FTB EXHIBIT
B1
December 18, 2012
Scott L. Stringer and Irene Stringer
609814, 610020

RESPONDENT FRANCHISE TAX BOARD'S EXHIBITS

December 18, 2012

BEFORE THE STATE BOARD OF EQUALIZATION
OF THE STATE OF CALIFORNIA

In the Matter of the Consolidated Appeals of:

SCOTT L. & IRENE STRINGER

Appeal Case ID No. 609814

Appeal Case ID No. 610020

Deficiencies

Year	Amount
2005	$306,390.00
2005	$5,253.00

STATE BOARD OF EQUALIZATION

Appeal Name: Scott L. Stringer and Irene Stringer
Case ID: 609814, 610020 ITEM #. B1
Date: December 18, 2012 Exhibit No: 12.3
TP FTB DEPT PUBLIC COMMENT

Exchange Agreement

This instrument memorializes the exchange agreement within the meaning of Treas. Reg. §1.1031(k)-1(g)(4)(iii)(B) by and between Exchangor (defined herein), and QI (defined herein) regarding the property interests described in this instrument (the "Agreement").

Definitions for this Instrument:

"Effective Date" is the effective date of this Agreement, which is February 22, 2005.

"Exchangor" is SCOTT L. STRINGER AND IRENE STRINGER, HUSBAND AND WIFE.

Address of Exchangor is [redacted]

"Relinquished Property" ("RQ") is that certain property described as 25% UNDIVIDED INTEREST OF [redacted], APNS: 085-002-006, 085-048-053, 085-002-053, 085-002-054, 085-002-055, 085-002-056.

"QI" is 1031 Connection, Inc., the Exchangor's qualified intermediary, within the meaning of Treas. Reg. §1.1031(k)-1(g)(4), for the Exchangor's exchange. Address of QI is [redacted], telephone [redacted]

"Replacement Property" ("RP") is the property the Exchangor seeks to acquire in exchange for the Relinquished Property. Exchangor intends to identify the Replacement Property timely and properly pursuant to IRC §1031(a)(3), Treas. Reg. §1.1031(k)-1(c), and other applicable law. "Replacement Property" may be one or more properties, may consist of property not yet produced as of the date Exchangor transfers Relinquished Property to QI, or may be an undivided fractional interest of one or more properties.

"RQ Contract" is the contract under which Exchangor is required to sell the Relinquished Property to a third-party buyer.

"RP Contract" is the contract under which Exchangor has a right to purchase the Replacement Property from a third-party seller. The RP Contract may or may not be in existence as of the Effective Date. The RP Contract may be one or more contracts for one or more specific replacement properties pursuant to the exchange contemplated by this Agreement.

"RQ Closing Date" is the date at which the Relinquished Property is transferred to a third-party buyer under the RQ Contract.

"RP Closing Date" is the date at which the Replacement Property is transferred from a third-party seller under the RP Contract. In case of more than one RP Contract, the RP Closing

Exchangor initials _____ _____

Wws #2 9/2/04

AGREEMENT FOR CONSULTING SERVICES

Consulting Agreement w/ Stringer

This Agreement for Consulting Services ("this Agreement") is made and entered into as of September 9, 2003 between MONTEREY DEVELOPMENT GROUP, LLC, a California limited liability company ("Client") and SCOTT STRINGER ("Consultant") for the purposes and upon the terms and conditions hereinafter set forth.

RECITALS

A. Client has negotiated and entered into a written contract (the "Contract") with VIRTUOSO DEVELOPMENT COMPANY, LLC, a California limited liability company ("Virtuoso"). The Contract comprises the three following written agreements: (i) the agreement entitled *Purchase and Sale Agreement and Joint Escrow Instructions* dated as of June 3, 2003, (ii) the first amendment thereto entitled *First Amendment to Purchase and Sale Agreement and Joint Escrow Instructions* dated as of June 3, 2003 and (iii) the second amendment thereto entitled *Second Amendment to Purchase and Sale Agreement and Joint Escrow Instructions* dated as of June 3, 2003. The Contract both entitles and obligates Client to purchase approximately 6.14 acres of land (the "Property") located in the City of San Ramon (the "City"), County of Contra Costa, State of California. Client anticipates that Client will acquire the Property pursuant to the Contract and then will hold the Property for investment and in due course Client or a successor in interest to Client will sell the Property to a third party.

