



California Resources Corporation

Procurement Card Procedures


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Table of Contents

Section 1.0 Introduction

- 1.1 Purpose**
- 1.2 Program Vision**
- 1.3 General Information**
- 1.4 Key Contact's Responsibilities**

Section 2.0 Procurement Card Overview

- 2.1 Program Overview**
- 2.2 When to Use the Procurement Card**
- 2.3 When not to Use the Procurement Card**

Section 3.0 Program Management

- 3.1 Obtaining a Card**
- 3.2 Card Activation**
- 3.3 Restriction on Types of Purchases**
- 3.4 Transaction Dollar Limits/Monthly Spending Limits**
- 3.5 Transaction Dollar Limits/Monthly Spending Limits Increases**
- 3.6 Procurement Card Expense Accounting**
- 3.7 Sales and Use Tax**
- 3.8 Receipts/Documentation**
- 3.9 Bill Payment**
- 3.10 Activity Statement**
- 3.11 Reconciliation Procedures**
- 3.12 Disputed Transactions**
- 3.13 Return and Exchange Procedures for Purchases**
- 3.14 Receipts/Documentation Filing Procedures**

Section 4.0 Account Maintenance

- 4.1 Address and Name Changes**
- 4.2 Lost or Stolen Cards**
- 4.3 Card Renewal**
- 4.4 Employee/Contractor Termination**
- 4.5 CRC Expense Instructions**
- 4.6 Duplicate Statement Request**

Appendix A: Definitions

Exhibit A: Cardholder's Acknowledgement of Responsibilities Form

Exhibit B: Authorized Bank and CRC Expense Information

Section 1.0 Introduction

Section 1.1 Purpose

These Procedures describe the rules under which Cardholders may use their Procurement Card for Company purchases. The Procedures also provides information associated with the responsibilities, maintenance and reconciliation of the Program.

Section 1.2 Program Vision

The Program is a low cost and convenient alternative procurement method for purchasing of low dollar value and low risk business related goods for all Company affiliates/subsidiaries and the procurement of low risk services for all Company affiliates/subsidiaries. The Procurement Card eliminates the need to execute a Contract and the invoice processing associated with transactions. The Procurement Card may not be used to circumvent existing policies or supply channels, nor is the Procurement Card to be used when an automated purchasing process or agreement is in place.

Note: These Procedures do not take precedence over California Resources Corporation Policies. Where conflict occurs, California Resources Corporation Policies apply. Any exceptions to these Procedures must be approved by the Vice President of Supply Chain.

Section 1.3 General Information

This Procedure applies to all employees and contractors of the Company who are Cardholders and those who approve Procurement Card transactions.

The Company is responsible for payment of all authorized purchases made under the Program. However, each Cardholder is responsible for proper use of the Procurement Card in accordance with these Procedures and is accountable for purchases made with the Procurement Card.

Procurement Cards are issued by the Authorized Bank. The Authorized Bank will issue cards, supply Accounts Payable and CRC Expense with monthly activity and provide reports to the Supply Chain Procurement Card Administrator.

A Cardholder's signature on the Authorized Bank User Application Form and Cardholder's Acknowledgement of Responsibilities Form indicates that the Cardholder understands the intent of the Program and agrees to adhere to the Procedures established for the Program. After the Authorized Bank User Application Form and Cardholder's Acknowledgement of Responsibilities Form have been submitted, the Cardholder will receive their Procurement Card within 5 to 7 days after the processing of the forms. The Procurement Card may be used immediately upon activation.

Section 1.4 Key Contact's Responsibilities

The Company has established an alliance with the Authorized Bank to provide and support the Program. The Program relies on the following key contacts and responsibilities in order to ensure its success:

Cardholder:

- Shall review and sign Cardholder's Acknowledgement of Responsibilities Form as shown in Exhibit A of these Procedures.
- Shall obtain a receipt that includes itemized purchase details for each purchase over \$75 made with the Procurement Card.
- Shall receive Procurement Card charges in the form of Prepop through CRC Expense.

