

Taxpayers: Leon Black and Debra Black ("Taxpayers")  
SSNs: [REDACTED]  
Tax Form: 1040X  
Tax Year: 2014

[Program for Voluntary Disclosure of Delinquent International Information Returns](#)

**Statement of Reasonable Cause ~~for Failure to Timely File Forms 5471, 8865, 8858 and 8938~~**

Taxpayers, husband and wife, are hereby voluntarily filing the attached Form 1040X (the "Amended Return"), as well as a reasonable cause statement under Treas. Reg. § 1.6038-2T(j)(3), for the sole purpose of filing Forms 5471, 8865, 8858 and 8938 (the Forms, together with the aforementioned statement, the "International Information Returns") for 2014, 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~~ any delinquent filing of International Information Returns and have a long history of being fully compliant taxpayers. The Taxpayers are not under civil examination ~~or~~ nor criminal investigation by the IRS.

This submission, pursuant to Treas. Reg. §§ 1.6038-2(k)(3) and 1.6038-3(k)(4), explains why the Taxpayers' failure to file the International Information Returns with the original Form 1040 for 2014 (the "Original Return") was due to reasonable cause and not willful neglect. ~~The~~ In addition, the only change reflected in the Form 1040X being filed today is the inclusion of the International Information Returns, and there is no change in either taxable income reported by the Taxpayers, or in the tax liability owed by the Taxpayers, for 2014, which was timely paid. The Original Return, the Amended Return and the accompanying International Information Returns were all prepared by the Taxpayers' professional accountants at Raich Ende Malter & Co. LLP ("REM-Co").

**Background**

The Taxpayers own interests in a wide variety of entities ~~related to~~ affiliated with Apollo Global Management, LLC ("Apollo"), the publicly traded alternative asset manager, through their interest in BRH Holdings, L.P. (EIN: [REDACTED]) ("BRH" or the "Partnership"). ~~Since the inception of BRH, employees of Apollo have assisted with~~ In addition to their responsibilities for the preparation of the tax returns of ~~BRH as well as~~ all the other controlled foreign partnerships, controlled foreign corporations and foreign disregarded entities (the "Foreign Entities") listed on the enclosed Exhibit A, employees of the internal tax department of Apollo have also assisted with the preparation of the tax returns of BRH.

~~The~~ All of the Foreign Entities, other than BRH and AP Professional Holdings LP, 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~~ determined there was no 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 2014 from the Partnership, provided to the Taxpayers, included all items of taxable income and loss attributable to the Taxpayers' interest in the Partnership, but did not indicate anyan obligation to file the International Information Returns with respect to BRH or any of the many other Foreign Entities held through BRH. In fact, the Schedule K-1 included a footnote specifically stating that there were no filing requirements with respect to foreign partnerships during the 2014 tax year, and therefore a filing of Form 8865 was not required. The footnote in the Schedule K-1, however, did suggest that partners consult their tax advisors. As a result, the Taxpayers did consult with their professional accountants at REM-Co who did prepare and file Form 8865 for BRH based on the best available information in the Schedule K-1 provided. The other Foreign Entities referred to, are either indirectly or constructively owned, in whole or in part, by BRH, and, as such, 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 accountants were aware that any other International Information Return filings were required and, in any case, they were not provided the information necessary to have properly complete/completed the International Information Returns, making it impossible for the Taxpayers to timely file these informational returns. Importantly, all income reported on the Schedule K-1 from the Partnership was properly and timely reported to the IRS on the Original Return. A Form 8938 was also timely filed by the Taxpayers with the Original Return and is only being amended today simply to reflect the correct number of Forms 5471 and 8865 in Part IV required to be filed by the Taxpayers.

The Taxpayers were unaware/not made aware of their obligation to file the International Information Returns until August 2016. At that time, the Taxpayers and their representatives were first informed by Apollo's tax department that the Taxpayers likely/may have had an obligation to file the International Information Returns with respect to BRH and the other Foreign Entities. Upon learning this information, the Taxpayers immediately requested additional information from both Apollo and Deloitte (Apollo's tax advisor) and diligently reviewed the history and factual circumstances with their personal accountants and the law firm of Paul, Weiss, Rifkind, Wharton & Garrison LLP. As a result of The conclusion reached by that review, it was determined that the Taxpayers were obligated/did in fact have an obligation to file the International Information Returns with respect to the Foreign Entities for 2014 (including some minor reporting changes to the previously filed BRH Form 8865), which the Taxpayers are now doing/satisfying via the filing of the Amended Return.

The Taxpayers are neither accountants nor lawyers. 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 to prepare their tax returns based upon the information and records provided to them, including by Apollo's tax department, which is responsible for overseeing tax compliance and reporting for an extremely complex business enterprise, and by Apollo's tax advisors at Deloitte, which prepared the applicable Schedule K-1.

### **Basis for Reasonable Cause**

The Taxpayers have exercised ordinary business care and prudence by engaging and relying on 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 REM-Co, the Taxpayers believed that the Original Return was both accurate and complete. In addition, the Taxpayers acted ~~as promptly as practicable~~ upon learning of the potential filing oversight to gather all relevant records and information from the Apollo tax department and ~~provided~~provide such information to their tax advisors, resulting in ~~the~~today's filing ~~today~~ of the Amended Return and the International Information Returns. As noted, the Taxpayers have a long history of being fully compliant taxpayers ~~and compliant international tax filers, have filed international information returns in the past, including all required FBAR Statements, 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 submission.~~ The Foreign Entities that are the subject of the International Information Returns were not engaged in tax evasion. The Taxpayers are voluntarily filing the Amended Return today in order to ensure that all International Information Returns for 2014 have been properly filed. Finally, the 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).