

**HERO Liquidating Trust**  
**EIN 81-4467448**  
**Important U.S. Tax Information for the HERO Liquidating Trust Beneficiaries**  
**and Lender Wind Down Claimholders**

This notice provides preliminary 2018 tax information for holders (“Beneficiaries”) of Wind Down Entity Interests (each, a “Unit”) and holders of the Lender Wind Down Claim (“Lender Wind Down Claimholders”) of the HERO Liquidating Trust (“HERO Trust”) that are U.S. persons (within the meaning of Section 7701(a)(30) of the Internal Revenue Code) to determine their share of income, deductions, distributions and gain or loss attributable to their holdings in the HERO Trust. Each Beneficiary and Lender Wind Down Claimholder is encouraged to read the entire notice carefully. Because the tax rules are complex and dependent on the individual Beneficiary’s and Lender Wind Down Claimholder’s facts and circumstances, Beneficiaries and Lender Wind Down Claimholders should consult their tax advisors regarding the consequences of owning Units or Lender Wind Down Claim interests of the HERO Trust. The following summary of certain US federal income tax rules is for informational purposes only.

Note that for 2018 none of the items of income, deductions, or credits of the HERO Trust should be reportable in respect of any holder’s Lender Wind Down Claim. Nevertheless, as certain Beneficiaries and Lender Wind Down Claimholders may have U.S. international information reporting requirements, supplemental tax information is being provided to all holders of HERO Trust interests. As the supplemental tax information is being provided for the period 01/01/2018 to 12/31/2018, Lender Wind Down Claimholders who acquired, or disposed of, a Lender Wind Down Claim during the year should contact Kristine Moore at [kmooore@herculesoffshore.com](mailto:kmooore@herculesoffshore.com) should they require additional tax information.

For the tax year-ended 2018, all claims held by the Lender Wind Down Claimholders were redeemed and debt held has been fully paid. Due to the redemption, Wind-Down Entity Interests in the HERO Liquidating Trust have concluded 12/31/2018.

***The material herein is for general information and is not intended and should not be construed as professional tax or legal advice. Beneficiaries and Lender Wind Down Claimholders should consult their own advisors regarding all tax compliance matters relating to the information presented in this notice.***

*Grantor Trust Treatment*

The HERO Trust is intended to qualify as a “liquidating trust” for U.S. federal income tax purposes. In general, a liquidating trust is not a separate taxable entity, but rather is treated for U.S. federal income tax purposes as a “grantor trust” (i.e., a pass-through type entity). However, no ruling has been requested from the Internal Revenue Service (“IRS”) and no opinion of counsel has been requested concerning the status of the HERO Trust as a grantor trust. Accordingly, there can be no assurance that the IRS would not take a contrary position.

Pursuant to the Wind Down Entity and Distribution Agreement dated December 2, 2016 by and among Hercules Offshore, Inc. (“Hercules”) and the direct and indirect subsidiaries of Hercules party thereto (collectively “Hercules and Subsidiaries”), the Managing Trustee named therein and Wilmington Savings Fund Society, FSB, d/b/a Christiana Trust, as Delaware Trustee (the “Trust Agreement”) and the Debtor’s Modified Joint Prepackaged Chapter 11 Plan (Incorporating Mediation Settlement) dated October 18, 2016 (“the Plan”) of Hercules and certain of its affiliates, which was confirmed pursuant to an order of the United States Bankruptcy Court for the District of Delaware entered on November 15, 2016 [Docket No. 486], it is intended that the Beneficiaries and Lender Wind Down Claimholders be treated as if they received the distribution of an undivided interest in each of the HERO Trust’s assets in a taxable transaction in satisfaction of their claims against the Debtor’s under the Plan and then immediately contributed such interests to the HERO Trust. Taxable income or loss allocated to each HERO Trust interest holder will be treated as income or loss with respect to such HERO Trust interest holder’s undivided interest in the HERO Trust assets, and not as income or loss with respect to its prior allowed claim.

