

## Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

**Part I Reporting Issuer**

<b>1</b> Issuer's name		<b>2</b> Issuer's employer identification number (EIN)	
Patriot Bank		20-0830384	
<b>3</b> Name of contact for additional information	<b>4</b> Telephone No. of contact	<b>5</b> Email address of contact	
LOWELL WOMACK	205-313-8100	lwomack@nationalbankofcommerce.com	
<b>6</b> Number and street (or P.O. box if mail is not delivered to street address) of contact		<b>7</b> City, town, or post office, state, and Zip code of contact	
813 SHADES CREEK PARKWAY, SUITE 100		BIRMINGHAM, AL 35209	
<b>8</b> Date of action		<b>9</b> Classification and description	
AUGUST 31, 2017		COMMON STOCK	
<b>10</b> CUSIP number	<b>11</b> Serial number(s)	<b>12</b> Ticker symbol	<b>13</b> Account number(s)

**Part II Organizational Action** Attach additional statements if needed. See back of form for additional questions.

**14** Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ Patriot Bank ("Patriot") entered into a Merger Agreement with National Commerce Corporation ("NCC") and National Bank of Commerce ("NBC") effective on August 31, 2017, wherein Patriot merged with and into NBC. NBC will remain the surviving corporation. Patriot will continue to operate under the "Patriot Bank" trade name, and its management team will continue with NBC.

On the effective date, each outstanding share of Patriot common stock was converted into 0.1711 shares of NCC common stock and cash in the amount of \$0.725, without interest. The Patriot stock converted into 0.1711 shares of NCC common stock may result in a fractional share of NCC common stock. In lieu of any such fractional share, NCC shall pay to each former Patriot stockholder who otherwise would be entitled to receive a fractional share of NCC common stock an amount in cash (without interest) equal the product of \$39.75 multiplied by the fraction of a share of NCC common stock to which such holder would otherwise be entitled.

**15** Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ The Patriot stockholders shares of Patriot common stock will be converted into NCC common stock, one share of Patriot common stock will be converted into 0.1711 shares of NCC common stock.

See the attached excerpt copied from the U.S. Securities and Exchange Commission Form S-4 Registration Statement filed on June 28, 2017, by NCC entitled 'Material United States Federal Income Tax Consequences of the Merger' for additional information.

**16** Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ The aggregate basis of the newly acquired shares of NCC common stock in the hands of the former Patriot stockholders will be equal to the aggregate basis of the shares of Patriot common stock previously held by said stockholders, except in the instance where a cash payment was made in exchange for a portion of the Patriot shares.

See the attached excerpt copied from the U.S. Securities and Exchange Commission Form S-4 Registration Statement filed on June 28, 2017, by NCC entitled 'Material United States Federal Income Tax Consequences of the Merger' for additional information.

**Part II Organizational Action** (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ §368(a)

---



---



---



---



---



---



---



---



---



---



---

18 Can any resulting loss be recognized? ▶ A loss may not be recognized in an exchange of Patriot common stock for NCC common stock. A loss may be recognized to the extent that cash is received in lieu of the issuance of a fractional share of NCC common stock.

See the attached excerpt copied from the U.S. Securities and Exchange Commission Form S-4 Registration Statement filed on June 28, 2017, by NCC entitled 'Material United States Federal Income Tax Consequences of the Merger' for additional information.

---



---



---



---



---



---



---



---



---



---

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ The reportable tax year is 2017.

---



---



---



---



---



---



---



---



---



---

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 ▶ Lowell Womack Jr. Date ▶ 10/15/17  
 Print your name ▶ LOWELL WOMACK JR Title ▶ SUP-FINANCIAL REPORTING

<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	<u>WILLIAM DOW</u>	<u>William A. Dow</u>	<u>10/12/17</u>		<u>P00364408</u>
	Firm's name ▶ <u>WARREN AVERETT, LLC</u>	Firm's address ▶ <u>2500 ACTON ROAD, BIRMINGHAM, AL 35243</u>		Firm's EIN ▶ <u>45-4084437</u>	Phone no. <u>(205) 979-4100</u>

## MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER

Subject to the limitations, assumptions and qualifications described herein, it is the opinion of Maynard, Cooper & Gale, P.C. that the merger will constitute a “reorganization” within the meaning of Section 368(a) of the Internal Revenue Code. The tax opinion has been filed as Exhibit 8.1 to the registration statement of which this proxy statement-prospectus is a part. The opinion is based upon law existing on the date of the opinion and upon certain facts, assumptions, limitations, representations and covenants, including those contained in representation letters executed by officers of Patriot Bank and NCC that, if incorrect in certain material respects, would jeopardize the conclusions reached by Maynard, Cooper & Gale, P.C. in its opinion. The tax opinion does not bind the Internal Revenue Service or prevent the Internal Revenue Service from successfully asserting a contrary opinion. No ruling will be requested from the Internal Revenue Service in connection with the merger. The remainder of this discussion assumes that the merger will qualify as a “reorganization” within the meaning of Section 368(a) of the Internal Revenue Code.

