



**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.](#)

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**18** Can any resulting loss be recognized? ▶ [See attachment.](#)

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**19** Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ [See attachment.](#)

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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 ▶ February 14, 2020

<b>Paid Preparer Use Only</b>	Print your name ▶ <b>Matthew P Dolci</b>	Preparer's signature	Title ▶ <b>Vice President, Controller</b>	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶				Firm's EIN ▶	
	Firm's address ▶				Phone no.	

**C&F Financial Corporation**  
**(as successor to Peoples Bankshares, Incorporated)**  
**EIN: 54-1680165**  
**Attachment to Form 8937**

Item 14.

On January 1, 2020, pursuant to the terms of the Agreement and Plan of Reorganization dated August 13, 2019 (the Agreement), Peoples Bankshares, Incorporated (Peoples) was merged (the Merger) with and into C&F Financial Corporation (the Corporation) (NASDAQ: CFFI). Upon completion of the Merger, each outstanding share of Peoples common stock was converted into a right to receive 0.5366 shares of the Corporation's common stock and \$27.00 in cash. Pursuant to the terms of the Agreement, any shareholder that would have been entitled to receive a fractional number of shares of the Corporation's common stock received cash in lieu of any fraction of a share.

Items 15 and 16.

The Corporation believes that the Merger qualifies as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code (the Code). The aggregate tax basis of the shares of the Corporation's common stock received by shareholders of Peoples will be equal to the aggregate tax basis of the shares of Peoples common stock surrendered, reduced by the amount of cash received in the exchange (excluding cash received in lieu of a fractional share of the Corporation's common stock) and increased by the amount of gain, if any, recognized on the exchange (excluding any gain related to cash received in lieu of a fractional share, discussed below).

Shareholders will recognize gain on the exchange to the extent that the sum of the cash received and the fair market value of the shares of the Corporation's common stock received exceed the tax basis of Peoples common stock surrendered, but not more than the amount of cash received in the exchange. Shareholders will not recognize loss on the exchange. For purposes of measuring the amount of gain to be recognized, the fair market value of the Corporation's common stock on January 1, 2020 was \$55.33 per share, based its closing price on December 31, 2019 on the NASDAQ stock exchange.

In general, the new tax basis of each share of the Corporation's common stock received in the exchange will be equal to the shareholder's per share basis in Peoples common stock divided by 0.5366, but not more than the fair market value of the Corporation's common stock on the date of the Merger (\$55.33 per share).

Item 17.

The Corporation believes that the Merger qualifies as a reorganization within the meaning of Section 368(a) of the Code. In general, the income tax consequences to the shareholders are determined under Sections 302, 354, 356, 358, and 1221 of the Code.

Item 18.

In general, no loss will be recognized on the exchange. A shareholder who receives cash in lieu of a fractional share will recognize gain or loss related to the fractional share as discussed below.

Item 19.

The effects of the Merger, including any related gain and adjustment to tax basis, will be taken into account in the tax year of the shareholder during which the Merger occurred, which is 2020 for calendar year taxpayers.

Shareholders who receive cash in lieu of a fractional share of the Corporation's common stock are treated as receiving the fractional share of stock in the exchange and then as having the fractional share redeemed by the Corporation for cash. The redemption of the fractional share by the Corporation for cash results in gain or loss for the shareholder under Section 302 of the Code. The gain or loss is measured as the difference between the amount of cash received and the shareholder's new basis in the Corporation's common stock. Cash in lieu of fractional shares was distributed at a rate of \$54.743 per share.

**The information contained in this form is for general information purposes only and is not intended to be, and may not be construed as, tax advice. Holders of Peoples common stock are urged to consult their tax advisors with respect to the application of U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the U.S. federal estate or gift tax rules, or under the laws of any state, local, foreign or other taxing jurisdiction or under any applicable tax treaty.**