

## Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

**Part I Reporting Issuer**

1 Issuer's name <b>PEOPLE'S BANK OF COMMERCE</b>		2 Issuer's employer identification number (EIN) <b>91-1840442</b>	
3 Name of contact for additional information <b>RUSSELL MILBURN, CHIEF FINANCIAL OFC</b>	4 Telephone No. of contact <b>541-608-8912</b>	5 Email address of contact <b>RUSSM@PEOPLESBANKOFCOMMERCE.COM</b>	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact <b>1311 E BARNETT ROAD</b>		7 City, town, or post office, state, and Zip code of contact <b>MEDFORD, OR 97504</b>	
8 Date of action <b>APRIL 15, 2013</b>		9 Classification and description <b>STOCK DIVIDEND</b>	
10 CUSIP number <b>710311101</b>	11 Serial number(s) <b>N/A</b>	12 Ticker symbol <b>PBCO</b>	13 Account number(s) <b>N/A</b>

**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 ▶ **People's Bank of Commerce paid a distribution in the form of additional shares (also known as a stock dividend). The distribution was made on April 15, 2013 to shareholders of record as of March 15, 2013 and was declared on February 28, 2013.**

**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 ▶ **On April 15, 2013, People's Bank of Commerce shareholders received an additional 5 shares of stock for each 100 shares they owned. Each shareholder's existing tax basis in their shares must now be spread over 105 shares (100 original shares plus 5 from the stock dividend; or put another way, each shareholder's existing tax basis per share prior to the stock dividend is reduced by 5% for each lot of People's Bank of Commerce shares owned. Only whole shares were issued. Cash was paid in lieu of fractional shares.**

**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 Number 15 above.**

**Part II Organizational Action** (continued)

**17** List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ► \_\_\_\_\_  
**The share distribution (stock dividend) is a non-taxable event to shareholders 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 the shareholder. However, pursuant to the Internal Revenue Code Section 307(a), the shareholder must compute basis for the dividend shares received by allocating the basis for the old stock between the old and new stock. Cash in lieu of fractional shares issued is a taxable event and the bank will issue a 1099-DIV when appropriate.**

**18** Can any resulting loss be recognized? ► This is a non-taxable event per Number 17 above.

**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 ► Signature on file Date ► April 5, 2013

Print your name ► Russell Milburn 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.			