The following section summarizes the anticipated material U.S. federal income tax consequences of the merger generally applicable to U.S. holders (as defined below) of Patriot Bank common stock. The following discussion is based on, and subject to, the Internal Revenue Code, the Treasury regulations promulgated under the Internal Revenue Code, existing interpretations, court decisions, and administrative rulings, all of which are in effect as of the date of this proxy statement-prospectus, and all of which are subject to change, possibly with retroactive effect. Any such change could affect the continuing validity of the discussion.

This summary only addresses the material U.S. federal income tax consequences of the merger to the Patriot Bank shareholders that hold Patriot Bank common stock as a capital asset within the meaning of Section 1221 of the Internal Revenue Code. This summary does not address all aspects of U.S. federal income taxation that may be applicable to Patriot Bank shareholders in light of their particular circumstances or to Patriot Bank shareholders subject to special treatment under U.S. federal income tax law, such as:

- shareholders who are not U.S. holders;
- pass-through entities or investors in pass-through entities;
- financial institutions;
- insurance companies;
- tax-exempt organizations;
- brokers, banks or dealers in securities or currencies;
- traders in securities that elect to use a mark-to-market method of accounting;
- persons whose functional currency is not the U.S. dollar;
- persons who purchased or sell their shares of Patriot Bank common stock as part of a wash sale;
- shareholders who hold their shares of Patriot Bank common stock as part of a hedge, straddle, constructive sale or conversion transaction; and
- shareholders who acquired their shares of Patriot Bank common stock pursuant to the exercise of employee stock options or otherwise acquired shares as compensation or through a tax-qualified retirement plan.

In addition, the discussion does not address any alternative minimum tax or any state, local or foreign tax consequences of the merger, nor does it address any tax consequences arising under the unearned income Medicare contribution tax pursuant to the Health Care and Education Reconciliation Act of 2010.

### U.S. Holders

For purposes of this summary, the term “U.S. holder” means a beneficial holder of Patriot Bank common stock that is:

- a citizen or resident of the U.S.;
- a corporation (including any entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the U.S. or any of its political subdivisions;

## [Table of Contents](#)

- a trust that (i) is subject to both the primary supervision of a court within the U.S. and the control of one or more U.S. persons; or (ii) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person; or
- an estate that is subject to U.S. federal income tax on its income regardless of its source.

If a partnership (including any entity or arrangement, domestic or foreign, that is treated as a partnership for U.S. federal income tax purposes) holds Patriot Bank common stock, the tax treatment of a partner will generally depend on the status of the partners and the activities of the partnership. Partnerships and partners in such a partnership should consult their tax advisors about the tax consequences of the merger to them.

### **The Merger**

As a result of the merger, a U.S. holder of Patriot Bank common stock will generally recognize gain (but not loss) in an amount equal to the lesser of: (1) the amount of cash treated as received in exchange for Patriot Bank common stock in the merger (excluding any cash received in lieu of fractional shares of NCC common stock) or (2) the excess, if any, of (a) the sum of the amount of cash treated as received in exchange for Patriot Bank common stock in the merger (excluding any cash received in lieu of fractional shares of NCC common stock) plus the fair market value of NCC common stock (including the fair market value of any NCC fractional shares treated as received in the merger) over (b) such holder's basis in the Patriot Bank common stock exchanged. No loss will be recognized by a U.S. holder on the Patriot Bank common stock surrendered in the merger. If you acquired different blocks of Patriot Bank common stock at different times or at different prices, you should consult your individual tax advisor regarding the manner in which gain or loss should be determined.

Any recognized gain will generally be long-term capital gain if, as of the effective date of the merger, your holding period with respect to the surrendered Patriot Bank common stock exceeds one year. The aggregate tax basis of the NCC common stock you receive as a result of the merger (including any fractional shares of NCC common stock deemed received) will be the same as your aggregate tax basis in Patriot Bank common stock you surrender in the merger, decreased by the amount of cash you receive that is treated as received in exchange for Patriot Bank common stock (excluding any cash received in lieu of a fractional share of NCC common stock) and increased by the amount of gain, if any, you recognize in the exchange (excluding any gain resulting from cash received in lieu of a fractional share of NCC common stock). The holding period of the NCC common stock you receive as a result of the exchange will include the holding period of Patriot Bank common stock you surrendered in the merger.

Applying the analysis above to a U.S. holder of Patriot Bank common stock whose aggregate tax basis in his or her shares of Patriot Bank common stock exceeds the consideration to be received on account of such shares in the merger, such U.S. Holder generally will realize no gain or loss on the cash portion of the merger consideration and will take an aggregate tax basis in the NCC common stock equal to his or her tax basis in the Patriot Bank common stock prior to the merger less the amount of cash received in the merger.

