

Report of Organizational Actions Affecting Basis of Securities

OMB No. 1545-0123

► See separate instructions.

Part I Reporting Issuer

1 Issuer's name National Research Corporation		2 Issuer's employer identification number (EIN) 47-0634000	
3 Name of contact for additional information Kevin Karas	4 Telephone No. of contact (402) 475-2525	5 Email address of contact kkaras@nationalresearch.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 1245 Q Street		7 City, town, or post office, state, and ZIP code of contact Lincoln, Nebraska 68136	
8 Date of action April 17, 2018		9 Classification and description Recapitalization	
10 CUSIP number 637372202 & 637372301	11 Serial number(s) 	12 Ticker symbol NRCIA (New NRC) & NRCIB	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 April 16, 2018, the shareholders of the Company approved a recapitalization of the Company's securities that was effectuated on April 17, 2018 by the Company filing an amendment to the the Company's Amended and Restated Articles of Incorporation with the Wisconsin Department of Financial Institutions -- Corporate Division. The shareholder approved plan of recapitalization of the Company eliminates the Company's class B common stock by an exchange of each share of class B common stock for (i) one share of the Company's class A common stock (now known as common stock) and (ii) \$19.59 in cash, without interest.

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 ► For each share of class B common stock held prior to the recapitalization, one share of common stock will be held post-recapitalization. A shareholder's aggregate tax basis in such common stock is equal to the aggregate tax basis of such shareholder's class B common stock, decreased by the amount of money received (\$19.59 per share) and increased by the amount treated as either gain or dividend. Shareholders generally will recognize gain equal to the difference between (i) the sum of the value of the common stock received and the money received (\$19.59 per share) and (ii) the basis of the class B common stock.

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 ► See Attachment 1.

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶

302 (Distributions in Redemption of Stock)

354 (Exchanges of Stock and Securities in Certain Reorganizations)

356 (Receipt of Additional Consideration)

358 (Basis to Distributees)

368(a)(1)(E) (Definitions relating to Corporate Reorganizations - Recapitalization)

1001 (Determination of Amount of and Recognition of Gain or Loss)

1221 (Capital Asset Defined)

1223 (Holding Period of Property)

18 Can any resulting loss be recognized? ▶ No.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ The recapitalization was effectuated as of the close of trading on April 17, 2018. Accordingly, the reportable tax year for a shareholder is the shareholder's tax year that includes April 17, 2018 (for example, the 2018 tax year for shareholders on a calendar year tax basis).

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 ▶



Date ▶

5-2-18

Print your name ▶ Kevin Karas

Title ▶ Chief Financial Officer

**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.

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

Attachment 1

National Research Corporation

EIN 47-0634000

Recapitalization effective April 17, 2018

Form 8937, Line 16

The following examples illustrate a method by which an individual shareholder can determine his or her basis in the common stock received in the recapitalization. These examples assume that the shareholder is an individual U.S. citizen or resident who acquired his or her shares of Company class B common stock at \$30.00 per share in the first example and \$40.00 per share in the second example. The examples do not address any other types of shareholder, any special rules that may apply to a particular shareholder, nor any other tax consequences.

The information contained herein provides a limited summary regarding the application of certain provisions of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), and the Treasury regulations thereunder (the "Regulations") relating to the determination of basis in the common stock received in the recapitalization. The information contained herein does not constitute tax advice and does not purport to be complete or to describe the consequences that may apply to a particular shareholder. The Company does not provide tax advice to its shareholders.

The Company urges shareholders to read the definitive proxy statement filed with the Securities and Exchange Commission filed on March 13, 2018 (the "Proxy"), noting the discussion on pages 50-52 under the heading "Material U.S. Federal Income Tax Considerations". Shareholders may access the Proxy at <https://nrchealth.com/about/investor-relations/> or directly at <https://www.rdgir.com/national-research-corporation/document/def-14a-other-definitive-proxy-statements-5>.

The examples below are provided solely for illustrative purposes and as a convenience to shareholders and their tax advisors. The examples are not binding on the Internal Revenue Service.

The tax basis in the common stock received should be the same as the adjusted tax basis the shareholder had in the class B common stock immediately prior to the recapitalization, decreased by the amount of money received, and increased by the amount treated as either gain or dividend. Fair market value generally is the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of the facts. U.S. federal income tax law does not specifically prescribe how a taxpayer should determine the fair market value of the common stock for purposes of determining gain.

There are several possible methods for determining the fair market values of the Company common stock. The examples below use the average or mean of the high and low trading prices

on April 17, 2018, the effective date of the recapitalization. Shareholders should consult their tax advisor to determine what measure of fair market value is appropriate.

HYPOTHETICAL EXAMPLES OF BASIS ALLOCATIONS

Trading as reported by NASDAQ (www.nasdaq.com)

Value Received			
	<u>Amount</u>		
Cash Received	19.59		
	<u>High</u>	<u>Low</u>	<u>Mean</u>
Common Stock Received	\$ 34.5500	\$ 33.2500	\$ 33.9000
EXAMPLE #1			
<u>Calculation of Gain</u>			
Basis in Class B Share		\$	40.00
Total Consideration (\$33.90 + \$19.59)		\$	53.49
Amount Treated as Gain or Dividend (Max \$19.59)		\$	13.49
<u>Calculation of Basis</u>			
Basis in Class B Share		\$	40.00
Decrease from Cash Received		\$	(19.59)
Increase from Amount of Gain or Dividend		\$	13.49
Ending Basis in Common Stock		\$	33.90
EXAMPLE #2			
<u>Calculation of Gain</u>			
Basis in Class B Share		\$	30.00
Total Consideration (\$33.90 + \$19.59)		\$	53.49
Amount Treated as Gain or Dividend (Max \$19.59)		\$	19.59
<u>Calculation of Basis</u>			
Basis in Class B Share		\$	30.00
Decrease from Cash Received		\$	(19.59)
Increase from Amount of Gain or Dividend		\$	19.59
Ending Basis in Common Stock		\$	30.00

Please note that some brokerage firms may not use the information provided in this document, and the information is provided only as an example of one possible method. There are various ways brokerage firms may calculate tax basis and value of the common stock received. Shareholders should contact their brokerage firms to determine which calculation they may have used, and contact their tax advisor for additional information and clarification.

SHAREHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISOR WITH RESPECT TO THEIR PARTICULAR U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE RECAPITALIZATION. THESE EXAMPLES ARE NOT INTENDED TO BE, NOR SHOULD THEY BE CONSTRUED TO BE, LEGAL OR TAX ADVICE TO ANY PARTICULAR SHAREHOLDER, AND THEY ARE NOT INTENDED TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF (A) AVOIDING PENALTIES UNDER THE INTERNAL REVENUE CODE OR (B) PROMOTING, MARKETING OR RECOMMENDING ANY TRANSACTION OR MATTER ADDRESSED HEREIN.