- Shall maintain the security of the Procurement Card. The Procurement Card cannot be used for personal spend. Even accidental personal use may result in termination of Procurement Card privileges.
- Shall be able to provide all details for purchases if requested during an audit.
- Shall verify and reconcile all activity on a monthly basis through CRC Expense per these Procedures.

Cardholder's Manager:

- Shall identify the appropriate individuals who are authorized to receive and use the Procurement Card.
- Shall ensure that Cardholders use the Procurement Card in accordance with Company Policy and these Procedures.
- Shall review and approve Cardholder's monthly purchases through CRC Expense prior to month end.

Accounts Payable Procurement Card Administrator:

- Shall be responsible for reconciling monthly charges to monthly statements.
- Shall be responsible for payment of monthly invoice to the Authorized Bank.
- Shall post expenses to the appropriate general ledger accounts based on accounting information provided by the Cardholder.
- Shall be responsible for daily administration of Procurement Card transactions including processing Cardholder applications, handling transfers, cancelling service due to termination or misuse, and auditing transaction receipts.
- Shall generate reports for management review, upon request.
- Shall provide assistance through the CRC Expense Help Desk.
- Shall be responsible for reviewing disputed charges, notifying Cardholders of missing receipts when audited, notifying Cardholders if receipts are not received, notifying Cardholders and managers if reports are not done by the end of the month.
- Shall maintain expense reports and receipts for one (1) year on site plus five (5) years off site.
- Shall complete an independent audit review of 10% of all Procurement Card expense reports received daily to validate all charges are adequately supported.
- Shall provide training, a copy of these Procedures, the CRC Expense "How to Manual", and notification that personal spend is not allowed to all new Cardholders.

Supply Chain Procurement Card Administrator:

- Shall be responsible for overall administration and coordination of the Program.
- Shall be the unique contact for the Authorized Bank managing the administration of the Program.
- Shall review use of Procurement Card and monitor supplier expenditures.
- Shall conduct post-payment audits on supporting documentation submitted by Cardholders to monitor Procurement Card usage according to these Procedures.
- Shall produce quarterly spend analysis
- Shall approve requested single transaction and monthly Procurement Card limit increases in excess of default limits as listed below in Section 2.1 and up to a maximum of \$10,000/single transaction and \$25,000/monthly limits. All limits greater than these will require the approval of the Vice President of Supply Chain.

The Authorized Bank:

The Authorized Bank Customer Service shall provide 24-hour service for Cardholder inquiries.

Section 2.0 Procurement Card Overview

Section 2.1 Program Overview

The Procurement Card is primarily designated for the purchase of low dollar value and low risk business related goods for all Company affiliates/subsidiaries and the procurement of non-high risk services for all Company affiliates/subsidiaries. Below is an overview of the general process and procedures for use.

Automated controls are in place to help manage the use of the Procurement Cards. Each Procurement Card is set up with a monthly credit limit and transaction dollar limit set by Supply Chain. The default limits for all Company subsidiaries/affiliates are set at \$2,000/single transaction and \$10,000/month. A manager may request lower limits at their discretion.

Section 2.2 When to Use the Procurement Card

The Procurement Card will be used to buy low dollar value and low risk business related goods and, for all Company affiliates/subsidiaries, the procurement of non-high risk services performed at Company's offices that are within these Procedures.