B. Consultant is familiar with the Property and is also familiar with land use and land entitlement regulations and procedures in the City.

C. Client wishes to engage Consultant, pursuant to the provisions of this Agreement, to consult with Client and advise Client concerning ways and means to realize Client's goals with respect to the Property.

D. Consultant is willing, pursuant to the provisions of this Agreement, to accept the engagement which Client has proposed, as said engagement is described in this Agreement.

AGREEMENTS

NOW, THEREFORE, in consideration of the Recitals and the mutual covenants herein, the sufficiency of which Client and Consultant each acknowledge, Client and Consultant hereby agree as follows.

1. **Term of this Agreement.** The term of this Agreement, and the responsibilities, rights and obligations of the parties hereunder, shall commence as of the date of this Agreement, and shall terminate upon the sale of the Property to a third party which is not an affiliate of Client.

2. **Scope of Engagement.** Consultant shall provide its services to Client at any time and from time to time during the term of this Agreement promptly following the request for specific services from Client. If any services which Client shall request are not clear to Consultant, Consultant shall immediately confer with Client for the purpose of clarifying, articulating and enumerating the tasks which the particular service request encompasses. If Client requests, Consultant shall promptly provide a written memorandum to Client which (a) summarizes the tasks which have been requested (and, if a conference occurs, subsequently clarified) and (b) sets forth a schedule for the sequence in which the tasks will be undertaken including reasonable estimates of the time frame for completing each task. To the extent completion of any task requires information from or participation by Client, Consultant shall refer to such needs in the written memorandum.

3. **Limitations.** Consultant shall make no statements or representations on behalf of Client to any person whomsoever (including, without limitation, Virtuoso, other property owners in the City, potential purchasers of property in the City and/or the County of Contra Costa, potential lenders, and/or governmental officials) unless Consultant has first obtained the written assent of Client to each such statement or representation. Authorization for one statement or representation shall not constitute authorization for any subsequent statement or representation, even to the person or entity to whom the original statement or representation was addressed. Consultant shall have no authority to hire other consultants (such as civil engineers, soils engineers, architects, appraisers, lawyers, and accountants) or to contact real estate brokers or real estate salesmen or other persons interested in the Property unless Client has expressly authorized Consultant in writing so to act. Consultant hereby expressly acknowledges that Consultant is not and shall not act as Client's agent or representative and shall, if necessary to make his status clear to any third party, explicitly disavow in writing that he is an agent or representative of Client and take any other actions reasonably necessary to negate any impression that he is authorized to act on behalf of Client.

4. **Consultant's Compensation.** In consideration for the willingness of Consultant to enter into this Agreement and to provide the services of Consultant hereunder, Client shall pay Consultant a fee equal to Sixteen and One Third Percent (16.333%) of the net profits which Client realizes from the sale of the Property to an unaffiliated third party.. Payment shall not be due until such time as Client has fully liquidated Client's entire interest in the Property but shall be made within a reasonable time (not to exceed ninety days) thereafter. For purposes of this Section 4, "Client's interest in the Property" shall be understood

STRINGER DEVELOPMENT COMPANY
675 Hartz Avenue
Suite 204
Danville, Ca. 94526
Phone 925-831-9179
Facsimile 925-831-9368
scottlstringer@aol.com

May 9, 2003

Mr. Brian Velthoen
Velthoen Associates
1700 Standiford Avenue
Suite 130
Modesto, California 95350

Re: Estate of Ward and Charlotte Cramer
Modesto, California
Non-Binding Letter of Intent

Dear Brian:

Scott L. Stringer ("SLS") , and/or its assignee ("Buyer") proposes to purchase the property described in Paragraph 3, on the terms and conditions set forth in this letter from the Estate of Ward and Charlotte Cramer ("Seller").

