

NY Strategy Group LLC ("NYSG") - Actions

Explanation

1. Complete NYSG 2012 return with the following included:
 - a) Write off \$150k fee to ■■■, included in "officer loans"
 - b) \$385 fee paid to ■■■ (by reducing his payable to the company)
 2. In 2013, ■■■ repays NYSG \$600k, the balance of his loan
 3. NYSG then pays to JE all of its remaining liquid assets (approximately \$800k) in full satisfaction of his then \$4,273k loan, with the balance forgiven. Agreement is prepared to reflect this.
 4. On 12/31/2013 JE forecloses or buys NYSG stock from ■■■ for the \$3,458,417 loan he had previously made to ■■■ to enable him to buy the stock
 5. JE liquidates NYSG (2013 or 2014) recognizing a long-term capital loss of approximately \$3,400k
1.
 - a) ■■■ had already included in his personal income tax return - NYSG had erroneously reflected this \$150k as "officer loan", a receivable, instead of an expense
 - b) treating this as additional (taxable) compensation to ■■■ in 2012
 2. loan payment, paid in full
 3. cleans up the JE receivable from NYSG, giving JE the remaining liquid assets of NYSG in the process
 4. with NYSG having no remaining assets, JE foreclosures on his \$3,458,417 loan he had made to ■■■ to enable ■■■ to purchase the stock from Schantz (the NYSG stock was security for the loan). Because of the 12/31/13 transaction date, all flow through income for the year will inure to ■■■.
 5. JE receives virtually nothing against his cost of \$3,458,417.