

Form **8937**
(December 2017)
Department of the Treasury
Internal Revenue Service

Report of Organizational Actions Affecting Basis of Securities

OMB No. 1545-0123

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name <u>NATIONAL HEALTH INVESTORS, INC.</u>		2 Issuer's employer identification number (EIN) <u>62-1470956</u>	
3 Name of contact for additional information <u>ROGER HOPKINS</u>	4 Telephone No. of contact <u>615-890-9100</u>	5 Email address of contact <u>RHOPKINS@NHIREIT.COM</u>	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact <u>222 ROBERT ROSE DRIVE</u>		7 City, town, or post office, state, and ZIP code of contact <u>MURFREESBORO TN 37129</u>	
8 Date of action <u>12/28/18</u>	9 Classification and description <u>CONVERTIBLE SENIOR NOTES DUE 2021</u>		
10 CUSIP number <u>63633DAE4</u>	11 Serial number(s) <u>N/A</u>	12 Ticker symbol <u>NHI</u>	13 Account number(s) <u>N/A</u>

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 ▶ SEE ATTACHED FORM 8937 APPENDIX A

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 ▶ SEE ATTACHED FORM 8937 APPENDIX A

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 ATTACHED FORM 8937 APPENDIX A

Part II Organizational Action (continued)

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

SEE ATTACHED FORM 8937 APPENDIX A

18 Can any resulting loss be recognized? ▶ SEE ATTACHED FORM 8937 APPENDIX A

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶

SEE ATTACHED FORM 8937 APPENDIX A

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 ▶

Timothy L. Van Cleve
TIMOTHY L. VAN CLEVE

Date ▶

2-11-19

Print your name ▶

RODEFER R. HOPKINS

Title ▶

CH. ACCOUNTING OFFICER

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
TIMOTHY L. VAN CLEVE	TIMOTHY L. VAN CLEVE	02/01/19		P00236735
Firm's name ▶	RODEFER MOSS & CO, PLLC		Firm's EIN ▶ 62-1690032	
Firm's address ▶	3011 ARMORY DRIVE SUITE 290 NASHVILLE, TN 37204		Phone no. 615-370-3663	

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

National Health Investors, Inc.
EIN 62-1470956
Appendix A to Form 8937
Organizational Action date December 28, 2018

Each shareholder of common stock of National Health Investors, Inc. ("NHI," "the Company") who was listed as a holder of record on December 31, 2018 (the "Record Date"), became entitled to a cash dividend with respect to the Company's common stock. The cash dividend exceeded the threshold established in our Convertible Notes, which resulted in an increase in the conversion rate of the Convertible Notes (as defined below) and a deemed distribution under §301 of the Internal Revenue Code of 1986, as amended (the "Code" or "IRC") by reason of §§305(b)(2) and 305(c) of the Code. §6045B of the Code and the underlying Treasury Regulations (the "Regulations") provide that effective January 1, 2016, if a corporation issues a cash dividend with respect to stock that results in a conversion rate adjustment on a convertible debt instrument that is treated as a deemed distribution under §§305(b)(2) and 305(c) of the Code, an information return (Form 8937) must be filed with the Internal Revenue Service (the "IRS") describing, among other things, the action and the action's quantitative effect. As an alternative to filing this information return with the IRS, an issuer may post the information return to its public website. The information contained in the attached Form 8937 and this Appendix A thereto is intended by NHI to satisfy the requirements of public reporting under §6045B of the Code and §§1.6045B-1(a)(3) and (b)(4) of the Regulations. The information contained in this notice is intended to provide only a general summary of certain U.S. federal income tax consequences of the conversion rate adjustment and is not intended to be a complete analysis or description of all potential U.S. federal income tax consequences of the conversion rate adjustment. You should consult a qualified tax advisor to determine the particular federal, state, local or foreign income reporting or other tax consequences of the conversion rate adjustment to you.

Line 14 - Each shareholder of common stock of NHI who was listed as a holder of record on December 31, 2018 (the "Record Date"), became entitled to a cash dividend with respect to the Company's common stock. Pursuant to §4.06(e) of the Indenture, the conversion rate on the 3.25% Convertible Senior Notes due 2021 (the "Convertible Notes") was increased as of the Ex-Dividend Date of December 28, 2018 to take into account such cash dividend. Such adjustment to the conversion ratio as of the Ex-Dividend Date is treated as a deemed distribution of property to the holders of the Convertible Notes to which §301 of the Code applies by reason of §§305(b)(2) and 305(c).

Line 15 - Because there was a cash dividend declared and paid with respect to common stock, a corresponding increase in the conversion rate on the Convertible Notes followed, and such increase in the conversion rate of the Convertible Notes constituted a deemed distribution of stock rights to the holders of the Convertible Notes to which §301 applies. IRC §305(c) indicates that in the event that the conversion ratio of a qualifying convertible instrument (the Convertible Notes) is increased, that action is treated as a dividend, and such dividend will be taxable if one of the conditions in §305(b) is met. However, per IRC §316, bond holders deemed to be in receipt of a dividend are taxed on that dividend only to the extent that the issuer has current and/or accumulated earnings and profits ("E&P") at the time of the distribution.

The organizational action described above had the effect of increasing the conversion ratio for our Convertible Notes to 14.418 shares per outstanding Note. This corresponds to an additional 0.044 shares over the previous conversion ratio of 14.374, at an implied conversion price of \$69.36 per share. As discussed above, §305(b) and (c) require this to be treated as a deemed dividend, which would be valued at \$3.33 based on the price at which our shares traded at market opening on the ex-dividend date.

NHI expects that it will have sufficient E&P to treat the deemed dividend to the holders of the Convertible Notes as a taxable dividend for U.S. federal income tax purposes. Therefore, each holder of a Convertible Note is required to include \$3.33 in gross income as an ordinary dividend per \$1,000 face amount of Convertible Note, and increase the basis in such Convertible Note, to the extent of the realized dividend income.

Line 16 - Sample calculation: A holder of a Convertible Note has \$1,000 basis in a \$1,000 Convertible Note. A holder of a Convertible Note will increase its basis in such Convertible Note by \$3.33 as a result of the inclusion of the dividend in gross income for U.S. federal income tax purposes.

Line 17 - §§305(b)(2), 305(c), 301(c), 316 and 301(d) of the Code.

Line 18 - This is not a loss transaction.

Line 19 - The reportable tax year is 2018 for taxpayer reporting taxable income on a calendar year basis. **The cumulative amount of dividend income and corresponding basis adjustment for calendar year 2018 taxpayers is \$13.20 per \$1,000 Convertible Note held.**

The deemed distribution taxed as a dividend to holders of our convertible notes during 2018 is a qualified REIT dividend for purposes of IRC §199A and the Qualified Business Income deduction available to qualified shareholders.