

Taxpayers: Leon Black and Debra Black ("Taxpayers")  
SSN: \_\_\_\_\_  
Tax Form: 1040X  
Tax Year: 2007

### Statement of Reasonable Cause for Failure to Timely File Forms 5471, 8865 and 8858

~~Leon and Debra Black (the "Taxpayers") are~~, husband and wife, ~~and~~ are voluntarily filing the attached Form 1040X (the "Amended Return") for the sole purpose of filing Forms 5471, 8858 and 8865 (the "International Information Returns") for 2007. ~~The Amended Return, along with the International Information Returns, are being voluntarily filed,~~ under the Internal Revenue Service's (the "IRS") 2014 Delinquent International Information Return Submission Procedures. The Taxpayers have not been contacted by the IRS regarding the Amended Return or the International Information Returns and have a long history of being fully compliant taxpayers. The Taxpayers are not under civil examination or criminal investigation by the IRS.

This ~~statement submission~~, pursuant to Treas. Reg. §§ 1.6038-2(k)(3) and 1.6038-3(k)(4), ~~is intended to show that the~~ explains why the Taxpayers' failure to file the International Information Returns with the original Form 1040 for 2007 (the "Original Return") was due to reasonable cause and not willful neglect. The only change reflected in the Form 1040X filed today is the inclusion of the International Information Returns, and there is no change in taxable income reported by the Taxpayers, or in the tax liability owed by the Taxpayers, for 2007, which was timely paid. The Original Return was prepared by the Taxpayers' professional accountants at Konigsberg Wolf & Co., [REDACTED] ("Konigsberg"), and the Amended Return along with the accompanying International Information Returns were prepared by the same accountants who are now at Raich Ende Malter & Co. LLP.

### Background

The Taxpayers own interests in a wide variety of entities related to Apollo Global Management, LLC ("Apollo"), the publicly traded alternative asset manager, through their interest in BRH Holdings, [REDACTED] (EIN: 98-0541994) ("BRH" or the "Partnership"). The Taxpayers became partners in BRH in 2007, the year in which it was formed. Since 2007, employees of Apollo have assisted with the preparation of the tax returns of BRH as well as all but two of the other controlled foreign partnerships, controlled foreign corporations and foreign disregarded entities (the "Foreign Entities") listed on the enclosed Exhibit A.

~~The Taxpayers were provided with a~~ Foreign Entities related to BRH are also owned, in part, indirectly by Apollo. The appropriate Apollo entities timely and properly filed the Forms 8865 and 8858 with respect to these Foreign Entities, but determined that Apollo did not need to provide the underlying information to the Taxpayers, or alert the Taxpayers that they might have similar filing requirements. Thus, the Schedule K-1 for 2007 from the Partnership ~~that, provided to the Taxpayers,~~ included all items of taxable income and loss attributable to the Taxpayers' interest in the Partnership. ~~The Schedule K-1,~~

~~however, but~~ did not indicate any obligation to file the International Information Returns with respect to BRH or the many other Foreign Entities held through BRH. In addition, ~~all of~~ the Foreign Entities related to BRH are indirectly or constructively owned, in whole or in part, by BRH, and the tax information of such Foreign Entities is not directly reported to the Taxpayers or their tax advisors, but instead ~~is~~ rolled into the tax reporting of BRH. As a result, neither the Taxpayers nor their professional accountants at Konigsberg were aware that these filings were required and, in any case, they ~~did were~~ not ~~receive provided~~ the information required to properly complete the International Information Returns. All income reported on the Schedules K-1 from the Partnership, and the two Foreign Entities not controlled by the Partnership (the "Non-BRH Related Entities"), was properly and timely reported ~~to the IRS~~ on the Original Return. ~~It is important to note that the Foreign Entities related to BRH are also owned, in part, indirectly by Apollo. The appropriate Apollo entities timely and properly filed the Forms 8865 and 8858 with respect to these Foreign Entities, as appropriate, but determined that Apollo did not need to provide the underlying information to the Taxpayers, or alert the Taxpayers that they might have similar filing requirements.~~

The Taxpayers ~~remained were~~ unaware of their obligation to file the International Information Returns until August 2016. At ~~such that~~ time, the Taxpayers and their representatives were ~~first~~ informed, ~~for the first time,~~ by Apollo's tax department, that the Taxpayers likely had an obligation to file the International Information Returns with respect to BRH and the BRH related Foreign Entities. Upon learning this information, the Taxpayers immediately requested additional information from Apollo and diligently reviewed the history and factual circumstances with their accountants and other tax advisors. As a result of that review, it was determined that the Taxpayers were obligated to file the International Information Returns with respect to the Foreign Entities, including the Non-BRH Related Entities, for 2007, which the Taxpayers are now doing via the filing of ~~Form 1040X today~~ the Amended Return.

