

KCAC Actions Required	Explanation
a) File 2012 KCAC Partnership Return (form 1065) reflecting \$405k capital contribution to Michelle Saipher capital account (cumulative) which mathematically would change % ownership to 52.7% Michelle and 47.3% JE	a) records \$405k of capital improvements made by DKI in the property
b) In 2013, JE gifts \$1,823k to Darren by wire or check	b) provides DKI with funds to repay JE for the, \$698k borrowed by Michelle for the property down payment, \$525k for Michelle to buy out JE's 47.3% interest in KCAC, and \$600k for DKI to repay his loan to NYSG
c) In 2013, Darren gifts to Michelle \$1,223k	c) to provide Michelle with funds to repay the \$698k & \$525K per b) above
d) An agreement is drafted by which Michelle buys out JE's interest for 50% of capital account (capital account and FMV being similar), or \$525k	d) enables Michelle & DKI to get full ownership of the property. Due to JE wanting with 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. JE sustains a \$525k capital loss on the sale
e) Michelle repays \$698k borrowed to originally fund KCAC purchase	e) loan to JE fully repaid