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To: "[REDACTED]" <[REDACTED]>
cc: "Dulman, Wendy (External)" <[REDACTED]>, "[REDACTED]" <[REDACTED]>
Subject: Leveraged Distribution Tax
Date: Thu, 14 Mar 2013 00:24:35 +0000

Dear Mr. Epstein,

Wendy asked that I respond to the following question: Upon Leon's death, does the leveraged distribution tax get triggered? If not-then when?

The deemed distribution will arise on Leon's death. The tax may arise sooner than his death on the happening of any of the following events:

- (i) a sale or other disposition of the (indirect) interest in AMH in whole or in part (directly or indirectly through a sale of an interest in one of the intervening holding entities);
- (ii) a conversion of Leon's AMH interests into units of AGM;
- (iii) a change in the manner in which the liabilities of AMH are allocated for income tax purposes, for example, as a result of the AMH indebtedness being considered recourse to a partner or a person related to a partner, other than to AP Professional or Leon; and
- (iv) a reduction in the amount of the AMH indebtedness.

The tax impact of a deemed distribution at death will depend in part on whether the interest that Leon holds indirectly in AMH is part of his estate at death and thus subject to estate tax. If it is, the date of death valuation of the indirect interest in AMH may permit a basis step up in the assets of AMH and the indirect interest in AMH that may effectively shelter the deemed distribution. If the interest is not part of his estate (and thus not subject to estate tax), the deemed distribution will give rise to a tax to the extent the amount of the deemed distribution exceeds Leon's tax basis in the AMH interest.

Regards

Patrick B. Fenn

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