

Report of Organizational Actions Affecting Basis of Securities

OMB No. 1545-0123

► See separate instructions.

Part I Reporting Issuer

1 Issuer's name		2 Issuer's employer identification number (EIN)	
South Sound Bank		91-1963879	
3 Name of contact for additional information	4 Telephone No. of contact	5 Email address of contact	
Steve Hanson	(360) 705-4200	SteveH@southsoundbank.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 12720		Olympia, WA 98508	
8 Date of action		9 Classification and description	
10/1/18		See attachment	
10 CUSIP number	11 Serial number(s)	12 Ticker symbol	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 ►
See attachment

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 attachment

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 attachment

Part II Organizational Action (continued)**17** List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ►See attachment**18** Can any resulting loss be recognized? ►See attachment**19** Provide any other information necessary to implement the adjustment, such as the reportable tax year ►See attachment**Sign
Here**

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.

Signature ►

Date ►

Print your name ►

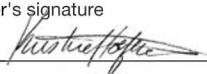
Title ►

**Paid
Preparer
Use Only**

Print/Type preparer's name

Kristine Hoeflin

Preparer's signature



Date

1/14/19

Check ☐ if
self-employed

PTIN

P00786821Firm's name ► **Moss Adams LLP**

Firm's EIN ►

91-0189318Firm's address ► **2707 Colby Ave. Suite 801, Everett, WA 98201**

Phone no.

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054

South Sound Bank
Attachment to Form 8937
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Form 8937 Part I, Box 9:

The securities subject to reporting include all shares of Timberland Bank ("Timberland") common stock issued in exchange for the outstanding common stock of South Sound Bank ("South Sound") as a result of the merger of South Sound with and into Timberland on October 1, 2018.

Form 8937 Part II, Box 14:

On October 1, 2018, South Sound completed a merger with Timberland. Pursuant to the terms and conditions of the Agreement and Plan of Merger, dated as of May 22, 2018, South Sound merged with and into Timberland. As a result of the merger, Timberland is the surviving corporation while South Sound ceased to exist as a corporation.

Pursuant to the terms of Agreement and Plan of Merger, dated May 22, 2018, South Sound shareholders received 0.7460 shares of Timberland common stock and \$5.68825 cash for each share of South Sound stock.

Form 8937 Part II, Box 15 & 16:

The Merger was structured to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, as amended. The tax basis of the shares of Timberland common stock received by a South Sound shareholder will be the same as the basis of the shares of South Sound common stock surrendered in exchange for the shares of Timberland common stock, plus any gain recognized by such shareholder in the Merger, and minus any cash received by the shareholder in the Merger. Pursuant to the applicable tax provisions, gain is recognized as a result of the Merger to the extent that the fair market value of stock and cash received exceeds the basis in the shares, but gain shall not be recognized in excess of the amount of cash received. Loss is not recognized. The fair market value of Timberland common stock, based on the stock price at the time of merger, as listed on the NASDAQ, is \$31.24.

A South Sound shareholder who received cash in lieu of a fractional share interest in Timberland common stock will be treated as having received such cash in full payment for such fractional share of stock. Since the shareholder did not receive Timberland common stock in exchange for the fractional share interest, there will be no new basis to compute.

Form 8937 Part II, Box 17:

Timberland's acquisition of South Sound, pursuant to the merger completed on October 1, 2018, was structured to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. In general, the income tax consequences to the shareholders are determined under Internal Revenue Code sections 302, 354, 356, 358, 368, and 1221.

Form 8937 Part II, Box 18:

In general, each South Sound shareholder who received Timberland common stock and cash for all of his South Sound stock cannot recognize any loss. A South Sound shareholder who received cash in lieu of a fractional share of South Sound common stock may recognize loss if the amount of cash received is less than the basis in the fractional share, as applicable.

Form 8937 Part II, Box 19:

In general, any adjustment to the tax basis that causes gain or loss recognized by the South Sound shareholder as a result of the completion of the Merger should be reported for the taxable year which includes October 1, 2018. A calendar year shareholder would report the transaction on a 2018 federal income tax return. The holding period of Timberland common stock received in exchange for shares of South Sound common stock will include the holding period of the South Sound common stock for which it is exchanged. A holder of South Sound common stock who received cash in lieu of a fractional share of Timberland common stock will generally be treated as having received the fractional share pursuant to the merger and then as having sold the fractional share of Timberland common stock for cash. As a result, a holder of South Sound common stock will generally recognize gain or loss equal to the difference between the amount of cash received and the basis in his or her fractional share interest. The gain or loss will generally be capital gain or loss, and will be long-term capital gain or loss if, as of the effective date of the merger, the holding period for such shares is greater than one year. Capital losses deductibility may be subject to limitations.

No ruling from the Internal Revenue Service (the "IRS") has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the Merger described in this report. This report is not binding on the IRS and the IRS and the U.S. courts could disagree with one or more of the positions described above.

The above information does not constitute tax advice. It does not address the tax consequences that may apply to any particular shareholder, and each shareholder is urged to consult his or her own tax advisor regarding the tax consequences of the merger.