The U.S. federal income tax obligations of a holder with respect to its HERO Trust interest are not dependent on the HERO Trust distributing any cash or other proceeds. In general, other than in respect of cash retained on account of a disputed ownership fund (“DOF”), a distribution of cash by the HERO Trust will not be separately taxable to a HERO Trust interest holder since such holder is already regarded for U.S. federal income tax purposes as owning the underlying assets. A DOF, however, will be subject to tax annually on a separate entity basis on any net income earned with respect to its assets, and all distributions from such DOF (which distributions will be net of the related expenses of the DOF) should be treated for U.S. federal income tax

This document does not provide legal or tax advice. Beneficiaries are urged to consult with their tax advisors as to the consequences of the establishment and operation of the HERO Liquidating Trust.

purposes as additional consideration received by holders in respect of their allowed claims and stock as if distributed by the Debtors and not as earnings of the HERO Trust.

#### *Considerations for U.S. Federal Income Tax Purposes*

Because the HERO Trust is a pass-through type entity, in general, each Beneficiary and Lender Wind Down Claimholder must report its allocable share of the HERO Trust's 2018 taxable income, expense, distributions and certain other items ("the Tax items"). Preliminary information for this purpose has been provided in the attached statement *Trustee's Separate Statement of Income, Deductions, and Credits Reportable by Trust Interest Holders* for the period January 1, 2018 through December 31, 2018. A 2018 Trust Tax Return Statement, with finalized tax information, will be provided to each Beneficiary and Lender Wind Down Claimholder on completion of the 2018 Trust Tax Return.

Each Beneficiary and Lender Wind Down Claimholder may use this preliminary information to estimate their share of each type of HERO Trust income and expense for the 2018 taxable year. Please note that for 2018, all items of income, deductions, or credits are allocable solely to the Beneficiaries.

The HERO Trust is not required to make any individual distribution that is less than \$50 to a Beneficiary reflected in its Register. Any amount not distributed to a Beneficiary because of this limitation shall become an asset of HERO Trust available for funding the next distribution, again subject to this limitation. As at December 31, 2018, HERO Trust does not anticipate having sufficient assets to distribute at least \$50 to any Beneficiary reflected in its' Register that holds 15 or fewer Units; consequently, for the period January 1, 2018 through December 31, 2018, no items of HERO Trust's income, deductions, or credits are allocable to such Beneficiaries. Please note that if you hold your Units in HERO Trust in "street name" through accounts of Depository Trust Company ("DTC") participants, this statement does not apply to you. As 156 of the 19,988,897 Hero Trust Units outstanding are held by Beneficiaries reflected in the Register holding 15 or fewer Units, other Beneficiaries should determine their relative share of tax items without regard to these Units. A Beneficiary's share of the items of income, deductions, and credits can be determined by multiplying the amount of such item by a fraction equal to the number of Units held by such Beneficiary divided by 19,988,741.

As Beneficiaries and Lender Wind Down Claimholders may have U.S. international information reporting requirements, supplemental tax information will be provided in the 2018 Trust Tax Return Statement. The information is not included in the attached preliminary statements.

During 2018 distributions of \$24,999,833 were made by the HERO Trust to the Beneficiaries and \$63,326,604 were made to the Lender Wind Down Claimholders. No distributions were made by the DOF. In general, distributions by the HERO Trust, when made, will not be taxable events to a Beneficiary or Lender Wind Down Claimholder. However, any distributions from a DOF to a Beneficiary or Lender Wind Down Claimholder should be treated for U.S. federal income tax purposes as additional consideration received by the Beneficiary or Lender Wind Down Claimholder in respect of their allowed claims as if distributed by the Debtors and not as earnings of the HERO Trust. Thus, a Beneficiary or Lender Wind Down Claimholder must be careful to differentiate between the tax treatment of distributions from the DOFs and the tax treatment of distributions out of assets of the HERO Trust to which the Beneficiary or Lender Wind Down Claimholder is already considered the direct owner for U.S. federal income tax purposes.

