

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ► SEE ATTACHMENT

Multiple horizontal lines for listing applicable Internal Revenue Code sections.

18 Can any resulting loss be recognized? ► SEE ATTACHMENT

Multiple horizontal lines for providing information regarding loss recognition.

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

Multiple horizontal lines for providing other necessary information.

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 ►

Lawrence D. McGovern

Date ►

06/15/2018

Print your name ►

Lawrence D. McGovern

Title ►

EVP/CFO

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check <input checked="" type="checkbox"/> if self-employed	PTIN
BRETT E. LABELLE	<i>Brett E. Labelle</i>	2018.06.15 10:59:21 -05'00		P00178182
Firm's name ►	Firm's address ►		Firm's EIN ►	
CROWE HORWATH LLP	P.O. BOX 3697, OAK BROOK, IL 60522-3697		35-0921680	
			Phone no. 630-574-7878	

Heritage Commerce Corporation
EIN: 77-0469558
Attachment to Form 8937
Report of Organizational Actions Affecting Basis of Securities
May 4, 2018

Part II, Question 14, Description of Organizational Action

On May 4, 2018 ("Effective Date"), pursuant to the Agreement and Plan of Merger and Reorganization, dated as of January 10, 2018 (the "Merger Agreement"), by and between Heritage Commerce Corp ("Heritage"), Heritage Bank of Commerce, a wholly owned subsidiary of Heritage ("HBC"), United American Bank ("United American") and ATBancorp ("ATBancorp"), United American merged with and into HBC with HBC continuing as the surviving bank (the "Merger").

Part II, Question 15, Description of Quantitative Effects

The Merger constitutes a tax-free reorganization under Section 368(a) of the Internal Revenue Code of 1986 (the "IRC").

Pursuant to the terms of the Merger Agreement, each outstanding share of United American common stock ("United American Common Stock"), and each common stock equivalent underlying Series D Non-Cumulative Voting Preferred Stock, no par value, and Series E Non-Cumulative Voting Preferred Stock, no par value (collectively, "United American Series D and E Preferred Stock"), was converted into the right to receive 2.1644 shares of Heritage common stock ("Heritage Common Stock") based on a fixed ratio in the Merger Agreement. With respect to shares of United American Series D Preferred Stock and United American Series E Preferred Stock, the "common stock equivalent" is the number of shares of United American Common Stock that the preferred stockholder would be entitled to receive upon a conversion of the stockholder's United American Series D and Series E Preferred Stock into United American Common Stock.

In lieu of issuing fractional shares of Heritage Common Stock, Heritage paid cash to the exchanging United American stockholder in an amount equal to such fraction of a share of Heritage Common Stock multiplied by \$16.49, which is the volume weighted average of the closing prices for shares of Heritage Common Stock as quoted on the NASDAQ Global Select Market for the twenty consecutive trading days ending on April 27, 2018. The issuance in the Merger of cash in lieu of fractional shares of Heritage Common represents a mere mechanical rounding off solely for the purpose of avoiding the expense and inconvenience to Heritage of issuing fractional shares, and does not represent separately bargained-for consideration.

Each share of United American Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series A, no par value, and United American Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series B, no par value (collectively, "United American Series A and B Preferred Stock") was converted into the right to receive \$1,000 cash per share.

For purposes of measuring "continuity of interest" with respect to the qualification of the Merger as a reorganization under IRC Section 368(a), the value of the Heritage Common Stock received in the Merger is based on the price of Heritage Common Stock as of the last business day before the first date that the Merger Agreement became a binding contract. The Merger Agreement became a binding contract on Wednesday, January 10, 2018. Thus, the \$15.65 price per share of Heritage Common Stock as of January 9, 2018 is used to measure continuity of interest. Based on the issuance of 2.8 million shares of Heritage Common Stock, the value of Heritage Common Stock received by former United American stockholders in the Merger approximates \$43,820,000 (as compared with \$9.1 million in cash received with respect to the United American Series A and B Preferred Stock, plus de minimis cash paid in lieu of issuing fractional shares of Heritage Common Stock), which is sufficient for satisfying the continuity of interest requirement.

Part II, Question 16, *Description of the Calculation of the Change in Basis*

The Merger is a tax-free reorganization under IRC Section 368(a). As such, the tax basis of the shares of Heritage Common Stock received in the Merger by a United American shareholder (excluding any fractional share interest deemed received and redeemed for cash) will be the same as the tax basis of the shares of United American Common Stock, United American Series A and B Preferred Stock, and United American Series D and E Preferred Stock surrendered in exchange, reduced by the amount of any cash received by the shareholder in the exchange, increased by the amount of gain recognized by the shareholder, if any, upon the exchange, and increased by the amount, if any, treated as a dividend to the shareholder.

United American shareholders who received cash in lieu of a fractional share of Heritage Common Stock are, for purposes, of determining the taxability of that cash, deemed to have (i) received the fractional share in the Merger and (ii) then as having exchanged the fractional share for cash in a redemption by Heritage. These United American shareholders will generally recognize taxable income or loss equal to the difference between (I) the portion of the shareholder's tax basis in the United American stock allocable to the fractional share deemed to have been received in the Merger and (II) the amount of cash received in lieu of the fractional share.

All the United American Series A and B Preferred Stock and United American Series D and E Preferred Stock is owned by ATBancorp. Consequently, due to all the preferred stock being held by a single shareholder, the Heritage Common Stock received in exchange for the United American Series D and E Preferred Stock and the cash received in exchange for United American Series A and B Preferred stock would be treated as an integrated transaction and not as separate transactions for purposes of the tax basis computation.

The holding period of any shares of Heritage Common Stock received by United American shareholders in the Merger generally will include the holding period of the shares of United American Common Stock and United American Series D and E Preferred Stock exchanged for such Heritage Common Stock.

Part II, Question 17, *Applicable Internal Revenue Code Section(s) and Subsection(s)*

The Merger qualifies as a tax-free reorganization within the meaning of IRC Section 368(a). In general, the income tax consequences to the former United American shareholders are determined under IRC Sections 302(a), 354(a), 356(a), 356(c), 358(a), and 1221.

Part II, Question 18, *Recognition of Any Resulting Losses*

In general, United American shareholders who received Heritage Common Stock and cash in exchange for Series A and B Preferred Stock will not recognize loss for U.S. income tax purposes by reason of the Merger, except with respect to cash received in lieu of a fractional share of Heritage Common Stock. If a United American shareholder receives cash in lieu of a fractional share of Heritage Common Stock, the United American shareholder will be treated as having received a fractional share of Heritage Common Stock pursuant to the Merger and then as having exchanged the fractional share of Heritage Common Stock for cash in a redemption by Heritage. As a result, the United American shareholder generally will recognize gain or loss equal to the difference between the amount of cash received and the United American shareholder's tax basis in the fractional share of Heritage Common Stock.

Part II, Question 19, *Other Information and Applicable Tax Year*

The Effective Date of the Merger was May 4, 2018. Therefore, the reportable tax year is 2018.