



**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 ATTACHMENT

18 Can any resulting loss be recognized? ▶ SEE ATTACHMENT

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

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 ▶ *P. Matthew Farabaugh* Date ▶ *2/26/13*

Print your name ▶ P. MATTHEW FARABAUGH Title ▶ V. P. AND 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 ▶         |      | Phone no.                                       |      |
| Firm's address ▶           |                      |      |   |      |

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

**Form 8937****Report of Organizational Actions Affecting Basis of Securities****Part I Reporting Issuer**

|   |                      |  |   |
|---|----------------------|--|---|
| 1 Issuer's Name:<br>Park Electrochemical Corp.                        |                      | 2 Issuer's Employer Identification Number (EIN):<br>11-1734643                           |   |
| 3 Name of Contact for Additional Information:<br>P. Matthew Farabaugh |                      | 4 Telephone No of Contact:<br>631-465-3600   | 5 Email Address of Contact:<br>mfarabaugh@parkelectro.com |
| 6 Number and street of contact:<br>48 South Service Rd                |                      | 7 City, Town, or post office, state and zip code of contact:<br>Melville, New York 11747 |   |
| 8 Date of Action<br>February 26, 2013                                 |                      | 9 Classification and description<br>Class A Common Stock                                 |   |
| 10 CUSIP number:<br>700416209   | 11 Serial Number(s): | 12 Ticker Symbol:<br>PKE   | 13 Account Number(s):                                     |

**Part II Organizational Action**

**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**

Cash Distributions on Common Stock in excess of Current and Accumulated Earnings and Profits

**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**

- \$2.50 of the \$2.50 per share distribution to shareholders on February 26, 2013 (100%) has been determined to be in excess of Current and Accumulated Earnings and Profits based on information available as of January 14, 2013.

**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**

An earnings and profits study of Park Electrochemical Corp. was prepared and completed on January 14, 2013 using the following type of information:

- Retained earnings as of March 1, 1963 as an estimate of cumulative taxable income from the date of incorporation (March 31, 1954) through March 1, 1963;
- Prior year corporate income tax returns from the fiscal year ended February 29, 1964 through February 26, 2012;
- Revenue Agent Reports for Internal Revenue Service examinations throughout the history of the company;
- Other pertinent tax and financial information necessary to determine earnings and profits from corporate acquisitions and mergers, stock transactions, etc throughout the long history of Park Electrochemical Corp.

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

Internal Revenue Code Section 301 - Distributions of Property provides in paragraph -

**(c) Amount taxable.**

In the case of a distribution to which subsection (a) applies—

**(1) Amount constituting dividend.**

That portion of the distribution which is a dividend (as defined in section 316) shall be included in gross income.

**(2) Amount applied against basis.**

That portion of the distribution which is not a dividend shall be applied against and reduce the adjusted basis of the stock.

**(3) Amount in excess of basis.**

(A) In general. Except as provided in subparagraph (B), that portion of the distribution which is not a dividend, to the extent that it exceeds the adjusted basis of the stock, shall be treated as gain from the sale or exchange of property.

(B) Distributions out of increase in value accrued before March 1, 1913. That portion of the distribution which is not a dividend, to the extent that it exceeds the adjusted basis of the stock and to the extent that it is out of increase in value accrued before March 1, 1913, shall be exempt from tax.

Internal Revenue Code Section 316 – Dividend Defined - provides in paragraph (a) -

**(a) General rule.**

For purposes of this subtitle, the term "dividend" means any distribution of property made by a corporation to its shareholders—

(1) out of its earnings and profits accumulated after February 28, 1913, or

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- (2) out of its earnings and profits of the taxable year (computed as of the close of the taxable year without diminution by reason of any distributions made during the taxable year), without regard to the amount of the earnings and profits at the time the distribution was made.
- An Earnings and Profits Study of Park Electrochemical Corp. and Subsidiaries was completed on January 14, 2013 which revealed all of the \$2.50 per share distribution to shareholders on February 26, 2013 is in excess of Park's earnings and profits.

**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**

Reportable on Form 1099-DIV and Form 5452, Corporate Report of Non-dividend Distributions