



**Part II Organizational Action** (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ Section 1001.

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

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

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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 ▶ *Trudy McConnaughay* Date ▶ 1/22/2020

Print your name ▶ Trudy McConnaughay Title ▶ Chief Financial Officer / Corp Secretary

<b>Paid Preparer Use Only</b>	Print/Type preparer's name <b>Brian Angstadt</b>	Preparer's signature <u><i>Brian Angstadt</i></u>	Date <u>01/21/2020</u>	Check <input checked="" type="checkbox"/> if self-employed	PTIN <b>P00849610</b>
	Firm's name ▶ <b>Grant Thornton LLP</b>			Firm's EIN ▶ <b>36-6660555</b>	
	Firm's address ▶ <b>1100 Peachtree St. NE Suite 1200, Atlanta, GA 30309</b>			Phone no. <b>(404) 330-2000</b>	

Statement of PHI Global, Inc.

**This statement is an update to the statement posted on October 18, 2019 (the Previous Statement ). It has been updated for final valuations of the Company s New Common Stock, Creditor Warrants, and Equity Warrants.**

**Disclaimer:** The information contained herein is being provided pursuant to the requirements of section 6045B of the Internal Revenue Code of 1986, as amended (the “Tax Code”), and includes a general summary regarding the application of certain U.S. federal income tax laws and regulations relating to the effects of the transactions described below. The information contained herein does not constitute tax advice and does not purport to be complete or to describe the consequences that may be relevant to particular categories of the Debtors’ creditors. Further, this information does not constitute tax advice and may not be applicable to creditors of the Debtors who are not citizens or residents of the United States. You are urged to consult your own tax advisor regarding the particular consequences of the Restructuring (as defined below) to you, including the applicability and effect of all U.S. federal, state, and local and foreign tax laws.

Additional information about the Restructuring and the Plan (as defined below) can be found at: <https://cases.primeclerk.com/PHI>. All capitalized terms used but not otherwise defined herein have the meanings set forth in the Plan.

**Lines 9-10:**

<u>Classification</u>	<u>CUSIP</u>	<u>Ticker</u>
Non-voting common stock	69336T205	PHIHK
Voting common stock	69336T106	PHII
5.25% Senior Notes due 2019	69336TAH9	

**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 March 14, 2019, PHI, Inc. (“Old PHI”) and its principal U.S. subsidiaries (together with Old PHI, the “Debtors”) filed voluntary petitions (the “Chapter 11 Cases”) in the United States Bankruptcy Court for the Northern District of Texas (the “Bankruptcy Court”) seeking relief under Chapter 11 of Title 11 of the United States Code.

On August 2, 2019, the Bankruptcy Court issued a written order (the “Confirmation Order”) confirming the Debtors’ Third Amended Joint Plan of Reorganization, as previously supplemented and as modified by the Confirmation Order (the “Confirmed Plan”). On August

29, 2019, the Bankruptcy Court issued a written order (the “Modification Order”) approving the Debtors’ motion to modify the Confirmed Plan (as so modified, the “Plan”) to authorize the payment of cash to holders of less than 250 shares of Old PHI common stock. On September 4, 2019 (the “Effective Date”), the Plan became effective in accordance with its terms, and the Debtors emerged from bankruptcy under the Chapter 11 Cases.

As of the Effective Date, all of Old PHI’s previously outstanding equity interests, including shares of its voting and non-voting common stock (the “Old Common Stock”), and its unsecured 5.25% Senior Notes due 2019 (the “Old Notes”) were cancelled and extinguished.

Pursuant to the Plan, the Debtors effectuated certain restructuring transactions (the “Restructuring”). In connection with the Restructuring, (i) Old PHI formed PHI Group, Inc., a Delaware corporation, initially as its wholly owned subsidiary (“PHI Group”), (ii) PHI Group formed PHI Corporate, LLC, a Delaware limited liability company, as its wholly owned subsidiary (“PHI Corporate”), and (iii) PHI Corporate formed PHI Merger Sub, Inc., a Louisiana corporation, as its wholly owned subsidiary (“PHI Merger Sub”). On the Effective Date, PHI Merger Sub merged into Old PHI, which resulted in, among other things, PHI Group becoming the ultimate corporate parent of the Debtors and their affiliates.

