

Part II Organizational Action (continued)

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

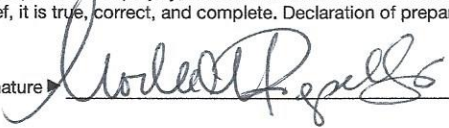
SEE ATTACHED

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

Sign Here	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.			
	Signature ▶ 	Date ▶ <u>March 17, 2021</u>		
Paid Preparer Use Only	Print your name ▶ NOELLE M. REPETTI		Title ▶ CONTROLLER & VP	
	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.		

California Resources Corporation
FEIN: 46-5670947
Attachment to Form 9937
Report of Organizational Action Affecting Basis of Securities

Disclaimer: The information contained in Form 9937 and this attachment does not constitute tax advice and does not purport to take into account any shareholder's specific circumstances. Shareholders are urged to consult their own tax advisors regarding U.S. tax consequences of the transactions described herein and the impact to tax basis resulting from the transaction.

Form 9937, Part I, Lines 9, 10 and 12

Debt Instruments Exchanged	CUSIP
2017 Term Loan	N/A
2016 Term Loan	N/A
8% Senior Secured Second Lien Notes due 2022	13057QAG2; U1303AAD8
5½% Senior Notes due 2021	13057QAD9
6% Senior Notes due 2024	13057QAF4; 13057QAE7; U1303AAC0

Common Stock of California Resources Corporation	CUSIP	Ticker
Old Common Stock	13507Q206	CRC
New Common Stock	13057Q305	CRC

Form 9937, Part II, Line 14

On July 15, 2020, California Resources Corporation ("the Issuer") and certain of its subsidiaries filed voluntary petitions for relief under Chapter 11 of Title 11 of the Bankruptcy Code ("Chapter 11 Cases") in the United States Bankruptcy Court for the Southern District of Texas, Houston Division ("Bankruptcy Court"). The Chapter 11 Cases were jointly administered under the caption *In re California Resources Corporation, et al.*, Case No. 20-33568 (DRJ). We filed with the Bankruptcy Court, on July 24, 2020, the *Debtors' Joint Plan of Reorganization under Chapter 11 of the Bankruptcy Code* and, on October 8, 2020, the *Amended Debtors' Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code* (as amended, supplemented or modified, the "Plan of Reorganization"). On October 13, 2020, the Bankruptcy Court confirmed the Plan of Reorganization, which was conditioned on certain items such as obtaining exit financing. The conditions to effectiveness of the Plan of Reorganization were satisfied and we emerged from Chapter 11 on October 27, 2020 ("the Effective Date").

On the Effective Date, all outstanding shares of Old Common Stock of the Issuer were cancelled. The reorganized Issuer received approval to list its New Common Stock (as defined in the Plan of Reorganization) on the New York Stock Exchange in conjunction with its emergence, and trading in its New Common Stock commenced on October 28, 2020.

Pursuant to the Plan of Reorganization, among other things, in exchange for cancellation and forgiveness of certain allowed claims:

- (1) holders of the 2017 Term Loan Secured Claim (as defined in the Plan of Reorganization and referred to herein as the "2017 Term Loan") received New Common Stock and Subscription Rights (as defined in the Plan of Reorganization and referred to herein as "Rights") for New Common Stock and
- (2) holders of Allowed Unsecured Debt Claims (as defined in the Plan of Reorganization and referred to herein as "Unsecured Debt") received New Common Stock, Rights and New Warrants (as defined in the Plan of Reorganization).

Form 8937, Part II, Line 15

The following summary of certain U.S. federal income tax consequences is for informational purposes only and is not a substitute for tax advice based upon your individual circumstances. All holders of claims and interests are urged to consult their tax advisor.

A holder of the 2017 Term Loan or Unsecured Debt, in each case that constituted a "security" for U.S. federal income tax purposes, should allocate its basis in its 2017 Term Loan or Unsecured Debt among the holder's New Common Stock, Rights and New Warrants (in the case of a holder of Unsecured Debt), all as received pursuant to the Plan, in proportion to their relative fair market values.

A holder of the 2017 Term Loan or Unsecured Debt, in each case that did not constitute a "security" for U.S. federal income tax purposes, should have a fair market value basis in its New Common Stock, Rights and New Warrants (in the case of a holder of Unsecured Debt).

Form 8937, Part II, Line 16

Allocations of basis from the 2017 Term Loan or Unsecured Debt should be made in proportion to the relative fair market values of the New Common Stock, Rights and New Warrants (in the case of a holder of Unsecured Debt) received. The U.S. federal income tax laws do not specifically identify how to determine the fair market values of the New Common Stock, Rights or New Warrants for purposes of the tax allocation discussed above on line 15. However, it could be reasonable to determine the fair value of:

1. Each share of the New Common Stock based on the average of the high and low trading prices on the first day it was traded, which was \$16.63;
2. The intrinsic value of each Right, which we determined as \$3.63
3. Each New Warrant based on a "Black-Scholes" model, which we determined as \$4.22.

The Issuer cannot offer tax advice. All holders of claims and interests should consult with their tax advisor with respect to determining the fair market values to be used for the allocations described above.

Form 8937, Part II, Line 17

IRC Sections 354(a)(1), 356, 358, 368(a)(1)(E), 1001, 1012 and 1223

Form 8937, Part II, Line 18

Losses may be recognized only with respect to 2017 Term Loan or Unsecured Debt that did not constitute a "security" for U.S. federal income tax purposes.

Form 8937, Part II, Line 19

This transaction is reportable by each holder in the tax year that includes October 27, 2020.