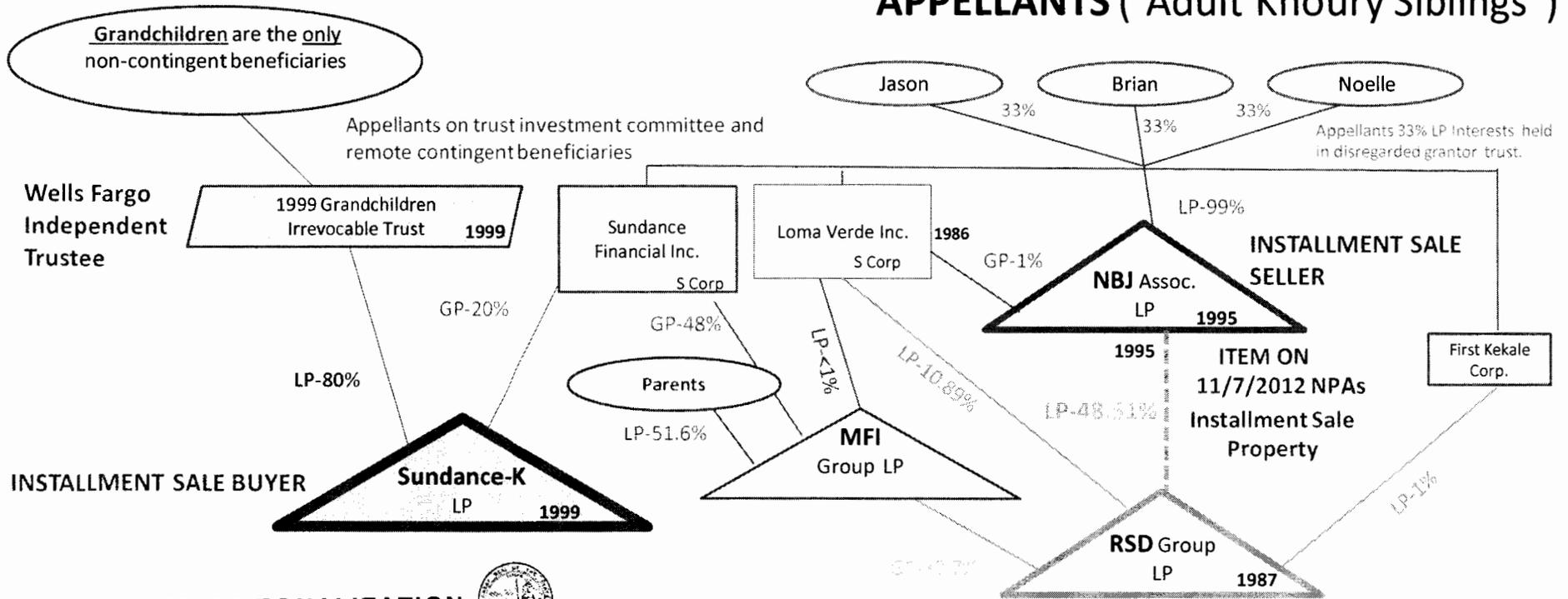


RELEVANT OWNERSHIP STRUCTURE

APPELLANTS ("Adult Khoury Siblings")



STATE BOARD OF EQUALIZATION



Appeal Name: Brian N. Khoury
 Case ID: 867810 ITEM #: B5a-c
 Date: 4/26/16 Exhibit No: 4.4

TP FTB DEPT PUBLIC COMMENT

All of the above entities, equity, and asset ownership are "old and cold" (i.e., formed and held more than 5 before January 3, 2006 RSD Interest Sale).