### **Cash In Lieu of Fractional Shares**

If you receive cash in the merger instead of a fractional share interest in NCC common stock, you will be treated as having received such fractional share in the merger, and then as having received cash in exchange for such fractional share. Gain or loss would be recognized in an amount equal to the difference between the amount of cash received and your adjusted tax basis allocable to such fractional share. This gain or loss will generally be a capital gain or loss, and will be long-term capital gain or loss if, as of the effective date of the merger, you have held your shares of Patriot Bank common stock for more than one year.

### **Backup Withholding and Information Reporting**

In general, information reporting requirements may apply to the cash payments made to a U.S. holder in connection with the merger, unless an exemption applies. Backup withholding may be imposed on the above payments if a U.S. holder (1) fails to provide a taxpayer identification number or appropriate certificates or (2) otherwise fails to comply with all applicable requirements of the backup withholding rules.

Any amounts withheld from payments to a U.S. holder under the backup withholding rules are not an additional tax and will be allowed as a refund or credit against its applicable U.S. federal income tax liability, provided the required information is furnished to the Internal Revenue Service. U.S. holders should consult their own tax advisors regarding the application of backup withholding based on their particular circumstances and the availability and procedure for obtaining an exemption from backup withholding.

## [Table of Contents](#)

The foregoing discussion is for general information purposes only and is not intended to be a complete analysis or description of all potential U.S. federal income tax consequences of the merger. The discussion does not address tax consequences which may vary with, or are contingent on, your individual circumstances. Moreover, the discussion does not address any non-income tax or any foreign, state or local tax consequences of the merger. Accordingly, you are strongly encouraged to consult with your own tax advisor as to the tax consequences of the merger in your particular circumstances, including the applicability and effect of the unearned income Medicare contribution tax pursuant to the Health Care and Education Reconciliation Act of 2010, the alternative minimum tax and any state, local or foreign and other tax laws and of changes in those laws.

### **Tax Consequences to NCC and Patriot Bank**

Neither NCC nor Patriot Bank will recognize taxable gain or loss as a result of the merger.

### **Tax Consequences if the Merger Does Not Qualify as a Reorganization**

If the merger fails to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, the merger will be a fully taxable transaction to both Patriot Bank and the shareholders of Patriot Bank. Initially, Patriot Bank will be deemed to have sold all of its assets to NCC in a taxable sale in which gain or loss is recognized for U.S. federal income tax purposes in an amount equal to the difference between (1) the full value of the merger consideration plus the sum of the liabilities of Patriot Bank, and (2) the basis of the assets of Patriot Bank. Gain or loss is computed separately for each of Patriot Bank's assets based upon their relative fair market values. This gain or loss will pass-through and be taxable to the Patriot Bank shareholders. Because some of Patriot Bank's assets may not be capital assets, the gain or loss can be a combination of ordinary gain or loss and capital gain or loss. After the Patriot Bank shareholders have taken into account any income, gain or loss from the deemed sale of assets by Patriot Bank and determined the basis of their Patriot Bank stock, each Patriot Bank shareholder will recognize gain or loss on a deemed liquidation of their Patriot Bank common stock in an amount to the difference between the total consideration received in the merger and such shareholders' tax basis in the shares of Patriot Bank common stock surrendered in the merger as adjusted. Each Patriot Bank shareholder is urged to consult its tax advisor regarding the manner in which gain or loss should be calculated among different blocks of Patriot Bank common stock surrendered in the merger. The aggregate tax basis in the shares of NCC common stock received pursuant to the merger will be equal to the fair market value of such NCC common stock as of the closing date of the merger. The holding period of such shares of NCC common stock will begin on the date immediately following the closing date of the merger.

### **Rates of Taxation under Current Law**

Currently, net long-term capital gains and qualified dividend income are taxed generally at a maximum rate of 20% (for individuals with taxable income of \$418,400 or more per year and married individuals filing jointly with taxable income of \$470,700 or more per year, or \$235,350 or more per year for married individuals filing separately). Patriot Bank shareholders should consult their own tax advisors regarding the availability of the preferential tax rates in light of such shareholders' particular circumstances. In addition, individuals having net capital gains and qualified dividend income with taxable income that is otherwise subject to tax at rates of 25% to 35% may be taxed at a maximum of 15% on their capital gains and qualified dividend income. Trusts and estates that are otherwise subject to tax on their net long-term capital gains and qualified dividend income also are eligible for the maximum tax rates applicable to these types of income and gain.

Additionally, a holder of Patriot Bank common stock whose investment in such stock is considered a passive activity is subject to a 3.8% Medicare tax on certain net investment income earned by such holder. For this purpose, net investment income generally includes a shareholder's allocable share of income and gain realized by a shareholder from a sale of stock, including gain recognized with respect to Patriot Bank common stock in connection with the merger. In the case of an individual, the tax will be imposed on the lesser of (i) the shareholder's net investment income or (ii) the amount by which the shareholder's modified adjusted gross income exceeds a certain threshold (which is \$250,000 in the case of married individuals filing jointly, \$125,000 in the case of married individuals filing separately, and \$200,000 in all other cases). Holders of Patriot Bank common stock should consult their tax advisors as to whether their investment in Patriot Bank common stock is considered to be a passive activity.