Subject to certain exceptions relating to the payment of cash to settle certain claims for \$25,000 or less (“Convenience Claims”), the holders of Allowed General Unsecured Claims (including the Old Notes) and Aircraft Lessor Claims (each as defined in the Plan) received under the Plan their pro rata share of newly-issued common stock of PHI Group (the “New Common Stock”) or a combination of New Common Stock and warrants to acquire such stock (the “Creditor Warrants”) to the extent such New Common Stock could not be issued to a holder because of applicable Federal Aviation Administration restrictions. Under the Plan, holders of less than 250 shares of Old Common Stock received \$0.50 per share in cash and, subject to certain exceptions (discussed below), the remaining holders of Old Common Stock received warrants (the “Equity Warrants”) issued by PHI Group exercisable for shares of New Common Stock, in each case in exchange for the cancellation of the Old Common Stock.

As a result of these transactions, the Company’s former unsecured creditors (including certain lessors) now own all of the Company’s equity, subject to dilution in connection with future stock issuances.

**Lines 15, 16, 18, and 19: 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; 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; Can any resulting loss be recognized; Provide any other information necessary to implement the adjustment, such as the reportable tax year**

**Certain federal income tax consequences of the implementation of the Plan to Holders of Old Notes.** The following summary is based on the Tax Code, Treasury Regulations promulgated thereunder, judicial decisions and published administrative rules and pronouncements of the Internal Revenue Service (the “IRS”) as in effect on the date hereof.

Changes in such rules or new interpretations thereof may have retroactive effect and could significantly affect the federal income tax consequences described below.

The federal income tax consequences of the Plan are complex and are subject to significant uncertainties. The Debtors have not requested a ruling from the IRS with respect to any of the tax aspects of the Plan. Thus, no assurance can be given as to the interpretation that the IRS or a court of law will adopt. In addition, this summary does not generally address foreign, state, local or non U.S. estate or gift-tax consequences of the Plan, nor does it purport to address the federal income tax consequences of the Plan to special classes of taxpayers (such as Non-U.S. Holders, broker dealers, banks, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, tax exempt organizations and investors in pass through entities). This summary assumes that Holders of Old Notes hold such Old Notes as “capital assets” within the meaning of Section 1221 of the Tax Code. In addition, this discussion does not address the U.S. alternative minimum tax rules.

For purposes of this summary, a “U.S. Holder” means a Holder of Old Common Stock or an Old Note that, in any case, is, for U.S. federal income tax purposes: (i) an individual that is a citizen or resident of the United States; (ii) a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust, if (a) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of the substantial decisions of such trust, or (b) it has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person. A “Non-U.S. Holder” means a Holder of Old Common Stock or an Old Note that is not a U.S. Holder and is, for U.S. federal income tax purposes, an individual, corporation (or other entity treated as a corporation for U.S. federal income tax purposes), estate or trust.

If an entity taxable as a partnership for U.S. federal income tax purposes holds an Old Note, the U.S. federal income tax treatment of a partner (or other owner) of the entity generally will depend on the status of the partner (or other owner) and the activities of the entity. Such partner (or other owner) should consult an independent tax advisor as to the tax consequences of the Plan.

Except as described below for the Creditor Warrants, this discussion assumes that the various third party debt and other arrangements to which the Debtors are a party will be respected for federal income tax purposes in accordance with their form. The Debtors believe, and the following discussion assumes, that the Creditor Warrants are properly treated as “stock” for U.S. federal income tax purposes. If the Creditor Warrants are not treated as stock for tax purposes, the consequences to U.S. Holders receiving, exercising and realizing value with respect to Creditor Warrants may be materially different from what is described herein.

In general, the U.S. federal income tax treatment of U.S. Holders of Old Notes that receive New Common Stock and/or Creditor Warrants in satisfaction of their Old Notes will depend, in part, on whether the receipt of such consideration under the Plan qualifies as an exchange of stock or securities pursuant to a tax free transaction or if, instead, the consideration under the Plan is treated as having been received in a fully taxable disposition. Whether the

receipt of New Common Stock or Creditor Warrants under the Plan qualifies for reorganization treatment will depend on, among other things, whether the Old Note(s) being exchanged constitutes a “security” and the manner in which the Plan is implemented. The Debtors intend to take the position, although not free from doubt, that the Old Notes do not constitute “securities.”

