in your testimony?

MR. MADJIDI: My son's name is Bobby, Robert. We call him Bobby.

MR. KLETTER: Okay. Thank you.

Then I have some questions for Franchise Tax Board; first, regarding the -- the cost basis. And, Franchise Tax Board, it's your position that there's no reasonable way to estimate the amount of improvements; is that correct?

MS. KUEHL: Yes. That is correct.

JUDGE KLETTER: So, I'm aware in other cases that the Franchise Tax Board uses means, such as a Swift Estimator, a cost expert. They may refer to records, just property tax records. And I'm curious why the Franchise Tax Board just says it's not possible to use it in this case.

MS. KUEHL: Respondent will use Swift Estimators when there is sufficient evidence indicating the taxpayer incurred an expense. But the precise amount of the expense cannot be determined, and that's from the Cohan Rule. So, estimations made under the Cohan Rule must be made on some reasonable evidence, and testimony alone is generally not sufficient evidence on which to base that Cohan-type estimation. So, here, it's our position that Appellants have not provided reasonable evidence on which to base a Cohan estimation.

JUDGE KLETTER: So, I believe that the Cohan Rule refers to if a taxpayer has incurred an expense, but the amount cannot be established. So, from my understanding, it looks like Franchise Tax Board, at various points in time, had these photographic evidence. And from the evidence, it looks like the condition of the Santa Monica property has changed. So, I'm curious, like, it -- are you able to estimate, based on these pictures or based on

other methods, what the amount of expense incurred would be.

MS. KUEHL: While Respondent will further brief on the Exhibit 1 provided today, Respondent has allowed improvements for lighting and painting, which is shown in these photos.

JUDGE KLETTER: So, I guess I'm just wondering, like, are you able to use now -- with the pictures, are you able to use the Swift Estimator, or are you able to refer to property tax records or other records to construct an estimate?

MR. HALL: Judge, I think what Ms. Kuehl is saying is, to the extent that Respondent has been able to make estimates that, you know, we believe are reasonable based on Cohan, we have attempted to do that. In terms of the photos, again, we'll -- we're going to brief the photos and -- and we're going to address those photos. But as far as, you know, what we've allowed and what we could possibly permit with a Swift Estimator, we can address that.

But also to your point, typically that's something that happens at audit. So, if -- if the taxpayer provides those photos or provides evidence that improvements have been made at audit, then that's where the Swift Estimator estimation will take place. The

protest is generally a review of the audit. It's a -- it's a, you know, an objective review of whether the audit was correct or not. At that point, you know, we would take -- take into account any evidence provided, but, you know, that may or may not include additional estimations for improvements.

JUDGE KLETTER: Okay. And then just switching gears, I have one question about the briefing, and then I have one question about the personal residence exclusion. So, with respect to the briefing, in the -- sorry this is Franchise Tax Board's opening brief on page 3. There is a reference to a document titled, "Park Plaza Quick Report" that Franchise Tax Board says was provided to them. I'm just wondering if you can briefly explain what that is, if you remember.

MS. KUEHL: Thank you, Judge. Do you know what line that's on in the opening brief?

JUDGE KLETTER: It's online 20 of page 3.

MS. KUEHL: Respondent doesn't have that in the record. However, we can include that in additional briefing.

JUDGE KLETTER: I'm just wondering if you can explain briefly what it is to your recollection. If you don't remember, that's fine. I'm just wondering if you know.

MS. KUEHL: I don't remember at this time.

JUDGE KLETTER: Okay. And then my other question -- switching gears -- is about the personal residence exclusion. So, my understanding is that Franchise Tax Board provides copies of tax returns to show that Appellants' personal residence changed in 2014; is that correct?

MS. KUEHL: That's correct.

JUDGE KLETTER: So, the 2014 return was filed in 2015; is that correct?

MS. KUEHL: Yes.

JUDGE KLETTER: Okay. So, my concern is Franchise Tax Board is referring to -- or I guess my question is, you know, Franchise Tax Board also points out that in 2017 Appellant did not claim the homestead exemption for the Santa Monica property. The question is, where did -- where did Appellant claim the homestead exemption in 2014 and 2015 and 2016? Do you happen to know?

MS. KUEHL: No, we do not.