The Taxpayers are neither accountants nor lawyers, ~~and because~~. Because the Taxpayers' ownership arrangements related to the Partnership and other Foreign Entities are very complex, the Taxpayers have engaged and relied on experienced accountants and other tax advisors to prepare their tax returns based upon the information and records provided to them. ~~This includes information provided, including~~ by Apollo's tax department, which is responsible for overseeing tax compliance and reporting for an extremely complex business enterprise, ~~as well as and by~~ Apollo's tax advisors at Ernst & Young ~~who, which~~ prepared the applicable Schedule K-1.

### **Basis for Reasonable Cause**

The Taxpayers ~~believe they~~ have exercised ordinary business care and prudence by engaging and relying on several experienced tax professionals in making a good faith effort to comply with an intricate set of information reporting rules relating to a complex business enterprise. When the Taxpayers signed and filed the Original Return, on the advice of their experienced tax advisors at Konigsberg, the Taxpayers believed the Original Return was accurate and complete. In addition, the Taxpayers acted as promptly as practicable upon learning of the filing oversight to gather all relevant records and information, ~~determine appropriate filing requirements with~~ which they provided to their tax advisors ~~and file Form 1040X with,~~

resulting in the filing today of the Amended Return and the International Information Returns. ~~The~~As noted, the Taxpayers have a long history of being compliant taxpayers and compliant international tax filers and have never been subject to tax penalties. The Taxpayers are not under a civil examination or a criminal investigation by the IRS. The IRS has not contacted the Taxpayers about any of the delinquent International Information Returns that are the subject of this ~~statement~~submission. The Foreign Entities that are the subject of the International Information Returns were not engaged in tax evasion. The Taxpayers are voluntarily filing ~~Form 1040X~~the Amended Return today ~~in order~~ to ensure that all International Information Returns for 2007 ~~are~~have been properly filed. Finally, Taxpayers also note that they have timely filed all required International Information Returns for the 2015 taxable period and will continue to ensure that all required International Information Returns are properly and timely filed in future taxable periods.

## **Conclusion**

Based on the above, the Taxpayers believe, in good faith, that reasonable cause exists for their failure to file the International Information Returns with respect to the Foreign Entities with the Original Return. Therefore, the Taxpayers respectfully request that the IRS exercise its discretionary, regulatory authority to grant reasonable cause relief and not assert any penalties under Section 6038 of the Internal Revenue Code of 1986 or Treas. Reg. §§ 1.6038-2(k)(1) or 1.6038-3(k)(3).

Under penalties of perjury, the Taxpayers declare that each of the statements and facts ~~contained in this letter is~~, to the best of their knowledge and belief, contained in this letter is true, correct and complete.

\_\_\_\_\_  
Leon Black

\_\_\_\_\_  
Debra Black

2007—EXHIBIT A

**FOREIGN ENTITIES**

**FORMS 8865**

BRH HOLDINGS LP  
APOLLO ADVISORS VI (EH) LP  
AP PROFESSIONAL HOLDINGS LP  
APOLLO PRINCIPAL HOLDINGS III LP  
APOLLO PRINCIPAL HOLDINGS IV LP  
APOLLO ADVISORS V (EH) LP  
AAA ASSOCIATES LP  
KNOWLEDGE UNIVERSE EDUCATION LP (Non-BRH Related Entity)  
AP ALTERNATIVE ASSETS LP (Non-BRH Related Entity)

**FORM 8858**

AAA GUERNSEY LIMITED

**FORMS 5471**

AAA MIP LIMITED  
APOLLO ADVISORS VI (EH-GP) LTD  
APOLLO EPF CAPITAL MANAGEMENT LIMITED  
CPI CAPITAL PARTNERS EUROPE GP LTD  
CPI CCP EU-T SCOTS GP LTD  
BRH HOLDINGS GP LTD

<b>Summary report:</b>	
<b>Litéra® Change-Pro 7.5.0.176 Document comparison done on 1/8/2017 3:22:45 PM</b>	
<b>Style name:</b> PW Basic	
<b>Intelligent Table Comparison:</b> Active	
<b>Original DMS:</b> iw://US/US1/10958461/14	
<b>Modified DMS:</b> iw://US/US1/10958461/15	
<b>Changes:</b>	
<b>Add</b>	34
<b>Delete</b>	37
<b>Move From</b>	4
<b>Move To</b>	4
<b>Table Insert</b>	0
<b>Table Delete</b>	0
<b>Table moves to</b>	0
<b>Table moves from</b>	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
<b>Total Changes:</b>	<b>79</b>