

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 Statement](#)

18 Can any resulting loss be recognized? ▶ [See Attached Statement](#)

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

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 ▶ 8/12/19
Print your name ▶ Tyler Farquharson Title ▶ VP, CFO and Treasurer

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.

EXCO Resources, Inc.
EIN: 74-1492779
Date of Action: June 28, 2019
Attachment to Form 8937
Report of Organizational Actions Affecting Basis of Securities

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 Exchange (defined below) on the tax basis of the new stock issued pursuant to EXCO Resources, Inc. (“EXCO”) and certain of its subsidiaries (collectively, the “Debtors”), emergence from Chapter 11 bankruptcy on June 28, 2019 (the “Emergence”)

The information contained herein does not constitute tax advice and does not purport to be complete or to describe the consequences that may be relevant to particular categories of Debtors’ creditors. THE INFORMATION SET FORTH BELOW IS FOR GENERAL INFORMATION PURPOSES ONLY. Further, this information does not constitute tax advice and may not be applicable to creditors of the Debtors who are not citizens or residents of the United States. You are urged to consult your own tax advisor regarding the particular consequences of the Exchange (as defined below) to you, including the applicability and effect of all U.S. federal, state, and local and foreign tax laws. We further urge you to read additional the information relevant to the Emergence at <https://dm.epiq11.com/case/EXCO/info>.

Unless otherwise described herein, capitalized terms are defined as used in the Plan or in the related amended disclosure statement.

Form 8937, Line 10

The CUSIP number for the common stock (“Old Common Stock”) that was cancelled on June 28, 2019 is #269279402. The CUSIP number of the common stock (“New Common Stock”) issued on June 28, 2019 is #269279600.

The CUSIP numbers for the debt obligations exchanged (the “Exchange”) for New Common Stock are as follows:

CUSIP Number	Description
	1.5 Lien Notes due 2022
	1.75 Lien Term Loan due 2020
	Exchange Term Loan due 2020
CUSIP #269279AD7	7.5% Senior Unsecured Notes due 2018
CUSIP # 269279AE5	8.5% Senior Unsecured Notes due 2022

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Form 8937, Line 14

On January 15, 2018, the Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code (“Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of Texas (the “Court”). The cases were being jointly administered under the caption *In Re EXCO Resources, Inc., Case No. 18-30155 (MI)* (“Chapter 11 Cases”). On June 18, 2019 the Court, entered an order confirming the Third Amended Settlement Joint Chapter 11 Plan of Reorganization of EXCO Resources, Inc. and its debtor affiliates [Docket No. 2128] (the “Plan”). The effective date of Emergence was June 28, 2019 (“Effective Date”).

The Plan constituted a separate chapter 11 plan of reorganization for each Debtor, each of which shall include the classifications set forth below. Subject to Article I.D of the Plan, to the extent that a class contains claims or interests only with respect to one or more particular Debtors, such class applies solely to such Debtor.

Pursuant to the terms of the Plan, claims and interests, except for Administrative Claims, Priority Tax Claims, Professional Fee Claims, and DIP Facility Claims, were classified as required by the Bankruptcy Code in the classes set forth below. A claim or interest was classified in a particular class only to the extent that the claim or interest qualified within the description of that class and was classified in other classes to the extent that any portion of the claim or interest qualified within the description of such other classes. A claim or interest is also classified in a particular class for the purpose of receiving distributions pursuant to the Plan only to the extent that such claim or interest was an Allowed Claim or Allowed Interest in that class and had not been paid, released, or otherwise satisfied before the Effective Date. The following chart summarizes the classification of claims and interests for each Debtor pursuant to the Plan and the treatment provided to claims and interests under the Plan. The following summary treatment discussions assume the holder of a claim or interest in the class did not agree to less favorable treatment of its Allowed Claim as allowed under the Plan.

Class	Claims and Interests	Treatment
Class 1	Other Secured Claims	Payment in full in cash
Class 2	Other Priority Claims	Payment in full in cash
Class 3	1.5 Lien Notes Claims	Received pro rata share of 61.0 percent of the New Common Stock (subject to dilution by the Management Incentive Plan) (for the avoidance of doubt, prior to giving effect to the Settlement Contribution defined below).