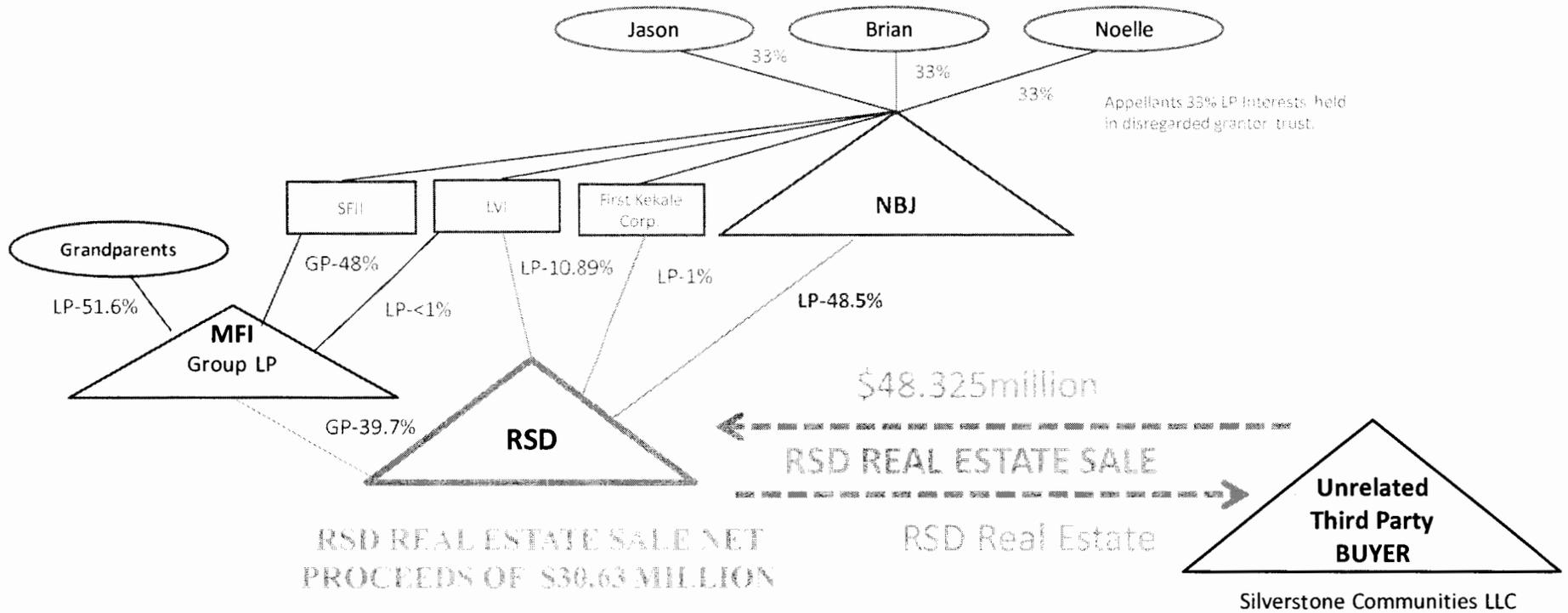
Legend: Red—Appellants' Parents and Their Estate Planning for Grandchildren
 Blue--Appellants

