



**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.

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18 Can any resulting loss be recognized? ▶ See attached.

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19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ See attached.

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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.

**Sign Here**

Signature ▶  Date ▶ 2/15/20

Print your name ▶ Chad Allen Title ▶ Chief Financial Officer

<b>Paid Preparer Use Only</b>	Print/Type preparer's name <u>Thomas Allen</u>	Preparer's signature 	Date <u>02/14/2020</u>	Check <input type="checkbox"/> if self-employed	PTIN <u>P01265333</u>
	Firm's name ▶ <u>RSM US LLP</u>			Firm's EIN ▶ <u>42-0714325</u>	
	Firm's address ▶ <u>1330 Post Oak BLVD, Suite 2400, Houston, TX 77056</u>			Phone no. <u>713.625.3500</u>	

**Northern Oil and Gas, Inc.**  
**EIN: 95-3848122**  
**Attachment to Form 8937**  
**Report of Organizational Actions Affecting Basis of Securities**

The information contained in Form 8937 and this attachment does not constitute tax advice and is not intended to be a complete analysis or description of all potential U.S. federal income tax consequences of the exchange transactions described herein. In addition, this information does not address tax consequences that may vary depending on the particular circumstances of holders of our stock that participated in an exchange transaction, or any non-income tax or any foreign, state or local tax consequences of an exchange transaction. Accordingly, holders of our stock or notes that participated in a transaction described herein are strongly urged to consult with their own tax advisors to determine the particular U.S. federal, state, local or foreign income or other tax consequences to them of the transaction.

**Part I**

**Lines 9 and 10. The requested information is as follows:**

Northern Oil and Gas, Inc. 8.5% Senior Secured Second Lien Notes due 2023, CUSIP: 665531AE9 (the "Notes")

**Part II**

**Line 14. Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action:**

1. The "January 2, 2020 Exchange" – On January 2, 2020, a holder of the Notes exchanged Notes with an aggregate principal amount of \$9,898,836 for net cash credit equal to \$58,879.77 in cash for accrued interest related to the Notes, \$1,887,263.72 in cash and 84,762 shares of the Northern Oil and Gas, Inc. (the "Issuer's") 6.5% Series A Perpetual Cumulative Convertible Preferred Stock, par value \$0.001 per share (the "Preferred Stock").
2. The "January 17, 2020 Exchange" – On January 17, 2020, certain holders of the Notes exchanged Notes with an aggregate principal amount of \$16,000,000 for cash totaling \$662,355.20 and 160,000 shares of the Issuer's Preferred Stock.
3. The "\$15 Million Principal January 21, 2020 Exchange" – On January 21, 2020, certain holders of the Notes exchanged Notes with an aggregate principal amount of \$15,000,000 for 162,245 shares of the Issuer's Preferred Stock.
4. The "\$35.8 Million Principal January 21, 2020 Exchange" – On January 21, 2020, certain holders of the Notes exchanged Notes with an aggregate principal amount of \$35,843,460 for 387,695 shares of the Issuer's Preferred Stock.

The January 2, 2020 Exchange, the January 17, 2020 Exchange, the \$15 Million Principal January 21, 2020 Exchange, and the \$35.8 Million Principal January 21, 2020 Exchange are collectively referred to herein as the "January 2020 Exchange Transactions"

**Line 15. Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis:**

The Issuer intends to treat the Notes as “securities” for U.S. federal income tax purposes. Assuming that the Notes are “securities” for U.S. federal income tax purposes, the Exchange Transactions would each be treated as a recapitalization under Section 368(a)(1)(E) of the Internal Revenue Code of 1986, as amended (the “Code”).

The term “security” is not defined in the Code or the Treasury regulations and has not been clearly defined by judicial decisions. Whether a debt instrument constitutes a security is determined based on all the 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 a debt instrument is not a security, whereas a term of ten years or more is evidence that a debt instrument is a security. The Notes have a term to maturity of five years, and each exchanging Note holder should consult its tax advisor as to whether the Notes would be treated as securities for these purposes.

Cash (or Preferred Stock) received in one of the January 2020 Exchange Transactions by a participating Note holder in payment of accrued interest is generally treated as an interest payment for federal income tax purposes. Each Note holder should account for its interest income (including any accrued interest receivable satisfied in a January 2020 Exchange Transaction via payment of cash or Preferred Stock) based on its tax accounting method applicable to interest.

Assuming that each of the January 2020 Exchange Transactions constitutes a recapitalization under Section 368(a)(1)(E) of the Code, cash received in one of the January 2020 Exchange Transactions by a participating Note holder (other than cash in payment of accrued interest) generally is referred to for federal income tax purposes as “boot.” Boot received should be treated for federal income tax purposes by each participating Note holder as if the Note holder received additional shares of Preferred Stock (“Preferred Stock Deemed Received”), which the Issuer immediately redeemed for cash. Generally, this treatment would result in gain recognition by each participating Note holder computed based on an allocation of the Note holder’s tax basis in the exchanged Notes immediately prior to the exchange to (a) the Preferred Stock actually received in the exchange, and (b) the Preferred Stock Deemed Received in the exchange in proportion to their relative fair market values. The participating Note holder would recognize gain realized on the deemed redemption of the Preferred Stock Deemed Received (the “Boot Gain”). Fair market value information with respect to the Notes and the Preferred Stock as of the January 2020 Exchange Transaction dates is not known to the Issuer.

