

## Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

**Part I Reporting Issuer**

<b>1</b> Issuer's name		<b>2</b> Issuer's employer identification number (EIN)	
Farmers & Merchants Bancorp, as successor to Delta National Bancorp		94-3327828	
<b>3</b> Name of contact for additional information	<b>4</b> Telephone No. of contact	<b>5</b> Email address of contact	
Stephen Haley	(209) 367-2411	shaley@fmbonline.com	
<b>6</b> Number and street (or P.O. box if mail is not delivered to street address) of contact		<b>7</b> City, town, or post office, state, and Zip code of contact	
C/O Farmers & Merchants Bancorp, 121 West Pine Street		Lodi, CA 95240	
<b>8</b> Date of action		<b>9</b> Classification and description	
OPEN		See attachment	
<b>10</b> CUSIP number	<b>11</b> Serial number(s)	<b>12</b> Ticker symbol	<b>13</b> Account number(s)
308035104		FMCB	

**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 \_\_\_\_\_  
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**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 \_\_\_\_\_  
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**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 \_\_\_\_\_  
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**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 ▶ *Stephen W. Haley* Date ▶ 12-21-16

Print your name ▶ Stephen W. Haley Title ▶ CFO

**Paid Preparer Use Only**

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
KRISTINE HOFFLIN	<i>Kristine Hofflin</i>	12-21-16		P00786821
Firm's name ▶	Firm's EIN ▶		Firm's address ▶	
MOSS ADAMS LLP	91-0189318		2707 COLBY AVENUE SUITE 801, EVERETT, WA 98201	
Firm's address ▶			Phone no.	
2707 COLBY AVENUE SUITE 801, EVERETT, WA 98201			425-259-7227	

**Farmers & Merchants Bancorp as successor to Delta National Bancorp**  
**Attachment to Form 8937**  
**Report of Organizational Actions Affecting Basis of Securities**

**Form 8937 Part I, Box 9:**

The securities subject to reporting include all shares of Farmers & Merchants Bancorp ("F&M") common stock issued in exchange for the outstanding common stock of Delta National Bancorp ("Delta") as a result of the merger of Delta with and into F&M on November 18, 2016. Cash was issued in exchange for Delta Bancorp preferred stock.

**Form 8937 Part II, Box 14:**

On November 18, 2016, Delta completed a merger with F&M. Pursuant to the terms and conditions of the Agreement and Plan of Merger, dated as of June 8, 2016, Delta merged with and into F&M, resulting in F&M being the surviving corporation while Delta ceased to exist as a corporation.

**Form 8937 Part II, Box 15:**

Pursuant to the Merger Agreement, each share of common stock of Delta issued and outstanding immediately prior to the Merger was converted into the right to receive .031748 shares of F&M Common Stock. In addition, cash in lieu of fractional F&M common shares was also paid using a pre-determined agreed upon cash in lieu rate of \$545 per share. The cash in lieu rate may not be reflective of the actual fair market value of the F&M stock effective at the time of the merger. Based upon a valuation completed by a nationally recognized bank consulting and advisory firm, the fair market value of F&M stock, at the effective time of the merger was \$580.00 per share.

Cash was issued in exchange for Delta preferred stock.

**Form 8937 Part II, Box 16:**

The Merger was intended to qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"). If the Merger is respected as a "reorganization" within the meaning of Section 368(a) of the Code, shareholders generally will not recognize any gain or loss upon receipt of F&M common stock in exchange for Delta National Bancorp common stock, except with respect to cash received for fractional shares.

Cash in lieu of a fractional share of F&M common stock will be treated as additional cash proceeds for any fraction of a share of Delta National Bancorp common stock treated as retained, for purposes of determining gain or loss on the exchange.

Cash received for Delta National Bancorp preferred shares will be treated as exchanges of shares for cash for purposes of determining gain or loss on sale, provided that the terms are upheld as

economically reasonable. Respective shareholders will use their original tax basis of Delta National Bancorp preferred shares. Loss recognition may be limited.

The aggregate tax basis of the shares of F&M common stock received in the Merger (excluding any fractional share interest deemed received and redeemed for cash) generally will be equal to the adjusted tax basis in the shares of Delta common stock exchanged, reduced by the amount of cash received, and increased by the amount of any gain recognized upon the exchange.

Thus, the basis of each share of F&M common stock received should be equal to such shareholder's basis in their Delta common stock surrendered:

(1) Decreased by

- (i) the amount of any money received by such shareholders in the exchange;
- (ii) the fair market value of any other boot received by such shareholders; and
- (iii) any loss recognized by such shareholders on the exchange; and

(2) Increased by any gain recognized by such shareholders on the exchange.

**Form 8937 Part II, Box 17:**

F&M's acquisition of Delta, pursuant to the merger completed on November 18, 2016, is believed to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. In general, the income tax consequences to the shareholders are determined under Internal Revenue Code sections 354, 356, 358, 361, 368, 1001 and 1221 and the related regulations.

**Form 8937 Part II, Box 18:**

In general, each Delta shareholder who received F&M common stock and cash for all of his Delta stock cannot recognize any loss. A Delta shareholder who received cash in lieu of a fractional share of Delta common stock may recognize loss if the amount of cash received is less than the basis in the fractional share, as applicable.

**Form 8937 Part II, Box 19:**

In general, any adjustment to the tax basis that causes gain or loss recognized by the Delta shareholder as a result of the completion of the Merger should be reported for the taxable year which includes the merger date of November 18, 2016. A calendar year shareholder would report the transaction on a 2016 federal income tax return.

**The above information does not constitute tax advice. It does not address the tax consequences that may apply to any particular shareholder, and each shareholder is urged to consult his or her own tax advisor regarding the tax consequences of the merger.**