

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)	
Four Oaks Fincorp, Inc.		56-2028446	
3 Name of contact for additional information	4 Telephone No. of contact	5 Email address of contact	
Wanda J. Blow	919-963-2177	wjblow@fouroaksbank.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	
PO Box 309		Four Oaks, NC 27524	
8 Date of action		9 Classification and description	
3/7/17		Stock	
10 CUSIP number	11 Serial number(s)	12 Ticker symbol	13 Account number(s)
350891107		FOFN	

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 ▶ The Board of Directors for FOFN approved a one for five reserve stock split of its outstanding common stock that will take effect at approximately 5:00 pm, Eastern Time, on March 7, 2017.

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 ▶ As a result of the reverse stock split, every five shares of FOFN common stock issued and outstanding as of the effective time will be consolidated into one issued and outstanding shares of common stock. FOFN will not issue fractional share in connection with the split. Instead, shareholders who otherwise would be entitled to receive fractional shares because they hold a number of shares not evenly divisible by five will automatically be entitled to receive an additional fraction of a share of common stock to round up to the next whole post-split share. There will be no change in the par value per share of \$1.00.

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 ▶ Common shares were trading at \$3.44 per share on March 7, 2017. Assume a shareholder has 100 shares for a total value on March 7, 2017 of \$344. On March 8, 2017 this shareholder will have 20 shares with a new price of \$17.20 per share. The total value of the 20 shares is \$344.

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 of the Company's reverse stock split is determined pursuant to sections 368(A)(1)(E) and 354(a)(1) of the Internal Revenue Code. The adjustment to a stockholder's basis in his, her, or its shares of company stock is determined pursuant to section 358 of the Internal Revenue Code.

18 Can any resulting loss be recognized? ▶ _____
Not applicable.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ _____
For the year ending December 31, 2016.

The information set forth in this Form 8937 does not constitute tax advice, does not take into account any stockholder's specific facts and circumstances, and does not purport to be a complete summary of the tax consequences of the reverse stock split to a stockholder. Each stockholder should consult with their own tax advisor with respect to the tax consequences of the reverse stock split.

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 ▶ *Deanna W. Hart* Date ▶ **4/11/2017**

Print your name ▶ **Deanna W. Hart** Title ▶ **EVP & CFO**

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.