

**Report of Organizational Actions  
 Affecting Basis of Securities**

▶ See separate instructions.

**Part I Reporting Issuer**

<b>1</b> Issuer's name  THE LITTLE BANK		<b>2</b> Issuer's employer identification number (EIN)  56-2094762	
<b>3</b> Name of contact for additional information  DOYLE THIGPEN	<b>4</b> Telephone No. of contact  252-317-2804	<b>5</b> Email address of contact  doylethigpen@thelittlebank.com	
<b>6</b> Number and street (or P.O. box if mail is not delivered to street address) of contact  POST OFFICE BOX 279		<b>7</b> City, town, or post office, state, and Zip code of contact  KINSTON, NORTH CAROLINA 28502	
<b>8</b> Date of action  NOVEMBER 30, 2011		<b>9</b> Classification and description  5% STOCK DIVIDEND	
<b>10</b> CUSIP number  53700P106	<b>11</b> Serial number(s)	<b>12</b> Ticker symbol  LTLB.OB	<b>13</b> 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 27, 2011, THE LITTLE BANK ANNOUNCED A 5% STOCK DIVIDEND. THE DIVIDEND WAS PAYABLE ON NOVEMBER 30, 2011 TO SHAREHOLDERS OF RECORD ON NOVEMBER 15, 2011. CASH IN LIEU WAS PAID ON FRACTIONAL SHARES BASED ON THE STOCK'S MARKET VALUE AT THE CLOSE OF BUSINESS ON NOVEMBER 15, 2011.**

**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 15, 2011. THE LITTLE BANK HAD 2,562,086 SHARES OF RECORD ON NOVEMBER 15, 2011. THEREFORE, AS A RESULT OF THIS 5% STOCK DIVIDEND AN ADDITIONAL 127,942 SHARES WERE ISSUED ON NOVEMBER 30, 2011 WITH THE REMAINING 162.3 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 30, 2011 THE MARKET VALUE OF THE COMPANY'S COMMON STOCK WAS \$9.74 PER SHARE THEREFORE THE ISSUANCE OF 127,942 SHARES INCREASED THE COMPANY'S REPORTED COMMON STOCK BY \$1,246,155.**

**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 15, 2011 AND PAYABLE ON NOVEMBER 30, 2011**

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 ▶ *Joyce M. Thigpen*

Date ▶ *1/17/2012*

Print your name ▶ *Joyce M. Thigpen*

Title ▶ *CFO & Executive VP*

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.