



## Harbor Custom Development, Inc.

January 30, 2023

### Information about Tax Treatment of Cash Distributions paid in 2022

The tax information contained herein is provided for informational purposes only and should not be construed as legal or tax advice. Harbor Custom Development, Inc. (the "Company") does not provide legal or tax advice. Shareholders should consult their own legal, financial, or tax advisors to determine the income tax consequences of their specific situation.

For preferred shareholders of Harbor Custom Development, Inc., the 2022 monthly cash distributions of \$0.167 per share on 8.0% Series A Cumulative Convertible Preferred Stock traded under the symbol of HCDIP shall be, for income tax purposes, as follows:

Declaration Date	Record Date	Payment Date	Total Per Share Distribution	2022 Taxable Dividend	2022 Return of Capital (to the Extent of Shareholders Basis)
1/12/2022	1/30/2022	2/20/2022	\$ 0.1670	\$ 0.1670	\$ -
1/26/2022	2/28/2022	3/20/2022	\$ 0.1670	\$ 0.1670	\$ -
3/14/2022	3/31/2022	4/20/2022	\$ 0.1670	\$ 0.1670	\$ -
4/10/2022	4/30/2022	5/20/2022	\$ 0.1670	\$ 0.0554	\$ 0.1116
5/10/2022	5/31/2022	6/20/2022	\$ 0.1670	\$ -	\$ 0.1670
6/13/2022	6/30/2022	7/20/2022	\$ 0.1670	\$ -	\$ 0.1670
7/13/2022	7/31/2022	8/20/2022	\$ 0.1670	\$ -	\$ 0.1670
8/10/2022	8/31/2022	9/20/2022	\$ 0.1670	\$ -	\$ 0.1670
9/14/2022	9/30/2022	10/20/2022	\$ 0.1670	\$ -	\$ 0.1670
10/10/2022	10/31/2022	11/20/2022	\$ 0.1670	\$ -	\$ 0.1670
11/10/2022	11/30/2022	12/20/2022	\$ 0.1670	\$ -	\$ 0.1670
12/10/2022	12/31/2022	1/20/2023	\$ 0.1670	\$ -	\$ 0.1670
<b>2022 Totals</b>			<b>\$ 2.0040</b>	<b>\$ 0.5564</b>	<b>\$ 1.4476</b>

U.S. federal income tax laws require the tax treatment of distributions described in this memorandum be based on a complex calculation of earnings and profits pursuant to Section 312 that cannot be computed until after the end of each year. Therefore, the tax treatment of the 2022 monthly cash distributions on 8.0% Series A Cumulative Convertible Preferred Stock was not determined until after the close of the year.

The Company's tax return has not been filed for the year ended December 31, 2022. The cash distributions tax treatment presented herein have been calculated using the best available information to date and as a result could change upon the filing of the Company's tax return.

The Company urges Shareholders of our 8.0% Series A Cumulative Convertible Preferred Stock to check their 2022 tax statements received from brokerage firms in order to ensure that the cash distribution information reported on such statements conforms to the information reported herein.

Harbor Custom Development, Inc. has provided this information to NASDAQ. However, if you receive an incorrect Form 1099 from your broker you should contact your broker directly.

# Report of Organizational Actions Affecting Basis of Securities

OMB No. 1545-0123

► See separate instructions.

## Part I Reporting Issuer

1 Issuer's name		2 Issuer's employer identification number (EIN)	
Harbor Custom Development, Inc.		46-4827436	
3 Name of contact for additional information	4 Telephone No. of contact	5 Email address of contact	
HCDI Investor Relations	(866) 744-0974	IR@harborcustomdev.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact		7 City, town, or post office, state, and ZIP code of contact	
1201 Pacific Avenue, Suite 1200		Tacoma, WA 98402	
8 Date of action		9 Classification and description	
Payment Date: May 20, 2022		8.0% Series A Cumulative Convertible Preferred Stock	
10 CUSIP number	11 Serial number(s)	12 Ticker symbol	13 Account number(s)
41150T207		HCDIP	