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Class	Claims and Interests	Treatment
Class 4	1.75 Lien Term Loan Facility Claims	Received pro rata share of 39.0 percent of the New Common Stock (subject to dilution by the Management Incentive Plan).
Class 5	Second Lien Term Loan Facility Claims	Received, together with all Holders of Unsecured Claims, its Pro Rata share of the Unsecured Claims Recovery.
Class 6	Unsecured Notes Claims	Received, together with all Holders of Unsecured Claims, its Pro Rata share of the Unsecured Claims Recovery.
Class 7	General Unsecured Claims	Received, together with all Holders of Allowed Unsecured Claims, its Pro Rata share of the Unsecured Claims Recovery; provided that to the extent such General Unsecured Claim is a Convenience Claim, such Holder received its Pro Rata share of the Convenience Claims Distribution.
Class 8	Intercompany Claims	Determined at the discretion of the Debtor.
Class 9	Section 510(b) Claims	Deemed canceled, discharged, released, and extinguished, and received no distribution.
Class 10	Intercompany Interests	Reinstated as of the effective date for administrative purposes as a means to preserve corporate structure.
Class 11	Interests in EXCO	Deemed canceled, discharged, released, and extinguished, and no distribution provided to Holders of Interests in EXCO on account of such Interests

Each Holder of an Allowed Unsecured Claim is entitled to its proportionate share of the Unsecured Claims Consideration attributable to each Debtor against which such Holder has an Allowed Claim. The Unsecured Claims Consideration encompasses (1) 10.1 percent of the New Common Stock to which the Settling Lenders (collectively, Fairfax and Bluescape) were entitled to receive pursuant to the Plan as Holders of 1.5 Lien Notes Claims and (2) \$1 million in cash. Convenience claims are any Allowed General Unsecured Claim in an allowed amount that is greater than \$0 but less than or equal to \$500,000. Convenience claims will share cash in the amount of \$1.1 million, subject to a limit of 20 percent recovery of their Allowed General Unsecured Claim.

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The above discussion assumes that the distribution of the Unsecured Claims Recovery attributable to the Settlement Contribution is treated, for U.S. federal income tax purposes, as a direct distribution from the Debtors to the relevant Holders of Claims, rather than a multi-step process by which (a) the Settling Lenders receive New Common Stock and (b) such Settling Lenders directly or indirectly transfer the Settlement Contribution to relevant Holders of Claims (whether directly, or through the Debtors). Similarly, the above discussion assumes that any consideration received with respect to causes of action that are retained by Reorganized Debtors, with distributions being made after the Effective Date, are received directly from the Reorganized Debtors on account of Claims against the Debtors, rather than any such recoveries being treated as having been transferred to a separate trust or other entity with the proceeds of such causes of action being distributed by the trust or other entity to Holders of Claims. It is possible that the IRS could apply a different characterization, in which case the treatment described above could vary.

Form 8937, Line 15

The U.S. federal income tax consequences to a U.S. Holder of a Claim will depend, in part, on whether the Claims surrendered constitute “securities” of EXCO for United States federal income tax purposes. Whether a debt instrument constitutes a “security” for U.S. federal income tax purposes is determined based on all the relevant facts and circumstances, but most authorities have held that the length of the term of a debt instrument is an important factor in determining whether such instrument is a security for U.S. federal income tax purposes. These authorities have indicated that a term of less than five years is evidence that the instrument is not a security, whereas a term of ten years or more is evidence that it is a security. There are numerous other factors that could be taken into account in determining whether a debt instrument is a security, including the security for payment, the creditworthiness of the obligor, the subordination or lack thereof to other creditors, the right to vote or otherwise participate in the management of the obligor, convertibility of the instrument into an equity interest of the obligor, whether payments of interest are fixed, variable, or contingent, and whether such payments are made on a current basis or accrued. Holders should consult their own tax advisors regarding the status of their claims as securities.

Pursuant to the Plan, except to the extent that a U.S. Holder of an Allowed Class 3, Class 4, Class 5, Class 6, or Class 7 Claim (such Holders, “U.S. Plan Recipients”) agrees to a less favorable treatment in exchange for full and final satisfaction, settlement, release and discharge of such Claim, the U.S. Plan Recipient shall receive its Pro Rata share of New Common Stock and/or cash.

If a U.S. Plan Recipient’s Allowed Claim qualifies as a “security” of EXCO and a U.S. Plan Recipient receives at least some New Common Stock, then the Holder of such Claim should be treated as receiving its distribution under the Amended Plan in a recapitalization. Subject to the rules regarding accrued but

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untaxed interest, a Holder of such Claim should recognize gain, if any, but not loss, to the extent of any Cash and "other property" (within the meaning of Section 356(a)(1)(B) of the Tax Code) received, with the amount of gain equal to the lesser of (x) the amount of Cash and the fair market value of any "other property" received and (y) the difference between (1) the amount of Cash and the fair market value of the non-cash consideration received and (2) such Holder's adjusted basis, if any, in such Claim. Such Holder's tax basis in the non-cash consideration received, apart from amounts allocable to accrued but untaxed interest, should generally equal the Holder's tax basis in its Allowed Claim surrendered therefor increased by gain, if any, recognized by such Holder in the transaction, decreased by the amount of Cash and the fair market value of any "other property" (if any) received, with such basis allocated between the non-cash consideration treated as a "security" based upon respective fair market values. Subject to the rules regarding accrued but untaxed interest, a U.S. Plan Recipient's holding period for its interest in the consideration treated as a "security" should include the holding period for the exchanged Claim. With respect to consideration treated as "other property" (if any), the Holder's tax basis in such property should be equal to its fair market value and the Holder's holding period should begin on the day following the receipt of such property.

