

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name		2 Issuer's employer identification number (EIN)	
COASTALSOUTH BANCSHARES, INC. AS SUCCESSOR TO FIRST CITIZENS FINANCIAL CORPORATION		57-1184730	
3 Name of contact for additional information	4 Telephone No. of contact	5 Email address of contact	
STEVEN LASOTA	843-341-9929	SLASOTA@COASTALSTATESBANK.COM	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact		7 City, town, or post office, state, and ZIP code of contact	
P.O. BOX 4800		HILTON HEAD ISLAND, SC 29938	
8 Date of action		9 Classification and description	
07/17/2018		COMMON STOCK	
10 CUSIP number	11 Serial number(s)	12 Ticker symbol	13 Account number(s)
19058X207		COSO	

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 ▶ COASTALSOUTH BANCSHARES, INC. ("COASTALSOUTH") ACQUIRED FIRST CITIZENS FINANCIAL CORPORATION ("FCFC") THROUGH A MERGER TRANSACTION AND FCFC SIMULTANEOUSLY MERGED WITH AND INTO COASTALSOUTH EFFECTIVE JULY 17, 2018 ("MERGER EFFECTIVE TIME"). THE TRANSACTION QUALIFIED AS A REORGANIZATION WITHIN THE MEANING OF IRC 368(a).

PURSUANT TO THE AGREEMENT AND PLAN OF MERGER, FOR CERTAIN ACCREDITED SHAREHOLDERS, EACH SHARE OF FCFC COMMON STOCK WAS EXCHANGED FOR 0.0330 OF COASTALSOUTH COMMON STOCK. THESE FCFC SHAREHOLDERS RECEIVED CASH IN LIEU OF FRACTIONAL SHARES BASED UPON THE PER SHARE PRICE OF \$15.75 FOR THE COASTALSOUTH COMMON STOCK.

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 ▶ SEE ATTACHED STATEMENT

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 ATTACHED STATEMENT

Part II Organizational Action (continued)

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

IRC SECTION 368 (a) _____

IRC SECTION 354 _____

IRC SECTION 356 _____

IRC SECTION 358 _____

IRC SECTION 1001 _____

18 Can any resulting loss be recognized? ▶ SEE ATTACHED STATEMENT

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ THE REPORTABLE TAX YEAR IS THE TAX YEAR INCLUDING JULY 17, 2018.

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 ▶ 8/20/2018

Print your name ▶ Lauren Hemby Title ▶ Chief Accounting Officer

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date: 2018.08.20	Check <input type="checkbox"/> if self-employed	PTIN
	ROBERT A. PARKER	<u>R.A.P.</u>	06:44:21 05'00'		P00868782
	Firm's name ▶ CROWE LLP			Firm's EIN ▶ 35-0921680	
	Firm's address ▶ 720 COOL SPRINGS BLVD, SUITE 600 FRANKLIN, TN 37067			Phone no. 615-360-5500	

Attachment to Form 8937
Report of Organizational Actions Affecting Basis of Securities
CoastalSouth Bancshares, Inc.
FEIN: 57-1184730

Part II, Line 15

A shareholder's tax basis in one (1) share of CoastalSouth common stock received in exchange for FCFC common stock should equal the shareholder's basis in one (1) share of FCFC common stock divided by 0.0330 (not counting the basis of any shares allocated to the receipt of fractional CoastalSouth shares).

FCFC shareholders who received cash instead of fractional shares of CoastalSouth common stock will be treated as having received the fractional shares in the merger and then as having exchanged the fractional shares for cash. These holders will generally recognize gain or loss equal to the difference between the tax basis allocated to the fractional shares and the amount of cash received.

Part II, Line 16

The fair market value of CoastalSouth common stock at the effective time of the merger was \$15.75 per share, based on the closing price on July 17, 2018.

The basis of CoastalSouth shares received, once computed, must be allocated to the individual CoastalSouth shares received in accordance with Treasury Regulation §1.358-2(a). See also Proposed Treasury Regulation §1.358-2(b). Since fewer shares of CoastalSouth common stock were received than shares of FCFC common stock surrendered, the basis of the FCFC shares surrendered must be allocated to the shares of CoastalSouth stock received in a manner that reflects, to the greatest extent possible, that a share of CoastalSouth stock received is received in respect of FCFC shares of stock that were acquired on the same date and at the same price. To the extent it is not possible to allocate basis in this manner, the basis of the FCFC shares surrendered must be allocated to the shares of CoastalSouth stock received in a manner that minimizes the disparity in the holding periods of the surrendered shares whose basis is allocated to any particular CoastalSouth share received. This could result in a single share of CoastalSouth stock having a split basis and a split holding period. See Example (14) of Treasury Regulation §1.358-2(c) for an illustration of this principle.

Part II, Line 18

No loss may be recognized by a FCFC shareholder receiving CoastalSouth common stock, except that any loss on the receipt of cash in lieu of fractional shares of CoastalSouth stock may be recognized. The deductibility of capital losses is subject to limitation.

FCFC shareholders who receive only CoastalSouth stock will generally not recognize gain or loss.