

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name Pinnacle Bank		2 Issuer's employer identification number (EIN) 54-2196205	
3 Name of contact for additional information Bruce Kendall	4 Telephone No. of contact 408-762-7142	5 Email address of contact bruce.kendall@pinnaclebankonline.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 18181 Butterfield Blvd., Ste 135		7 City, town, or post office, state, and ZIP code of contact Morgan Hill, CA 95037	
8 Date of action October 22, 2018		9 Classification and description common stock dividend of 10 percent	
10 CUSIP number 72346K107	11 Serial number(s)	12 Ticker symbol PBNK	13 Account number(s)

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 ▶ **A ten percent stock dividend paid on October 22, 2018 to shareholders of record as of October 9, 2018.**

Some shareholders will receive cash for fractional shares, which is treated as a redemption for U.S. federal income tax purposes.

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. It is a nontaxable event to the shareholder pursuant to Internal Revenue Code Section 305(a), which states that distributions of a corporation's own stock made with respect to its stock are not taxable to a shareholder. However, pursuant to Internal Revenue Code Section 307(a), the shareholder must compute basis for the split shares received by allocating the basis for the old stock between the old and new stock.

**The ten percent dividend results in the new tax basis of a U.S. taxpayer to be 90.9090 percent of the old tax basis.
[100/(100+10)] = 90.9090**

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 owns 100 shares of Pinnacle bank common stock on October 9, 2018 at a tax basis of \$1,000 or \$10 per share. Following the ten percent stock dividend, the shareholder owns 110 shares at a tax basis of \$1,000 or \$9.0909 per share.**

**Each shareholder's existing tax basis must be spread over the post dividend shares that they own (the old shares plus the new shares received in the 10% stock dividend), including the fractional shares.
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 the tax basis allocable to the fractional shares and the amount of cash received.**

