

Tax Receivable Agreement ModelsI. Contract LanguageA. Section 3.03 "Pro Rata Payments"

- (1) To the extent APO Corp.'s deduction with respect to the Basis Adjustment is limited in a particular Taxable Year ... the limitation on the deduction ... shall be taken into account and made for each Applicable Holder on a pro rata basis relative to the total amount of deductions each holder was entitled to get with respect to the aggregate Basis Adjustments for all Applicable Holders."

II. Pro Rata MethodsA. Cumulative Pro Rata

All deductions (current and carried forward) are treated as current deductions. If there is a cut back, it is made "pro rata" based on all deductions of all holders.

B. Modified FIFO

- (1) "Tax Law" method. Current year deductions are taken first and cut back is pro rata of current deductions.
- (2) Carryforwards are "ear-marked" for each Holder and traced utilizing the tax law rules of oldest first. Cut back is done at each vintage year level, pro rata for that year. Unused NOLs expire.

III. ModelsA. Common Assumptions

- (1) Rowan exchanges 100% of interests as soon as possible under operable agreements.
- (2) Harris exchanges 50% of interests as soon as possible.
- (3) Black exchanges 50% of interests, 10% a year beginning in 2014.
- (4) AGM stock prices increase 2% a year.

B. Projection Model

- (1) Based on Company projections through 2018, thereafter profits grow 2% per year.

- (2) APO Corp. incurs \$80M interest expense annually on \$1 billion AGM (shareholder) loan.

C. Projection Limited Model

- (1) Based on Company projections through 2016, then grows at 2% per year.
- (2) Follows other assumption in B above.