## 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 ► **Based on reasonable assumptions regarding information available at the time of this filing, the cash distributions to the preferred stockholders are currently expected to exceed current and accumulated earnings and profits of the issuer.**  
**The issuer declared a monthly cash distribution of \$0.167 per share on April 10, 2022 and paid on May 20, 2022 to its preferred stockholders. The total distribution recorded as of April 30, 2022 was \$670,831.**

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 ► **Based on reasonable assumptions regarding information available at the time of this filing, the issuer is estimating that during this period approximately 33.18% (\$0.0554 per share) of the distribution paid will be treated as taxable dividend and approximately 66.82% (or \$0.1116 per share) will be treated as nontaxable return of capital to the extent of the stockholder's tax basis. In total, approximately \$222,563 of the distribution paid will be treated as taxable dividend and \$448,269 will be treated as return of capital to the extent of the stockholder's tax basis. Tax basis in the preferred stock will be reduced by the amount of the nontaxable portion of the distribution. Any amount of the distribution that is not a dividend and in excess of the stockholder's tax basis will be treated as capital gain for U.S. Federal income tax purposes.**

Pursuant to the applicable treasury regulations under Section 6045B, if these assumptions turn out to be materially incorrect, the issuer will file a corrected Form 8937 within 45 days of such determination.

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 ► **As described above, the issuer has estimated that of such distributions during this period are currently expected to exceed current and accumulated earnings and profits of the issuer. The issuer has approximately \$222,563 of current and accumulated E&P as of April 30, 2022. As a result, the issuer is estimating that during this period approximately 33.18% (\$0.0554 per share) of the distribution paid will be treated as taxable dividend and approximately 66.82% (or \$0.1116 per share) will be treated as nontaxable return of capital to the extent of the stockholder's tax basis. In total, approximately \$222,563 of the distribution paid will be treated as taxable dividend and \$448,269 will be treated as return of capital to the extent of the stockholder's tax basis.**

**Part II Organizational Action** (continued)

**17** List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ Sec. 301(c), Sec. 312 and Sec. 316(a) of the Internal Revenue Code.

**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 ▶ The adjustments to the tax basis in the preferred stock would be taken into account in the tax year of the shareholder during which the distribution was deemed to be received. In the case of shareholders who are calendar year taxpayers, the distributions are reportable in the tax year ending December 31, 2022.

**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 ▶



Date ▶

1/30/23

Print your name ▶ Yoshi Niino

Title ▶ Director of Accounting

**Paid  
Preparer  
Use Only**

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.			

# AS AMENDED

## Report of Organizational Actions Affecting Basis of Securities

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

OMB No. 1545-0123

► See separate instructions.

### Part I Reporting Issuer

1 Issuer's name

Harbor Custom Development, Inc.

2 Issuer's employer identification number (EIN)

46-4827436

3 Name of contact for additional information

4 Telephone No. of contact

5 Email address of contact

HCIDI Investor Relations

(866) 744-0974

IR@harborcustomdev.com

6 Number and street (or P.O. box if mail is not delivered to street address) of contact

7 City, town, or post office, state, and ZIP code of contact

1201 Pacific Avenue, Suite 1200

Tacoma, WA 98402

8 Date of action

9 Classification and description

Payment Date: June 20, 2022

8.0% Series A Cumulative Convertible Preferred Stock

10 CUSIP number

11 Serial number(s)

12 Ticker symbol

13 Account number(s)

41150T207

HCDIP

### 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 ► Based on reasonable assumptions regarding information available at the time of this filing, the cash distributions to the preferred stockholders are currently expected to exceed current and accumulated earnings and profits of the issuer.  
The issuer declared a monthly cash distribution of \$0.167 per share on May 10, 2022 and paid on June 20, 2022 to its preferred stockholders. The total distribution recorded as of May 31, 2022 was \$634,583.

