

From: "Barry J. Cohen" <[REDACTED]>

To: Thomas Turrin <[REDACTED]>

CC: jeffrey E. <jeevacation@gmail.com>, "[REDACTED]" <[REDACTED]>, Leon Black <[REDACTED]>

Subject: IRS

Date: Sun, 30 Apr 2017 23:35:28 +0000

Maybe there was an audit of an entity downstream from BRH. I only asked Apollo about BRH. How else would 2012 still be open?

Sent from my iPhone

On Apr 30, 2017, at 7:17 PM, Thomas Turrin <[REDACTED]> wrote:

This audit could have been done internally by IRS. I know that IRS sometimes does examinations internally (client isn't contacted until "internal" audit is concluded).. Because BRH Holdings LP is mainly a holding entity owning many other flow-through partnership entities, IRS could easily trace all K-1's flowing from these other partnerships to the BRH return without doing a field audit at Apollo's offices. It would not be difficult for them to undertake such an internal audit and trace all the K-1's into BRH. The IRS could readily pull this K-1 information from their system.

It is very surprising to me that Deloitte nor anyone Apollo knew of these audits. Also, it's interesting that other non-founding executives at Apollo were also recently given assessment notices relating to audits of related Apollo partnerships. The IRS audit was more than just BRH. The BRH Holdings LP adjustment of income is likely to have resulted from an audit of one or more of the investee entities owned by BRH.

From: jeffrey E. [<mailto:jeevacation@gmail.com>]

Sent: Sunday, April 30, 2017 6:51 PM

To: Barry Cohen; Thomas Turrin; [REDACTED]

Cc: Leon Black

Subject: Re:

We were told that neither Deloitte or apollo tax knew of this . That was the first question

On Sun, Apr 30, 2017 at 6:18 PM Thomas Turrin <[REDACTED]> wrote:

Please see my comments below in red.

-----Original Message-----

From: [REDACTED] [[mailto:\[REDACTED\]](mailto:[REDACTED])]

Sent: Sunday, April 30, 2017 11:33 AM

To: Jeffrey Epstein; Thomas Turrin; Barry Cohen

Cc: Leon Black

Subject:

Guys-can I just mention and confirm some things:

1. As an fyi, but as I believe you know, RJ is pulling together the back-up and presentation on the other items of BRH income highlighted in the original IRS notice this week end. Hopefully we will not have to submit.
2. As we all know I aint no tax guy but I read the assessment letter very carefully and my "uninformed" view is exactly tom and jeffrey's first reaction (which may or may not have changed), ie, that the IRS found/acknowledges 378,805,695 of what they believe should be 379,707,381 or a delta of 884,006. (They also found a delta of 17,680 in itemized deductions.) Definitionally, these numbers have to include BRH numbers and as jeffrey said to me, they answered the question they posed in the initial notice.

The "delta" in income is not a result of an audit of Leon's tax return. The "delta" is Leon's (BFP's) allocable share of the adjustment of BRH Holdings, LP ordinary income as a result of an audit of the tax return of BRH Holdings. The issue is on the BRH partnership return. Suzanne Wong (or someone at Apollo or Deloitte) should be able to provide a copy of the IRS audit report explaining the adjustment of BRH. I will not be able to speak to the agent about BRH specifically since I am not the tax preparer of BRH.

When the IRS audits a partnership and makes an adjustment to the partnership's income or deductions, the IRS sends adjustment notices to the partners such as the one received late Friday in which they indicate the specific partner's allocable share of the partnership adjustment. The IRS notice also computes the additional tax and interest (there was no penalty) related to the adjustment of BRH income.

The delta in itemized deductions is strictly due to the fact that Leon's gross income increased due to the audit adjustment of BRH Holdings, LP...no other reason.

There was no disallowance of Leon's deductions claimed on his personal return. Total gross income affects the amount of miscellaneous itemized deductions subject to the 2% gross income limitation...so the amount of miscellaneous itemized deductions decreased due to increase in income. ...it's simple limitation calculation.

3. In that context, my personal view is that tom tries to reach out by phone monday (after he and jeffrey touch base today or tomorrow morn to coordinate) to confirm that the 360k assessment is the show stopper. **Brad, I agree with this approach. The 360 assessment as a result of the BRH audit in my opinion is the show stopper....if Leon were to sign off on adjustment and pay the assessment promptly, that is the end of this.**

4. On a parallel basis, I'd have jeffrey and tom edit the "alternate response letter" which, again, would set out our belief that the "assessment" ends this process, at least for 2012. If we don't hear back from the agent then we should submit in writing our understanding of the notice and assessment. **I believe (and so does my partner Lisa Goldman) that this notice of adjustment of should "end the process". I can call first thing Monday and confirm (if the agent takes my call). We can discuss strategy first thing tomorrow.**

5. As an aside, if leon's brh assessment is 884,006 it wld be nice to see if that foots with the overall assessment to the other BRH partners and cross-check to ownership %'s; although at the end of the day I'm not certain that's critical. **The audit report issued to BRH Holdings, LP would disclose the reason for the adjustment. It would be interesting to see whether the audit adjustment is proportional to the other founding partners, it should be.**

Thgts? I'm reachable by email or cell phone. Best, b Sent from my Verizon Wireless BlackBerry



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