In a situation where the participating Note holder is in a position to exercise control over the Issuer, the boot received by such Note holder might instead receive dividend treatment for federal income tax purposes. However, the Issuer is not aware of any such situation with respect to the January 2020 Exchange Transactions.

Each Note holder participating in the January 2, 2020 Exchange exchanged Notes for a combination of cash consideration and shares of the Preferred Stock. Assuming that the January 2, 2020 Exchange constituted a recapitalization, each Note holder’s initial tax basis in its shares of the Preferred Stock generally should be equal to such Note holder’s tax basis in its exchanged Notes immediately prior to

the exchange, decreased by the amount of cash received, and increased by the amount of income recognized on the exchange as a result of the boot received.

Each Note holder participating in the January 17, 2020 Exchange exchanged its Notes for a combination of cash consideration and shares of Preferred Stock. Assuming that the January 17, 2020 Exchange constituted a recapitalization, each Note holder's initial tax basis in its shares of the Preferred Stock generally should be equal to such Note holder's adjusted tax basis in its exchanged Notes immediately prior to the exchange, decreased by the amount of cash received and any loss recognized on the exchange, and increased by the amount of income recognized on the exchange as a result of the boot received.

Each Note holder participating in the \$15 Million Principal January 21, 2020 Exchange exchanged Notes for shares of the Issuer's Preferred Stock. Assuming that the \$15 Million Principal January 21, 2020 Exchange constituted a recapitalization, each Note holder's initial tax basis in its shares of the Preferred Stock generally should be equal to such Note holder's adjusted tax basis in its exchanged Notes immediately prior to the exchange.

Each Note holder participating in the \$35.8 Million Principal January 21, 2020 Exchange exchanged its Notes for shares of the Issuer's Preferred Stock. Assuming that the \$35.8 Million Principal January 21, 2020 Exchange constituted a recapitalization, each Note holder's initial tax basis in its shares of the Preferred Stock generally should be equal to such Note holder's tax basis in its exchanged Notes immediately prior to the exchange.

Once each Note holder determines its initial basis in its shares of the Preferred Stock received in a January 2020 Exchange Transaction, such note holder should allocate that aggregate basis amount to each share of the Preferred Stock. To determine the per-share basis in each share of Preferred Stock, the aggregate basis amount is divided by the number of shares of Preferred Stock received in the exchange. The tax basis generally would be required to be calculated separately for each block of the Notes exchanged.

Treatment of a January 2020 Exchange Transaction as a recapitalization, however, would not affect a Note holder's accounting for interest income; each Note holder should account for its interest income (including any accrued interest receivable satisfied via payment of cash or Preferred Stock) based on its tax accounting method applicable to interest.

**Line 16. Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates:**

Please see the Line 15 response above for a description of the tax basis calculations that apply to the four respective January 2020 Exchange Transactions. As noted above, fair market value information with respect to the Notes and the Preferred Stock as of the January 2020 Exchange Transaction dates is not known to the Issuer.

**Line 17. List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based:**

354, 356, 358, 368(a)(1)(E), 1001

**Line 18. Can any resulting loss be recognized?**

Assuming that each of the January 2020 Exchange Transactions constitutes a recapitalization under Section 368(a)(1)(E) of the Code, the Note holders that participated in a January 2020 Exchange Transaction cannot recognize loss realized (if any) in the exchange.

**Line 19. Provide any other information necessary to implement the adjustment, such as the reportable tax year:**

The tax consequences of the January 2, 2020 Exchange should be reported by each Note holder participating in such exchange in such Note holder's tax year that includes the date of January 2, 2019.

The tax consequences of the January 17, 2020 Exchange should be reported by each Note holder participating in such exchange in such Note holder's tax year that includes the date of January 17, 2020.

The tax consequences of the \$15 Million Principal January 21, 2020 Exchange should be reported by each Note holder participating in such exchange in such Note holder's tax year that includes the date of January 21, 2020.

The tax consequences of the \$35.8 Million Principal January 21, 2020 Exchange should be reported by each Note holder participating in such exchange in such Note holder's tax year that includes the date of January 21, 2020.

The holding period for the shares of Preferred Stock received in the January 2020 Exchange Transactions generally would include the holding period of the exchanged Notes prior to the January 2020 Exchange Transactions.

Note Holders should consult with their tax advisors to determine the tax consequences of the January 2020 Exchange Transactions to them.