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 ► Based on reasonable assumptions regarding information available at the time of this filing, the issuer is estimating that during this period approximately 100% (or \$0.167 per share) will be treated as nontaxable return of capital to the extent of the stockholder's tax basis. There was a change in estimate and it was previously reported that 30% (\$0.050 per share) of the distribution paid will be treated as taxable dividend and approximately 70% (or \$0.117 per share) will be treated as nontaxable return of capital to the extent of the stockholder's tax basis.  
In total, approximately \$634,583 of the distribution paid will be treated as nontaxable return of capital to the extent of the stockholder's tax basis. Tax basis in the preferred stock will be reduced by the amount of the nontaxable portion of the distribution. Any amount of the distribution that is not a dividend and in excess of the stockholder's tax basis will be treated as capital gain for U.S. Federal income tax purposes.

Pursuant to the applicable treasury regulations under Section 6045B, the issuer is filing this Form 8937 as a corrected form.

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 ► As described above, the issuer has estimated that of such distributions during this period are currently expected to exceed current and accumulated earnings and profits of the issuer. The issuer has approximately a deficit of (\$473,251) of current and accumulated E&P as of May 31, 2022. As a result, the issuer is estimating that during this period approximately 100% (or \$0.167 per share) will be treated as nontaxable return of capital to the extent of the stockholder's tax basis. In total, approximately \$634,583 of the distribution paid will be treated as nontaxable return of capital to the extent of the stockholder's tax basis.

# AS AMENDED

Form 8937 (12-2017)

Page **2**

## Part II Organizational Action *(continued)*

**17** List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ Sec. 301(c), Sec. 312 and Sec. 316(a) of the Internal Revenue Code.

**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 ▶ The adjustments to the tax basis in the preferred stock would be taken into account in the tax year of the shareholder during which the distribution was deemed to be received. In the case of shareholders who are calendar year taxpayers, the distributions are reportable in the tax year ending December 31, 2022.

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 ▶ 1/30/23

Print your name ▶ Yoshi Niino Title ▶ Director of Accounting

**Paid Preparer Use Only**

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.			

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054



# Report of Organizational Actions Affecting Basis of Securities

OMB No. 1545-0123

► See separate instructions.

## Part I Reporting Issuer

1 Issuer's name		2 Issuer's employer identification number (EIN)	
Harbor Custom Development, Inc.		46-4827436	
3 Name of contact for additional information	4 Telephone No. of contact	5 Email address of contact	
HCDI Investor Relations	(866) 744-0974	IR@harborcustomdev.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact		7 City, town, or post office, state, and ZIP code of contact	
1201 Pacific Avenue, Suite 1200		Tacoma, WA 98402	
8 Date of action	9 Classification and description		
Payment Date: July 20, 2022	8.0% Series A Cumulative Convertible Preferred Stock		
10 CUSIP number	11 Serial number(s)	12 Ticker symbol	13 Account number(s)
41150T207		HCDIP	

## 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 ► Based on reasonable assumptions regarding information available at the time of this filing, the cash distributions to the preferred stockholders are currently expected to exceed current and accumulated earnings and profits of the issuer.  
The issuer declared a monthly cash distribution of \$0.167 per share on June 13, 2022 and paid on July 20, 2022 to its preferred stockholders.  
The total distribution recorded as of June 30, 2022 was \$634,566.

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 ► Based on reasonable assumptions regarding information available at the time of this filing, the issuer is estimating that during this period approximately 100% (or \$0.167 per share) will be treated as nontaxable return of capital to the extent of the stockholder's tax basis. In total, approximately \$634,566 of the distribution paid will be treated as nontaxable return of capital to the extent of the stockholder's tax basis. Tax basis in the preferred stock will be reduced by the amount of the nontaxable portion of the distribution. Any amount of the distribution that is not a dividend and in excess of the stockholder's tax basis will be treated as capital gain for U.S. Federal income tax purposes.

Pursuant to the applicable treasury regulations under Section 6045B, if these assumptions turn out to be materially incorrect, the issuer will file a corrected Form 8937 within 45 days of such determination.

