

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 ▶ 12/5/18
Print your name ▶ CARRIE PARKER Title ▶ VP OF TAX

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Carrie Parker		12/5/18		P01338973
	Firm's name ▶ PricewaterhouseCoopers, LLP	Firm's EIN ▶ 13-4008324		Phone no. 678-419-1000	
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HD Supply, Inc.
FEIN: 75-2007383

Form 8937 Appendix A
Report of Organization Actions Affecting Basis of Securities
Sixth 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) relating to a potential adjustment to the basis of HD Supply Inc.'s ("HD Supply" or the "Company") Existing Term B-3 Loans and Term B-4 Loans (as defined below) as a result of the Amendment (as defined below) on October 22, 2018. 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 I, Line 10 - CUSIP number

- Term B-3 Loans: 42206JAR3
- Term B-4 Loans: 42206JAS1
- Term B-5 Loans: 42206JAT9

Part II, Line 14 - Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action.

On October 22, 2018, (the "Amendment Date"), HD Supply, Bank of America N.A., as administrative agent, and JPMorgan Chase Bank, N.A., as lender, and other parties thereto entered into a Sixth 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, by the Fourth Amendment, dated as of October 14, 2016, and by the Fifth Amendment, dated as of August 31, 2017. The Amendment, among other changes, refinanced all of the existing Term B-3 Loans and Term B-4 Loans under the Credit Agreement (the "Existing Term B-3 and B-4 Loans") with a new tranche of term loans (the "Term B-5 Loans") in an aggregate principal amount of \$1,070,000,000.

Part II, Line 15 - Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis.

We believe, and the rest of this discussion assumes, that the Amendment constitutes a "significant modification" of the Existing Term B-3 and B-4 Loans within the meaning of Treas. Reg. § 1.1001-3(e), resulting in a deemed exchange of the Existing Term B-3 and B-4 Loan (the "Exchange") for the Term B-5 Loans for U.S. federal income tax purposes.

The deemed exchange by holders of the Existing Term B-3 and B-4 Loans for the Term B-5 Loans may (or may not) be treated as a recapitalization for U.S. federal income tax purposes under section 368(a)(1)(E) (i.e., a nontaxable recapitalization). This characterization depends on whether the Existing Term B-3 and B-4 Loans and the Term B-5 Loans qualify as "securities" for U.S. federal income tax purposes. Holders of the Existing Term B-3 and B-4 Loans should consult their own tax advisors to determine the tax consequences of the Amendment to them.

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If the Amendment is treated as a nontaxable recapitalization for U.S. federal income tax purposes, a holder's initial tax basis in the Term B-5 Loans received in the exchange generally should be the same as such holder's adjusted basis in the Existing Term B-3 and B-4 Loans immediately prior to the Exchange.

If the Exchange is not treated as a nontaxable 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-5 Loans received in the Exchange generally should be equal to the issue price of the Term B-5 Loans (discussed below).

Holders of the Existing Term B-3 and B-4 Loans should consult their own tax advisors to determine the tax consequences of the Amendment to them.

Part II, Line 16 - Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates.

If the Exchange is treated as a nontaxable recapitalization for U.S. federal income tax purposes, a holder's initial tax basis in the Term B-5 Loans received in the Exchange generally should be the same as such holder's adjusted tax basis in the Existing Term B-3 and B-4 Loans immediately prior to the Exchange.

If the Exchange is not treated as a nontaxable recapitalization for U.S. federal income tax purposes, the Exchange should be a taxable transaction for U.S. federal income tax purpose. In that case, a holder's initial tax basis in the Term B-5 Loans received in the Exchange generally would be equal to the issue price of the Term B-5 Loans.

We have determined that the Term B-5 Loans are part of a single issue, a substantial amount of which was to new lenders for money. Accordingly, we have determined the issue price of the Term B-5 Loans by reference to the cash proceeds from the issuance to be 99.5% of principal. Treas. Reg. § 1.1273-2(a).

Holders of the Existing Term B-3 and B-4 Loans should consult their tax advisors to determine the tax consequences of the Exchange to them.

Part II, Line 17 - List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based.

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

Part II, Line 18 - Can any resulting loss be recognized?

The Exchange generally should not result in a loss to a holder of the Existing Term B-3 and B-4 Loans to the extent the Exchange is a nontaxable recapitalization.

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To the extent the Exchange is not a nontaxable recapitalization, the Exchange may result in a loss to a holder to the extent such holder's tax basis in the Existing Term B-3 and B-4 Loans exceeds the issue price of the Term B-5 Loans received in the Exchange.

Part II, Line 19 - Provide any other information necessary to implement the adjustment, such as the reportable tax year.

The Company completed the Amendment on October 22, 2018. The reportable tax year is 2018 for calendar year taxpayers. For taxpayers reporting taxable income on a basis other than the calendar year, the reportable tax year of the Amendment is the taxpayer's tax year that includes October 22, 2018.