

## Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

**Part I Reporting Issuer**

<b>1</b> Issuer's name		<b>2</b> Issuer's employer identification number (EIN)	
Forest Commercial Bank		26 1508404	
<b>3</b> Name of contact for additional information	<b>4</b> Telephone No. of contact	<b>5</b> Email address of contact	
Laurence Weiss	(828) 255-5711	lweiss@forestcommercialbank.com	
<b>6</b> Number and street (or P.O. box if mail is not delivered to street address) of contact		<b>7</b> City, town, or post office, state, and Zip code of contact	
1127 Hendersonville Road		Asheville, NC 28803	
<b>8</b> Date of action		<b>9</b> Classification and description	
June 1, 2012		6-for-5 stock split in the form of a 20% stock dividend	
<b>10</b> CUSIP number	<b>11</b> Serial number(s)	<b>12</b> Ticker symbol	<b>13</b> Account number(s)
345610 10 9			

**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 May 9, 2012, the Board of Directors of the Bank declared a 6-for-5 stock split. The split, in the form of a 20% stock dividend, was payable on June 1, 2012, to shareholders on record on May 15, 2012.**

**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 ▶ **With a 6-for-5 split, the original basis of the shares - \$11.00 per share was lowered to \$9.17 per share.**

**No funds were distributed except to shareholders who would have ended up with a fractional number of shares (e.g. 9 shares originally became 10.8 shares - so the Bank refunded .8 shares times \$9.17 = \$7.34). Any amounts sent to shareholder as a result of owning fractional shares would lower the old basis by a like amount.**

**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 ▶ **Shares were originally issued for \$11.00 per. With a 6-for-5 split, the action resulted in a 20% increase in the number of shares. Dividing the original number of shares by the new number of shares (120%, or 6/5) results in a new basis of \$9.17 per share. If shares are owned at a different cost prior to the dividend, the same factor would be used in order to determine the new cost basis.**

**Part II Organizational Action** (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ IRC Section 305(a) and IRC Section 307(a).

18 Can any resulting loss be recognized? ▶ N/A

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ Record date of May 15, 2012  
Payable on June 1, 2012

Reportable tax year= 2012

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 ▶ Laurence Weiss

Date ▶ 10/15/12

Print your name ▶ Laurence Weiss

Title ▶ Chief Financial Officer

<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶ <u>Forest Commercial Bank</u>			Firm's EIN ▶ <u>26 1508404</u>	
	Firm's address ▶ <u>1127 Hendersonville Road, Asheville, NC 28804</u>			Phone no. <u>(828) 255-5711</u>	

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

Forest Commercial Bank is not providing tax advice or a tax opinion. This filing is for information purposes only. Each shareholder should consult their tax advisor for any questions related to the tax treatment of this transaction.