

# Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

## Part I Reporting Issuer

<b>1</b> Issuer's name  Pacific Continental Corporation, as successor to Foundation Bancorp, Inc.		<b>2</b> Issuer's employer identification number (EIN)  93-1269184	
<b>3</b> Name of contact for additional information  Richard R. Sawyer	<b>4</b> Telephone No. of contact  1-541-686-8685	<b>5</b> Email address of contact  rick.sawyer@therightbank.com	
<b>6</b> Number and street (or P.O. box if mail is not delivered to street address) of contact  P.O. Box 10727		<b>7</b> City, town, or post office, state, and Zip code of contact  Eugene, OR 97440	
<b>8</b> Date of action  September 6, 2016		<b>9</b> Classification and description  Common Stock	
<b>10</b> CUSIP number  69412V108	<b>11</b> Serial number(s)  N/A	<b>12</b> Ticker symbol  PCBK	<b>13</b> 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 ▶  
  
The organizational action involves the merger pursuant to which, on September 6, 2016, Foundation Bancorp, Inc. merged with and into Pacific Continental Corporation with Pacific Continental Corporation surviving.

**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 ▶ \_\_\_\_\_

IRC Sections: 354, 356, 358, 361, 368, and 1221

**18** Can any resulting loss be recognized? ▶ \_\_\_\_\_

Foundation Bancorp, Inc. shareholders generally will not recognize losses for U.S. federal income tax purposes by reason of the merger.

Shareholders who receive cash in lieu of fractional shares may recognize a loss if the amount of cash received in lieu of the fractional share is less than the shareholder's tax basis in the fractional share.

The shareholders are instructed to consult their tax advisors.

**19** Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ \_\_\_\_\_

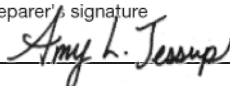
The reportable tax year is 2016.

**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 ▶ 10/18/16

Print your name ▶ Richard R. Sawyer Title ▶ CFO

<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Amy L. Jessup		10/14/16		P00177566
	Firm's name ▶ Moss Adams LLP	Firm's EIN ▶ 91-0189318		Phone no. 503-242-1447	
Firm's address ▶ 805 SW Broadway, STE 1200 Portland, OR 97205					

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**Attachment to Form 8937**  
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**Form 8937 Part II, Line 15:**

Each outstanding share of Foundation Bancorp, Inc. common stock converted into the right to either receive \$12.50 per share in cash, 0.7911 shares of Pacific Continental Corporation common stock, or a combination of cash and stock.

The preferred stock of Foundation became convertible into the right to receive the merger consideration with respect to 1,500,000 shares of Foundation Bancorp, Inc. common stock.

In addition, cash in lieu of fractional Pacific Continental Corporation common shares was also paid.

The fair market value per share of Pacific Continental Corporation common stock at close on September 6, 2016 was \$16.75.

The information contained herein does not constitute tax advice and does not purport to be complete or to describe the consequences that may apply to particular categories of shareholders. Consult your tax adviser to determine the particular tax consequences to you related to the transaction.

The receipt by a Foundation Bancorp, Inc. stockholder of a combination of Pacific Continental Corporation common stock and cash in exchange for Foundation Bancorp, Inc. common stock in the Merger has an effect on such stockholder's tax basis:

Generally, the aggregate tax basis of Pacific Continental Corporation common stock received by a Foundation Bancorp, Inc. stockholder that exchanges its shares of Foundation Bancorp, Inc. common stock for a combination of Pacific Continental Corporation common stock and cash in the Merger will be equal to the aggregate adjusted tax basis of the shares of Foundation Bancorp, Inc. common stock surrendered, reduced by the amount of cash received by the Foundation Bancorp, Inc. stockholder pursuant to the Merger (excluding any cash received in lieu of a fractional share of Pacific Continental Corporation common stock) and increased by the amount of any gain (excluding any gain or loss resulting from the deemed receipt and redemption of fractional shares), if any, recognized by the Foundation Bancorp, Inc. stockholder on the exchange.