#### *Foreign Persons*

Beneficiaries and Lender Wind Down Claimholders that are not U.S. persons (within the meaning of Section 7701(a)(30) of the Internal Revenue Code) ("Foreign Taxpayers") are subject to special tax rules with respect to their interests in HERO Trust. Due to the complexity of these rules, it is recommended that such Foreign Taxpayers consult their tax advisors regarding their individual income tax circumstances with respect to their interests in HERO Trust

#### *Reporting with Respect to Hero Trust's Foreign Business Activities*

During 2018, HERO Trust conducted business activities outside the United States of America, including business activities in certain boycott countries. As certain Beneficiaries and Lender Wind Down Claimholders may have U.S. international information reporting requirements, supplemental tax information will be provided in the 2018 Trust Tax Return Statement. The information is not included in the attached preliminary statements. Due to the complexity of the U.S. international tax reporting

rules, HERO Trust Beneficiaries and Lender Wind Down Claimholders should consult their tax advisors regarding their individual income tax reporting requirements.

While there should not be foreign tax reporting or payment obligations for U.S. persons holding Units or Lender Wind Down Claims, Beneficiaries and Lender Wind Down Claimholders should consult their tax advisors as to whether, based on their particular circumstances, they have foreign tax reporting and payment obligations

#### *State and Local Tax*

Holders of HERO Trust interests may be required to file state and local income tax returns and may be liable for state income tax as a result of their ownership of HERO Trust interests. Holders of HERO Trust interests will need the foregoing information as well as amounts reported in the *Trustee's Separate Statement of Income, Deductions, and Credits Reportable by Trust Interest Holders* and the supplemental tax information to comply with the state income tax filing requirements in the applicable states. The laws pertaining to income tax in any given state may vary from those of another state and from those applicable to federal income tax. HERO Trust interest holders should consult their tax advisors regarding their responsibility for reporting and payment of state and local tax.

**HERO Liquidating Trust EIN: 81-4467448**

**P.O. Box 6809, Houston TX 77265**

**Trustee's Separate Statement of Income, Deductions, and Credits Reportable by Trust Interest Holders**

**Tax Information for the Period of 01/01/2018 to 12/31/2018**

**Total Units: 19,988,741**

Preliminary Draft as of 2/28/2019

<u>Items of Taxable Income (Loss) Reported by Branch</u>	<u>Cayman</u>	<u>Nigeria</u>	<u>Saudi Arabia</u>	<u>UK</u>	<u>Other Foreign</u>	<u>United States</u>	<u>Total</u>
<u>Ordinary Business Income (Loss)</u>							
Operating Revenue	-	1,553,789	-	-	-	-	1,553,789
Labor	-	(1,520,399)	(291,482)	-	(124)	(60,350)	(1,872,355)
Repairs, Maintenance & Supplies	(4,191)	(125,113)	-	-	-	-	(129,304)
Rental Fees	-	(1,341)	-	-	-	(116,000)	(117,341)
Rig & Liftboat Insurance	-	-	-	-	-	(64,963)	(64,963)
Communications	494	9,963	(16,382)	-	-	(37,157)	(43,082)
Travel	-	(25,628)	(18,838)	-	(13,601)	(122,336)	(180,403)
Other Operating Expense	(43,560)	(682,474)	(1,274,341)	(193,145)	(1,281)	432,013	(1,762,788)
Cost of Goods Sold	(47,257)	(2,344,992)	(1,601,043)	(193,145)	(15,006)	31,207	(4,170,236)
Labor	-	(249,811)	(33,261)	-	-	(4,328,997)	(4,612,069)
Professional Fees	(53,691)	(1,288,696)	(229,155)	-	-	(793,440)	(2,364,982)
Other General and Administrative Expense	2,655	(274,867)	(26,016)	42,835	-	(2,117,393)	(2,372,786)
General and Administrative Expense	(51,036)	(1,813,374)	(288,432)	42,835	-	(7,239,830)	(9,349,837)
Depreciation & Amortization	(242,126)	(46,119)	-	(15,333)	-	(92,862)	(396,440)
Other Income/(Expense), Net	781,940	(1,205,539)	(11,901)	(22,546)	-	1,101,710	643,664
Total Ordinary Income (Loss)	<u>441,521</u>	<u>(3,856,235)</u>	<u>(1,901,376)</u>	<u>(188,189)</u>	<u>(15,006)</u>	<u>(6,199,775)</u>	<u>(11,719,060)</u>
Interest Income	11,413	2,761	-	-	-	516,987	531,161
Section 1245 Gain / (Loss)							
Proceeds	17,143,443	965,720	-	919,698	-	1,913,756	20,942,617
Adjusted Basis	(12,187,012)	(2,321,347)	-	(1,990,046)	-	(4,674,077)	(21,172,482)
Net Gain / (Loss)	<u>4,956,431</u>	<u>(1,355,627)</u>	<u>-</u>	<u>(1,070,348)</u>	<u>-</u>	<u>(2,760,321)</u>	<u>(229,865)</u>
<u>Other Information</u>							
<u>Alternative Minimum Tax Items (AMT)</u>							
Post 1986 Depreciation Adjustment	-	-	-	-	-	-	-
Adjusted Gain or Loss	-	-	-	-	-	-	-
Total Alternative Minimum Tax	-	-	-	-	-	-	-
Total Trust Distributions							88,326,437
Beneficiary Distributions							24,999,833
Wind Down Claimholders Distributions							63,326,604

