

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name SANTA CRUZ COUNTY BANK		2 Issuer's employer identification number (EIN) 13-4265907	
3 Name of contact for additional information VIC DAVIS	4 Telephone No. of contact 831-457-5000	5 Email address of contact VDAVIS@SCCOUNTYBANK.COM	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 595 AUTO CENTER DRIVE		7 City, town, or post office, state, and ZIP code of contact WATSONVILLE, CA 95076	
8 Date of action OCTOBER 21, 2019		9 Classification and description COMMON STOCK	
10 CUSIP number 801827106	11 Serial number(s) N/A	12 Ticker symbol SCZC	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 ▶ **SANTA CRUZ COUNTY BANK (SCZC) ACQUIRED LIGHTHOUSE BANK (LGHT) EFFECTIVE OCTOBER 21, 2019 FOR COMMON STOCK AND CASH IN LIEU OF ANY FRACTIONAL SHARES.**

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 ▶ **LIGHTHOUSE BANK RECEIVED 0.5204 SHARES OF SANTA CRUZ COUNTY BANK COMMON STOCK FOR EACH SHARE OF LIGHTHOUSE BANK, AND CASH IN LIEU OF FRACTIONAL SHARES AT THE OCTOBER 21, 2019 SANTA CRUZ COUNTY BANK CLOSING PRICE OF \$50.0255 PER SHARE.**

THE BASIS OF THE SANTA CRUZ COUNTY BANK SHARES RECEIVED WILL BE THE BASIS OF THE LIGHTHOUSE BANK SHARES HELD ON OCTOBER 21, 2019 MULTIPLIED BY THE EXCHANGED RATIO (0.5204). BASIS IS ASSIGNED TO FRACTIONAL SHARES USING THE SAME FORMULA FOR CALCULATING BASIS ON WHOLE SHARES RECEIVED.

SEE ITEM 18, AND THE EXAMPLE IN 16, BELOW.

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 ▶ **THE BASIS OF THE LIGHTHOUSE BANK SHARES RECEIVED WILL BE THE BASIS OF THE SANTA CRUZ COUNTY BANK SHARES HELD ON OCTOBER 21, 2019 MULTIPLIED BY THE EXCHANGE RATIO (0.5204). BASIS IS ASSIGNED TO FRACTIONAL SHARES USING THE SAME FORMULA FOR CALCULATING BASIS ON THE WHOLE SHARES RECEIVED.**

FOR EXAMPLE: SHAREHOLDER OWNED 100 SHARES OF LIGHTHOUSE BANK WITH A COST BASIS OF \$10.00 PER SHARE FOR A TOTAL TAX BASIS IN LIGHTHOUSE BANK SHARES OF \$1,000. THE SHAREHOLDER RECEIVED 52.04 SHARES OF SANTA CRUZ COUNTY BANK, WHICH WAS RECEIVED AS 52 SHARES OF SANTA CRUZ COUNTY BANK WITH A BASIS OF \$999.23 OR \$19.22 PER SHARE AND BASIS OF \$0.77 IN THE 0.04 FRACTIONAL SHARES RECEIVED.

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ► THE TRANSACTION IS INTENDED TO QUALIFY AS A TAX-FREE REORGANIZATION UNDER SECTION 368(a) OF THE INTERNAL REVENUE CODE. THE FEDERAL INCOME TAX CONSEQUENCES OF THE REORGANIZATION TO THE LIGHTHOUSE BANK SHAREHOLDERS ARE DETERMINED UNDER INTERNAL REVENUE CODE SECTION 354,356,3585,1001 AND 1221.

18 Can any resulting loss be recognized? ► GAIN OR LOSS WILL BE RECOGNIZED ON CASH RECEIVED IN LIEU OF FRACTIONAL SHARES TO THE EXTENT OF THE DIFFERENCE BETWEEN THE CASH RECEIVED AND THE BASIS OF THE LIGHTHOUSE BANK SHARES ASSIGNED TO THE FRACTIONAL SHARES (SEE THE EXAMPLE IN ITEM 16 ABOVE). THE GAIN OR LOSS ON THE FRACTIONAL SHARES, ASSUMING THE LIGHTHOUSE BANK SHARES WERE HELD BY THE SHAREHOLDERS AS A CAPITAL ASSET, WILL BE TAXED AS A CAPITAL GAIN OR LOSS.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ► THE TRANSACTION OCCURED ON OCTOBER 21, 2019. THEREFORE THE REPORTABLE TAX YEAR IS THE TAX YEAR OF THE SHAREHOLDER THAT INCLUDES OCTOBER 21, 2019.

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 ► [Signature] Date ► 10.31.19

Print your name ► VIC DAVIS Title ► SVP AND CHIEF FINANCIAL OFFICER

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	<u>JAMES D GOELLER</u>	<u>[Signature]</u>	<u>10/31/2019</u>		<u>P00184345</u>
	Firm's name ► <u>CROWE LLP</u>	Firm's EIN ► <u>32-0921680</u>		Phone no.	<u>415-576-1100</u>
	Firm's address ► <u>575 MARKET STREET, STE 3300, SAN FRANCISCO, CA 94105</u>				