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 ► As described above, the issuer has estimated that of such distributions during this period are currently expected to exceed current and accumulated earnings and profits of the issuer. The issuer has approximately a deficit of (\$428,121) of current and accumulated E&P as of June 30, 2022. As a result, the issuer is estimating that during this period approximately 100% (or \$0.167 per share) will be treated as nontaxable return of capital to the extent of the stockholder's tax basis. In total, approximately \$634,566 of the distribution paid will be treated as nontaxable return of capital to the extent of the stockholder's tax basis.

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

**17** List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ Sec. 301(c), Sec. 312 and Sec. 316(a) of the Internal Revenue Code.

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Signature ▶  Date ▶ 11/22/22

Print your name ▶ Yoshi Niino

Title ▶ Director of Accounting

**Paid Preparer Use Only**

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.	



**Report of Organizational Actions  
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OMB No. 1545-0123

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**Part I Reporting Issuer**

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HCDI Investor Relations	(866) 744-0974	IR@harborcustomdev.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	
1201 Pacific Avenue, Suite 1200		Tacoma, WA 98402	
<b>8</b> Date of action		<b>9</b> Classification and description	
Payment Date: August 20, 2022		8.0% Series A Cumulative Convertible Preferred Stock	
<b>10</b> CUSIP number	<b>11</b> Serial number(s)	<b>12</b> Ticker symbol	<b>13</b> Account number(s)
41150T207		HCDIP	

**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 ► Based on reasonable assumptions regarding information available at the time of this filing, the cash distributions to the preferred stockholders are currently expected to exceed current and accumulated earnings and profits of the issuer. The issuer declared a monthly cash distribution of \$0.167 per share on July 13, 2022 and paid on August 20, 2022 to its preferred stockholders. The total distribution recorded as of July 31, 2022 was \$634,566.

**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 ► Based on reasonable assumptions regarding information available at the time of this filing, the issuer is estimating that during this period approximately 100% (or \$0.167 per share) will be treated as nontaxable return of capital to the extent of the stockholder's tax basis. In total, approximately \$634,566 of the distribution paid will be treated as nontaxable return of capital to the extent of the stockholder's tax basis. Tax basis in the preferred stock will be reduced by the amount of the nontaxable portion of the distribution. Any amount of the distribution that is not a dividend and in excess of the stockholder's tax basis will be treated as capital gain for U.S. Federal income tax purposes.

Pursuant to the applicable treasury regulations under Section 6045B, if these assumptions turn out to be materially incorrect, the issuer will file a corrected Form 8937 within 45 days of such determination.

**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 ► As described above, the issuer has estimated that of such distributions during this period are currently expected to exceed current and accumulated earnings and profits of the issuer. The issuer has approximately a deficit of (\$856,242) of current and accumulated E&P as of July 31, 2022. As a result, the issuer is estimating that during this period approximately 100% (or \$0.167 per share) will be treated as nontaxable return of capital to the extent of the stockholder's tax basis. In total, approximately \$634,566 of the distribution paid will be treated as nontaxable return of capital to the extent of the stockholder's tax basis.



**Part II Organizational Action** (continued)

**17** List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ Sec. 301(c), Sec. 312 and Sec. 316(a) of the Internal Revenue Code.

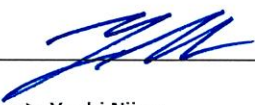
**18** Can any resulting loss be recognized? ▶ N/A

**19** Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ The adjustments to the tax basis in the preferred stock would be taken into account in the tax year of the shareholder during which the distribution was deemed to be received. In the case of shareholders who are calendar year taxpayers, the distributions are reportable in the tax year ending December 31, 2022.

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Signature ▶



Date ▶

11/22/22

Print your name ▶ Yoshi Niino

Title ▶ Director of Accounting

**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.

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

OMB No. 1545-0123

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<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	
1201 Pacific Avenue, Suite 1200		Tacoma, WA 98402	
<b>8</b> Date of action		<b>9</b> Classification and description	
Payment Date: September 20, 2022		8.0% Series A Cumulative Convertible Preferred Stock	
<b>10</b> CUSIP number	<b>11</b> Serial number(s)	<b>12</b> Ticker symbol	<b>13</b> Account number(s)
41150T207		HCDIP	

**Part II Organizational Action** Attach additional statements if needed. See back of form for additional questions.

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Pursuant to the applicable treasury regulations under Section 6045B, if these assumptions turn out to be materially incorrect, the issuer will file a corrected Form 8937 within 45 days of such determination.

