

## 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)	
MALAGA FINANCIAL CORPORATION		XXXXX3309	
<b>3</b> Name of contact for additional information	<b>4</b> Telephone No. of contact	<b>5</b> Email address of contact	
JASNA PENICH	310-375-9000 EXT. 2013	JPENICH@MALAGABANK.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	
2514 VIA TEJON		PALOS VERDES ESTATES, CA 90274	
<b>8</b> Date of action		<b>9</b> Classification and description	
DECEMBER 28, 2018		5% STOCK DIVIDEND	
<b>10</b> CUSIP number	<b>11</b> Serial number(s)	<b>12</b> Ticker symbol	<b>13</b> Account number(s)
561046	N/A	MLGF	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 ▶ **On November 19, 2018, Malaga Financial Corporation ('Company') announced a 5% stock dividend. The dividend was payable on December 28, 2018 to shareholders of record as of December 14, 2018. Cash in lieu was paid on fractional shares based on the stock's market value at the close of business on December 14, 2018.**

**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 ▶ **Each shareholder received a 5% increase in the number of shares that they held on December 14, 2018. Company had 6,614,111 shares of record on December 14, 2018. Therefore, as a result of this 5% stock dividend an additional 330,532 shares were issued on December 28, 2018 with the remaining 173.55 fractional shares paid in cash.**

**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 ▶ **On December 14, 2018 (record date) the market value of the Company's common stock was \$27.00 per share prior to the stock dividend paid. The change in basis to the individual shareholder as a result of this stock dividend would be calculated by taking the adjusted basis of the old stock (that is of the stock on which the dividend was distributed) and allocating it between the old and new stock on the date of distribution. This organizational action would result in a decrease per share basis and an increase in the number of shares held by each taxpayer.**

**Part II** Organizational Action *(continued)*

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶  
**Internal Revenue Code sections 302 and 307**

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18 Can any resulting loss be recognized? ▶  
**No resulting loss is recognized on the date of distribution to each shareholder.**

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19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶  
**The 5% stock dividend was issued to shareholders of record on December 14, 2018 and payable on December 28, 2018.**

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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 ▶ Jasna Penich Date ▶ 1/2/19  
Print your name ▶ Jasna Penich Title ▶ EVP/CFO

<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶			Firm's EIN ▶	
	Firm's address ▶			Phone no.	