JUDGE KLETTER: Okay. And --

MR. HALL: Judge, excuse me for interrupting. I apologize. Just as a point of clarification, Respondent's position is not that we're saying the tax return, since it listed the Gretna Green or -- yeah, the Gretna Green

property, means that proves that they lived there, but it certainly is evidence that they did not live at the Ocean Avenue property and -- or maybe I'm getting turned around here. I -- I guess what I'm trying to say is, the address listed on the tax return, for us, is circumstantial evidence, and it doesn't, you know, prove one way or the other. But certainly, it doesn't support Appellants' position.

The other thing I would point out, I believe the '20 -- the taxpayer's -- Appellants' 2013 tax return was filed in March of 2014. Whereas, Gretna Green -- the Gretna Green property was purchased after that return was -- would have been filed. So, that is consistent with Respondent's position.

JUDGE KLETTER: Yes. And just to clarify, my question is whether Respondent looked at direct evidence to determine where the primary residence was, such as the homestead exclusion.

MR. HALL: Understood.

JUDGE KLETTER: So, I don't have any more questions. Thank you.

JUDGE FAMULARO: Okay. Thank you, Judge Kletter.

And -- and so let me ask my other co-panelists if he has any further questions.

So, Judge Kim, do you have any questions?

JUDGE KIM: Yeah. I just had a question for Mr. Madjidi regarding --

So, when -- for the Gretna Green property, when was construction completed, or when was the property in ready to move in state, I guess?

MR. MADJIDI: You know, you always start construction. You never end construction. So, it was an ongoing process; a little bit -- 11 months to a year, a little over a year.

JUDGE KIM: Okay. And do you have evidence to support the ongoing construction, or when it was completed? Would you be able to provide that?

MR. MADJIDI: I can -- I can look for things, but I -- I wouldn't even know what the evidence would look like. So, there's a construction site. It's part of our day-to-day life, and you don't document things, part of your day-to-day life.

JUDGE KIM: Thank you. But you did say that there -- there was like a additional unit your something that your children moved into?

MR. MADJIDI: No. So, the person from whom we bought the house had built a garage and a guest house. She lived there, and she was building the main house. And then she ran out of money and had to sell the property. So, when we bought the properties, the kids moved into the

guest house where she used to live. I took up the front, and we started remodeling. We were in no rush.

JUDGE KIM: Okay. Thank you.

MR. MADJIDI: Yes, Your Honor.

JUDGE FAMULARO: Okay. So, for -- I just have one clarifying question for Respondent. I understood you to say that Respondent allowed a certain amount of improvements. I believe you mentioned lighting and something else. I just wanted to clarify this in Respondent's opening brief. If I could direct your attention to page 2 of the opening brief in the table that lists the various improvements that were provided by Appellant to Respondent. Item No. 7 is remodel and staging of $19,117, and that's for redo floors, clean up paint. Is that what you're referring to as the amounts that Respondent allowed?

MS. KUEHL: The painting, yes. However, there was also that amount, that $19,117 in audit was allowed for lighting which I can also clarify in the additional briefing. Not floors.

JUDGE FAMULARO: Okay. I -- I would appreciate that.

And so -- okay. With that, I don't have any further questions. I wanna ask the parties, you know, whether you have any further questions of the panel,

anything that you'd like to clarify at this time before we wrap up?

MR. SLAVETT: Nothing further.

JUDGE FAMULARO: Okay. And from Respondent?

MS. KUEHL: Nothing further. Thank you, Judge.

JUDGE FAMULARO: Okay. Thank you very much for your protections.

As indicated earlier, there is going to be additional briefing in this case. And so the additional briefing, one, is that we want to expand the additional briefing a bit. So, the additional briefing will cover Appellants' Exhibit 1; specifically, the pictures contained in Appellants Exhibit 1.

In addition, we would also like for Respondent to provide the plaza -- the Park Plaza Quick Report indicated on page 3 of Respondent's opening brief, or to explain why that document is not available.

And third, what we would also like is for -- for Respondent to specifically address whether a reasonable estimate is possible, based on Exhibit 1 that was provided by Appellants or any other evidence which is in the record.

Is -- is that all clear?

MS. KUEHL: Yes. Thank you, Judge.

JUDGE FAMULARO: Okay. And so, I just want to

also make sure that you have enough time to do that. So, I know originally we talked about 30 days. Would you like additional time to provide additional briefing?

MR. HALL: Yes, Judge. We would actually like to get a copy of the transcript, if that's possible; so, maybe 60 days?

JUDGE FAMULARO: That -- that would be fine.