**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 ► As described above, the issuer has estimated that of such distributions during this period are currently expected to exceed current and accumulated earnings and profits of the issuer. The issuer has approximately a deficit of (\$1,284,362) of current and accumulated E&P as of August 31, 2022. As a result, the issuer is estimating that during this period approximately 100% (or \$0.167 per share) will be treated as nontaxable return of capital to the extent of the stockholder's tax basis. In total, approximately \$634,566 of the distribution paid will be treated as nontaxable return of capital to the extent of the stockholder's tax basis.

**Part II** Organizational Action (continued)

**17** List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ Sec. 301(c), Sec. 312 and Sec. 316(a) of the Internal Revenue Code.

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Signature ▶



Date ▶

11/22/22

Print your name ▶ Yoshi Niino

Title ▶ Director of Accounting

**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.

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054



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

OMB No. 1545-0123

► See separate instructions.

**Part I Reporting Issuer**

1 Issuer's name		2 Issuer's employer identification number (EIN)	
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HCDI Investor Relations	(866) 744-0974	IR@harborcustomdev.com	
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1201 Pacific Avenue, Suite 1200		Tacoma, WA 98402	
8 Date of action		9 Classification and description	
Payment Date: October 20, 2022		8.0% Series A Cumulative Convertible Preferred Stock	
10 CUSIP number	11 Serial number(s)	12 Ticker symbol	13 Account number(s)
41150T207		HCDIP	

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Pursuant to the applicable treasury regulations under Section 6045B, if these assumptions turn out to be materially incorrect, the issuer will file a corrected Form 8937 within 45 days of such determination.

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 ► As described above, the issuer has estimated that of such distributions during this period are currently expected to exceed current and accumulated earnings and profits of the issuer. The issuer has approximately a deficit of (\$1,712,483) of current and accumulated E&P as of September 30, 2022. As a result, the issuer is estimating that during this period approximately 100% (or \$0.167 per share) will be treated as nontaxable return of capital to the extent of the stockholder's tax basis. In total, approximately \$634,566 of the distribution paid will be treated as nontaxable return of capital to the extent of the stockholder's tax basis.



**Part II** Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ Sec. 301(c), Sec. 312 and Sec. 316(a) of the Internal Revenue Code.

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 ▶ The adjustments to the tax basis in the preferred stock would be taken into account in the tax year of the shareholder during which the distribution was deemed to be received. In the case of shareholders who are calendar year taxpayers, the distributions are reportable in the tax year ending December 31, 2022.

**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 ▶



Date ▶

11/20/22

Print your name ▶ Yoshi Niino

Title ▶ Director of Accounting

**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.

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054

# Report of Organizational Actions Affecting Basis of Securities

OMB No. 1545-0123

► See separate instructions.

## Part I Reporting Issuer

1 Issuer's name		2 Issuer's employer identification number (EIN)	
Harbor Custom Development, Inc.		46-4827436	
3 Name of contact for additional information	4 Telephone No. of contact	5 Email address of contact	
HCDI Investor Relations	(866) 744-0974	IR@harborcustomdev.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact		7 City, town, or post office, state, and ZIP code of contact	
1201 Pacific Avenue, Suite 1200		Tacoma, WA 98402	
8 Date of action		9 Classification and description	
Payment Date: November 20, 2022		8.0% Series A Cumulative Convertible Preferred Stock	
10 CUSIP number	11 Serial number(s)	12 Ticker symbol	13 Account number(s)
41150T207		HCDIP	

## 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 ► Based on reasonable assumptions regarding information available at the time of this filing, the cash distributions to the preferred stockholders are currently expected to exceed current and accumulated earnings and profits of the issuer.  
The issuer declared a monthly cash distribution of \$0.167 per share on October 10, 2022 and paid on November 20, 2022 to its preferred stockholders. The total distribution recorded as of October 31, 2022 was \$634,566.