TAXPAYER EXHIBIT

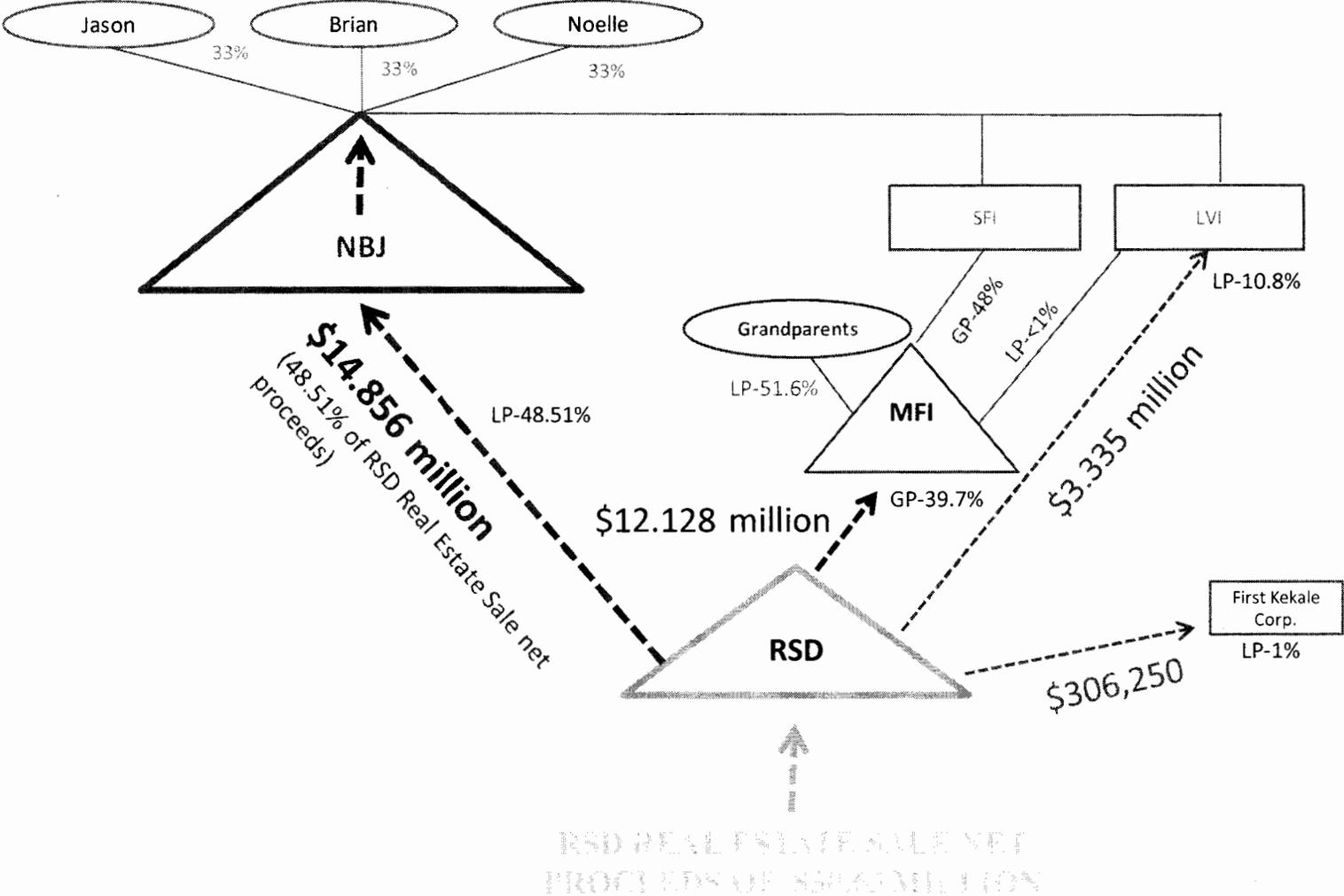
B5a-c
April 26, 2016
 Brian N. Khoury et al.
867810

CLOSING OF RSD REAL ESTATE SALE EXPECTED 2/7/2006

Closing of RSD's Real Estate Sale to Unrelated Third Party Expected February 7, 2006