The Procurement Card may be used for purchasing the following expense items provided there is no Contract in place with the supplier:

- Office supplies
- Maintenance, repair and operating supplies (that are not critical to operations and warranty or guarantee of workmanship is not required and that are not required to be under contract)
- Laboratory equipment and research supplies
- Automotive parts, repairs, fuel and lubricants for field personnel with company assigned vehicles and equipment.
- For all Company subsidiaries/affiliates: Non-high risk off-site services (those that are not critical to operations and warranty or guarantee of workmanship is not required) and non-high risk office related services (not for field or plant services of any kind). Note clarification below.
- Office deliveries such as: water, coffee, mats
- Sales/marketing aids
- Gasoline for company assigned vehicles and equipment
- Courier or express services
- Publications/books (one-time purchase)
- Catered meals for business related in-office meals
- Packaging material
- Seminars and conference registration (*only when T & E Cards are not accepted – otherwise should use T & E Card*)
- Flowers for bereavement
- Phone accessories
- Vehicle registration and license plates for company assigned vehicles
- Subscriptions
- Employment ads
- Government permits
- The following IT related supplies: USB flash drives, CD/DVD Blank Media, ergonomic equipment, laptop carrying cases.

Note: While the Program allows for the purchase types above, a Cardholder's Manager may restrict use of the Procurement Card to specific categories within this list as they deem necessary.

With respect to non-high risk services performed at the Company offices and contracted through a Procurement Card, the Cardholder shall use their best judgment to determine if those services are perceived as imposing any risk to the Company or its equipment and employees.

For purposes of clarity, office non-high risk services have the following characteristics:

- Shall be deemed as routine services.
- Shall be low-risk services, meaning during the performance of those services there will not be any risks involving damage to property or injuries to people.
- Shall have supervised access to Company's offices.

Some examples of office services are: pest control, carpet cleaning, office repairs, routine maintenance and routine plumbing all with supervised access. If there is any question as to whether a service qualifies as non-high risk, contact the CRC Expense HelpDesk before engaging in the Services.

Any questions regarding whether a purchase is appropriate for the Procurement Card should be directed to the CRC Expense Help Desk prior to the purchase being made.

Section 2.3 When Not To Use the Procurement Card

The Procurement Card may not be used for any purchases of items or services specifically covered by another procurement method or to circumvent established Supply Chain channels. **Furthermore, the card may not be used for any material or services covered by an existing Contract unless specifically approved by Supply Chain.**

Specific examples of other purchases that the Procurement Card should NOT be used for include:

- Personal use – May result in termination of Procurement Card privileges
- Items covered under California Resources Corporation Business Travel and Business Expense Policy 06:45:00, such as plane tickets, hotels, business meals during travel, taxis, parking fees, rental cars, and memberships.
- Maintenance, repairs and operating supplies that are critical to operations, require a guarantee of workmanship, or when a Contract is in place or is required to procure those goods.
- Raw materials, chemicals or waste disposal services
- Inventory replenishment
- Cash advances/gift cards
- Field or Plant Services of any kind, off-site or office related services other than non-high risk services as defined in Section 2.2.
- Gifts
- Charitable contributions/Donations
- Capital equipment and construction services
- Real estate rental or lease
- Payment to or on behalf of joint interest partnerships
- Tax payments
- Seminars and conferences that can be charged to T&E Card
- Computer and Communication Equipment by any Cardholder outside the IT Department – Requests should be directed to the IT Department who will order in accordance with California Resources Corporation Policy 16:01:00 or will approve purchase via the Procurement Card
- Software by any Cardholder outside the IT Department – Requests should be directed to the Company IT Department who will order in accordance with California Resources Corporation Policy 16:01:00 or will approve purchase via the Procurement Card
- Purchases from a foreign supplier
- Employee awards

- Demolition services
- Transportation and Logistic Services

Section 3.0 Program Management

Section 3.1 Obtaining a Card

To request a Procurement Card, the Authorized Bank User Application Form and the Cardholder Acknowledgement of Responsibilities Form must be completed by the employee or contractor. Cardholder Acknowledgement of Responsibilities Form is shown in Exhibit A of these Procedures.

