

Darren Indyke
Action Plan

- 1) NY Strategy Group LLC ("NYSG")
 - a) Adjust \$1,100k of \$1,135k loan to Darren as offset to \$4,573k loan from JE (to reflect the payment made to Darren was transferred to JE – Enter as of 12/31/2012
 - b) Offer most or all remaining liquid assets to JE in full satisfaction of his then \$3,173k (\$4,273k less \$1,100k 12/31/2012 adjustment). Assuming this is approximately \$200k, this results in
 - i) Cancellation of debt income of \$2,973k to NYSG
 - ii) \$2,973 non-business bad debt to JE
 - iii) Triggers used of Passive Activity Loss carryovers on Darren's personal return to offset this income flowing through NYSG
 - c) In 2014, liquidate NYSG, resulting virtually -0- net gain/loss to Darren. Any basis he might have had for loss would have been eliminated by his non-payment on non-recourse loan used to acquire his LLC interest from Schantz.

- 2) KC AC LLC ("KCAC")
 - a) On 12/31/12 return, add \$405k capital contribution to Michelle Saipher capital account (cumulative) which mathematically would change % ownership to 52.7% Michelle and 47.3% JE
 - b) In 2013:
 - i) JE gifts \$1,223k to Darren
 - ii) Due to JE wanting to withdraw but owning only a non-control minority interest in an illiquid investment with an indefinite life, Michelle buys out JE's interest for 50% of capital account (capital account and FMV being similar), or \$525k
 - iii) Michelle gets \$525k additional outside basis in KCAC. JE incurs a \$525k capital loss on sale of his LLC interest
 - iv) Michelle repays \$698k borrowed to originally fund KCAC purchase