1. Seller: The Estate of Ward and Charlotte Cramer, George Malloch, Executor.

2. Buyer: A to be formed Entity with SLS as a principal.

3. Property: The Property consists of five (5) parcels totaling approximately 46.084 acres located in Village One on the West Side of Claus Road and the North and South Side of Floyd Avenue, Modesto, California. The APN numbers are as follows: APN 85-02-56 (9.251 acres), APN 85-02-55 (8.244 acres), APN 85-02-54 (9.237 acres), APN 85-02-52 (8.810 acres) and APN 85-02-53 (9.542 acres).

4. Purchase Price: The Purchase Price shall be FIVE MILLION SEVEN HUNDRED SIXTY THOUSAND FIVE HUNDRED DOLLARS ($5,760,500) payable all cash at the close of escrow.

5. Deposit: Buyer shall deliver to Escrow Holder the sum of Fifty Thousand Dollars ($50,000) as a refundable Deposit during the Due Diligence Period described in Paragraph 8. At such time as Buyer provides Seller with written

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MDG Capital Investors, Inc.
Cost of sale - Modesto Properties
March 3, 2005

Purchase contracts	18,000,000.00
Rowe / Vincent Property	700,626.81
Cramer property	5,850,000.00
Stringer	3,677,435.00
Planning & entitlement costs	423,742.44
Consulting fee	97,725.00
Closing costs - 3/3/05	32,153.75
Closing costs - 3/3/05 Title Ins	33,071.50
Closing costs	7,273.00
Closing costs	6,857.36
	28,828,884.86

Form 4564 Rev, June 1988	Department of the Treasury Internal Revenue Service INFORMATION DOCUMENT REQUEST	Request Number 06 Amended

TO:	Subject:	F1040, 2004 2005 & 2006 audit
Scott L. & Irene Stringer [redacted]	SAIN:	Submitted to: Taxpayer and Rep.
	Dates of Previous Requests:	3/4/08

For Tax Period(s): 200412, 200512 & 200612, please provide the following information documents our appointment date on August 4, 2008 (documents previously requested but not presented by you should be included):

1. Copy of the 200612 tax return, Form 1040, to be filed with IRS
2. For Property taxes on rental properties refunded to you, provide supporting documents to show the treatment of the refund.
3. To support flow through losses deducted on the Form 1040 for tax years 2004, 2005, and 2006, provide a schedule of your basis and debt basis in related S corporations, The Stringer Company, Inc. Also include supporting documents to support the numbers used in the basis computation.
4. For tax year 2005, deferred gain in the amount of $3,000,000 for Like-Kind Exchange transaction reported on Form 8824, provide the following supporting documents to support the deferral amount:
   a. Documents to verify the basis of the properties in the transaction. This should include but not limited to the sales and purchase contracts/agreements, and escrow documents pertaining to the properties in the like-king exchange transaction.
   b. Documents to substantiate that the property transferred was used in the trade or business or held for investment
   c. Exchange contract establishing the intent to enter into a like-kind exchange
   d. Evidence that the like-kind property received is to be used in the taxpayer's trade or business or held for investment.
   e. Documents to verify your ownership of the properties within this transaction. Documents should include purchase contracts/agreements.
5. For tax year 2004, provide documents to support the gains/losses on the Schedule D of the tax return for the following items:
   a. Land sales in the amount of $2,666,667
   b. Land – Added Development Costs in the amount of $151,277.
   c. Documents should include but not limited to sales contracts/agreements, and escrow documents pertaining to the properties sold

FROM:	Name and Title of Requester: Daisy Yau Internal Revenue Agent (925) 974-3759 Badge # 94-11849	Date: 7/23/08
	Office Location: 185 Lennon Lane, Walnut Creek, CA 94598	

2007 – 9 17

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Form **6252**

Department of the Treasury
Internal Revenue Service

Installment Sale Income

► Attach to your tax return.
► Use a separate form for each sale or other disposition of property on the installment method.