- The Cardholder Applicant and Cardholder's Manager must sign and date the Authorized Bank User Application. The manager's signature authorizes the account to be established.
- Signed forms are to be forwarded to the CRC Expense Help Desk in Dallas for processing. The Authorized Bank will not set up accounts without the proper Company authorization.
- Cardholder Applicant should notify CRC Expense Help Desk if the new Procurement Card is not received within 10 business days of the Authorized Bank User Application Form being submitted.

Section 3.2 Card Activation

For security reasons the Procurement Card is issued inactive. The Procurement Card will have a label with the activation instructions. **Only** the Cardholder whose name appears on the Procurement Card is authorized to activate the Procurement Card.

Section 3.3 Restriction on Types of Purchases

Certain types of suppliers (for example - many traditional travel and entertainment related categories) are excluded from the Program. These categories of suppliers have been "blocked" based on MCC and any attempt to use the Procurement Card with these suppliers will be declined. Restricted supplier types include, but are not limited to, airline transportation, hotels, and car rental agencies. These restrictions have been implemented to support these Procedures and to protect the interests of the Company and its Cardholders. Certain MCC codes are automatically blocked as part of the service from the Authorized Bank including ATM/cash advances and business travel and entertainment purchases.

Section 3.4 Transaction Dollar Limits/Monthly Spending Limits

Each Procurement Card will be assigned a single dollar transaction limit. Any single transaction purchase attempted with a total sales price exceeding the limit will be declined by the Authorized Bank's authorization system. A single transaction purchase in excess of the transaction amount authorized may not be split into smaller amounts or multiple periods to meet transaction limits.

In addition, each account will have a total monthly cycle spending limit. As purchases are made using the Procurement Card, transactions are posted against the monthly spending limit as part of the authorization process. Once the sum of all purchases (net of credit adjustments) exceeds the monthly spending limit, additional purchases will be declined. The monthly spending limit will again be available to all Cardholders at the beginning of the next monthly cycle (16th of the month). The spending limits are determined through the Program and will be provided to the Cardholder upon receipt of the Procurement Card.

Cardholder is responsible for knowing both their assigned single dollar transaction limit and their total monthly cycle spending limit.

Section 3.5 Transaction Dollar Limits/Monthly Spending Limits Increases

In the event that a limit increase is needed permanently or for a one-time single transaction purchase or a monthly cycle limit, written approval is needed from the Cardholder's Manager along with an explanation for the increase. This request must be submitted to the CRC Expense Help Desk for processing. Review and approval of requests up to \$10,000/single transaction and \$25,000/monthly limits will be made by the Supply Chain Procurement Card Administrator. All limits in excess of these amounts will require the approval of the Vice President of Supply Chain.

Section 3.6 Procurement Card Expense Accounting

Along with the streamlined processing that the Program offers, the accounting for purchases made with the Procurement Card will also be simplified. Each Procurement Card will have all transactions directed to the Cardholder's company, cost center and account. This information can be changed as necessary for each transaction.

Section 3.7 Sales and Use Tax

Sales and Use Tax will be monitored through the use of the transaction receipts. Cardholders should not provide tax exempt or direct pay tax ID numbers to suppliers.

Section 3.8 Receipts/Documentation

All purchases over \$75 must be supported by store receipts, Authorized Bank's charge slips, shipping details, etc. All receipts must include itemized detail of purchase and be submitted with each monthly Procurement Card expense report created in the CRC Expense system for reconciliation, auditing and tax purposes. In addition, these documents will be necessary to resolve billing and shipping disputes. Typically, an itemized store receipt and Authorized Bank's charge slip is provided to the Cardholder at the point of sale. With phone or mail order purchases, the Cardholder should request the supplier to:

- Clearly mark packages as Procurement Card transactions
- Provide an itemized receipt
- Label packages with the Cardholder's name and shipping address (including Mail Code)
- Attach invoice transaction detail including purchase price, sales tax, and packing specifics
- If a receipt is lost or misplaced, the Cardholder should request a duplicate receipt. If no duplicate can be obtained, a missing receipt form must be signed by the Cardholder's Manager and included with the other receipts.