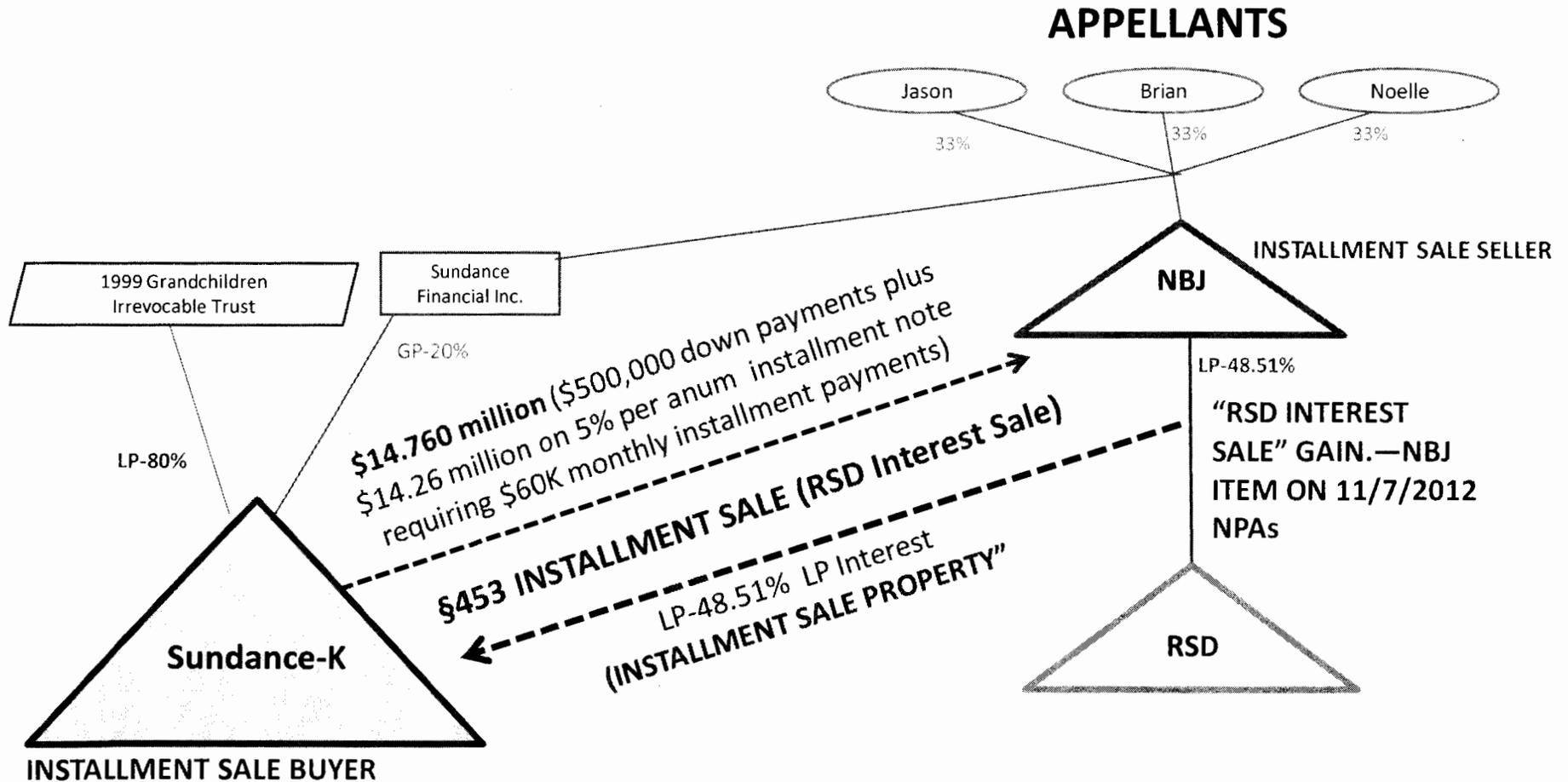


DISTRIBUTION OF RSD REAL ESTATE SALE NET PROCEEDS TO NBJ WITHOUT RSD INTEREST SALE



NBJ'S 1/3/2006 RSD INTEREST SALE

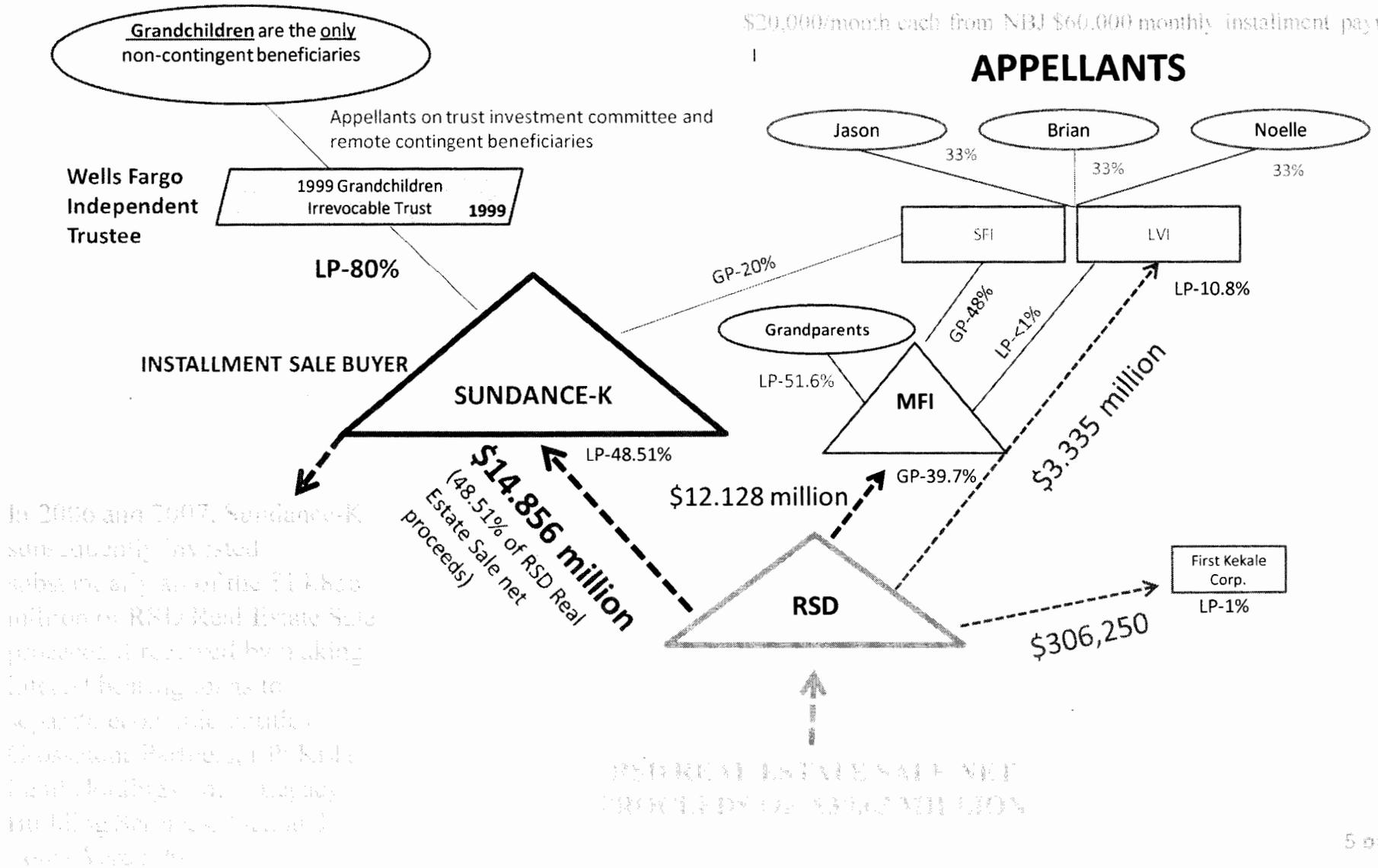
NBJ's January 3, 2006 Installment Sale of 48.51% RSD Interest to Sundance-K



Sundance-K, has made all of the \$60,000 monthly installment payments to NBJ each month, without exception, during the more than 10 years since the January 3, 2006 RSD Interest Sale took place. Appellants have reported income for all such installment payments received from Sundance-K.

DISTRIBUTION OF RSD REAL ESTATE SALE NET PROCEEDS AFTER RSD INTEREST SALE AND SUNDANCE-K INVESTMENT IN REAL ESTATE LOANS

\$20,000/month each from NBJ \$60,000 monthly installment payment



APPEAL ISSUES (HEARING SUMMARY)

- (1) **SOL THRESHOLD ISSUE: VALIDITY OF THE 8/24/2012 SOL CONSENT AGREEMENT?**

