

**From:** "jeffrey E." <jeevacation@gmail.com>  
**To:** Marc Rowan <[REDACTED]>  
**Subject:** Re: TRA Valuation Process  
**Date:** Thu, 03 Mar 2016 22:38:03 +0000

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Ask to see the worksheet with numbers

On Thursday, March 3, 2016, Marc Rowan <[REDACTED]> wrote:

Fyi

Sent from my iPhone

Begin forwarded message:

From: Chris Weidler <[REDACTED]> <mailto:[REDACTED]>>  
Date: March 4, 2016 at 12:19:12 AM GMT+2  
To: Marc Rowan <[REDACTED]> <mailto:[REDACTED]>>  
Subject: RE: TRA Valuation Process

Marc

For purposes of establishing the balance sheet asset the DTA/TRA are undiscounted.

Each period we re-assess our ability to realize the asset over the allotted time frame. If we have any concerns we would then establish a valuation allowance

We also review the tax rate each period and if that changes for any reason (new York state rate change, etc) we apply that change and adjust the DTA/TRA. This we have done in 13 and 14 as there were rate changes.

chris

From: Marc Rowan  
Sent: Thursday, March 03, 2016 5:05 PM  
To: Chris Weidler  
Subject: Re: TRA Valuation Process

This tells me what I already know. What rate do we discount future cash flows/TRA pmts at for purposes of establishing the balance sheet asset?

Sent from my iPad

On Mar 4, 2016, at 12:02 AM, Chris Weidler <[REDACTED]> <mailto:[REDACTED]>> wrote:

Marc,

Please see below for how the deferred tax asset ('DTA') and tax receivable agreement ('TRA') is calculated as well as the key inputs into the computation. I tried to simplify as much as possible but obviously a complex calculation. Please let me know if this is sufficient or if you need more. We have example detailed

calculations if you would find that useful.

Each exchange related to the TRA is valued using a multi -step process described below

The TRA is valued as 85% of DTA that is created as a result of an AOG exchange. The DTA is calculated as:

<image002.png>

The tax rate is the combined federal and state rates. Currently 38.83% for AGM

The DTA is then amortized over 15 years. 85% of the tax benefit derived from the amortization for any given year is paid out to the individuals that exchanged.

Each actual TRA payment then creates additional DTA/TRA calculated as

- TRA payment X the current tax rate

Notes:

\*The % of the business allocated to taxable entities is calculated as

the present value of the future cash flows attributable to taxable entities as a % of the present value of the total cash flows of the business. This % is ~75% as of 12/31/2015.

The key inputs used to determine the present value of the cash flows attributable to AMH and the total business are

- o Management Fees and Carried Interest cash flows sourced from the most recently approved 5-year Budget Plan
- o Management Fee Cash Flows are discounted by ~8-14% and Carried Interest Cash Flows are discounted by 20%
- o For perpetual funds and unidentified future funds a Long-Term Growth rate of 3% is applied with a discount rate of 10-20% to determine the Terminal Value of these entities.

The results of the fair values of the Management Fees and Carried Interest cash flows are mapped to the appropriate parts of the business to determine the final allocation of value that is attributable to taxable entities.

Regards  
Chris

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