Section 3.9 Bill Payment

On a monthly basis, Accounts Payable will receive a central invoice from the Authorized Bank that consolidates all spending activity for the Cardholders during the billing period. The invoice will provide individual transaction detail segregated by Cardholder name and account.

Accounts Payable is responsible for making timely payments to The Authorized Bank. In addition, Accounts Payable will be responsible for posting Cardholder charges to the general ledger account code as indicated on the expense report. Individual Cardholders will not be responsible for paying the Authorized Bank's bill. Cardholders will however be responsible for reconciling their account in CRC Expense and providing accurate account code information.

Section 3.10 Activity Statement

Each month the Authorized Bank will mail to the Cardholder a document referred to as the Cardholder Activity Statement (the 'Statement'). The statement includes a listing of purchases made and credits received during the monthly cycle. The statement is a reference document and not a bill.

Section 3.11 Reconciliation Procedures

All activity must be verified and reconciled through CRC Expense.

The Cardholder is required to submit the reconciled charges to their manager by the 26th of each month.

Cardholder monthly procedures include:

- Obtain an itemized receipt for every purchase over \$75
- Create an expense report using Prepop provided by a feed from the Authorized Bank into CRC Expense.
- The expense report must include a clear description of each expense and be submitted for approval to the Cardholder's Manager.
- Print the bar code page generated through CRC Expense and attach all receipts and any other documentation necessary to support each transaction. NOTE: Each purchase shall be supported by the original itemized receipt. If the original is lost, a duplicate copy must be requested from the supplier and attached to the bar code page from the expense report. If a duplicate may not be obtained, a missing receipt form must be turned in signed by the Cardholder's Manager with other receipts.
- Send printed bar code page and receipts to the address listed on the yellow procurement card receipt envelopes. Envelopes may be requested through the CRC Expense Help Desk.
- Cardholder must be able to provide all details for purchases if requested during an audit.

Section 3.12 Disputed Transactions

A disputed purchase transaction can result from failure to receive goods, fraud, misuse, altered charges, defective materials, incorrect amounts, duplicate charges, unprocessed credits or supplier errors. The Cardholder may identify purchases that were billed but were not received or ordered as a disputed item when creating an expense report in CRC Expense. It is the Cardholder's responsibility to resolve any discrepancies. The Cardholder should first contact the supplier directly to notify them of the dispute. If the supplier agrees that an error has been made, the supplier will credit the Cardholder's account. This should be noted to ensure that the appropriate credit is received. If the Cardholder is unable to resolve the dispute with the supplier, the Cardholder should immediately contact the Authorized Bank Customer Service to report the dispute.

All disputes must be submitted to the Authorized Bank at the latest within the month that the charge appears in CRC Expense. The Authorized Bank customer service will resolve the dispute within the next 90 days. Any item in dispute will be placed in suspense on the Cardholder's account by the Authorized Bank Customer Service.

Section 3.13 Return and Exchange Procedures for Purchases

The Cardholder must ensure that any debits or credits expected as a result of returned or exchanged goods are accurately reflected with Prepop in CRC Expense. The Cardholder should follow the procedures outlined below:

- Contact supplier to confirm instructions for returning merchandise
- Maintain all relevant documentation.

Section 3.14 Receipts/Documentation Filing Procedures

After an expense report has been created, receipts over \$75 should be sent to Accounts Payable using the yellow receipt envelopes. Accounts Payable's retention period for receipts shall be current year plus one (1) on site and five (5) years off site.

Section 4.0 Account Maintenance

Section 4.1 Address and Name Changes

Cardholder must contact the Authorized Bank directly to make the necessary changes.

