

**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 1-FOR-10 REVERSE COMMON STOCK SPLIT	
10 CUSIP number 19058X207	11 Serial number(s) 5493006BUH6IGMGU0H14
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 AUGUST 28, 2017 THE BOARD OF DIRECTORS DECLARED A 1-FOR-10 REVERSE STOCK SPLIT OF THE COMPANY'S COMMON SHARES EFFECTIVE FOR SHAREHOLDERS OF RECORD ON SEPTEMBER 22, 2017. EACH COMMON SHARE ISSUED AND OUTSTANDING IMMEDIATELY BEFORE THE EFFECTIVE TIME WAS AUTOMATICALLY CHANGED INTO ONE-TENTH OF A POST-SPLIT COMMON SHARE. NO FRACTIONAL SHARES WERE ISSUED IN THE REVERSE STOCK SPLIT, BUT RATHER ANY FRACTIONAL SHARE WAS ROUNDED UP TO ONE WHOLE POST-SPLIT COMMON SHARE. THE NEW CUSIP NUMBER IS #19058X207. THE REVERSE STOCK SPLIT QUALIFIES AS A TAX-FREE REORGANIZATION UNDER IRC 368(A)(1)(E).

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 STATEMENT 1.

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 ▶ A SHAREHOLDER'S AGGREGATE TAX BASIS IN ALL POST-SPLIT SHARES IS UNCHANGED. IF ALL PRE-SPLIT SHARES WERE ACQUIRED BY THE SHAREHOLDER IN A SINGLE TRANSACTION, THEN THE SHAREHOLDER MAY GENERALLY DIVIDE THE AGGREGATE BASIS IN ALL PRE-SPLIT SHARES BY THE TOTAL NUMBER OF POST-SPLIT SHARES IN ORDER TO DETERMINE THE PER-SHARE TAX BASIS FOR EACH POST-SPLIT SHARE. HOWEVER, IF THE PRE-SPLIT SHARES WERE ACQUIRED ON DIFFERENT DATES OR AT DIFFERENT PRICES, THEN THE SHAREHOLDER WILL BE REQUIRED TO PERFORM MULTIPLE TAX BASIS CALCULATIONS IN ORDER TO DETERMINE THE CORRECT PER-SHARE BASIS FOR POST-SPLIT SHARES. AS NOTED IN THE RESPONSE TO PART II, QUESTION 15, SHAREHOLDERS SHOULD CONSULT A QUALIFIED TAX ADVISER REGARDING THE ALLOCATION OF TAX BASIS TO THEIR PARTICULAR SHARES.

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ► THE REVERSE STOCK SPLIT IS A NON-TAXABLE RECAPITALIZATION PURSUANT TO SECTION 368(A)(1)(E) OF THE INTERNAL REVENUE CODE. SECTION 354(A)(1) PROVIDES, IN RELEVANT PART, THAT NO GAIN OR LOSS SHALL BE RECOGNIZED IF STOCK IN A CORPORATION IS EXCHANGED SOLELY FOR STOCK IN SUCH CORPORATION. THE ADJUSTMENT TO A SHAREHOLDER'S BASIS IS DETERMINED UNDER SECTION 358(A), AS DESCRIBED IN THE RESPONSES TO PART II, QUESTIONS 15 AND 16.

18 Can any resulting loss be recognized? ► THE 1-FOR-10 REVERSE STOCK SPLIT SHOULD NOT CONSTITUTE A TAXABLE TRANSACTION FOR MOST SHAREHOLDERS. ACCORDINGLY, SHAREHOLDERS GENERALLY WILL NOT RECOGNIZE GAIN OR LOSS AS A RESULT OF THE REVERSE STOCK SPLIT. 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	Check <input type="checkbox"/> if self-employed	PTIN
ROBERT A. PARKER	<u>R.A.P.</u>	Date: 2017.10.25 14:07:17 -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				

Form 8937, Part II, Question 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:

As a result of the reverse stock split, shareholders will be required to allocate the aggregate tax basis in their common shares held immediately prior to the reverse stock split among the post-split common shares held immediately after the reverse stock split. The basis of the shares received must be allocated to the individual shares received in accordance with Treasury Regulation Sec. 1.358-2(a). See also proposed Treasury Regulation Sec. 1.358-2(b). Since fewer shares of stock were received than shares surrendered, the basis of the shares surrendered must be allocated to the shares of stock received in a manner that reflects, to the greatest extent possible, that a share of stock received is received in respect of shares that were acquired on the same date and at the same price. To the extent that it is not possible to allocate basis in this manner, the basis of the shares surrendered must be allocated to the shares of stock received in a manner that minimizes the disparity in the holding periods of the surrendered shares whose basis is allocated to any particular share received. This could result in a single share of COSO Stock having a split basis and a split holding period. See example (14) of Treasury Regulation Sec. 1.385-2(c) for an illustration of this principle.

In general, the tax basis of each whole share received in the exchange will equal the tax basis of the ten shares surrendered in the exchange. Shareholders who acquired their shares on different dates and at different prices should consult a qualified tax adviser regarding the allocation of aggregate tax basis among all shares.