



**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](#)

[REGULATION SECTION 1.356-1](#)

**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 AUGUST 31, 2015.](#)

**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
<a href="#">ROBERT A. PARKER, CPA</a>				<a href="#">P00868782</a>
Firm's name ▶ <a href="#">CROWE LLP</a>			Firm's EIN ▶	<a href="#">35-0921680</a>
Firm's address ▶ <a href="#">720 COOL SPRINGS BLVD, STE 600 FRANKLIN, TN 37067</a>			Phone no.	<a href="#">615-360-5500</a>

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

**Part II, Line 14**

SmartFinancial, Inc (“Legacy SmartFinancial”) merged with Cornerstone Bancshares, Inc. ticker symbol CSBQ on August 31, 2015 (“Merger Effective Time”). At that time Cornerstone Bancshares changed its name to SmartFinancial and changed its ticker symbol to SMBK.

Pursuant to the agreement and plan of merger, Legacy SmartFinancial shareholders at the Merger Effective Time received 1.05 shares of Cornerstone common stock in exchange for each share of Legacy SmartFinancial common stock. Fractional shares were rounded up to the next whole share.

This merger was intended to qualify as a tax-free reorganization under Section 368 of the Internal Revenue Code.

**Part II, Line 15**

A shareholder’s tax basis in one (1) share of Cornerstone common stock received in exchange for Legacy SmartFinancial common stock should equal the shareholder’s basis in one (1) share of Legacy SmartFinancial common stock divided by 1.05.

**Part II, Line 16**

See item 15 above for a description of the calculation. The fair market value of Cornerstone common stock at the effective time of the merger was \$3.85 per share.

**Part II, Line 18**

Legacy SmartFinancial shareholders who receive only Cornerstone common stock will generally not recognize gain or loss.