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 ► Based on reasonable assumptions regarding information available at the time of this filing, the issuer is estimating that during this period approximately 100% (or \$0.167 per share) will be treated as nontaxable return of capital to the extent of the stockholder's tax basis. In total, approximately \$634,566 of the distribution paid will be treated as nontaxable return of capital to the extent of the stockholder's tax basis. Tax basis in the preferred stock will be reduced by the amount of the nontaxable portion of the distribution. Any amount of the distribution that is not a dividend and in excess of the stockholder's tax basis will be treated as capital gain for U.S. Federal income tax purposes.

Pursuant to the applicable treasury regulations under Section 6045B, if these assumptions turn out to be materially incorrect, the issuer will file a corrected Form 8937 within 45 days of such determination.

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 ► As described above, the issuer has estimated that of such distributions during this period are currently expected to exceed current and accumulated earnings and profits of the issuer. The issuer has approximately a deficit of (\$2,140,604) of current and accumulated E&P as of October 31, 2022. As a result, the issuer is estimating that during this period approximately 100% (or \$0.167 per share) will be treated as nontaxable return of capital to the extent of the stockholder's tax basis. In total, approximately \$634,566 of the distribution paid will be treated as nontaxable return of capital to the extent of the stockholder's tax basis.

**Part II Organizational Action** (continued)

**17** List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ► Sec. 301(c), Sec. 312 and Sec. 316(a) of the Internal Revenue Code.

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Signature ►



Date ►

11/22/22

Print your name ► Yoshi Niino

Title ► Director of Accounting

**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.



# Report of Organizational Actions Affecting Basis of Securities

OMB No. 1545-0123

► See separate instructions.

## Part I Reporting Issuer

1 Issuer's name <b>Harbor Custom Development, Inc.</b>		2 Issuer's employer identification number (EIN) <b>46-4827436</b>	
3 Name of contact for additional information <b>HCDI Investor Relations</b>	4 Telephone No. of contact <b>(866) 744-0974</b>	5 Email address of contact <b>IR@harborcustomdev.com</b>	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact <b>1201 Pacific Avenue, Suite 1200</b>		7 City, town, or post office, state, and ZIP code of contact <b>Tacoma, WA 98402</b>	
8 Date of action <b>Payment Date: December 20, 2022</b>		9 Classification and description <b>8.0% Series A Cumulative Convertible Preferred Stock</b>	
10 CUSIP number <b>41150T207</b>	11 Serial number(s)	12 Ticker symbol <b>HCDIP</b>	13 Account number(s)

## Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

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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 ► As described above, the issuer has estimated that of such distributions during this period are currently expected to exceed current and accumulated earnings and profits of the issuer. The issuer has approximately a deficit of (\$4,648,133) of current and accumulated E&P as of November 30, 2022. As a result, the issuer is estimating that during this period approximately 100% (or \$0.167 per share) will be treated as nontaxable return of capital to the extent of the stockholder's tax basis. In total, approximately \$634,566 of the distribution paid will be treated as nontaxable return of capital to the extent of the stockholder's tax basis.



**Part II** Organizational Action (continued)

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**Sign Here**

Signature ▶



Date ▶

1/30/23

Print your name ▶ **Yoshi Niino**

Title ▶ **Director of Accounting**

**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.

# Report of Organizational Actions Affecting Basis of Securities

OMB No. 1545-0123

▶ See separate instructions.

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6 Number and street (or P.O. box if mail is not delivered to street address) of contact <b>1201 Pacific Avenue, Suite 1200</b>		7 City, town, or post office, state, and ZIP code of contact <b>Tacoma, WA 98402</b>	
8 Date of action <b>Payment Date: January 20, 2023</b>	9 Classification and description <b>8.0% Series A Cumulative Convertible Preferred Stock</b>		
10 CUSIP number <b>41150T207</b>	11 Serial number(s)	12 Ticker symbol <b>HCDIP</b>	13 Account number(s)

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**Part II Organizational Action** (continued)

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Date ▶

1/30/23

Print your name ▶ Yoshi Niino

Title ▶ Director of Accounting

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