Each Holder of an Old Note should consult its own tax advisor regarding the U.S. federal income tax consequences to it of the treatment of the implementation of the Plan as a taxable transaction or a tax free transaction. The remainder of this discussion assumes that the Old Notes are not securities for U.S. federal income tax purposes and the Holders of Old Notes receiving New Common Stock and/or Creditor Warrants in satisfaction of their Old Notes pursuant to the Plan will be treated as having their Old Notes satisfied in a fully taxable disposition.

If the satisfaction of Old Notes with Cash, New Common Stock and/or Creditor Warrants is a taxable transaction for a U.S. Holder of such Old Notes, the precise U.S. federal income tax consequences of the implementation of the Plan to such a U.S. Holder of an Old Note will depend, among other things, upon the origin of the U.S. Holder’s Old Note, when the Holder receives payment in respect of such Old Note, whether the Holder reports income using the accrual or cash method of tax accounting, whether the Holder acquired its Old Note at a discount, or whether the Holder has taken a bad debt deduction or worthless security deduction with respect to such Old Note.

Generally, the U.S. Holder of an Old Note will realize gain or loss on the exchange under the Plan of its Old Note for Cash, New Common Stock and/or Creditor Warrants in an amount equal to the difference between (i) the sum of the amount of any Cash and the fair market value on the date of the exchange of any New Common Stock and/or Creditor Warrants received by the U.S. Holder (other than any consideration attributable to an Old Note for accrued but unpaid interest described more fully below), and (ii) the adjusted tax basis of the Old Note exchanged therefor (other than basis attributable to accrued but unpaid interest previously included in the U.S. Holder’s taxable income). The character of such gain or loss as long-term capital gain or loss or as ordinary will be determined by a number of factors, including (but not limited to) the tax status of the U.S. Holder, whether the Old Note has been held for more than one year, whether the Old Note has bond premium or market discount, and whether and to what extent the U.S. Holder previously claimed a bad debt deduction with respect to the Old Note. Gain or loss realized must be calculated separately for each identifiable Old Note surrendered, and the deductibility of capital losses is subject to limitations.

A U.S. Holder’s tax basis in New Common Stock and/or Creditor Warrants (other than attributable to accrued but unpaid interest, if any, as described more fully below) should equal the fair market value of New Common Stock and/or Creditor Warrants on the Effective Date. A U.S. Holder’s holding period for the New Common Stock and/or Creditor Warrants should begin on the day following the Effective Date.

The Company estimates that the fair market value of each share of New Common Stock on the Effective Date was \$12.55. (In the Previous Statement, the Company estimated that the fair market value of each share of New Common Stock on the Effective Date was \$15.44.)

The Company estimates that the fair market value of each Creditor Warrant on the Effective Date was \$12.55. (In the Previous Statement, the Company estimated that the fair market value of each Creditor Warrant on the Effective Date was \$15.44.)

**Certain federal income tax consequences of the implementation of the Plan to Holders of Old Common Stock.** Generally, the U.S. Holder of Old Common Stock will realize gain or loss on the exchange under the Plan of its Old Common Stock for Equity Warrants in an amount equal to the difference between (i) the fair market value on the date of the exchange of any Equity Warrants received by the U.S. Holder, and (ii) the adjusted tax basis of the Old Common Stock exchanged therefor. The character of such gain or loss as long-term capital gain or loss or as ordinary will be determined by a number of factors, including (but not limited to) the tax status of the U.S. Holder, whether the Old Common Stock has been held for more than one year. A U.S. Holder's tax basis in the Equity Warrants should equal the fair market value of the Equity Warrants on the Effective Date. A U.S. Holder's holding period for the Equity Warrants should begin on the day following the Effective Date.

The Company estimates that the fair market value of each Equity Warrant on the Effective Date was \$1.27. (In the Previous Statement, the Company estimated that the fair market value of each share of Equity Warrant on the Effective Date was \$2.01.)

