

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 attachment](#)

Blank lines for listing applicable Internal Revenue Code sections.

18 Can any resulting loss be recognized? ▶ [See attachment](#)

Blank lines for providing information on resulting loss recognition.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ [See attachment](#)

Blank lines for providing other necessary information for the adjustment.

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 ▶ 8/15/2024

Print your name ▶ Frank Dunsford Title ▶ CFO

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶	Firm's EIN ▶			
	Firm's address ▶	Phone no.			

Hornblower Group Holdco, LLC

FEIN:

Attachment to Form 8937

Report of Organizational Actions Affecting Basis of Securities

Disclaimer: The information contained in Form 8937 and this attachment does not constitute tax advice and does not purport to take into account any shareholder's or note holder's specific circumstances. Shareholders and note holders are urged to consult their own tax advisors regarding U.S. tax consequences of the transaction described herein and the impact to tax basis resulting from the transaction.

Hornblower Holdings LLC
FEIN:
Attachment to Form 8937
Report of Organizational Actions Affecting Basis of Securities

Form 8937, Part I, Lines 9 and 10:

<u>Debt Instrument Exchanged</u>	<u>CUSIP</u>
Superpriority Facility	
First Lien Term Facility and Revolver Term-Out Facility	
Revolver Facility	
Incremental Superpriority Facility	
Intercreditor Agreements	

Form 8937, Part II, Line 14.

On February 21, 2024, (the Debtors” or collectively, “Hornblower”) filed voluntary petitions for relief (the “Bankruptcy Filing” under Chapter 11 of Title 11 of the United States Code in the United States Bankruptcy Court for the Southern District of Texas (the “Bankruptcy Court”). On June 7th, 2024 (the “Confirmation Date”), the Bankruptcy Court entered an order approving and confirming the *Joint Chapter 11 Plan of Reorganization of Hornblower Holdings LLC. And Its Debtor Affiliates*, dated March 18, 2024 (the “Plan”). On July 3rd, 2024 (the “Effective Date”), Hornblower satisfied the conditions of the Plan and the Plan became effective. Unless otherwise defined herein, capitalized terms used herein are defined as used in the Plan or the *Disclosure Statement for the Joint Chapter 11 Plan of Reorganization of Hornblower Holdings LLC. And its Debtor Affiliates*, filed with the Bankruptcy Court on March 18, 2024 (the “Disclosure Statement”).¹

On the Effective Date, in a series of transactions pursuant to the Plan, the Debtors distributed new common stock of Hew Hornblower (the “New HB Common Equity” or “New Warrants”) and cash to holders of certain claims (the “Allowed Claims”) as described below, in exchange for such holders’ cancellation and forgiveness of such claims. Concurrently, all of the old common stock of Hornblower (the “Old Hornblower Stock”) was cancelled and extinguished and the holders of the Old Hornblower Stock received either cash or New HB Common Equity in respect of their equity interests in Hornblower. The events that occurred on the Effective Date pursuant to the Plan are cumulatively referred to herein as the “Transaction.” The following describes the exchange of consideration between Hornblower and the following holders of Allowed Claims of Hornblower in the Transaction:

- Holders of First Lien Claims;
- Holders of Revolver Claims;
- Holders of General Unsecured Claims;
- Holders of Unsecured Go-Forward Trade Claims;

¹ All capitalized terms not otherwise defined in this disclosure have the same meaning as those defined terms in the Disclosure Statement.

- Holders of Interests in Hornblower and Hornblower Holdings LLC (Existing Equity Interests)

In connection with this process, Hornblower has received a commitment for \$300 million in debtor-in-possession (“DIP”) financing to refinance the Company’s existing super priority term loan, in addition to the \$121 million in new-money financing.

Hornblower’s majority ownership will transition to holders of First Lien and Revolver Claims, which is discussed further below.

Treatment of Holders of First Lien Claims

Pursuant to the Plan, the First Lien Claims included claims as amended, modified, or otherwise supplemented from time to time between Hornblower and Holders. On the Effective Date, each holder of an Allowed First Lien Claim was entitled to receive a pro rata share of:

- i. 96% of the Rights;
- ii. 96% of the New HB Common Equity; and
- iii. The Crestview Cash Contribution, *provided* that such Holder may elect to use its pro rata share of the Crestview Cash Contribution as a credit towards the exercise of its Rights, in which case such portion of the Crestview Cash Contributions shall be retained by the Hornblower Debtors; and
- iv. 96% of the AQV Net Cash Proceeds.