OMB No. 1545-0228

2004

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Name(s) shown on return: MONTEREY DEVELOPMENT GROUP, LLC

Identifying number: [redacted]

1 Description of property ► MODESTO CONTRACT

2a Date acquired (month, day, year) ► 7/22/03 b Date sold (month, day, year) ► 11/08/04

3 Was the property sold to a related party (see instructions) after May 14, 1980? If 'No,' skip line 4. ☐ Yes ☒ No

4 Was the property you sold to a related party a marketable security? If 'Yes,' complete Part III. If 'No,' complete Part III for the year of sale and the 2 years after the year of sale. ☐ Yes ☐ No

Part I Gross Profit and Contract Price. Complete this part for the year of sale only.

5	Selling price including mortgages and other debts. **Do not** include interest whether stated or unstated		5	18,000,000.
6	Mortgages, debts, and other liabilities the buyer assumed or took the property subject to (see instructions)	6		
7	Subtract line 6 from line 5	7	18,000,000.	
8	Cost or other basis of property sold	8	16,859.	
9	Depreciation allowed or allowable	9	-	
10	Adjusted basis. Subtract line 9 from line 8	10	16,859.	
11	Commissions and other expenses of sale	11		
12	Income recapture from Form 4797, Part III (see instructions)	12		
13	Add lines 10, 11, and 12		13	16,859.
14	Subtract line 13 from line 5. If zero or less, **do not** complete the rest of this form (see instructions)		14	17,983,141.
15	If the property described on line 1 above was your main home, enter the amount of your excluded gain (see instructions). Otherwise, enter -0-		15	0.
16	**Gross profit.** Subtract line 15 from line 14		16	17,983,141.
17	Subtract line 13 from line 6. If zero or less, enter -0-		17	0.
18	**Contract price.** Add line 7 and line 17		18	18,000,000.

Part II Installment Sale Income. Complete this part for the year of sale **and** any year you receive a payment or have certain debts you must treat as a payment on installment obligations.

19	Gross profit percentage. Divide line 16 by line 18. For years after the year of sale, see instructions		19	0.9991
20	If this is the year of sale, enter the amount from line 17. Otherwise, enter -0-		20	0.
21	Payments received during year (see instructions). **Do not** include interest, whether stated or unstated		21	1,400,000.
22	Add lines 20 and 21		22	1,400,000.
23	Payments received in prior years (see instructions). **Do not** include interest, whether stated or unstated	23		
24	**Installment sale income.** Multiply line 22 by line 19		24	1,398,740.
25	Enter the part of line 24 that is ordinary income under the recapture rules (see instructions)		25	
26	Subtract line 25 from line 24. Enter here and on Schedule D or Form 4797 (see instructions)		26	1,398,740.

Part III Related Party Installment Sale Income. **Do not** complete if you received the final payment this tax year.

27 Name, address, and taxpayer identifying number of related party

28 Did the related party resell or dispose of the property ('second disposition') during this tax year? ☐ Yes ☐ No

29 **If the answer to question 28 is 'Yes,' complete lines 30 through 37 below unless one of the following conditions is met. Check the box that applies.**

a ☐ The second disposition was more than 2 years after the first disposition (other than dispositions of marketable securities). If this box is checked, enter the date of disposition (month, day, year) ►

b ☐ The first disposition was a sale or exchange of stock to the issuing corporation.

c ☐ The second disposition was an involuntary conversion and the threat of conversion occurred after the first disposition.

d ☐ The second disposition occurred after the death of the original seller or buyer.

e ☐ It can be established to the satisfaction of the Internal Revenue Service that tax avoidance was not a principal purpose for either of the dispositions. If this box is checked, attach an explanation (see instructions).

30	Selling price of property sold by related party (see instructions)	30	
31	Enter contract price from line 18 for year of first sale	31	
32	Enter the **smaller** of line 30 or line 31	32	
33	Total payments received by the end of your 2004 tax year (see instructions)	33	
34	Subtract line 33 from line 32. If zero or less, enter -0-	34	
35	Multiply line 34 by the gross profit percentage on line 19 for year of first sale	35	
36	Enter the part of line 35 that is ordinary income under the recapture rules (see instructions)	36	
37	Subtract line 36 from line 35. Enter here and on Schedule D or Form 4797 (see instructions)	37	

BAA For Paperwork Reduction Act Notice, see separate instructions.