


Part II Organizational Action (continued)


17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ See attached statement

18 Can any resulting loss be recognized? ▶ See attached statement

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ See attached statement

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here
Signature ▶  Date ▶ 10/10/17
Print your name ▶ JERR MONDAY Title ▶ VICE PRESIDENT

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Carrie Parker		10/10/2017		PO1338973
	Firm's name ▶ PricewaterhouseCoopers, LLP	Firm's address ▶ 1075 Peachtree Street, Suite 2600, Atlanta, GA, 30309		Firm's EIN ▶	13-4008324
				Phone no.	678-419-1000

HD Supply, Inc.
FEIN: 75-2007383

Form 8937 Appendix A
Report of Organization Actions Affecting Basis of Securities
Fifth Amendment to the Credit Agreement

The attached Form 8937 and this Appendix A are intended to constitute a public reporting under section 6045B of the Internal Revenue Code of 1986, as amended (the “**Code**”), and Treas. Reg. §§1.6045B-1(a)(3) and (b)(4) of the Treasury Regulations relating to a potential adjustment to the basis of HD Supply Inc.’s (“**HD Supply**” or the “**Company**”) Existing Term B-1 Loans (as defined below) as a result of the Amendment (as defined below) on August 31, 2017. This Appendix A is intended to provide only a general summary of certain U.S. federal income tax consequences of the Amendment and is not intended to provide a comprehensive analysis of all potential U.S. federal income tax consequences related to the Amendment. You should consult your tax advisor to determine the tax consequences of the Amendment to you.

Part II, Line 14

On August 31, 2017, (the “**Amendment Date**”), HD Supply, Bank of America N.A., as administrative agent and collateral agent, and other parties thereto entered into a Fifth Amendment (the “**Amendment**”) to the credit agreement governing HD Supply’s existing term loan credit facility dated as of April 12, 2012 (the “**Credit Agreement**”) as amended by the First Amendment, dated as of February 15, 2013, by the Second Amendment, dated as of February 6, 2014, by the Incremental Agreement No. 1, dated as of August 13, 2015, and by the Fourth Amendment, dated as of October 14, 2016. The Amendment, among other changes, refinanced all of the existing Term B-1 Loans under the Credit Agreement (the “**Existing Term B-1 Loan(s)**”) with a new tranche of term loans (the “**Term B-3 Loan(s)**”) in an aggregate principal amount of \$535 million.

Part II, Line 15

We believe, and the rest of this discussion assumes, that the Amendment constitutes a “significant modification” of the Existing Term B-1 Loans within the meaning of Treas. Reg. §1.1001-3(e)(2), resulting in a deemed exchange of the Existing Term B-1 Loan (the “**Exchange**”) for a new term loan (i.e., the Term B-3 Loan) for U.S. federal income tax purposes.

The deemed exchange by holders of the Existing Term B-1 Loan for the Term B-3 Loan may (or may not) be treated as a recapitalization for U.S. federal income tax purposes under section 368(a)(1)(E). This depends on whether the Existing Term B-1 Loan and the Term B-3 Loan qualify as “securities” for U.S. federal income tax purposes. Holders of the Existing Term B-1 Loans should consult their own tax advisors to determine the tax consequences of the Amendment to them.

If the Amendment is treated as a recapitalization for U.S. federal income tax purposes, a holder’s initial tax basis in the Term B-3 Loan received in the exchange generally would be the same as such holder’s adjusted basis in the Existing Term B-1 Loan immediately prior to the Exchange.

If the Exchange is not treated as a recapitalization for U.S. federal income tax purposes, the Amendment will be a taxable transaction for U.S. federal income tax purposes. In that case, a

holder's initial tax basis in the Term B-3 Loan received in the exchange generally would be equal to the issue price of the Term B-3 Loan (discussed below).

Holders of the Existing Term B-1 Loans should consult their own tax advisors to determine the tax consequences of the Amendment to them.

Part II, Line 16

If the Exchange is treated as a recapitalization for U.S. federal income tax purposes, a holder's initial tax basis in the Term B-3 Loan received in the Exchange generally would be the same as such holder's adjusted tax basis in the Existing Term B-1 Loan immediately prior to the Exchange.

If the Exchange is not treated as a recapitalization for U.S. federal income tax purposes, the Exchange will be a taxable transaction for U.S. federal income tax purpose. In that case, a holder's initial tax basis in the Term B-3 Loan received in the Exchange generally would be equal to the issue price of the Term B-3 Loan.

We have determined that the Term B-3 Loan is part of a single refinancing, some of which was issued for money from new lenders. We have determined the issue price of the Term B-3 Loans by reference to the cash proceeds from the issuance to be 99.875% of principal. Treas. Reg. §1.1273-2(a).

Holders of the Existing Term B-1 Loan should consult their tax advisors to determine the tax consequences of the Exchange to them.

Part II, Line 17

Sections 354, 356, 358, 368, 1001, and 1012.

Part II, Line 18

The Exchange generally should not result in a loss to a holder of the Existing Term B-1 Loan to the extent the Exchange is a tax-free recapitalization.

To the extent the Exchange is not a tax-free recapitalization, the Exchange may result in a loss to a holder to the extent such holder's tax basis in the Existing Term B-1 Loan exceeds the issue price of the Term B-3 Loan received in the Exchange.

Part II, Line 19

The reportable tax year is 2017.