

Part II Organizational Action *(continued)*

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ [Please See Attached](#)

18 Can any resulting loss be recognized? ▶ _____

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ [The merger was effective on January 1, 2018. For a County First Bank stockholder who is a calendar year taxpayer, the reportable tax year is 2018.](#)

*****The above information does not constitute tax advice. It does not address the tax consequences that may apply to any particular stockholder, and each stockholder is urged to consult their own tax advisor regarding the tax consequences of the merger**

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 ▶ _____

Paid Preparer Use Only	Print your name ▶ Christy Lombardi	Preparer's signature	Title ▶ EVP & CAO	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶		Date	Firm's EIN ▶	
	Firm's address ▶			Phone no.	

The Community Financial Corporation
EIN: 52-1652138
Attachment to Form 8937

Form 8937, Part I, Item 10. CUSIP Number:

The Community Financial Corporation: 20368X101

County First Bank: 22235A108

Form 8937, Part I, Item 12. Ticker Symbol

The Community Financial Corporation: TCFC (NASDAQ)

County First Bank: CUMD (OTC)

Form 8937 Part II, Item 14. Description of Organizational Action.

Effective January 1, 2018 with a closing date of December 29, 2017, and pursuant to the Agreement and Plan of Merger dated July 31, 2017, between The Community Financial Corporation (“Community Financial”), County First Bank, a Maryland chartered bank (“County First”) and Community Bank of the Chesapeake, a Maryland chartered commercial bank (“Community Bank”) and wholly owned subsidiary of Community Financial (the “Agreement”). Pursuant to the Agreement, County First merged with and into Community Bank (the “Merger”).

At the closing of the Merger, each outstanding share of County First common stock was converted into the right to receive (i) 0.9543 shares of Community Financial common stock, and (ii) \$2.20 per share which is referred to as the merger consideration.

Form 8937, Part II, Item 15. Description of the Quantitative Effect of the Organizational Action:

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 a particular category of shareholders.

Further discussion of the tax consequences of the Merger can be found on page 67 of the Form S-4 for The Community Financial Corporation as filed with the Securities and Exchange Commission on October 2, 2017, as amended, under the heading “Material United States Federal Income Tax Consequences of the Merger” (available at:

<https://www.sec.gov/Archives/edgar/data/855874/000157104917008067/t1702604-s4a.htm>)

As stated in the Form S-4 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”). No ruling from the Internal Revenue Service has been requested or is intended to be obtained as to the United States federal income tax consequences of the Merger. Assuming the Merger constitutes a reorganization, with respect to holders of County First common stock that are U.S. taxpayers not in a special class of holders subject to special rules as described in the Form S-4 (“U.S. holders”):

A U.S. holder of County First common stock will recognize gain (but not loss) in an amount equal to the lesser of:

(1) the amount by which the sum of the fair market value of the Community Financial stock and cash received by a holder of County First common stock exceeds such holder's tax basis in its County First common stock; and

(2) the amount of cash received by such holder of County First common stock (\$2.20 per share).

In each case the shareholder will exclude any cash received in lieu of fractional shares of Community Financial common stock.

The County First Bank stockholder's aggregate tax basis in its Community Financial common stock received pursuant to the merger, including the basis allocable to any fractional share of Community Financial common stock for which cash is received, will be equal to the County First Bank stockholder's aggregate tax basis in the County First common stock surrendered pursuant to the merger, decreased by the amount of cash received (excluding any cash received in lieu of a fractional share of County First common stock) and increased by the amount of gain, if any, recognized on the exchange (regardless of whether such gain is classified as capital gain or dividend income, as discussed in the Form S-4), and excluding any gain recognized with respect to fractional shares in Community Financial common stock..

The receipt by a County First Bank stockholder of cash in lieu of fractional shares of a fractional share of Community Financial common stock generally will be treated as having received such fractional share and then having received such cash in redemption of the fractional share. Gain or loss will generally be recognized based on the difference between the amount of cash received in lieu of the fractional share and the portion of the County First Bank stockholder's aggregate adjusted tax basis in the shares of County First common stock surrendered which is allocable to the fractional share. Such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if the County First Bank stockholder's holding period for such fractional share (including the holding period of its County First common stock surrendered therefor) exceeds one year at the effective time of the merger.

