Department of the Treasury

Report of Organizational Actions Affecting Basis of Securities

► See separate instructions.

OMB No. 1545-0123

Internal Revenue Service Reporting Issuer Part I 2 Issuer's employer identification number (EIN) 1 Issuer's name SANTA CRUZ COUNTY BANK AND SUBSIDIARY 13-4265907 3 Name of contact for additional information Telephone No. of contact 5 Email address of contact **VIC DAVIS** VDAVIS@SCCOUNTYBANK.COM 6 Number and street (or P.O. box if mail is not delivered to street address) of contact 7 City, town, or post office, state, and ZIP code of contact 595 AUTO CENTER DR. WATSONVILLE, CA 95076 9 Classification and description 8 Date of action 10% COMMON STOCK DIVIDEND WITH CASH PAID IN-LIEU OF FRACTIONAL SHARES **NOVEMBER 8, 2021** 10 CUSIP number 11 Serial number(s) 12 Ticker symbol 13 Account number(s) SCZC Organizational Action Attach additional statements if needed. See back of form for additional questions. Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ► SEE ATTACHMENT 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 15 share or as a percentage of old basis ► SEE ATTACHMENT 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 ATTACHMENT

Pa	rt II		Organizational Action (continued)					
17			applicable Internal Revenue Code section		nich the tax treatment is bas	sed ▶	SEE ATTA	CHMENT
_								
18	Ca	n any	resulting loss be recognized? ► SEE A	TTACHMENT				
19	Dre	wida	any other information necessary to impler	ment the adjustment such as	the reportable tay year	SEE AT	TACUMENT	
19	110	vide	ary other information necessary to imple	nent the adjustment, such as	the reportable tax year	DEE AI	TACHWENT	
_								
_								
			penalties of perjury, I declare that I have exam					
0:		belief,	it is true, correct, and complete. Declaration of	preparer (other than officer) is ba	ised on all information of which	prepare	er has any know	ledge.
Sign Her	-		1/ Lan	Ω_{I}				
He		Signat	ure V		Date ▶			
		Print	our name ► Vic Davis		_{Title} ► CF	0		
 Pai)	Print/Type preparer's name	Preparer's signature	Digitally signed by LewisCP		Check if	PTIN
Pre		rer	CODY LEWIS	Majrun 17	Date: 2021.11.15 05:23:24 -0	08'00'	self-employed	P01319227
Use			Firm's name ► CROWE LLP	<u> </u>		F	Firm's EIN	35-0921680
			Firm's address ► 400 CAPITOL MALL, S				Phone no.	916-441-1000
Send	a Foi	m 89	37 (including accompanying statements) t	to: שepartment of the Treasur	y, ınternaı Hevenue Service	, Ugde	n, UT 84201-0	JU54

Santa Cruz County Bank EIN: 13-4265907 Attachment to IRS Form 8937

Part II, Question 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.

On October 19, 2021, the board of directors of Santa Cruz County Bank (the "Company") declared a 10% stock dividend. The stock dividend was distributed on November 8, 2021 to the shareholders of record on October 26, 2021 and was in the form of one additional share of the Company's stock for each 10 shares owned by the shareholder on the record date. Cash was paid in lieu of fractional shares based on the closing price of the Company's common stock on the record date. Please consult your tax advisor regarding the tax implications of cash paid for fractional shares.

Part II, **Question 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.

For every 10 shares of the Company's common stock owned, the shareholder received one additional share. The shares received as part of the common stock dividend results in a nontaxable event to the shareholder pursuant to Code §305(a). A shareholder will divide the total adjusted basis in its shares of the Company's common stock held before the stock dividend by the total number of shares of the Company's common stock owned after the stock dividend after considering the impacts of cash paid inlieu of fractional shares.

Part II, **Question 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.

A shareholder will divide the total adjusted basis in its shares of the Company's common stock held before the stock dividend by the total number of shares of the Company's common stock owned after the stock dividend after considering the impacts of cash paid in-lieu of fractional shares. **For example**, before the stock dividend, a shareholder holds 11 shares of the Company's common stock with an adjusted basis of \$15.00 per share, resulting in a total adjusted basis of \$165. After the stock dividend, shareholder would have received 1 additional share of common stock plus cash paid in-lieu of the 0.1 fractional share to which the shareholder is entitled (11 x 10% = 1.1 additional shares). The adjusted basis per share would then be computed by the following steps:

- (\$165 total adjusted basis / 12.1 shares) = \$13.64 basis per share
- 0.1 shares redeemed for cash
- Remaining basis in 12 shares = \$13.64 x 12 shares = \$163.64 total remaining adjusted basis

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

The distribution of stock is nontaxable pursuant to the provisions of Code §305(a). The basis of such new stock and of the stock with respect to which the distribution was made is determined by allocating the total adjusted basis of shares before the dividend between the total shares after the dividend under Code §307(a).

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

Shareholders who receive cash in lieu of fractional shares as part of the stock dividend will be treated as having received the fractional shares and then as having exchanged them for cash. These holders will generally recognize gain or loss equal to the difference between the tax basis allocable to the fractional share and the amount of cash received.

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

The United States federal income tax consequences of the stock distribution are taken into account in the tax year of each shareholder that includes November 8, 2021.							