

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)	
Chesapeake Financial Shares, Inc.		54-1210845	
3 Name of contact for additional information	4 Telephone No. of contact	5 Email address of contact	
Rebecca A. Foster	804-435-4200	bfoster@chesbank.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 1419		Kilmarnock VA 22482	
8 Date of action		9 Classification and description	
10/15/2019		6 for 5 common stock dividend	
10 CUSIP number	11 Serial number(s)	12 Ticker symbol	13 Account number(s)
16517A109		CPKF	

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 October 15, 2019, stockholders of record at the close of business on October 1st, 2019 were paid a 6-5 stock dividend of Chesapeake Financial Shares, Inc (CPKF). The stock dividend is not subject to U.S. Federal Income Tax and therefore affects the income tax basis of shares owned on which it was distributed.

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 ▶ A stockholder's basis in the (1) share of CPKF common stock after the distribution will be 83.333333 percent of the basis the stockholder had in the one (1) share of CPKF common stock prior to the distribution.

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 ▶ (100/(100+20)=83.333333 percent

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ A distribution of stock is not taxable under Internal Revenue Code Section 305(a). Basis in stock with respect to which the distribution was made is allocated between the old and new shares in proportion to the fair market values of each on the date of the distribution under Internal Revenue Code Section 307(a).

18 Can any resulting loss be recognized? ▶ No

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ Reportable tax year 2019

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 ▶

Rebecca A. Foster, CFO

Date ▶

10/1/2019

Print your name ▶

Rebecca A. Foster

Title ▶

SVP, CFO, Corp. Secretary

Paid Preparer Use Only

Print/Type preparer's name

Preparer's signature

Date

Check if self-employed

PTIN

Firm's name ▶

Firm's EIN ▶

Firm's address ▶

Phone no.