March 28, 2017

Explanation of Taxable Income/Loss Allocation Computation

The Legos Holdings, LLC ("Legos") 2016 taxable income allocations were computed in accordance with Section 4.3 of the Legos amended and restated limited liability company ("LLC") agreement. The tax allocations in Section 4.3 of the LLC agreement call for taxable income allocations to be computed in a manner to reflect what would result if the LLC was to liquidate all of its interests at the end of the tax year (a hypothetical liquidation). Due to the admission of new Legos partners who came into the LLC at a higher price than the original partners in Legos Holdings, the hypothetical liquidation tax allocations results in the balancing of every LLC members tax capital account in 2016. As such, this allocation method results in additional taxable income to the original Legos partners and taxable loss allocations to the new Legos partners. The 2016 tax allocations are in accordance with Subchapter K of the Internal Revenue Code and the Regulations thereunder.

We have attached a Q&A which address some of the questions we anticipated that the members might have as a result of the 2016 taxable income allocation. There is also a call being held on Monday April 3rd as well as Wednesday April 5th to address any specific questions you have on your 2016 K-1.