
From: Richard Joslin <[REDACTED]>
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To: Jeffrey Epstein
Cc: Eileen Alexanderson
Subject: Apollo

AMH distributed \$1.2B in 2007. AMH had the option to treat either 1) treat the distribution as entirely debt financed (partners trace 1=0% 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 of 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. A0 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 interest 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 A0I 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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