Form **8937**
(December 2017)
Department of the Treasury
Internal Revenue Service

# Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

OMB No. 1545-0123

## Part I Reporting Issuer

| | | | |
|---|---|---|---|
| 1 Issuer's name<br>BANK OF BOTETOURT | | | 2 Issuer's employer identification number (EIN)<br>54-0132390 |
| 3 Name of contact for additional information<br>MICHELLE R. AUSTIN | 4 Telephone No. of contact<br>540-591-5000 | | 5 Email address of contact<br>MAUSTIN@BANKOFBOTETOURT.COM |
| 6 Number and street (or P.O. box if mail is not delivered to street address) of contact<br>P.O. BOX 339 | | | 7 City, town, or post office, state, and ZIP code of contact<br>BUCHANAN, VA 24066 |
| 8 Date of action<br>12-17-2021 | 9 Classification and description<br>COMMON STOCK - 10% STOCK DIVIDEND | | |
| 10 CUSIP number<br>063907208 | 11 Serial number(s) | 12 Ticker symbol<br>BORT | 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 ▶ On November 23, 2021, the Board of Directors of the Bank of Botetourt declared a 10% stock dividend of the Corporation's common shares of stock. Each shareholder of record on the close of business on the record date will receive one additional share for every ten shares held. The record date for the stock dividend is November 30, 2021 with the new shares distributed on December 17, 2021.

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 ▶ As a result of the 10% stock dividend, shareholders received one additional share for every 10 shares owned. In accordance with Internal Revenue Code Section 307 (a), each shareholder is required to allocate the aggregate tax basis in his or her shares held immediately prior to the 10% stock dividend among the shares of stock held immediately after the 10% stock dividend. As a result, the number of shares held by each shareholder were multiplied by 10%, but each shareholder's total basis and proportionate interest in the Company remained the same.

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 ▶ We caution that this is not tax advice and is provided only as guidance. Investors should consult their tax advisor. A shareholder will multiply the basis in each share held before the 10% stock dividend by 90.909% to determine the basis after the stock dividend, in that share and each additional share distributed in the stock dividend. The record date for the stock dividend is November 30, 2021 and the distribution date was December 17, 2021. The data that supports this calculation is each shareholder's basis immediately before the distribution and the number of shares issued in the distribution.

EXAMPLE:

Before the stock dividend: A shareholder holds 100 shares of Bank of Botetourt Common Stock with a basis of $25 per share and $2,500 in total (100 shares X $25/share).

After the stock dividend: A shareholder holds 110 shares of Bank of Botetourt Common Stock with a basis of $22.73 ($25 X 90.909%) per share and $2,500 in total (110 shares X $22.73/share).

## 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 applicable Internal Revenue Code sections upon which the tax treatment is based are IRC Sections 305(a) and 307(a). Under IRC Section 305(a), the distribution is not taxable to shareholders. Under IRC Section 307(a), each shareholder's basis in his or her old stock must be allocated between the old stock and the new stock that was distributed in the stock dividend.

**18** Can any resulting loss be recognized? ▶ Under current law, for U.S. Federal Income tax purposes, there will be no U.S. Taxable income, gain or loss to U.S. resident shareholders in connection with the 10% stock dividend. The laws of jurisdictions other than the United States may impose income taxes on the receipt of additional shares. As such, investors should consult their tax advisors with respect to the potential tax consequences in light of their individual circumstances.

**19** Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ The reportable tax year is 2021 for stockholders reporting taxable income on a calendar year basis. For stockholders reporting taxable income on a basis other than calendar year, the reportable year is the stockholder's tax year that includes December 17, 2021.

**Sign Here**

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.

Signature ▶ Michelle R. Austin Digitally signed by Michelle R. Austin Date: 2021.12.07 11:48:40 -05'00' Date ▶ 12-07-21

Print your name ▶ MICHELLE R. AUSTIN Title ▶ EVP - COO & CFO

| Paid Preparer Use Only | Print/Type preparer's name | Preparer's signature | Date | Check ☐ if self-employed | PTIN |
|---|---|---|---|---|---|
| | Firm's name ▶ | | | Firm's EIN ▶ | |
| | Firm's address ▶ | | | Phone no. | |