

## ASC International, Inc.

### Attachment to Form 8937, Report of Organizational Action Affecting Basis of Securities

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#### CONSULT YOUR TAX ADVISOR

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”), and includes a general summary regarding the application of certain U.S. federal income tax laws and regulations relating to the effects of the Distribution (as defined below) on the tax basis of ASC International, Inc. (“ASCI”) stock and the allocation of tax basis between the stock of ASCI and Applied Stemcell, Inc. (“ASC”) following the Distribution (defined below). The information contained herein does not constitute tax advice and does not purport to be complete or to describe the tax consequences that may apply to particular categories of shareholders. Neither ASCI nor ASC provides tax advice to its shareholders. You are urged to consult your own tax advisor regarding the particular consequences of the Distribution to you, including the applicability of all U.S. federal, state and local, and non-U.S. tax laws.

#### **Form 8937, Part II, Line 14**

ASCI and ASC each have six classes of stock outstanding: (i) common stock, and (ii) five classes of preferred stock (Series A, Series B, Series C, Series D, and Series E). On June 15, 2020, ASCI distributed to its shareholders all of the outstanding common and preferred stock of ASC (the “Distribution”).

In the Distribution, each ASCI common shareholder received one share of ASC common stock for each share of ASCI common stock held. Additionally, each ASCI preferred shareholder received one share of ASC preferred stock for each share of ASCI preferred stock held on a series-by-series basis (e.g., a holder of one share of ASCI Series A preferred stock received one share of ASC Series A preferred stock).

#### **Form 8937, Part II, Line 15**

The Distribution is intended to qualify as a tax-free distribution under section 355 of the Code for U.S. federal income tax purposes.

Under section 358, ASCI shareholders will be required to allocate the aggregate tax basis in their ASCI stock held immediately before the Distribution among the shares of ASC stock received in the Distribution and their shares of ASCI stock held immediately after the Distribution. A shareholder’s aggregate tax basis in his or her shares of ASCI common and/or preferred stock held immediately before the Distribution should be allocated in proportion to the relative fair market value of the ASCI common and/or preferred stock and the ASC common and/or preferred stock on a series-by-series basis (e.g., a shareholder that owned ASCI common stock and Series A preferred stock would allocate the aggregate basis in the ASCI common stock between the ASCI and

ASC common stock and the aggregate basis in the ASCI Series A preferred stock between the ASCI and ASC Series A preferred stock). Shareholders that acquired ASCI stock at different times or different prices will need to calculate their tax basis in each block of stock and then allocate a portion of that tax basis to the ASCI and ASC stock received with respect thereto.

**Form 8937, Part II, Line 16**

ASCI has determined that the fair market value of ASCI and ASC immediately after the Distribution was \$71.1 million and \$37.9 million, respectively. Accordingly, an ASCI shareholder should allocate 65.13% of its tax basis in its ASCI common and/or preferred shares to the ASCI common and/or preferred shares and 34.77% to the ASC common and/or preferred shares on a series-by-series basis.

**Form 8937, Part II, Line 17**

Sections 355(a)(1), 358(a), 358(b)

**Form 8937, Part II, Line 18**

No loss may be recognized by an ASCI shareholder upon the receipt of the ASC common and/or preferred stock in the Distribution.

**Form 8937, Part II, Line 19**

The Distribution was effective on June 1, 2020. For an ASCI shareholder whose taxable year is a calendar year, the reportable tax year is 2020.