Treatment of Holders of Revolver Claims

Pursuant to the Plan, the Revolver Claims included claims as amended, modified, or otherwise supplemented from time to time between Hornblower and Holders. On the Effective Date, each holder of an Allowed First Lien Claim shall receive its pro rata share of:

- i. 4% of the Rights;
- ii. 4% of the New HB Common Equity; and
- iii. 4% of the AQV Net Cash Proceeds.

Treatment of General Unsecured Claims and Unsecured Go-Forward Trade Claims

Pursuant to the Plan, the treatment of these claims are currently reserved.

Treatment of Existing Equity Interests

On the Effective Date, the Existing Equity Interests were cancelled, released, and extinguished.

Holders of Existing Equity Interests shall not receive or retain any distribution, property, or other value on account of their Interests in Hornblower or Hornblower Holdings LLC.

Form 8937, Part II, Line 15

Effect on Basis to U.S. Holders

As a result of the Transaction, each holder of a First Lien Claim, Revolver Claim, or Existing Equity Interest (together or separately, a “Claim”) exchanged its Claim for the right to receive consideration discussed on Line 14 of this Form 8937.

- *For purposes of this section, a “U.S. Holder” means a beneficial owner of an First Lien Claim, Revolver Claim, or Existing Equity Interests, that is: (a) an individual citizen or resident of the United States for U.S. federal income tax purposes; (b) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United State, any State thereof, or the District of Columbia; (c) an estate the income of which is subject to U.S. federal income taxation regardless of the source of such income; or (d) a trust (i) if a court within the United States is able to exercise primary jurisdiction over the trust’s administration and one or more United States persons have authority to control all substantial decisions of the trust or (ii) that has a valid election in effect under applicable Treasury regulations to be treated as a United States person.*

The following summary of certain U.S. federal income tax consequences is for informational purposes only and is not a substitute for careful tax planning and advice based upon your individual circumstances. All holders of Claims and Interests are urged to consult their tax advisor for the U.S. federal, state, local and other tax consequences applicable under the Plan. For more information regarding the Transaction, please visit Hornblower’s website for links to Hornblower’s Plan of Reorganization and Disclosure Statement filed with the Bankruptcy Court, available at [Newsroom – Hornblower Corp.](#)

Whether a debt instrument constitutes a “security” for U.S. federal income tax purposes is determined based on all the relevant facts and circumstances, but most authorities have held that the length of the term of a debt instrument at initial issuance is an important factor in determining whether such instrument is a security for U.S. federal income tax purposes. These authorities have indicated that a term of less than five (5) years is evidence that the instrument is not a security, whereas a term of ten (10) years or more is evidence that it is a security. The First Lien Term Facility had a term to maturity of approximately seven (7) years when issued. There are numerous other factors that could be taken into account in determining whether a debt instrument is a security, including the security for payment, the creditworthiness of the obligor, the subordination or lack thereof with respect to other creditors, the right to vote or otherwise participate in the management of the obligor, convertibility of the instrument into an equity interest of the obligor, whether payments of interest are fixed, variable, or contingent, whether such instrument is deemed to be in exchange for another debt instrument and whether such payments are made on a current basis or accrued. The Debtors intend to take the position that loans under the Revolver Term-Out Facility do not constitute “securities” for U.S. federal income tax purposes. Holders of the First Liens Claims are urged to consult their tax advisors as to the classification of Allowed First Lien Claims as “securities” for U.S. federal income tax purposes.

Consequences to U.S. Holders of First Lien Claims

Effect on Basis to U.S. Holders of Claims that Constitute Stock or Securities

Pursuant to the Plan, in full and final satisfaction, settlement, release, and discharge of such Claims, each Holder of an Allowed First Lien Claim will receive New HB Common equity, Subscription Rights, and cash from the Crestview Cash Contribution and a portion of the AQV New Cash Proceeds, if any.

The U.S. federal income tax consequences of the Plan to U.S. Holders of Allowed First Lien Claims will depend, in part, on whether the transactions undertaken pursuant to the Plan constitute a Taxable Transaction. If the transactions undertaken pursuant to the Plan do not constitute a Taxable Transaction with respect to Debtor Hornblower Group Holdco, LLC (such transaction, a "Reorganization"), the U.S. federal income tax consequences to such U.S. Holders of Allowed First Lien Claims will further depend on whether the Claims surrendered constitute "securities" for U.S. federal income tax purposes.