To the extent that a U.S. Plan Recipient's Allowed Claim does not qualify as a "security" of EXCO, or if such Holder receives in respect of its claim only Cash and/or "other property," such Holder of such Claim will be treated as exchanging such Claim for such Holder's Pro Rata share of the consideration received pursuant to the Plan in a taxable exchange under section 1001 of the Tax Code. Accordingly, subject to the rules regarding accrued but untaxed interest, each Holder of such Claim should recognize gain or loss equal to the difference between (1) the amount of Cash and the fair market value of the non-consideration received and (2) such Holder's adjusted basis, if any, in such Claim. The character of such gain as capital gain or ordinary income will be determined by a number of factors, including the tax status of the Holder, the rules regarding accrued but untaxed interest and market discount, whether the Claim constitutes a capital asset in the hands of the Holder, and whether and to what extent the Holder had previously claimed a bad debt deduction with respect to its Claim. If recognized gain or loss is capital in nature, it generally would be long-term capital gain if the Holder held its Claim for more than one year at the time of the exchange. Subject to the rules regarding accrued but untaxed interest, a Holder's tax basis in the non-cash consideration received should equal the fair market value of such property as of the date such property is distributed to the Holder. A Holder's holding period for the non-cash consideration received should begin on the day following the date it receives such property.

To the extent that any amount received by a U.S. Holder of a Claim is attributable to accrued but untaxed interest on the debt instruments constituting the surrendered Claim, the receipt of such amount should be taxable to the U.S. Holder as ordinary interest income (to the extent not already taken into income by the U.S. Holder). Conversely, a U.S. Holder of a Claim may be able to recognize a deductible loss (or, possibly, a write off against a reserve for worthless debts) to the extent that any

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accrued interest previously was included in the U.S. Holder's gross income but was not paid in full by the Debtors. Such loss may be ordinary, but the tax law is unclear on this point.

If the fair value of the consideration is not sufficient to fully satisfy all principal and interest on Allowed Claims, the extent to which such consideration will be attributable to accrued interest is unclear. Under the Plan, the aggregate consideration to be distributed to Holders of Allowed Claims in each Class will be allocated first to the principal amount of Allowed Claims, with any excess allocated to unpaid interest that accrued on these Claims, if any. Certain legislative history indicates that an allocation of consideration as between principal and interest provided in a chapter 11 plan of reorganization is binding for U.S. federal income tax purposes, while certain Treasury Regulations treat payments as allocated first to any accrued but unpaid interest. The IRS could take the position that the consideration received by the Holder should be allocated in some way other than as provided in the Plan. U.S. Holders of Claims should consult their own tax advisors regarding the proper allocation of the consideration received by them under the Plan.

Form 8937, Line 16

Based on the Plan, the implied midpoint equity value of \$525 million at Emergence would yield a per share price of \$10.18 (\$525 million/51.6 million shares). The actual fair market value of the New Common Stock distributed to Holders of Allowed Claims may differ from the value determined here. The implied equity values do not completely reflect the impact of "fresh start" accounting, which could result in material changes to the book asset values. Holders of Allowed Claims that receive New Common Stock under the Plan should consult their tax advisor to determine the tax consequence of the receipt of New Common Stock to the Holder.

The tax basis of New Common Stock by Holders of Claims in Allowed Class 3, Class 4, Class 5, Class 6 and to the extent Claims do not qualify as Convenience Claims in Class 7 would equal the fair market value of the New Common Stock received. Holders of interests in EXCO in Class 11 were not issued any consideration in respect to their holdings in Old Common Stock of EXCO and, therefore generally will not retain or obtain any tax basis.

Form 8937, Line 17

The applicable Internal Revenue Code section(s) upon which the tax treatment is based are as follows: IRC Sections 165, 354, 358, 368, 1001.

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Form 8937, Line 18

As noted in Line 15 above, based upon the qualitative characteristics of the Claims surrendered, it could be determined that a loss could be recognized on the exchange. Holders of claims should consult their tax advisors to determine the tax consequences of the Exchange to them.

Form 8937, Line 19

The Exchange was effective as of the Emergence date. For a holder whose taxable year is the calendar year, the reportable tax year is 2019.