

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name COASTALSOUTH BANCSHARES, INC.		2 Issuer's employer identification number (EIN) 57-1184730	
3 Name of contact for additional information STEVEN LASOTA	4 Telephone No. of contact 843-341-9929	5 Email address of contact SLASOTA@COASTALSTATESBANK.COM	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact P.O. BOX 4800		7 City, town, or post office, state, and Zip code of contact HILTON HEAD ISLAND, SC 29938	
8 Date of action 09/22/2017		9 Classification and description CONVERSION OF PREFERRED STOCK TO COMMON STOCK	
10 CUSIP number	11 Serial number(s)	12 Ticker symbol COSO	13 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 ▶ ON SEPTEMBER 22, 2017, THE OUTSTANDING SHARES OF COASTALSOUTH'S CONVERTIBLE PREFERRED STOCK WERE CONVERTED INTO SHARES OF COASTALSOUTH NON-VOTING COMMON STOCK. EACH PREFERRED SHARE WAS CONVERTED INTO 100 NON-VOTING COMMON SHARES. NO FRACTIONAL SHARES WERE ISSUED, BUT RATHER ANY FRACTIONAL SHARE WAS ROUNDED UP TO ONE WHOLE NON-VOTING COMMON SHARE.

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 TRANSACTION DESCRIBED IN LINE 14 QUALIFIES AS A REORGANIZATION PURSUANT TO SECTION 368(A) OF THE CODE, AND NO GAIN OR LOSS WAS RECOGNIZED BY A SHAREHOLDER AS A RESULT OF THE TRANSACTION. A SHAREHOLDER'S AGGREGATE TAX BASIS IN THE SHARES OF CONVERTIBLE PREFERRED STOCK HELD IMMEDIATELY PRIOR TO THE EVENT DESCRIBED ON LINE 14 WOULD BECOME THE AGGREGATE TAX BASIS IN THE COMMON STOCK HELD AFTER THE EVENT DESCRIBED IN LINE 14.

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 ▶ SEE LINE 15 ABOVE. THE TAX BASIS OF EACH SHAREHOLDER'S TOTAL INVESTMENT REMAINS THE SAME.

Part II Organizational Action (continued)

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

SECTION 368(A)(1)(E) _____

SECTION 354 _____

SECTION 358 _____

REV. RUL. 77-238 _____

18 Can any resulting loss be recognized? ▶ SHAREHOLDERS GENERALLY WILL NOT RECOGNIZE GAIN OR LOSS AS A RESULT OF THE CONVERSION. SHAREHOLDERS SHOULD CONSULT THEIR TAX ADVISOR TO DETERMINE THE TAX IMPACT OF THIS TRANSACTION WITH RESPECT TO THEIR INDIVIDUAL FACTS AND CIRCUMSTANCES.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ THE REPORTABLE TAX YEAR IS 2017. THIS INFORMATION DOES NOT CONSTITUTE TAX ADVICE AND PROVIDES A DESCRIPTION OF COMMON TAX CONSEQUENCES, BUT DOES NOT PURPORT TO DESCRIBE ALL TAX CONSEQUENCES THAT MAY APPLY TO ALL TYPES OF SHAREHOLDERS. COSO SHAREHOLDERS SHOULD CONSULT A QUALIFIED TAX ADVISER FOR ANY SPECIFIC QUESTIONS RELATED TO THEIR SPECIFIC TAX TREATMENT.

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 ▶ Lauren Hemby Date ▶ 11/1/2017

Print your name ▶ Lauren Hemby Title ▶ Chief Accounting Officer

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date: 2017.11.01	Check <input type="checkbox"/> if self-employed	PTIN
ROBERT A. PARKER	<u>R.A.P.</u>	08:44:32 -05'00'		P00868782
Firm's name ▶ CROWE HORWATH LLP	Firm's EIN ▶ 35-0921680		Phone no. 615-360-5500	
Firm's address ▶ 720 COOL SPRINGS BLVD, SUITE 600 FRANKLIN, TN 37067				