If the transactions undertaken pursuant to the Plan constitute a Reorganization with respect to the Debtor Hornblower Group Holdco, LLC and the portion of an Allowed First Lien Claim that is treated as debt of Debtor Hornblower Group Holdco, LLC (as determined for U.S. federal income tax purposes) qualifies as a "security" for U.S. federal income tax purposes, a U.S. Holder of such a Claim should recognize gain (but not loss), to the extent of the lesser of (a) the amount of gain realized from the exchange (generally) equal to the fair market value of all of the consideration received in exchange for the portion of the Claim that is treated as debt of Debtor Hornblower Group Holdco, LLC (as determined for U.S. federal income tax purposes) minus the Holder's adjusted basis, if any, in such portion of the Claim) or (b) the fair market value of "other property" (as described under section 356 of the Tax Code), received in the distribution. For this purpose, if the portion of an Allowed First Lien Claim that is treated as debt of Debtor Hornblower Group Holdco, LLC is treated as a "security" and the issuer of the New HB Common Equity and Subscription Rights is Hornblower Group Holdco, LLC, the New HB Common Equity and Subscription Rights should be considered "stock or a security" of a party to the Reorganization and not "other property." With respect to non-cash consideration that is treated as a "stock or security" of a party to the Reorganization, such U.S. Holder should obtain a tax basis in such property, other than any such amounts treated as received in satisfaction of accrued but untaxed interest, equal to (a) the tax basis of the portion of the Claim surrendered, less (b) the fair market value of "other property" received in exchange for such portion of its Claim, plus (c) gain recognized (if any). A U.S. Holder's tax basis in such non-cash consideration, as determined under the previous sentence, should be allocated among such property based on the fair market value of such property, and the holding period for such non-cash consideration should include the holding period for the surrendered Claims. With respect to non-cash consideration that is treated as "other property," U.S. Holders should obtain a tax basis in such property, other than any amounts treated as received in satisfaction of accrued but untaxed interest, equal to the property's fair market value as of the date such property is distributed to the U.S. Holder. The holding period for any such property should begin on the day following the receipt of such property.

The tax basis of any non-cash consideration treated as received in satisfaction of accrued but untaxed interest should equal the amount of such accrued but untaxed interest, but in no event should such basis exceed the fair market value of the consideration received in satisfaction of accrued but untaxed interest should equal the amount of such accrued but untaxed interest, but in no event should such basis exceed the fair market value of the consideration received in satisfaction of accrued but untaxed interest. The holding period for the non-cash consideration treated as received in satisfaction of accrued but untaxed interest should non include the holding period of the debt instrument constituting the surrendered Claim and should begin on the day following the receipt of such property.

Effect on Basis to U.S. Holders of Claims that do not Constitute a Security or that Receive Consideration that does not Constitute a Security

If the transactions undertaken pursuant to the Plan constitute a Reorganization with respect to Debtor Hornblower Group Holdco, LLC but an Allowed First Lien Claim does not qualify as a “security” for U.S. federal income tax purposes, a U.S. Holder of such Claim will be treated as exchanging the portion of the Claim that is treated as debt of Debtor Hornblower Group Holdco, LLC (as determined for U.S. federal income tax purposes) for the New HB Common Equity and Subscription Rights in a fully taxable exchange under section 1001 of the Tax Code. A U.S. Holder of an Allowed First Lien Claim who is subject to this treatment should recognize gain or loss equal to the difference between (a) the total fair market value of the New HB Common Equity, Subscription Rights and cash received in exchange for such portion of its Claim (subject to the discussion of “Accrued Interest” below) and (b) the U.S. Holder’s adjusted tax basis in such portion of its Claim. The character of such gain or loss as capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the U.S. Holder, whether the Claim was purchased as a discount, and whether and to what extent the U.S. Holder previously has claimed a bad debt deductions with respect to its Claim. If recognized gain is capital gain, it generally would be long-term capital gain if the U.S. Holder held its Claim for more than one year at the time of the exchange. The deductibility of capital losses is subject to certain limitations, as discussed below. To the extent that a portion of the consideration received in exchange for its Claim is allocable to accrued but untaxed interest, the U.S. Holder may recognize ordinary income. See the discussions of “Accrued Interest,” “Market Discount” and “Limitations on Use of Capital Losses” below. A U.S. Holder’s tax basis in New HB Common Equity and Subscription Rights should be equal to their fair market value. A U.S. Holder’s holding period for each item of consideration received on the Effective Date should begin on the day following the Effective Date.