Section 4.2 Lost or Stolen Cards

In the event of a lost, stolen or compromised Procurement Card, the Cardholder must immediately contact the Authorized Bank Customer Service. The Cardholder's account will immediately be closed and a replacement card will be issued within 48 hours to the Cardholder. In addition to contacting the Authorized Bank Customer Service, the Cardholder is responsible for notifying their manager. The CRC Expense Help Desk can assist if there is an issue with the Authorized Bank issuing a replacement Procurement Card.

Section 4.3 Card Renewal

Prior to Procurement Card expiration, the Cardholder will be issued a new card to ensure uninterrupted service.

Section 4.4 Employee/Contractor Termination

Upon Cardholder termination of employment with Company, the Cardholder's Manager must:

- Collect the Procurement Card from the Cardholder and destroy immediately.
- Collect all receipts for final report.
- Notify the CRC Expense Help Desk.
- Work with CRC Expense Help Desk to create final expense report in CRC Expense.

Section 4.5 CRC Expense Instructions

Instructions on how to prepare a Procurement Card expense report through CRC Expense can be found on the CRC Expense web page located at: [http://connect.crc.com/Departments/Finance/Pages/CRC Expense.aspx](http://connect.crc.com/Departments/Finance/Pages/CRC%20Expense.aspx)

Section 4.6 Duplicate Statement Request

To obtain a duplicate statement or copy of the actual record of the charge, the Cardholder can call the Authorized Bank Customer Service, 24 hours a day, 7 days a week or visit the Authorized Bank's website.

Appendix A - Definitions

"Accounts Payable" shall mean the business department within the Company responsible for key financial services including the duties performed by the Accounts Payable Procurement Card Administrator.

"Accounts Payable Procurement Card Administrator" shall mean one of the Program's key contacts as described in Section 1.4 of these Procedures.

"Authorized Bank" shall mean the bank chosen by the Company to issue the Procurement Cards and that is included in Exhibit B to these Procedures.

"Authorized Bank Customer Service" shall mean the customer service provided by the Authorized Bank through the channels outlined in Exhibit B to these procedures.

"Authorized Bank User Application Form" shall mean the form that shall be completed by a Company employee or contractor in the process of obtaining a Procurement Card and found on the CRC Expense link on the Company's intranet website [http://connect.crc.com/Departments/Finance/Pages/CRC Expense.aspx](http://connect.crc.com/Departments/Finance/Pages/CRC%20Expense.aspx).

"Cardholder" shall mean the Company employee or contractor that uses the Procurement Card in accordance with these Procedures.

"Cardholder Applicant" shall mean the employee or contractor that is applying for but has not yet received a Procurement Card.

"Cardholder Acknowledgment and Responsibilities Form" shall mean the form that shall be completed by a Company employee or contractor in the process of obtaining a Procurement Card and found on the CRC Expense link on the Company's intranet website.

"Cardholder's Manager" shall mean the Cardholder's direct supervisor at Company whether Cardholder is an employee or a contractor of Company.

"Company" shall mean California Resources Corporation its affiliates and subsidiaries.

"Contract" shall have the meaning as set forth in California Resources Corporation Policy No. 86:01:00.

"Corporate Card" shall mean the Corporate Travel and Entertainment Card as defined in the California Resources Corporation Policy No. 6:45:00 Travel and Business Expenses.

"MCC" shall mean Merchant Category Code given by the Authorized Bank.

"CRC Expense" shall mean the system through which Procurement Card activity is received from Authorized Bank and expensed to Company general ledger accounts through processing of expense statements.

"CRC Expense Help Desk" shall mean help desk that will assist all Cardholder's and that can be reached at the numbers indicated in Exhibit B to these Procedures.

"Prepop" refers to the charges that have posted to the Procurement Card and pre-populated into CRC Expense directly from The Authorized Bank.

"Procedures" shall mean the Procurement Card Procedures

"Procurement Card" shall have the meaning as set forth in California Resources Corporation Policy No. 86:01:00.

“Procurement Card Administrator” shall mean the person(s) designated by the Supply Chain Management and Accounts Payable department to administer the Program.

