

Sent: Friday, January 3, 2014 7:57:52 PM
Subject: Re: Apollo
From: Richard Joslin <[REDACTED]>
To: Jeffrey Epstein <jeevacation@gmail.com>
Cc: Eileen Alexanderson <[REDACTED]>

As an update, I have received from Tom T. a copy of the K-1's issued by BRH to Black Family Partners from 2008 to 2012 and interest expense is shown by Apollo tax dept as "investment interest expense." I will see the 2007 reporting on Monday and look to see what the entity expenditures were. As noted below, tracing may not be an issue based on the reporting.

On Sat, Dec 28, 2013 at 11:57 AM, Richard Joslin

<[REDACTED]> wrote:

> AMH distributed \$1.2B in 2007. AMH had the option to treat either 1) treat
> the distribution as entirely debt financed (partners trace 100% of cash) or
> 2) trace expenditures inside of AMH FY 2007 and allocate interest expense to
> the manner of AMH's expenditures (ignoring any debt distributed). AMH To
> the extent the expenditures inside AMH were less than the debt financed
> distribution, the excess of amount of debt distributed over the
> expenditures traces by AMH would be traced by the use by the partners.
> Looking at the 2008 S-1 filed, the AOG showed compensation expenses greater
> than \$1.2B however management company income/advisory revenue was \$340MM.
> Point is it is hard to discern what were AMH expenditures exactly in 2007.
> If AMH expenditures were substantial then much of the interest expense would
> ostensibly be management company related since AMH expenditures are such.
>
> Based on 2012 K-1 reporting for the interest, Apollo treated the interest as
> "investment interest" and reported on the K-1 line 13H. Notice 89-35 which
> is IRS guidance on debt financed distributions indicates that under the
> tracing approach, interest expense is separately stated as an other
> deduction K-1 Line 13W. Given that AMH is operating an advisory business/
> fund management, the characterization as solely investment is to be noted,
> but most notable is that no amount is reported as trade or business,
> Clearly the reporting follows the second method above which I would maintain
> is the option selected. The only item for review is AMH's gross
> expenditures in 2007 (pre and post distribution).

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> Richard Joslin
> Black Family Partners, LP
> c/o Apollo Management

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Richard Joslin, CPA

CFO
Black Family Partners, LP

