

## Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

**Part I Reporting Issuer**

1 Issuer's name <b>THE LITTLE BANK, INCORPORATED</b>		2 Issuer's employer identification number (EIN) <b>56-2094762</b>	
3 Name of contact for additional information <b>DOYLE M THIGPEN</b>	4 Telephone No. of contact <b>252-317-2804</b>	5 Email address of contact <b>DOYLETHIGPEN@THELITTLEBANK.COM</b>	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact <b>PO BOX 279</b>		7 City, town, or post office, state, and Zip code of contact <b>KINSTON, NC 28501</b>	
8 Date of action <b>November 28, 2014</b>		9 Classification and description <b>5% STOCK DIVIDEND</b>	
10 CUSIP number <b>53700P106</b>	11 Serial number(s)	12 Ticker symbol <b>LTLB</b>	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 OCTOBER 23, 2014, THE LITTLE BANK ANNOUNCED A 5% STOCK DIVIDEND. THE DIVIDEND WAS PAYABLE ON NOVEMBER 28, 2014 TO SHAREHOLDERS OF RECORD ON NOVEMBER 14, 2014. CASH IN LIEU WAS PAID ON FRACTIONAL SHARES BASED ON THE STOCK'S MARKET VALUE AT THE CLOSE OF BUSINESS ON NOVEMBER 14, 2014.**

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 ▶

**EACH SHAREHOLDER RECEIVED A 5% INCREASE IN THE NUMBER OF SHARES THAT THEY HELD ON NOVEMBER 14, 2014. THE LITTLE BANK HAD 2,938,096 SHARES OF RECORD ON NOVEMBER 14, 2014. THEREFORE, AS A RESULT OF THIS 5% STOCK DIVIDEND, AN ADDITIONAL 146,803 SHARES WERE ISSUED ON NOVEMBER 28, 2014 WITH THE REMAINING 101.34 FRACTIONAL SHARES PAID IN CASH.**

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 ▶

**ON NOVEMBER 14, 2014, THE RECORD DATE, THE MARKET VALUE OF THE COMPANY'S COMMON STOCK WAS \$10.72 PER SHARE; THEREFORE, THE ISSUANCE OF 146,803 SHARES INCREASED THE COMPANY'S REPORTED COMMON STOCK BY \$1,573,728.16. THE CHANGE IN BASIS TO THE INDIVIDUAL SHAREHOLDER AS A RESULT OF THIS STOCK DIVIDEND WOULD BE CALCULATED BY TAKING THE ADJUSTED BASIS OF THE OLD STOCK (THAT IS, OF THE STOCK ON WHICH THE DIVIDEND WAS DISTRIBUTED) AND ALLOCATING IT BETWEEN THE OLD AND NEW STOCK ON THE DATE OF DISTRIBUTION. THIS ORGANIZATIONAL ACTION WOULD RESULT IN A DECREASED BASIS PER SHARE AND AN INCREASE IN THE NUMBER OF SHARES HELD BY EACH TAXPAYER.**

**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 TAX TREATMENT IS BASED ON IRC SECTION 307(a) FOR EACH SHAREHOLDER. THERE ARE NO APPLICABLE INTERNAL REVENUE CODE SECTIONS FOR THE RECORDING OF THIS TRANSACTION BY THE COMPANY.**

18 Can any resulting loss be recognized? ►  
**NO RESULTING LOSS IS RECOGNIZED ON THE DATE OF DISTRIBUTION TO EACH SHAREHOLDER.**

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ►  
**THE 5% STOCK DIVIDEND WAS ISSUED TO SHAREHOLDERS OF RECORD ON NOVEMBER 14, 2014 AND PAYABLE ON NOVEMBER 28, 2014.**

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

*Doyle M Thigpen*

Date

11/03/2015

Print your name ► DOYLE M THIGPEN

Title ► CFO & EXECUTIVE VICE PRESIDENT

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
Firm's name ►			Firm's EIN ►	
Firm's address ►			Phone no.	