



**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 attachment.

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

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

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**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 ▶ 4/1/2021  
Print your name ▶ Paul H. Yong Title ▶ Vice President, Corporate Tax

<b>Paid Preparer Use Only</b>	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.

**Attachment to Form 8937 – Report of Organizational Actions Affecting Basis of Securities**

Sempra Energy (EIN: 33-0732627)

Conversion of 6.00% Mandatory Convertible Preferred Stock, Series A to Common Stock

Date of Organizational Action: January 15, 2021

**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.

Effective January 15, 2021, Sempra Energy's ("Sempra") outstanding 6.00% Mandatory Convertible Preferred Stock, Series A ("Series A"), par value \$100 per share automatically converted into shares of Sempra common stock ("Common Stock"). The rate of conversion was 0.7989 Common Shares per share of Series A. In lieu of fractional shares of Common Stock, a holder received cash at a rate of \$119.3795 per share of Common Stock. However, there were no fractional shares of Common Stock to convert because of this mandatory conversion.

**Part II, 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.

A taxpayer holding shares of Preferred stock that was converted into Common Stock, herein referred to as a "holder", has a tax basis in Common stock received upon conversion of Preferred Shares equal to the holder's basis in such Preferred Shares under the rules applicable to recapitalizations, reduced by the portion of basis allocable to the cash the holder receives in lieu of a fractional share of Common Stock.

The basis allocable to the cash that a holder received in lieu of a fractional share of Common Stock is the same portion of the holder's basis that would be allocated to the fractional share if the holder received a fractional share. The following is a hypothetical, illustrative example of the manner in which a holder would allocate its basis among the shares of Common Stock received upon conversion:

	Preferred Stock, Series A Shares	Hypothetical Common Shares	Actual Common (Whole) Shares	Fractional Common Shares
Shares	5,750,000	4,593,675	4,593,675	-
Basis	\$575,000,000	\$575,000,000	\$575,000,000	-
Cash	-	-	-	-

Assume that prior to the mandatory conversion, a holder held 5,750,000 shares of Series A with an aggregate basis in those shares of \$575,000,000 (5,750,000 Series A \* \$100 par value). Given a conversion rate of .7989 Common Stock shares per Series A share, the holder's 5,750,000 shares of Series A would convert into 4,593,675 shares of Common Stock. The holder would therefore receive 4,593,675 shares of Common Stock and no cash due to no fractional shares to convert to cash.

The holder would then allocate its original basis of \$575,000,000 as follows: each Common Share received upon conversion would be allocated a basis of \$125.172 (the aggregate original basis divided by the number of Common Shares due under the conversion ratio, here 5,750,000/4,593,675).

**Part II, 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.

See response above, Line 15.

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

IRC Section 302: Distributions in redemption of stock

IRC Section 354: Exchanges of stock and securities in certain reorganizations

IRC Section 358: Basis to distributees

IRC Section 368: Definitions relating to corporate reorganizations

IRC Section 1001: Determination of amount of and recognition of gain or loss

IRC Section 1223: Holding period of property

**Part II, Line 18:** Can any resulting loss be recognized?

Loss may be recognized in respect of cash received in lieu of fractional shares of Common Stock to the extent that the portion of a holder's basis allocated to the fractional share of Common Stock is greater than the amount of cash received in lieu of that fractional share. However, this is not a loss transaction as there were no fractional shares of Common Stock to convert because of this mandatory conversion.

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

Sempra completed the conversion on January 15, 2021. Consequently, the reportable tax year is 2021 with respect to calendar year taxpayers.

**Disclaimer:** The information contained in Form 8937 and the 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 Organizational Action described herein and the impact to tax basis resulting from the Organizational Action.