



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

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ SEE ATTACHMENT

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

18 Can any resulting loss be recognized? ▶ SEE ATTACHMENT

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ SEE ATTACHMENT

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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 ▶ \_\_\_\_\_

<b>Paid Preparer Use Only</b>	Print your name ▶	Preparer's signature	Date ▶	Check <input type="checkbox"/> if self-employed	PTIN
	ROBERT PARKER, CPA		01/22/2021		P00868782
	Firm's name ▶ CROWE LLP			Firm's EIN ▶ 35-0921680	
	Firm's address ▶ 720 COOL SPRINGS BLVD, STE 600, FRANKLIN, TN 37067			Phone no. 615-360-5500	

**Attachment to Form 8937**  
**Report of Organizational Actions Affecting Basis of Securities**  
**CapStar Financial Holdings, Inc.**  
**FEIN: 81-1527911**

**Part II, Line 14**

Effective July 1, 2020, CapStar Financial Holdings, Inc. ("CapStar") acquired FCB Corporation ("FCB") through a merger transaction in which FCB merged with and into CapStar. Immediately following the FCB Merger, The First National Bank of Manchester ("FNBM"), subsidiary of FCB, merged with and into CapStar's wholly-owned subsidiary, CapStar Bank. The merger qualified as a tax-free reorganization under Section 368 of the Internal Revenue Code.

Upon completion of the FCB Merger, CapStar owned 50.56% of Bank of Waynesboro ("BOW"). Following the FCB Merger and also effective July 1, 2020 and as part of the BOW Merger Agreement, BOW merged with and into CapStar Bank. The merger qualified as a tax-free reorganization under Section 368 of the Internal Revenue Code.

**Part II, Line 15**

Related to the FCB Merger and pursuant to the agreement and plan of merger, each share of FCB common stock was exchanged for 13.704 shares of CapStar common stock, plus cash in lieu of fractional shares and \$553.10 in cash.

The merger qualified as a tax-free reorganization under Section 368 of the Internal Revenue Code. As such, the federal income tax consequences to former FCB shareholders are determined under Code Sections 354, 356, 358, and 1221. FCB shareholders who received shares of CapStar common stock should not recognize any gain or loss, except with respect to the cash they may have received in lieu of a fractional share. Each FCB shareholder's total tax basis in CapStar common stock will be the same as such shareholder's total tax basis in the FCB common stock surrendered in the merger transaction, less any cash received plus any gain recognized.

Related to the BOW Merger and pursuant to the agreement and plan of merger, each share of BOW common stock was exchanged for 44.822 shares of CapStar common stock, plus cash in lieu of fractional shares and \$716.06 in cash.

The merger qualified as a tax-free reorganization under Section 368 of the Internal Revenue Code. As such, the federal income tax consequences to former BOW shareholders are determined under Code Sections 354, 356, 358, and 1221. BOW shareholders who received shares of CapStar common stock should not recognize any gain or loss, except with respect to the cash they may have received in lieu of a fractional share. Each BOW shareholder's total tax basis in CapStar common stock will be the same as such shareholder's total tax basis in the BOW common stock surrendered in the merger transaction, less any cash received plus any gain recognized.

**Part II, Line 16**

The acquisition of FCB by CapStar on July 1, 2020, qualified as a tax-free reorganization within the meaning of Section 368(A) of the Internal Revenue Code. Therefore, the federal income tax consequences of the FCB shareholders are determined under Code Sections 354, 356, 358, and 1221.

Where the consideration provided in the agreement and Plan of Merger is limited solely to CapStar stock, no gain or loss should be recognized by the FCB shareholders related to the merger transaction.

Former FCB shareholders will maintain their historical aggregate tax basis in their newly issued CapStar shares. For share by share basis, shareholders should consult their tax advisors. FCB shareholders who received cash in lieu of whole or fractional shares of CapStar common stock will be treated as having received whole or fractional shares in the merger and then as having exchanged the shares for cash. These holders will generally recognize gain or loss equal to the difference between the tax basis allocable to the whole or fractional shares and the amount of cash received.

The acquisition of BOW by CapStar Bank on July 1, 2020, qualified as a tax-free reorganization within the meaning of Section 368(A) of the Internal Revenue Code. Therefore, the federal income tax consequences of the BOW shareholders are determined under Code Sections 354, 356, 358, and 1221.

Where the consideration provided in the agreement and Plan of Merger is limited solely to CapStar stock, no gain or loss should be recognized by the BOW shareholders related to the merger transaction.

Former BOW shareholders will maintain their historical aggregate tax basis in their newly issued CapStar shares. For share by share basis, shareholders should consult their tax advisors. BOW shareholders who received cash in lieu of whole or fractional shares of CapStar common stock will be treated as having received whole or fractional shares in the merger and then as having exchanged the shares for cash. These holders will generally recognize gain or loss equal to the difference between the tax basis allocable to the whole or fractional shares and the amount of cash received.

**Part II, Line 17**

Tax treatment of the mergers is based on the following Internal Revenue Code (IRC) sections and subsections as more fully discussed below: 368(A), 354, 356, 358, and 1221.

**Part II, Line 18**

FCB and BOW shareholders who receive cash in lieu of fractional shares of CapStar 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 allocable to the fractional shares and the amount of cash received. The deductibility of capital losses is subject to limitation. Shareholders should consult their tax advisors for individual tax impact.

**Part II, Line 19**

The reportable tax year of the adjustment to the basis of the securities as a result of the organizational action is the shareholder's tax year that includes July 1, 2020.