

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

| | | | |
|---|---|--|----------------------|
| 1 Issuer's name INSIGNIA SYSTEMS, INC. | | 2 Issuer's employer identification number (EIN) 41-1656308 | |
| 3 Name of contact for additional information MARK CHERREY | 4 Telephone No. of contact 763-392-6200 | 5 Email address of contact MARK.CHERREY@INSIGNIASYSTEMS.COM | |
| 6 Number and street (or P.O. box if mail is not delivered to street address) of contact 8799 BROOKLYN BOULEVARD | | 7 City, town, or post office, state, and Zip code of contact MINNEAPOLIS, MN 55445 | |
| 8 Date of action January 6, 2017 | | 9 Classification and description COMMON STOCK | |
| 10 CUSIP number 45765Y-10-5 | 11 Serial number(s) | 12 Ticker symbol ISIG | 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 JANUARY 6, 2017, INSIGNIA SYSTEMS, INC. MADE A CASH DISTRIBUTION OF \$0.70 PER SHARE TO ITS SHAREHOLDERS ON RECORD AS OF DECEMBER 16, 2016. INSIGNIA SYSTEMS, INC. ESTIMATES THAT A PORTION OF THE DISTRIBUTION WILL BE A NON-TAXABLE RETURN OF CAPITAL.

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 ▶

INSIGNIA SYSTEMS, INC. PAID A DISTRIBUTION OF \$0.70 PER SHARE ON JANUARY 6, 2017. OF THE \$0.70 DISTRIBUTION, \$0.407 IS ESTIMATED TO BE A TAXABLE DIVIDEND AND \$0.293 IS ESTIMATED TO BE A NON-TAXABLE RETURN OF CAPITAL. THE PORTION OF THE DISTRIBUTION THAT CONSTITUTES A RETURN OF CAPITAL WILL DECREASE A US TAXPAYER'S BASIS IN THEIR INSIGNIA SYSTEMS, INC. SHARES. ANY PORTION OF THE NON-TAXABLE DISTRIBUTION THAT EXCEEDS A US TAXPAYER'S BASIS IN THEIR INSIGNIA SYSTEMS, INC. SHARES WILL BE TREATED AS A CAPITAL GAIN TO THE TAXPAYER.

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 ▶

INSIGNIA SYSTEMS, INC.'S ESTIMATED CURRENT AND ACCUMULATED EARNINGS AND PROFITS WERE COMPARED AGAINST THE DISTRIBUTION PAID ON JANUARY, 6, 2017. THE NON-TAXABLE RETURN OF CAPITAL REPRESENTS THE AMOUNT OF THE DISTRIBUTION THAT IS IN EXCESS OF THE COMPANY'S EARNINGS AND PROFITS UNDER IRC SECTION 316.

Part II Organizational Action (continued)


17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶
INTERNAL REVENUE CODE SECTIONS 301 and 316.

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

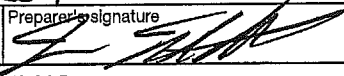
19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶
THE ADJUSTMENT TO BASIS SHOULD BE TAKEN INTO ACCOUNT IN THE TAX YEAR OF THE SHAREHOLDER DURING WHICH THE CASH DISTRIBUTION WAS RECEIVED (FOR EXAMPLE, 2017 FOR INDIVIDUALS).

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 ▶  Date ▶ 2/17/17

Print your name ▶ MARK CHERREY Title ▶ Director of Finance

| | | | | | |
|-------------------------------|--|---|----------------|---|------------------|
| Paid Preparer Use Only | Print/Type preparer's name | Preparer's signature | Date | Check <input type="checkbox"/> if self-employed | PTIN |
| | <u>JASON FLATTUM</u> |  | <u>2/17/17</u> | | <u>P00094190</u> |
| | Firm's name ▶ <u>CLIFTONLARSONALLEN, LLP</u> | Firm's EIN ▶ <u>41-0746749</u> | | Phone no. <u>612-376-4500</u> | |
| | Firm's address ▶ <u>220 SOUTH SIXTH STREET, SUITE 300, MINNEAPOLIS, MN 55402</u> | | | | |