


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.](#)

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

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

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 ▶ 5.31.18

Print your name ▶ Michael Pendleton Title ▶ SVP

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.

Guitar Center, Inc.
Attachment to Internal Revenue Service Form 8937

The information contained herein is being provided pursuant to the requirements of Section 6045B of the Internal Revenue Code of 1986, as amended (the “Code”). The information in this document does not constitute tax advice and is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties under the Code. Holders should consult their own tax advisors regarding the particular tax consequences of the Exchange (as defined below) to them, including the applicability and effect of all U.S. federal, state and local and non-U.S. tax laws.

Form 8937, Part I, Line 10 – CUSIP Numbers

Old Notes	New Notes
402040AJ8 (144A)	402040AK5 (144A)
U40245AC3 (Reg. S)	U40245AD1 (Reg. S)

Form 8937, Part I, 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 April 16, 2018 (the “Issue Date”), Guitar Center, Inc., a Delaware corporation (“Issuer”), the direct and wholly owned subsidiary of Guitar Center Holdings, Inc., a Delaware corporation (“Holdco”), issued Cash/PIK Notes due 2022 (the “New Notes”), and Holdco issued, on behalf of Issuer, new warrants to purchase common shares of Holdco (such warrants, the “New Warrants”), in exchange for Issuer’s existing 9.625% Senior Unsecured Notes due 2020 (the “Existing Notes”, and such exchange, the “Exchange”). Holders consenting to the Exchange also received additional consideration equal to 0.5% of the aggregate principal amount of Existing Notes tendered in the Exchange.

Form 8937, Part I, 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.

Issuer intends to take the position that the Exchange results in a significant modification for U.S. federal income tax purposes under Treasury Regulation Section 1.1001-3 to holders participating in the Exchange.

Although the issue is not free from doubt, Issuer intends to take the position that the Existing Notes and the New Notes may qualify as “securities” for U.S. federal income tax purposes, and that the Exchange may qualify as a recapitalization under Section 368(a)(1)(E) of the Code. If the Exchange is treated as a recapitalization, then a holder generally should not recognize gain or loss with respect to the Exchange, subject to certain exceptions. Under the rules applicable to recapitalizations, a holder recognizes gain equal to the lesser of (i) the gain realized by the holder in the Exchange, and (ii) the cash amount received (not including any amounts attributable to accrued and unpaid interest on the Existing Notes) plus the fair market value of the New Warrants received in the Exchange. In general, a holder would have a tax basis (i) for the New Warrants received, equal to the fair market value of the New Warrants, and (ii) for the New Notes received, equal to its adjusted tax basis in the Existing Notes surrendered, increased by any gain recognized on the Exchange and decreased by the fair market value of the New Warrants received and the cash amount received (excluding any amounts attributable to accrued and unpaid interest on the Existing Notes). In addition, any accrued market discount on such Existing Notes that was not previously included in income will generally carry over to the New Notes, as applicable, and as such, the New Notes would also be treated as acquired at a market discount if the issue price of the New Notes, as applicable, exceeds the holder’s initial tax basis for such notes by more than a de minimis amount.

If the Exchange fails to qualify as a recapitalization under Section 368(a)(1)(E) of the Code, a holder will generally recognize gain or loss equal to the difference, if any, between the amount realized on the Exchange and the holder’s adjusted tax basis in the Existing Notes. The amount realized will be equal to the issue price of the New Notes plus the cash amount received and the fair market value of the New Warrants received in the Exchange. For these purposes, the amount realized does not include any amount attributable to accrued interest on the Existing Notes that has not previously been included in income.

Holders should consult their own tax advisors regarding the particular tax consequences of the Exchange to them.

Form 8937, Part I, 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.

As discussed in Line 15, for the New Notes received in the Exchange that is treated as a recapitalization under Section 368(a)(1)(E) of the Code, a holder's initial tax basis in such New Notes will be the same as the holder's tax basis in the Existing Notes, increased by any amount of gain recognized by the holder in the Exchange, if any, and decreased by any amount of "boot" (i.e., the cash amount received (excluding any amounts attributable to accrued and unpaid interest on the Existing Notes) plus the fair market value of the New Warrants) that is received by the holder. The New Warrants will have an initial tax basis in a holder's hands equal to the fair market value of the New Warrants.

Form 8937, Part I, Line 17 - List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based.

Sections 354, 358, 368, 1001 and 1012 of the Code.

Form 8937, Part I, Line 18 - Can any resulting loss be recognized?

The Exchange generally should not result in a recognized loss to holders to the extent the Exchange is a recapitalization under Section 368(a)(1)(E) of the Code. If the Exchange does not qualify as a recapitalization under Section 368(a)(1)(E) of the Code, the Exchange may result in loss recognition to a holder if such holder's adjusted tax basis in the Existing Notes exceeds the sum of (i) the issue price of the New Notes, (ii) the cash amount received in the Exchange, and (iii) the fair market value of the New Warrants.

Form 8937, Part I, Line 19 - Provide any other information necessary to implement the adjustment, such as the reportable tax year.

Issuer has determined that its New Notes are "traded on an established market" within the meaning of Treasury Regulation Section 1.1273-2(f) and their fair market value as of the Issue Date was [] percent of par.

The reportable tax year is 2018.