The treatment of the Crestview Cash Contributions in a Reorganization is subject to uncertainty, including with respect to its treatment as a separate cash payment on the Allowed First Lien Claims or as “other property” received in a Reorganization and whether it should be allocated in accordance with Debt Allocation. Holders of Allowed First Lien Claims are urged to consult their own tax advisors as to the tax consequences of such payment.

U.S. Federal Income Tax Consequences of Ownership and Disposition of New HB Common Equity and Subscription Rights

Dividends on New HB Common equity:

Any distributions made on account of New HB Common equity will constitute dividends for U.S. federal income tax purposes to the extent of the current or accumulated earnings and profits of Reorganized Hornblower as determined under U.S. federal income tax principles. To the extent that a U.S. Holder receives distributions that would otherwise constitute dividends for U.S. federal income tax purposes but that exceed such current and accumulated earnings and profits, such distribution will be treated first as a non-taxable return of capital reducing the U.S. Holder’s basis in its shares. Any such distributions in excess of the U.S. Holder’s basis in its shares (determined on a share-by-share basis) generally will be treated as capital gain.

Dividends paid to U.S. Holders that are corporations generally will be eligible for the dividends received deduction so long as there are sufficient earnings and profits. However, the dividend’s received

deduction is only available if certain holding period requirements are satisfied. The length of time that a shareholder has held its stock is reduced for any period during which the shareholder's risk of loss with respect to the stock is diminished by reason of the existence of certain options, contracts to sell, short sales, or similar transactions. In addition, to the extent that a corporation incurs indebtedness that is directly attributable to an investment in the stock on which the dividend is paid, all or a portion of the dividends received deduction may be disallowed. Dividends received by non-corporate Holders may be eligible for reduced rates of taxation.

Unless a non-recognition provision applies or a redemption is treated as a dividend under Section 302 of the Tax Code, U.S. Holders generally will recognize gain or loss upon the sale, redemption, or other taxable disposition of New HB Common Equity. In general, this gain or loss will be a capital gain or loss, subject to special rules that may apply in the case of redemption. Such capital gain generally would be long-term capital gain if at the time of the sale, exchange, retirement, or other taxable disposition, the U.S. Holder held the New HB Common Equity for more than one year. Long-term capital gains of an individual taxpayer generally are taxed at preferential rates. The Deducibility of capital losses is subject to certain limitations as described above. Under the recapture rules of Section 108(e)(7) of the Tax Code, a U.S. Holder may be required to treat gain recognized on the taxable disposition of the New HB Common equity as ordinary income if such U.S. Holder took a bad debt deduction with respect to its Allowed Claim or recognized an ordinary loss on the exchange of its Allowed Claim for New HB Common Equity.

Subscription Rights:

A U.S. Holder that elects to exercise its Subscription Rights should be treated as purchasing, in exchange for its Subscription Rights and the amount of cash paid by the U.S. Holder to exercise such Subscription Rights, New HB Common Equity issued in connection with such exercise. Such a purchase should generally be treated as the exercise of an option under general tax principles, and such U.S. Holder should not recognize income, gain, or loss for U.S. federal income tax purposes when it receives the New HB Common Equity upon the exercise of the Subscription Rights. A U.S. Holder's aggregate tax basis in the New HB Common Equity should equal the sum of (i) the amount of cash paid by the U.S. Holder to exercise the Subscription Rights plus (ii) such U.S. Holder's tax basis in the Subscription Rights immediately before the Subscription Rights are exercised. A U.S. Holder's holding period for the New HB Common Equity received pursuant to such exercise should begin on the day following the date the U.S. Holder receives the New HB Common Equity upon the exercise of such U.S. Holder's Subscription Rights.

A U.S. Holder that elects not to exercise the Subscription Rights may be entitled to claim a loss equal to the amount of tax basis allocated to such Subscription Rights, subject to any limitation on such U.S. Holder's ability to utilize capital losses. U.S. Holders election not to exercise their Subscription Rights are urged to consult with their own tax advisors as to the tax consequences of such decision.

