



## **TRUSTAR BANK CLASS A WARRANTS – FREQUENTLY ASKED QUESTIONS**

### **What is a Trustar Bank Class A Warrant?**

Trustar raised its initial capitalization in 2019 through the sale of 55,000 Units at a price of \$1,000 per Unit. Each Unit consisted of 100 Shares of Trustar Bank Common Stock and 25 Class A Warrants. Each Class A Warrant entitles the holder to purchase an additional share of Trustar Bank Common Stock at \$10.00 per share, on or before July 10, 2024.

### **Should I exercise my Class A Warrants?**

Whether to exercise your warrants is an investment decision that only you can make. Some factors that you may wish to take into consideration are:

- The shares of Trustar Bank Common Stock are not publicly traded, so purchasing them should be regarded as a long-term investment.
- The Bank's most recent offering price was \$12.00 per share on July 15, 2022.
- As of July 10, 2023, directors and officers of the Bank own, in the aggregate, approximately 33% of the outstanding Class A Warrants, and all those individuals have indicated their intent to exercise their warrants prior to their expiration.

### **What is the deadline to exercise your Class A Warrants?**

The deadline to exercise your Class A Warrants is July 10, 2024. After this deadline your warrants will no longer have a value and you will be unable to use them to purchase stock.

### **Can the Bank call in the warrants earlier than July 10, 2024?**

Yes, the Bank has the right to call for the early exercise (i.e., early expiration) of the Class A Warrants based on 30 days' written notice. At the present time, the Bank does not anticipate calling in the warrants prior to July 10, 2024.

### **Are the Class A Warrants represented by a physical certificate?**

Each warrant holder was issued a certificate that was printed on pale blue paper in booklet form. An image of the original warrant certificates is posted on the investor relations page of the Bank's website (<https://trustarbank.com/investor-relations/>). The warrant certificate booklet contains a form (Notice of Exercise) for your use in exercising the warrant.

### **How do I exercise my Class A Warrants?**

You may exercise your warrant by completing the Notice of Exercise form and returning the form along with the original certificate and the exercise price for the shares you are purchasing to the Bank's transfer agent Equiniti Trust Company (formerly known as American Stock Transfer), before the warrant expiration date of July 10, 2024.

The transfer agent will accept personal checks, certified checks, or wire transfers as methods of payment. Checks should be made payable to: Equiniti Trust Company. As we get closer to the expiration date, we will make wire instructions available. Exercise forms, the warrant certificate and payment should be sent to:

Equiniti Trust Company  
Attn: Warrant Exercise Department  
6201 15<sup>th</sup> Ave.  
Brooklyn, NY 11219

When completing the exercise form, the name in which warrant shares are to be issued must be identical to the name in which the Class A Warrants are held.

#### **What if I can't find my certificate?**

We encourage you to look very carefully through your files to locate your certificate. The Class A Warrants, by their terms, are not transferable. If you cannot find your warrant certificate, the Bank's Corporate Secretary has a list of all warrant holders and is prepared to work with you to obtain the loss affidavit paperwork from our transfer agent that will be required in order to process the exercise without surrendering the original certificate. While you should initiate this process ahead of time, the actual exercise cannot take place until July 10, 2024, just to make sure the warrant certificate is not presented by another person. The Bank's Corporate Secretary, Clare Schmitt, can be reached at [CSchmitt@trustarbank.com](mailto:CSchmitt@trustarbank.com) or (571)523-4450.

#### **What if I don't want to, or can't afford to, exercise my Class A Warrants?**

If you foresee that you are unable to or do not desire to exercise your warrants prior to their expiration, please contact Clare Schmitt at your earliest convenience.

#### **Does it make sense to exercise the Class A Warrants sooner rather than later?**

When to exercise the Class A Warrants will depend on personal and financial circumstances and other factors unique to each warrant holder.

In pure economic terms, if you plan to hold the stock as a long-term investment, it is most beneficial to exercise the warrant shortly before the expiration date because (a) you can assess the Bank's financial performance over a longer period, and (b) your cash that you would use to pay the exercise price can earn interest in the meantime. An exception to the above general

rule might be a desire on your part to commence your holding period for the new shares at an earlier date.

