

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name Santa Cruz County Bank		2 Issuer's employer identification number (EIN) 13-4265907	
3 Name of contact for additional information Vic Davis	4 Telephone No. of contact 831.457.5003.x2217	5 Email address of contact vdavis@sccountybank.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 595 Auto Center Dr		7 City, town, or post office, state, and Zip code of contact Watsonville CA 95076	
8 Date of action 11.10.17		9 Classification and description Common Stock	
10 CUSIP number 801827106	11 Serial number(s) NA	12 Ticker symbol SCZC	13 Account number(s) NA

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

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 10.17.17 the Board of Directors of Santa Cruz County Bank declared a 10% stock dividend for shareholders of record as of 10.31.17, payable on 11.10.17. Cash will be paid in lieu of fractional shares based on the closing price on the record date of 10.31.17.

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 shares received in the stock dividend are a share split resulting in a nontaxable event to the shareholder pursuant to Internal Revenue Code Section 307(a), which states that distributions of a corporations's own stock made with respect to its stock are not taxable to a shareholder. However, pursuant to Internal Revenue Code 307(a), the shareholder must compute the basis for the split shares received by allocating the basis for the old stock between the old and new stock.

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 ▶ _____

On 11.10.17 Santa Cruz County Bank shareholders received 1 tenth of a share for each additional share they owned. Each shareholders' existing tax basis in their shares must now be spread over the post dividend shares they own (the old shares plus the new shares received in the 10% stock dividend), including the fractional shares.

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶
Internal Revenue Code Section 305(a) and 307(a).

18 Can any resulting loss be recognized? ▶
Santa Cruz County Bank shareholders who received cash in lieu of fractional shares will be treated as having received the fractional shares in the stock dividend and then as having exchanged the fractional shares for cash. These holders will generally recognize gain or loss equal to the difference between the tax basis allocable to the fractional shares and the amount of cash received.

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

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 ▶ 10.31.17

Print your name ▶ Vic Davis Title ▶ Chief Financial Officer

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.	