

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

► See separate instructions.

Part I Reporting Issuer

1 Issuer's name HERITAGE COMMERCE CORPORATION		2 Issuer's employer identification number (EIN) 77-0469558	
3 Name of contact for additional information LAWRENCE D. MCGOVERN	4 Telephone No. of contact 408-494-4562	5 Email address of contact larry.mcGovern@herbank.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 150 ALMADEN BLVD.		7 City, town, or post office, state, and Zip code of contact SAN JOSE, CA 95113	
8 Date of action 8/20/2015		9 Classification and description COMMON STOCK	
10 CUSIP number 426927109	11 Serial number(s) N/A	12 Ticker symbol HTBK	13 Account number(s) N/A

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 ► **SEE ATTACHMENT**

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 ► **SEE ATTACHMENT**

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 ATTACHMENT**

Part II Organizational Action (continued)

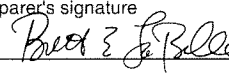
17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ► SEE ATTACHMENT

18 Can any resulting loss be recognized? ► SEE ATTACHMENT

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

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 ► 	Date ► <u>9/30/15</u>
	Print your name ► <u>Larry McGovern</u>	Title ► <u>EVP/CFO</u>

Paid Preparer Use Only	Print/Type preparer's name BRETT E. LABELLE	Preparer's signature 	Date 9/30/2015	Check <input checked="" type="checkbox"/> if self-employed	PTIN P00178182
	Firm's name ► CROWE HORWATH LLP			Firm's EIN ► 35-0921680	
	Firm's address ► P.O. BOX 3697, OAK BROOK, IL 60522-3697			Phone no. 630-574-7878	

Heritage Commerce Corporation
EIN: 77-0469558
Attachment to Form 9937
Report of Organizational Actions Affecting Basis of Securities
August 20, 2015

Part II, Question 14, *Description of Organizational Action*

On August 20, 2015 ("Effective Date"), pursuant to the Agreement and Plan of Merger and Reorganization, dated as of April 23, 2015 (the "Merger Agreement"), by and between Heritage Commerce Corp ("Heritage"), Heritage Bank of Commerce, a wholly owned subsidiary of Heritage ("HBC"), and Focus Business Bank ("Focus Bank"), Focus Bank merged with and into HBC with HBC continuing as the surviving bank (the "Merger").

Part II, Question 15, *Description of Quantitative Effects*

Pursuant to the terms of the Merger Agreement, each outstanding share of Focus Bank common stock ("Focus Bank Common Stock"), was converted into the right to receive 1.8235 shares of Heritage common stock ("Heritage Common Stock"). For each fractional share that would have otherwise been issued, Heritage paid cash in an amount equal to such fraction of a share multiplied by \$10.94, which was 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 August 13, 2015.

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

The Merger was a tax-free reorganization under IRC Section 368(a). As such, the tax basis of the shares of Heritage Common Stock (excluding any fractional share interest deemed received and redeemed for cash) received by Focus Bank shareholders will be the same as the tax basis of the shares of Focus Bank Common Stock surrendered in exchange, reduced by the amount of cash received in the exchange, and increased by the amount of gain recognized, if any, upon the exchange.

Focus Bank 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 received the fractional share in the exchange and then as having sold the fractional share for cash. These Focus Bank shareholders will generally recognize taxable income or loss equal to the difference between the tax basis of the Focus Bank Common Stock deemed to have been exchanged for the fractional share and the amount of cash received.

The holding period of any shares of Heritage Common Stock received by Focus Bank shareholders in the Merger generally will include the holding period of the shares of Focus Bank Common Stock exchanged for such Heritage Common Stock.

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

The Merger on August 20, 2015, qualifies as a tax-free reorganization within the meaning of IRC Section 368(a). In general, the income tax consequences to the former Focus Bank shareholders are determined under IRC Sections 354, 356, 358, 1221.

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

In general, Focus Bank shareholders who received Heritage Common 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 Focus Bank shareholder receives cash in lieu of a fractional share of Heritage Common Stock, the Focus Bank 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 Focus Bank shareholder generally will recognize gain or loss equal to the difference between the amount of cash received and the Focus Bank 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 August 20, 2015. Therefore, the reportable tax year is 2015.