

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name The First Bancshares, Inc.		2 Issuer's employer identification number (EIN) 64-0862173	
3 Name of contact for additional information Chandra B. Kidd	4 Telephone No. of contact 601-705-1157	5 Email address of contact ckidd@thefirstbank.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact P.O. Box 15549		7 City, town, or post office, state, and ZIP code of contact Hattiesburg, MS 39404-5549	
8 Date of action March 1, 2018		9 Classification and description Common Stock	
10 CUSIP number 318916103	11 Serial number(s)	12 Ticker symbol FBMS	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 March 1, 2018, The First Bancshares, Inc. (The First) completed a merger with Southwest Banc Shares, Inc. (Southwest). Pursuant to the Agreement and Plan of Merger dated as of October 24, 2017, between The First and Southwest, Southwest merged with and into The First with The First as the surviving corporation. In the merger, each share of Southwest common stock was converted into either 15.8804 shares of The First common stock or \$336.08 cash.

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 aggregate tax basis of The First common stock a former Southwest shareholder received in the merger is generally the same as the former Southwest shareholder's basis in the Southwest stock surrendered in the merger, decreased by the amount of cash received by the shareholder in the merger (excluding cash received in lieu of fractional shares) and increased by the gain, if any, recognized by the shareholder (excluding gain with respect to cash received in lieu of fractional shares). The actual tax basis will differ with respect to each former Southwest shareholder and, therefore, each shareholder must determine the specific quantitative effect of the merger on such shareholder's tax basis in The First common stock received in the merger.

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 Question 15 above.

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 merger qualified as a reorganization under Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"). In general, the federal income tax consequences to Southwest shareholders are determined under Code Sections 354, 356, 358 and the Treasury Regulations thereunder.

18 Can any resulting loss be recognized? ▶ No. If a U.S. holder's adjusted tax basis in the shares of Southwest common stock surrendered is greater than the sum of the amount of cash (other than cash received in lieu of a fractional share of First Bancshares common stock) and the fair market value of The First common stock received, the U.S. holder's loss will not be currently allowed or recognized for U. S. federal income tax purposes.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶
The merger was effective March 1, 2018 and thus the federal income tax consequences are reportable in the taxable year that includes that date (the taxable year ending December 31, 2018 for taxpayers on a calendar tax year).

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 ▶ 1st Dee Dee Lowery Date ▶ 6/4/18

Print your name ▶ Dee Dee Lowery Title ▶ Executive Vice President & CFO

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Charles M. Hawkins, CPA	<u>Charles M. Hawkins</u>	<u>3/23/18</u>		XXXXXX550
	Firm's name ▶ T. E. Lott & Company, P. A.			Firm's EIN ▶	XXXXXX804
	Firm's address ▶ 221 7th Street North, Columbus, MS 39701			Phone no.	662-328-5387