**HERO Liquidating Trust EIN: 81-4467448  
P.O. Box 6809, Houston TX 77265**

**Supplemental Tax Information - State Tax Sourcing  
Tax Information for the Period of 01/01/2018 to 12/31/2018**

**Preliminary Draft as of 2/28/2019**

**Your allocable share of state income is as follows:**

Delaware Income	\$	-
Louisiana Net Income (Loss)	\$	-

Holders of HERO Trust interests may have state or local income tax obligations as a result of holding these entity interests. In the table above, please find activity data related to the state tax filings of HERO Liquidating Trust that could be relevant to your obligations, in addition to the data provided on the Trustee's Separate Statement of Income, Deductions and Credits Reportable by Trust Interest Holders.

Please consult your tax advisor regarding your state and local filing and tax responsibilities.

**HERO Liquidating Trust EIN: 81-4467448**  
**P.O. Box 6809, Houston TX 77265**

**Supplemental Tax Information - Foreign Tax Credit Information**  
**Tax Information for the Period of 01/01/2018 to 12/31/2018**

**Preliminary Draft as of 2/28/2019**  
**General Category**

	Nigeria	Cayman	Saudi Arabia	UK	Total
Branches/pass-through entities					
Foreign Taxable Income/(Loss)	(4,430,936)	4,616,191	(1,901,377)	(1,258,537)	(2,974,659)
Less:					
Interest Income (Passive basket)	2,761	11,413	-	-	14,174
Other Indirect expenses	865,799	-	-	-	865,799
Net Foreign Income/(Loss)	(5,299,496)	4,604,778	(1,901,377)	(1,258,537)	(3,854,632)
Foreign Income - General Category	(5,299,496)	4,604,778	(1,901,377)	(1,258,537)	(3,854,632)
Foreign Tax Accrued/Paid	30,260	-	332,185	-	362,445

**Passive Category**

	Nigeria	Cayman	Saudi Arabia	UK	Total
Branches/pass-through entities					
Net Foreign Interest Income	2,761	11,413	-	-	14,174
Foreign Income - Passive Category	2,761	11,413	-	-	14,174
Foreign Tax Accrued/ Paid	-	-	-	-	-

Total Domestic Assets (Presented Gross)	16,283,469
Total Foreign Assets (Presented Gross)	62,961,633
Total Assets (Presented Gross)	79,245,102

At the end of 2018, the net assets of the company were approximately \$18,973,302, of which \$0.00 or 0.00% were allocated to the Lender Wind Down Claim Holders and \$18,973,302 or 100.00% were allocated to the Beneficiaries. For the purposes of determining the allocable share of certain assets for informational reporting purposes, the Lender Wind Down Claimholders should determine their share of the total Lender Wind Down Claims by calculating their relative claim percentage (taking their Claim and dividing by the Total Lender Wind Down Claims) and multiplying by the percentage of net assets allocated to Lender Wind Down Claimholders in total. Beneficiaries should determine their allocable share by calculating their relative Beneficiary unit ownership percentage (taking their units divided by the total units of 19,988,741) and multiplying by the net assets allocated to the Beneficiaries in total.

Beneficiaries should determine their allocable share of foreign source income by calculating their relative Beneficiary unit ownership percentage (taking their units divided by the total units of 19,988,741).