Consequences to U.S. Holders of Revolver Claims

Pursuant to the Plan, in full and final satisfaction, settlement, release, and discharge of such Claims, each Holder of an Allowed Revolver Claim will receive New HB Common Equity, Subscription Rights and cash from the AQV Net Cash Proceeds, if any. The U.S. federal income tax consequences of the transactions undertaken pursuant to the Plan to U.S. Holders of Allowed Revolver Claims will depend, in part, on whether such transactions constitute a Reorganization with respect to Debtor Hornblower Group Holdco,

LLC and whether the Claims surrendered constitute “securities” for U.S. federal income tax purposes. See the discussion under “Consequences to U.S. Holders of First Lien Claims” and “Treatment of a Debt Instrument as a ‘Security’” above.

The Debtors intend to take the position that the Revolver Loans are treated as debt of Debtor Hornblower Group Holdco, LLC (as determined for U.S. federal income tax purposes) which do not constitute “securities” for U.S. federal income tax purposes. Therefore, the exchange of an Allowed Revolver Claim for New HB Common Equity, Subscription Rights and cash from the AQV New Cash Proceeds, if any, will be treated as a taxable exchange under Section 1001 of the Tax Code. A U.S. Holder of an Allowed Revolver Claim should recognize gain or loss equal to the difference between (a) the sum of any cash received and the total fair market value of the New HB Common Equity and Subscription Rights received in the exchange (subject to the discussion of “Accrued Interest” below) and (b) the U.S. Holder’s adjusted tax basis in its Claim. The character of such gain or loss as capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the U.S. Holder, whether the Claim was purchased at a discount, and whether and to what extent the U.S. Holder previously has claimed a bad debt deduction with respect to its Claim. If recognized gain is capital gain, it generally would be long-term capital gain if the U.S. Holder held its Claim for more than one year at the time of the exchange. The deductibility of capital losses is subject to certain limitations, as discussed below. To the extent that a portion of the consideration received in exchange for its Claim is allocable to accrued but untaxed interest, the U.S. Holder may recognize ordinary income. See the discussion of “Accrued Interest,” “Market Discount” and “Limitations on Use of Capital Losses” below. A U.S. Holder’s tax basis in New HB Common Equity and Subscription Rights should be equal to their fair market value. A U.S. Holder’s holding period for each item of consideration received on the Effective Date should begin on the day following the Effective Date.

It is possible that U.S. Holders of Allowed Revolver Claims will receive some amounts after the Effective Date. The possibility that a U.S. Holder of a Claim will receive additional value following the Effective Date may result in the U.S. Holder being required to defer all or a portion of any tax loss on their Claim until it is clear that the U.S. Holder will not receive any further distributions with respect to the Claim or the U.S. Holder disposes of its Claim. A U.S. Holder of Allowed Revolver Claims should consult their own tax advisor regarding the timing of any gain or loss relating to their Claims, including the potential application of the installment method.

Consequences to U.S. Holders of General Unsecured Claims and Unsecured Go-Forward Trade Claims

The treatment of U.S. Holders of General Unsecured Claims and Unsecured Go-Forward Trade Claims is currently reserved under the Plan. The final tax consequences to U.S. Holders of General Unsecured Claims and Unsecured Go-Forward Trade Claims will depend on the consideration distributed to such Holders under the Plan. **Treatment of Accrued Interest for Holders of First Lien and Revolver Claims**

A portion of the consideration received by U.S. Holders of Allowed Claims may be attributable to accrued but untaxed interest (or original issue discount (“OID”)) on such Claims. If any amount is attributable to such accrued interest (or OID), then such amount should be taxable to that U.S. Holder as interest income if such accrued interest has not been previously included in the U.S. Holder’s gross income for U.S. federal income tax purposes. Conversely, U.S. Holders of Allowed Claims should be able to recognize a deductible loss to the extent any accrued interest on the Claims was previously included in

the U.S. Holder's gross income for U.S. federal income tax purposes but was not paid in full by the Debtors.

If the fair value of the consideration is not sufficient to fully satisfy all principal and interest on an Allowed Claim, the extent to which consideration will be attributable to accrued but untaxed interest is unclear. Under the Plan, the aggregate consideration to be distributed to U.S. Holders of Allowed Claims in each Class will be allocated first to the principal amount of such Allowed Claims (as determined for United States federal income tax purposes), with any excess allocated to the remaining portion of such Claims, if any. There is no assurance that the IRS will respect such allocation.

