

**Report of Organizational Actions  
 Affecting Basis of Securities**

▶ See separate instructions.

**Part I Reporting Issuer**

1 Issuer's name  BLUEHARBOR BANK		2 Issuer's employer identification number (EIN)  [REDACTED]	
3 Name of contact for additional information  CARL T. LARSON	4 Telephone No. of contact  704-662-7700	5 Email address of contact  CARLLARSON@BLUEHARBORBANK.COM	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact  P.O. BOX 3546		7 City, town, or post office, state, and Zip code of contact  MOORESVILLE, NC 28117	
8 Date of action  MARCH 21, 2016	9 Classification and description  COMMON STOCK DIVIDEND		
10 CUSIP number  095613105	11 Serial number(s)	12 Ticker symbol  BLHK	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 20% STOCK DIVIDEND WAS DECLARED ON FEBRUARY 12, 2016  
RECORD DATE OF FEBRUARY 29, 2016  
AS A RESULT, FOR EVERY TEN SHARES OF BLUEHARBOR BANK COMMON STOCK HELD BY A SHAREHOLDER ON  
FEBRUARY 29, 2016, THE SHAREHOLDER WILL RECEIVE TWO ADDITIONAL SHARES OF BLUEHARBOR BANK  
COMMON STOCK ON MARCH 21, 2016.

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 STOCK DIVIDEND IS EXCLUDED FROM GROSS INCOME UNDER  
INTERNAL REVENUE CODE SECTION (IRC) 305(a). AS A RESULT OF THE STOCK DIVIDEND, EACH BLHK  
SHAREHOLDER IS REQUIRED TO ALLOCATE THEIR TAX BASIS IN THE SHARES THEY OWNED PRIOR TO THE  
STOCK DIVIDEND OVER THE SHARES THEY OWN AFTER THE STOCK DIVIDEND (THE ADDITIONAL 20% OF  
SHARES). ANY CASH RECEIVED IN LIEU OF FRACTIONAL SHARES WILL BE TREATED AS A  
DISTRIBUTION, TAXABLE AS A DIVIDEND UNDER IRC SEC. 301.

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 ▶ EACH BLHK SHAREHOLDER MUST DIVIDE THEIR BASIS IN EACH SHARE HELD BEFORE  
THE STOCK DIVIDEND BY 1.20 TO DETERMINE THEIR TAX BASIS IN EACH SHARE IMMEDIATELY AFTER  
THE STOCK DIVIDEND. EACH BLHK SHAREHOLDER'S AGGREGATE BASIS IN ITS BLHK HOLDINGS AFTER  
THE DIVIDEND WILL NOT CHANGE. THIS STOCK BASIS WILL BE ALLOCATED OVER 20% MORE SHARES.

**EXAMPLE:**  
BEFORE THE STOCK DIVIDEND, 100 SHARES WITH A TAX BASIS OF \$5 PER SHARE OR \$500 AGGREGATE  
BASIS  
AFTER THE STOCK DIVIDEND, THIS SHAREHOLDER WOULD HAVE 120 SHARES, THE AGGREGATE TAX BASIS  
WOULD STILL BE \$500, BUT THE TAX BASIS PER SHARE WOULD BE \$4.17 (ROUNDED) (\$500/120 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 ▶  
IRC SEC. 305 (a) AND 307 (a)

18 Can any resulting loss be recognized? ▶ N/A

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶  
REPORTABLE TAX YEAR OF 2016.

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 ▶ *Carl T. Larson* Date ▶ 4/29/2016

Print your name ▶ Carl T. Larson Title ▶ CFO

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	GEORGE NOONAN, CPA	<i>George Noonan</i>	4/26/16		P00369897
	Firm's name ▶ ELLIOTT DAVIS DECOSIMO, LLC/PLLC	Firm's address ▶ 700 EAST MOREHEAD ST, STE 400, CHARLOTTE, NC 28202		Firm's EIN ▶	Phone no. 704-333-8881