Fair market value is generally the price at which property would change hands between a willing buyer and willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of the facts. U.S. federal income tax law does not specifically prescribe how you should determine the fair market values of Community Financial common stock and County First common stock for purposes of allocating your tax basis. You should consult your tax advisor to determine what measure of fair market value is appropriate.

There are several possible methods for determining the fair market value of the Community Financial common stock and County First common stock. One possible approach is to utilize the NASDAQ market closing price of Community Financial common stock on December 29, 2017, the closing date for the merger, for Community Financial (\$38.30 per share) and for County First

(\$36.55 per share). Other approaches to determine fair market value may also be possible. You should consult your tax advisor to determine the appropriate method.

Item 16. Description of the Calculation of the Change in Basis:

The following is an example of how the tax rules including the basis determination would be applied:

Shares of County First Bank common stock owned: 100

County First Bank's aggregate adjusted tax basis: \$1,000.00 (assumed to be \$10.00 per share)

Cash Consideration received per share of The Community Financial Corporation common stock pursuant to the merger (100 shares of County First Bank common stock multiplied by \$2.20 in cash per share): \$220.00

Whole shares of The Community Financial Corporation common stock received in the merger (100 shares of County First Bank common stock exchanged for The Community Financial Corporation common stock multiplied by the ratio of 0.9543 and rounding down the product thereof): 95

Number of fractional shares of The Community Financial Corporation common stock for which cash is paid: 0.43

FMV per share of The Community Financial Corporation shares received: \$38.30

FMV of the Stock Consideration received (i.e., The Community Financial Corporation shares received in exchange for County First Bank shares, including fractional shares of The Community Financial Corporation common stock deemed received) (\$38.30 per share of The Community Financial Corporation multiplied by 95.43 shares of The Community Financial Corporation common stock): \$3,654.96

Total Merger Consideration received (\$220.00 in Cash Consideration plus \$3,654.96 in FMV of Stock Consideration): \$3,874.96

Realized gain (\$3,874.96 total merger consideration received minus \$1,000.00 aggregate tax basis): \$2,874.96

Recognized gain (determined as lesser of realized gain or cash received): \$220.00

Aggregate tax basis of The Community Financial Corporation common stock received (including fractional shares deemed received) (\$1,000.00 aggregate tax basis in County First Bank shares minus \$220.00 cash received (i.e., excluding cash received in lieu of a fractional share of The Community Financial Corporation common stock) plus \$220.00 recognized gain): \$1,000.00.

Tax basis per share of The Community Financial Corporation common stock received (including fractional shares deemed received) (\$1,000 aggregate basis divided by 95.43): \$10.48.

Aggregate tax basis in whole shares of The Community Financial Corporation common stock received in the Merger (95 x \$10.48): \$995.60.

Tax basis in fractional share deemed sold (0.43 shares multiplied by \$10.48 per share): \$4.50

Cash received in deemed sale of fractional share (0.43 shares multiplied by \$38.30 per share): \$16.47

Gain/(Loss) realized on fractional share deemed sold (\$16.47 value minus \$4.50 basis): \$11.97

Form 8937, Part II, Items 17 & 18. List of Applicable Internal Revenue Code Sections and Subsections:

The Merger was intended to qualify as a “reorganization” within the meaning of Section 368(a) of the Code. In general, the federal income tax consequences to County First shareholders are determined under Sections 356, 358 and 1221 of the Code. County First shareholders must generally recognize gain (but not loss), pursuant Section 356 of the Code, in an amount equal to the lesser of (1) the amount of gain realized (i.e., the excess of the sum of the amount of cash and fair market value of the Community First common stock received in the Merger over the shareholder’s adjusted basis in its shares of County First common stock surrendered, as determined pursuant to Sections 1001 and 1011 of the Code) and (2) the amount of cash received pursuant to the Merger (excluding any cash received in lieu of a fractional share of Community Financial common stock).

A U.S. holder of County First common stock who receives cash in lieu of a fractional share of Community Financial common stock in the Merger generally will be treated as having received such fractional share in the Merger and then as having received in redemption of such fractional share, and may recognize loss as a result of such redemption.