U.S. Holders are urged to consult their own tax advisors regarding the allocation of consideration received in satisfaction of their Claims and the U.S. federal income tax treatment of accrued but unpaid interest, as well as the character of any loss claimed with respect to accrued but unpaid interest previously included in gross income for U.S. federal income tax purposes.

Certain U.S. Federal Income Tax Consequences to Certain Non-U.S. Holders of Allowed Claims

The following discussion includes only certain U.S. federal income tax consequences of the Restructuring Transaction to non-U.S. Holders. The discussion does not include any non-U.S. tax consideration. The rules governing the U.S. federal income tax consequences to non-U.S. Holders are complex. Each non-U.S. Holder is urged to consult its own tax advisor regarding the U.S. federal, state, and local and non-U.S. tax consequences of the consummation of the Plan and the ownership and disposition of the New HB Common equity and Subscription Rights to such non-U.S. Holders.

To the extent that the Restructuring Transactions are treated as a Taxable Transaction or otherwise result in the recognition of taxable gain for U.S. federal income tax purposes, any gain realized by a non-U.S. Holder on the exchange of its Claim under the Plan generally will not be subject to U.S. federal income taxation unless (a) the non-U.S. Holder is an individual who was present in the United States for 183 days or more during the taxable year in which the Restructuring Transaction occur and certain other conditions are met or (b) such gain is effectively connected with the conduct by such non-U.S. Holder of a trade or business in the United States (and if an income tax treaty applies, such gain is attributable to a permanent establishment maintained by such non-U.S. Holder in the United States).

If the first exemption applies, to the extent that any gain is taxable, the non-U.S. Holder generally will be subject to U.S. federal income tax at a rate of 30% (or at a reduced rate or exemption from tax under an applicable income tax treaty) on the amount by which such non-U.S. Holder's capital gains allocable to U.S. sources exceed capital losses allocable to U.S. sources during the taxable year of the exchange. If the second exception applies, the non-U.S. Holder generally will be subject to U.S. federal income tax with respect to any gain realized on the exchange in the same manner as a U.S. Holder. In addition, if such a non-U.S. Holder is a corporation, it may be subject to a branch profits tax equal to 30% (or such lower rate provided by an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments.

Payments to a non-U.S. Holder that are attributable to amounts received pursuant to the Plan in respect of accrued but untaxed interest generally will not be subject to U.S. federal income tax or withholding, provided that the withholding agent has received or receives, prior to payment, appropriate

documentation (generally, IRS Form W-8BEN, or W-8BEN-E) establishing that the non-U.S. Holder is not a U.S. person unless:

- The non-U.S. Holder actually or constructively owns, directly or indirectly through entities that are treated as a partnership for U.S. federal income tax purposes, 10% or more of the equity of Debtor Hornblower Holdings LP (in case of interest payments received pursuant to the Plan);
- The non-U.S. Holder is a “controlled foreign corporation” that is a “related person” (each, within the meaning of the Tax Code) with respect to Debtor American Queen Holdco, LLC or Debtor Hornblower Group Holdco, LLC (in the case of interest payments received pursuant to the Plan);
- The non-U.S. Holder is a bank receive interest described in section 881(c)(3)(A) of the Tax Code; or
- Such interest is effectively connected with the conduct by the non-U.S. Holder of a trade or business within the United States.

A non-U.S. Holder described in the first three bullets above generally will be subject to withholding of U.S. federal income tax at a 30% tax rate (or at a reduced rate or exemption from tax under an applicable income tax treaty) on amounts received pursuant to the Plan in respect of accrued but untaxed interest.

A non-U.S. Holder described in the fourth bullet above generally will not be subject to withholding tax if it provides a properly executed IRS Form W-8ECI (or successor form) to the withholding agent, but will be subject to U.S. federal income tax in the same manner as a U.S. Holder (unless an applicable income tax treaty provides otherwise), and a non-U.S. Holder that is a corporation for U.S. federal income tax purposes may also be subject to a branch profits tax with respect to such non-U.S. Holder’s effectively connected earnings and profits that are attributable to the interest at a rate of 30% (or at a reduced rate or exemption from tax under an applicable income tax treaty).

