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Subject: FW: Section 734

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Attachments: [REDACTED]

From: Fenn, Patrick [mailto:[REDACTED]]

Sent: Saturday, April 06, 2013 1:03 PM

To: Eileen Alexanderson; 'Clapp, Ada'; 'Thomas Turrin'

Subject: FW: Section 734

Hi All.

Recall that the prior summaries of outcomes was based on the fact that the section TRA benefit attributable to the Tufts gain in the deferral scenarios would be zero under the current TRA. The attached deck has been modified to reflect the payment of 55% of the TRA benefits on the Tufts gain in each relevant scenario (as well as changing the assumption on page 4) as though Josh (or Marc) were the first partner out, based on a new assumption that the TRA can be amended to include the section 734(b) basis step up. As we expected, this had the greatest effect on the 5-year deferral scenarios (it's still not a good trade at 5 years, but not as bad as it was) with a bit of a pick up at 20 years (NPV of \$9M for Leon and \$6M for Marc and Josh using a 7.5% discount rate). The break even discount rate for the 20 year scenario is now 5%. Of course, the TRA benefit for the Tufts gain step up will be progressively larger for the later exchanging partners as a result of the transfers progressively increasing APO Corp's interest in AMH. That would increase the NPV of the TRA benefit attributable to the section 734(b) step up, but the later in time that step up occurs (beyond the 20th year assumed in the model) the smaller the NPV of the additional TRA benefit relative to the base case.

We are running one more scenario: one that assumes an amendment to the TRA to cover basis step up in the deferral scenario, a 20-year guarantee by each partner (more likely an SPV that owns an interest in BRH) and retention by each partner of at least a 1 percent interest for the 20 years, with all the guarantees expiring in the 20th year. The idea is to see if in that situation the full Tufts gain benefit can be delivered to each partner for its pro rata share of the full Tufts gain (albeit beginning in the 20th year). Hope to have that sometime this afternoon.

One additional issue that impacts the TRA benefit in the deferral scenario – the so-called anti-churning rules, which we are still analyzing. These rules prevent refreshing depreciable basis in property that the transferor owned or had a prior interest in, if that interest falls within the description of various hyper-technical rules. We do not believe that those rules would prevent a basis step up on an exchange of the units, but the manner in which they apply to the step up at the end of the deferral scenario is different than in the exchange context.

Regards

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