

Taxpayers: Leon Black and Debra Black (“Taxpayers”)
SSNs: [REDACTED]
Tax Form: 1040X
Tax Year: 2012

[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”) for the sole purpose of filing Forms 5471, 8865, 8858 and 8938 (the “International Information Returns”) for 2012, 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 2012 (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 2012, 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. ([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 but three of 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 related to BRH, other than 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 2012 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 ~~any~~an obligation to file the International Information Returns with respect to BRH or any of the ~~many~~ other Foreign Entities held through BRH. In addition, the Foreign Entities related to BRH are either 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 REM-Co were aware that these 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. All income reported on the Schedules K-1 from the Partnership, and the three Foreign Entities not related to the Partnership ("the Non-BRH Related Entities"), 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 being amended today to reflect the correct number of Forms 5471 and 8865 in Part IV required to be filed by the Taxpayers as well, as adding reporting on two additional Non-BRH Related Entities. Finally, the information included on the applicable International Information Returns being filed today is either the same as, or is directly derived from, the information included on the Forms 8865 and 8858 previously filed by the appropriate Apollo entities with relevant adjustments to take into account the differing ownership percentages of the Apollo entities and 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 BRH related 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, including the Non-BRH Related Entities, for 2012, 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 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~~nor 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 2012 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).