The amount of gain recognized is the lesser of (A) the amount of gain realized (i.e., the excess of the sum of the amount of cash and the fair market value of the Pacific Continental Corporation common stock received pursuant to the Merger over the stockholder's aggregate tax basis in the shares of Foundation Bancorp, Inc. common stock surrendered) and (B) the amount of cash received pursuant to the Merger (excluding any cash received in lieu of a fractional share of Pacific Continental Corporation common stock).

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

The information contained herein does not constitute tax advice and does not purport to be complete or to describe the consequences that may apply to particular categories of shareholders. Consult your tax adviser to determine the particular tax consequences to you related to the transaction.

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 Pacific Continental Corporation common stock in exchange for common stock, except with respect to cash received.

Cash in lieu of a fractional share of Pacific Continental Corporation common stock will be treated as additional cash proceeds for any fraction of a share of Foundation Bancorp, Inc. common stock treated as retained, for purposes of determining gain or loss on the exchange.

The aggregate tax basis of the shares of Pacific Continental Corporation 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 Foundation Bancorp, Inc. 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 Pacific Continental Corporation common stock received should be equal to such shareholders’ basis in their Foundation Bancorp, Inc. 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.

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The following is an example of how the basis determination would be applied to a shareholder who made a valid “mixed” election and received approximately \$3.75 in cash and .55377 shares of Pacific Continental stock for each share of Foundation Bancorp, Inc. common stock.

**(Note, any shareholder who made a valid “cash” election will receive consideration of approximately 69.77% in cash and 30.23% in shares, due to the over-subscription of the cash election. This equates to approximately \$8.72 in cash and approximately 0.23915 shares of Pacific Continental stock for each share of Foundation Bancorp, Inc. common stock.)**

Shares of Foundation Bancorp, Inc. common stock owned: 100

Foundation Bancorp, Inc. stockholder's aggregate adjusted tax basis: \$1,000.00 (assumed to be about \$10.00 per share)

Whole shares of Pacific Continental Corporation common stock received in the Merger (100 shares of Foundation Bancorp, Inc. common stock multiplied by 70% stock election and .7911 exchange rate and rounded down to the nearest whole number): 55

Number of fractional shares of Pacific Continental Corporation common stock for which cash is paid: 0.377

FMV per share of Pacific Continental Corporation shares received: \$16.75

FMV of the Stock Consideration received (i.e., Pacific Continental Corporation shares received in exchange for Foundation Bancorp, Inc. shares, including fractional shares of Pacific Continental Corporation common stock deemed received) (\$16.75 per share multiplied by .7911 shares of Pacific Continental Corporation common stock times 70% stock election): \$927.56

Cash Consideration received in exchange for Foundation Bancorp, Inc. common stock pursuant to the Merger (100 shares of Foundation Bancorp, Inc. common stock multiplied by \$12.50 in cash per share times 30% cash election): \$375.00

Total Merger Consideration received (\$375.00 in Cash Consideration plus \$927.56 in FMV of Stock Consideration): \$1,302.56

Realized gain (\$1,302.56 total Merger Consideration received minus \$1,000.00 aggregate tax basis): \$302.56

Recognized gain (determined as lesser of realized gain or cash received): \$302.56

Aggregate tax basis of Pacific Continental Corporation common stock received (including fractional shares deemed received) (\$1,000.00 aggregate tax basis in Foundation Bancorp, Inc. shares minus \$375.00 cash received (i.e., excluding cash received in lieu of a fractional share of Pacific Continental Corporation common stock) plus \$302.56 recognized gain): \$927.56

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Tax basis per share of Pacific Continental Corporation common stock received (including fractional shares deemed received)  $\$927.56$  aggregate basis divided by  $55.377$  shares):  $\$16.75$

Aggregate tax basis in whole shares of Pacific Continental Corporation common stock received in the Merger ( $55 \times \$16.75$ ):  $\$921.25$

Tax basis in fractional share deemed sold: ( $0.377 \times \$16.75$ ):  $\$6.31$

As indicated above, each shareholder should consult with their own tax advisers concerning specific circumstances regarding each shareholder's individual basis. The actual tax basis will differ with respect to each separate shareholder and, additionally, tax basis may differ with respect to separate and distinct blocks of common shares owned by the shareholder.

The holding period of the shares of the Pacific Continental Corporation common stock received in the Merger generally will include the holding period of the shares of Foundation Bancorp, Inc. common stock exchanged.