



**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 SECTION 368(a)

IRC SECTION 354

IRC SECTION 356

IRC SECTION 358

IRC SECTION 1001

**18** Can any resulting loss be recognized? ▶ SEE ATTACHED STATEMENT

**19** Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ THE REPORTABLE TAX YEAR IS THE TAX YEAR INCLUDING MAY 1, 2018.

**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 ▶ \_\_\_\_\_

Print your name ▶ \_\_\_\_\_ Title ▶ \_\_\_\_\_

**Paid Preparer Use Only**

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
ROBERT A. PARKER, CPA				P00868782
Firm's name ▶ CROWE HORWATH LLP	Firm's EIN ▶ 35-0921680		Phone no. 615-360-5500	
Firm's address ▶ 720 COOL SPRINGS BLVD, STE 600 FRANKLIN, TN 37067				

**Attachment to Form 8937**  
**Report of Organizational Actions Affecting Basis of Securities**  
**SmartFinancial, Inc.**  
**FEIN: 62-1173944**

**Part II, Line 15**

A shareholder's tax basis in one (1) share of SMBK common stock received in exchange for Tennessee Bancshares, Inc. common stock should equal the shareholder's basis in one (1) share of Tennessee Bancshares, Inc. common stock divided by 0.8065 (not counting the basis of any shares allocated to the receipt of fractional SMBK shares).

Tennessee Bancshares, Inc. shareholders who received cash instead of fractional shares of SMBK common stock will be treated as having received the fractional shares in the merger and then as having exchanged the fractional shares for cash. These holders will generally recognize gain or loss equal to the difference between the tax basis allocated to the fractional shares and the amount of cash received.

**Part II, Line 16**

The fair market value of SMBK common stock at the effective time of the merger was \$23.65 per share, based on the closing price on May 1, 2018.

The basis of SMBK shares received, once computed, must be allocated to the individual SMBK shares received in accordance with Treasury Regulation §1.358-2(a). See also Proposed Treasury Regulation §1.358-2(b). Since fewer shares of SMBK common stock were received than shares of Tennessee Bancshares, Inc. common stock surrendered, the basis of the Tennessee Bancshares, Inc. shares surrendered must be allocated to the shares of SMBK stock received in a manner that reflects, to the greatest extent possible, that a share of SMBK stock received is received in respect of Tennessee Bancshares, Inc. shares of stock that were acquired on the same date and at the same price. To the extent it is not possible to allocate basis in this manner, the basis of the Tennessee Bancshares, Inc. shares surrendered must be allocated to the shares of SMBK stock received in a manner that minimizes the disparity in the holding periods of the surrendered shares whose basis is allocated to any particular SMBK share received. This could result in a single share of SMBK stock having a split basis and a split holding period. See Example (14) of Treasury Regulation §1.358-2(c) for an illustration of this principle.

**Part II, Line 18**

No loss may be recognized by a Tennessee Bancshares, Inc. shareholder receiving SMBK common stock, except that any loss on the receipt of cash in lieu of fractional shares of SMBK stock may be recognized. The deductibility of capital losses is subject to limitation.

Tennessee Bancshares, Inc. shareholders who receive only SMBK stock will generally not recognize gain or loss.