### **What if the Class A Warrants are held in a self-directed retirement account, such as an Individual Retirement Account?**

If you purchased your initial Units in a self-directed retirement account, then the associated Class A Warrants would be held in that account. You should contact your Custodian to determine its required procedure for exercising the warrants, timeline, deadlines, etc. Our general understanding is that, if the warrants reside in a retirement account, they need to be exercised with funds in that account, which may include funds transferred or rolled over from another retirement account – but you should request specific information from your Custodian. You should consult with your tax advisor and/or wealth manager to discuss Class A Warrants held in such an account and/or explore possible alternatives. The Bank is not competent to advise you on this or other complex situations regarding your Class A Warrants or retirement accounts.

***TAX CONSIDERATIONS – The following are general descriptions of certain federal tax consequences related to the Class A Warrants and is not a complete discussion of all consequences under U.S. federal tax laws. The following does not address any tax consequences arising under state, local or foreign laws, or consequences that may apply to a holder of Class A Warrants that is not a “U.S. holder” for U.S. federal income tax purposes. Individual circumstances may differ and will depend on factors that are not within the Bank’s control. You should consult your tax advisor.***

### **I bought a \$1,000 Unit in the Trustar 2019 Offering. The Unit consisted of 100 shares of Common Stock and 25 Class A Warrants. What is my cost basis?**

The general rule is that you should allocate your original purchase price between the stock and the warrant based on their relative market values on the first day of separate trading. In Trustar’s case, however, the Class A Warrants are not transferable, and neither the Class A Warrants nor the underlying shares of Common Stock are publicly traded.

An exception to the general rule, which may prove helpful to Trustar investors, is that the separate cost basis allocation is optional if the market value of the warrants is less than 15% of the value of the entire unit. For purposes of recording the original capitalization transaction on its books, Trustar used the Black-Scholes option pricing model to allocate the \$1,000 price per Unit as follows:

- 100 Shares of Common Stock @ \$9.492 = \$949.20
- 25 Class A Warrants @ \$2.032 = \$50.80

Based on Trustar’s book allocation, the market value of the Class A Warrants was approximately 5% of the value of the entire Unit. If this exception is used, the cost basis of the Common Stock

would be \$10.00 per share, and the cost basis of the Class A Warrants would be zero. You should consult your tax advisor regarding the potential use of this application.

**If I exercise my Class A Warrants by purchasing additional shares of Common Stock, what will be my cost basis in the additional shares?**

Your cost basis in the newly acquired shares of Common Stock will be the exercise price (\$10.00 per share) plus whatever cost basis you may have assigned to the Class A Warrants when you acquired the original Unit (see above).

**If I exercise my Class A Warrants by purchasing additional shares of Common Stock, what is my holding period for purposes of determining whether a future capital gain or loss is long-term or short-term?**

Your holding period for the newly acquired shares of Common Stock will begin on the date you exercise the Class A Warrants by purchasing the additional shares.

**Are there any tax consequences if/when I exercise my Class A Warrants?**

No. There is no income recognized upon the exercise of an investment warrant, regardless of the fair market value of the shares of Common Stock at the time the warrant is exercised.

**What if the Class A Warrants are held in a self-directed retirement account, such as an Individual Retirement Account?**

Our understanding is that, if the warrants reside in a retirement account, they need to be exercised with funds in that account which may include funds transferred or rolled over from another retirement account. If this presents a problem, you should begin immediately to consult with your tax advisor and/or wealth manager to explore possible alternatives. The Bank cannot advise you on this or other complex situations.

***Shares of Trustar Bank's common stock represent equity interests in the Bank. An investment in the Bank is not a deposit or an account and is not insured by the FDIC or any other agency or person. You should not invest in this offering unless you can afford to lose some or all of your investment. Neither the Securities and Exchange Commission nor any other state securities commission or other regulatory body of any jurisdiction has approved or disapproved of these securities or passed upon the accuracy or adequacy of the information contained in this document. Any representation to the contrary is a criminal offense.***

***An investment in the Bank's common stock involves a number of risks, some of which, including credit, interest rate, liquidity, operational, legal and regulatory risks, could be substantial and are inherent in the Bank's business. The Bank's business, financial condition and results of operations could be harmed by these risks, or other risks that have not been identified or that are currently believed to be immaterial or unlikely, any of which may cause***

***the Bank's future earnings to be lower or the Bank's financial condition to be less favorable than expected. Before deciding to invest in the Bank's common stock, you should carefully consider these risks.***