“Program” shall mean the Company Procurement Card program.

“Supply Chain Procurement Card Administrator” shall mean one of the Program’s key contacts as described in Section 1.4 of these Procedures.

“Statement” shall have the meaning set forth in Section 3.10.

EXHIBIT A

**PROCUREMENT CARD PROGRAM
Cardholder Acknowledgement of Responsibilities Form**

By participating in the CRC Procurement Card Program as a Cardholder, you assume responsibility pertaining to the operation and administration of the Procurement Card Program. These responsibilities include but are not limited to the following:

USE

The Procurement Card is to be used for business expenditures only. The Procurement Card may only be used within the policies and procedures outlined for the Procurement Card Program which are outlined in the Procurement Card Procedures. The Procurement Card may not be used for personal, business travel and entertainment purposes or for other items specified in the Procurement Card Procedures where the Procurement Card may not be used.

TRANSFERABILITY

The Procurement Card will be issued in the name of the Cardholder. By accepting the Procurement Card, the Cardholder assumes responsibility for the Procurement Card and will be accountable for all charges made with the Procurement Card. The Procurement Card is not transferable and may not be used by anyone other than the Cardholder.

SECURITY (Lost or Stolen Card)

The Procurement Card must be maintained with the highest level of security. If the Procurement Card is lost or stolen, or if the Cardholder suspects that the Procurement Card or account number has been compromised, the Cardholder agrees to immediately notify the Authorized Bank's Customer Service. Cardholder must also inform the Cardholder's Manager if they believe unauthorized charges have been charged or might be charged to the Procurement Card. CRC Expense Help Desk can assist if there is an issue with the Authorized Bank authorizing issuance of a replacement card.

REPORTING AND AUTHORITY

All charges will be billed to and paid directly by the Company. On a monthly basis, the Cardholder will be responsible for the verification, reconciliation and accounting of all account activity in a timely fashion in CRC Expense. Failure to do so may result in termination of Procurement Card privileges.

AUDIT

Cardholder accounts will be subject to periodic internal control reviews and audits designed to protect the interests of the Company. By accepting the Procurement Card, the Cardholder agrees to comply with these reviews and audits. Any questionable Procurement Card activity noted will be reported to the Company management and may result in disciplinary action up to and including dismissal.

DEACTIVATION

The Cardholder agrees to surrender and cease use of their Procurement Card upon termination of employment whether for retirement, voluntary separation, resignation, or dismissal for any other reason. In addition, the Cardholder must surrender and cease use of the Procurement Card in the event of transfer or relocation. The Cardholder may also be asked to surrender the Procurement Card at any time deemed necessary by Company management.

PAYMENT TO SUPPLIERS

Suppliers are paid by the Authorized Bank within 48 hours of the business transaction. No subsequent invoice should be paid if received from the Supplier.

FRAUDULENT USE

Misuse or fraudulent use of the Procurement Card may result in disciplinary action up to and including dismissal.

By signing below, I acknowledge that I have read and agree to the terms and conditions of this document and the Procurement Card Procedures. I certify that as a participating Cardholder of the Procurement Card Program, I understand and assume the responsibilities listed above and in the Procurement Card Procedures

Employee Signature

Title

Date

Employee Printed Name

*RETURN TO: CRC Expense HelpDesk ExpenseHelp@californiareources.com

EXHIBIT B

Authorized Bank: CITIBANK

Authorized Bank Customer Service: 1(800) 248-4553

CRC Expense Help Desk

Phone: (866) 272-8504

Fax: (310) 443-6279

Email: CRC Expense Help Desk ExpenseHelp@CRC.com

Available from 7:00 to 4:00 PST

**TO REPORT SUSPECTED PROCUREMENT CARD ABUSE OR FRAUD CALL THE CRC COMPLIANCE HOT
LINE**

1-844-339-6268

Available toll-free 24 hours a day

Calls may be made anonymously