

2022 Update JIL 03-15-23

Frequently Asked Questions Regarding the 2022 Fiduciary Form 1041 Grantor Letter

Please be advised that these FAQs are intended to assist you in the general understanding of the information provided. Neither the 1 GC Collections Creditors' Liquidating Trust (the "Liquidating Trust") nor Epiq is authorized to provide tax advice to you. The intention of the FAQs is to address simple, high-level questions related to the Grantor Letter. The statements in the FAQs are not intended as tax advice, and you may not rely upon them for that purpose. The Liquidating Trust strongly encourages you to consult a tax advisor or accountant to determine how to properly assess and report the Grantor Letter on your tax return.

Why did I get a Grantor Letter?

You received a Grantor Letter to report Grantor Trust income to you in the pro rata share amount of your claim versus total claims in Liquidating Trust, which was formed pursuant to the Plan of Liquidation (the "Plan") for 1GC Collections LLC f/k/a 1 Global Capital LLC and 1 West Collections LLC f/k/a 1 West Capital LLC (collectively, "1 Global").

Pursuant to the Plan, each allowed claim holder transferred such claim to the Liquidating Trust (each such holder, a "Grantor"; collectively, the "Grantors") in exchange for an interest in the Trust. The Liquidating Trust is, per IRS regulations, a cash basis taxpayer that passes through income and expenses to the Grantors. The Liquidating Trust is classified under IRS regulations as a Grantor Trust, which is why the BDO letter is addressed to you as a Grantor. The attached form to the Grantor Trust Letter reports your pro rata share of Liquidating Trust income, net of Liquidating Trust expenses, for the year ended December 31, 2022.

Who is BDO?

BDO is the tax accounting firm retained by the Liquidating Trustee to prepare the Liquidating Trust's annual tax returns.

The tax form shows a net income for 2022?

The Liquidating Trust is a cash basis taxpayer. Accordingly, income, expenses, gains, and losses are passed through to the Grantors. As a Grantor, you are allocated your pro rata share of the Liquidating Trust's income, expenses, gains, and losses. The Liquidating Trust experienced a net income in 2022, so the tax form you received is an allocation of your pro rata share of that net income.

Why do I have to report income if I lost money on this investment?

The tax aspects of this situation are complicated, and the receipt of this form may or may not generate a tax consequence to you. It is necessary for you and your tax advisor / accountant / professional to assess the proper reporting of any income or loss reported in the Grantor Letter based on your individual tax situation. There are several issues that may be specific to your situation, including but not limited to:

- *How you recorded your initial investment and the tax basis in such investment.*
- *If you wrote off all or part of your investment for tax purposes in a prior period.*
- *If you reported any distributions received as return of capital versus income.*

As each participant may have a different answer to these hypothetical questions, there is no “one size fits all” solution. That is why you are encouraged you to seek tax advice from your tax advisor/ accountant/ professional. The Liquidating Trust cannot provide tax advice.

If you disagree with the activity reported on your Grantor letter by the Liquidating Trust, the IRS provides a mechanism for a taxpayer to dispute the forms provided to them for tax treatment. The IRS Form 8082, Notice of Inconsistent Position, may be filed by a taxpayer. The Liquidating Trustee strongly encourages each you to consult your own independent tax advisor/ accountant/ professional whether to file a Form 8082, Notice of Inconsistent Position, if your tax advisor/ accountant/ professional deems it appropriate. How would I record this in my 2022 IRS tax return?

Every Grantor’s tax situation can be different. You should consult a tax advisor/ accountant/ professional for an assessment of your individual tax situation and the most appropriate way to record this transaction.

What if I already filed my 2022 tax return?

You should consult with your tax advisor/ accountant/ professional for advice on your individual tax situation and the most appropriate way to record this transaction. It may not be material to your overall tax situation or you may need to amend your 2022 tax return.

What guidance can the Liquidating Trustee offer to me?

The Liquidating Trustee is not authorized to provide tax advice to individual Grantors, other than to strongly suggest that Grantors consult with a tax advisor/ accountant/ professional for advice on how best to record the 2022 Grantor Trust Letter on personal tax returns.

Will I receive a Grantor Letter for subsequent tax years?

Yes, the Liquidating Trustee will send Grantor Letters to the Grantors for each taxable year until the Liquidating Trust liquidates.

I did not receive a distribution from the Liquidating Trust. Why did I receive a Grantor Letter?

The Grantor Letter was sent to each Grantor whose claim has been “Allowed” within the meaning

of the Plan. Certain Grantors with Allowed claims did not timely provide tax identification or mailing address information necessary for the Liquidating Trust to make a distribution. If you received a Grantor Letter, but have not received a distribution, please contact Epiq by calling 877-440-0643 (toll free in the U.S.) or 503-597-7693 (for international callers), or by emailing 1GCCInfo@epiqglobal.com.