And so, then Appellants, 30 days seems reasonable to me for you to respond to anything that Respondent provides in additional briefing. Is that enough time for you?

MR. SLAVETT: Yes, Your Honor.

JUDGE FAMULARO: Okay. That's -- that's great. So, as I'd mentioned before in this case, we're going to go ahead and hold the record open. The record will be held open until -- until the acknowledgement of Appellants' response to -- to Respondent's additional briefing, or the deadline for -- for filing that response has passed. And then you will receive a written opinion by the OTA 100 days after that time, so when the record is closed.

So, we're holding the record open, and right now we are -- we are going off the record.

(Proceedings concluded at 3:34 p.m.)

JUDGE FAMULARO: So, we're back on the record

because Appellant -- Appellant has asked to go back on the record to have an opportunity to clarify a question -- a response to a question from Judge Kim. And so, Judge Kim had asked about improvements or the construction that was being done to the Gretna Green Way property, and when those -- and -- and when the work was being done and the cost of those improvements and expenses.

And so, let me ask Appellant, you know, a clarifying question. Specifically, what is it that you would like to provide in additional briefing and response to Judge Kim's question?

MR. SLAVETT: To the -- to the extent --

JUDGE FAMULARO: Can -- can you turn on your microphone, please.

MR. SLAVETT: Yes. The --the testimony from Mr. Madjidi was, and my understanding, is that when it was purchased in 2014, it was not habitable for -- for many people for him, and that his daughters lived above the garage. And it is my understanding Mr. Kim was looking for maybe substantiation with respect to the fact that -- that the -- most of the house was uninhabitable and that it would be practically impossible for Mr. Madjidi to live there.

So, to the extent Mr. Madjidi can search for -- for documents establishing that those are the types of

documents. Maybe there are pictures. Maybe -- I -- I have to discuss with my client. Maybe there are cert -- I don't know if there was a certificate of occupancy that was issued before or after. So, any documents that would substantiate the testimony of Mr. Madjidi that -- that at the time of purchase it was practically uninhabitable except for maybe above the garage.

MR. MADJIDI: Actually, Your Honor asked me how long it took to -- to do the renovations and in fixing. And I was going to look to see if I had any bills I had paid eight months, ten months, a year away from when we move in. That -- those were the kinds of things that I was looking for.

JUDGE FAMULARO: Okay. And let me ask Respondent.

Respondent, would you have any objection to Appellants providing additional information and documents relating to these construction costs?

MR. HALL: Well, we -- we would just say to the extent that these are going to be considered by OTA, we'd like an opportunity to address those documents, whatever they may be.

JUDGE FAMULARO: Okay. But you have no objection otherwise?

MR. HALL: No objection.

JUDGE FAMULARO: Thank you. You've made this easier for us, and we appreciate it.

So, what we're going to do, because now both parties have information that they want to provide to OTA for us to consider in this appeal, I'm going to ask the parties to provide simultaneous additional briefing in 60 days. So, Respondent will have 60 days to provide an additional brief discussing the 3 items that -- that we previously discussed on the record, and Appellants will have 60 days to provide information pertaining to the construction, the habitability of the Gretna Green Way property.

Is that enough time for you, Appellants?

MR. SLAVETT: Yes, Your Honor. Yes, Your Honor.

JUDGE FAMULARO: Okay. And then we'll give each side then 30 days to respond to the other party's additional briefing.

Does that -- does that work for Respondent?

MS. KUEHL: Yes, Judge.

JUDGE FAMULARO: Okay. And does that work for Appellant?

MR. SLAVETT: Yes.

JUDGE FAMULARO: Okay. And so, we're gonna modify what we said earlier, and we're going to hold the record open again for 60 days and then an additional 30

days, and the record will be held open until the response to each party's additional briefing is due. Or if that is not provided, that's when the record will be closed. And then the written opinion will be issued by OTA 100 days after that date.

Do the parties have any further questions?

I'll ask Respondent first.

MS. KUEHL: No further questions. Thank you.

JUDGE FAMULARO: Okay. And Appellant?

MR. SLAVETT: No further questions.

JUDGE FAMULARO: Okay. Okay. So great.

We're gonna go off the record now. And I appreciate everybody's time. Thank you.

(Proceedings concluded at 3:40 p.m.)

HEARING REPORTER'S CERTIFICATE

I, Ernalyn 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 31st day of July, 2026.

_____
ERNALYN M. ALONZO
HEARING REPORTER