- (2) **JUDICIAL DOCTRINES: WHETHER THE ECONOMIC SUBSTANCE DOCTRINE, *ROBERTS/RUSHING*, OR ANY OTHER JUDICIAL DOCTRINES APPLY TO DISALLOW APPELLANTS' (NBJ'S) INSTALLMENT SALE TREATMENT?**
- (3) **APPLICABILITY OF IRC §453(e) SECOND DISPOSITION RULE?**
 - *Related Person Buyer?* (IRC §§453(e)(1)(A) and (f)).
 - *Second Disposition of Installment Sale Property Within Two Years?* (§§453(e)(1)(B) and (2)(A)).
 - *Principal Purpose of Tax Avoidance?* (IRC §453(e)(7)).
- (4) **APPLICABILITY OF PARTNERSHIP ANTI-ABUSE RULE? (Treas. Reg. §1.701-2).**

- (5) **APPLICABILITY AND AMOUNT OF NONECONOMIC SUBSTANCE TRANSACTION (NEST) PENALTY? (R&TC §§19774(c)(2)) and (b)(1)).**
- (6) **APPLICABILITY OF 100% INTEREST-BASED PENALTY? (R&TC §19777).**
- (7) **APPLICABILITY OF INTEREST SUSPENSION PROVISIONS? (R&TC §19116).**