For purposes of providing a properly executed IRS Form W-8BEN, or W-8BEN-E, special procedure are provided under applicable Treasury Regulations for payments through qualified foreign intermediaries or certain financial institutions that hold customers’ securities in the ordinary course of their trade or business. As described above, the aggregate consideration to be distributed to Holders of Allowed Claims in each Class will be allocated first to the principal amount of such Allowed Claims, with any excess allocated to unpaid interest that accrued on these Claims, if any.

Distribution Language:

Any distributions made (or deemed to be made) with respect to New HB Common equity will constitute dividends for U.S. federal income tax purposes to the extent of Reorganized Hornblower’s current or accumulated earnings and profits as determined under U.S. federal income tax principles. To the extent that a non-U.S. Holder receives distributions that would otherwise constitute dividends for U.S. federal income tax purposes but that exceed such current and accumulated earnings and profits, such distributions will be treated first as a non-taxable return of capital reducing the non—U.S. Holder’s basis in its New HB Common equity. Any such distributions in excess of a non-U.S. Holder’s basis in its New HB Common equity (determined on a share-by-share basis) generally, will be treated as capital gain from a sale or exchange. Except as described below, dividends paid with respect to New HB Common equity held by a non-U.S. Holder that are not effectively connected with a non-U.S. Holder’s conduct of a U.S.

trade or business (or if an income tax treaty applies, are not attributable to a permanent establishment maintained by such non-U.S. Holder in the United States) will be subject to U.S. federal withholding tax at a rate of 30% (or lower treaty rate, if applicable). A non-U.S. Holder generally will be required to satisfy certain IRS certification requirements in order to claim a reduction of or exemption from withholding under a tax treaty by providing an IRS Form W-8BEN or W-8BEN-E (or a successor form) to Reorganized Hornblower upon which the non-U.S. Holder certifies, under penalties of perjury, its status as a non-U.S. person and its entitlement to the lower treaty rate or exemption from tax with respect to such payments. Dividends paid with respect to New HB Common Equity held by a non-U.S. Holder that are effectively connected with a non-U.S. Holder's conduct of a U.S. trade or business (and if an income tax treaty applies, are attributable to a permanent establishment maintained by such non-U.S. Holder in the United States) generally will be subject to U.S. federal income tax in the same manner as a U.S. Holder, and a non-U.S. Holder that is a corporation for U.S. federal income tax purposes may also be subject to a branch profits tax with respect to such non-U.S. Holder's effectively connected earnings and profits that are attributable to the dividends at a rate of 30% (or at a reduced rate under an applicable income tax treaty).

Form 8937, Part II, Line 16:

To the extent that a Claim constituted a security for U.S. federal income tax purposes and the exchange for consideration in the Transaction constituted a reorganization pursuant to IRC Section 368(a), a U.S. Holder's aggregate tax basis in the New HB Common Equity received in respect of its Claims will generally equal such U.S. Holder's aggregate tax basis in its respective Claim surrendered in the Transaction, increased by any gain recognized and decreased by any boot received (e.g., cash and the fair market value of other property).

The tax basis of the boot received by U.S. Holders (e.g., cash) would equal the fair market value of the boot received.

To the extent a Claim did not constitute a security, the tax basis of any consideration received by a U.S. Holder of such Claim under the Plan would equal its fair market value.

Form 8937, Part II, Line 18

To the extent the exchanges in the Transaction are treated as recapitalizations for U.S. federal income tax purposes, generally no loss may be recognized with respect to First Lien Claims, Revolver Claims and Existing Equity Interests.

To the extent the exchanges are taxable, loss is recognized in an amount generally equal to the excess of the holder's adjusted tax basis in the Claim relinquished over the aggregate fair market value of the New HB Common Equity and Subscription Rights received in respect of such claim.

Existing Hornblower Equity Interest Holders

A U.S. Holder of Existing Hornblower Equity stock may be eligible for a worthless stock deduction pursuant to Section 165 of the Internal Revenue Code. The rules governing the character, timing, and amount of bad debt or worthless securities deductions place considerable emphasis on the facts and circumstances of the U.S. Holder, the obligor, and the instrument with respect to which a deduction is

claimed. U.S. Holders of Existing Hornblower Equity, therefore, are urged to consult their tax advisors with respect to their ability to take such a deduction.