



February 28, 2014

## Information about U.S. Federal Income Tax Treatment of the Cash Distribution Paid in 2013 on Gordmans' Common Stock

The following is an explanation of certain aspects of the U.S. federal income tax treatment of the cash distribution paid in 2013 on Gordmans Stores Inc.'s ("Gordmans") common stock. The following does not discuss all aspects of individual holder circumstances and does not constitute tax advice. Section references are to the Internal Revenue Code unless otherwise noted.  **Holders are urged to consult their own tax advisors regarding their individual circumstances.**

### Summary

- Our common stock (CUSIP # 38269P 100) trades on the Nasdaq Global Select Market under the symbol "GMAN."
- In 2013, Gordmans distributed \$3.60 per share on Gordmans' common stock.
- Based on U.S. federal income tax laws, Gordmans has determined that of such cash distribution, approximately 70.15% (or \$2.53 per share) will be treated as a taxable dividend under Section 301(c)(1) and 29.85% (or \$1.07 per share) will be treated as a return of capital under Section 301(c)(2). Generally, the portion of the distribution on the common stock that is treated as a return of capital should reduce the tax basis in the shares of common stock up to a holder's adjusted basis in the common stock, with any excess treated as capital gains pursuant to Section 301(c)(3).
- The table below summarizes the tax treatment for the cash distribution paid in 2013 on Gordmans' common stock.

Declaration Date	Record Date	Payment Date	Total Per Share Distribution	2013 Taxable Dividend	2013 Return of Capital
8/26/2013	9/9/2013	9/23/2013	\$3.60	\$2.53	\$1.07

### General

- U.S. federal income tax laws require the tax treatment of distributions described in this memorandum be based on a complex calculation of earnings and profits pursuant to Section 312 that cannot be computed until after the end of each year. Gordmans' 2013 fiscal year ended February 2, 2014. Therefore, the Company estimated its current and

accumulated earnings and profits as of February 2, 2014 for purposes of determining the tax treatment of the 2013 cash distribution on Gordmans' common stock.

- Holders of our common stock are urged to check their 2013 tax statements received from brokerage firms in order to ensure that the cash distribution information reported on such statements conforms to the information reported herein.
- Gordmans has provided this information to the appropriate reporting companies. However, if you receive an incorrect Form 1099 from your broker, you should contact your broker directly. Brokers can produce a corrected Form 1099 by accessing the information through the Depository Trust Company's databank.
- See "Questions and Answers" below for additional information.

## **Question and Answers**

### **How do holders of our common stock treat cash distributions for U.S. federal income tax purposes?**

Distributions paid on the shares of our common stock will be taxable to you as dividend income to the extent those distributions are paid out of our current or accumulated earnings and profits. If you are an individual, such dividend income will be subject to tax at long-term capital gains rates provided you meet certain holding period and other requirements. Distributions on our shares of common stock in excess of our current or accumulated earnings and profits will be treated as a return of capital to the extent of your basis in your shares of common stock and any such payments in excess of your basis will be taxed as capital gain.

As tax treatments may vary due to individual status and other considerations, Gordmans urges holders to consult their own tax advisors for their individual tax treatment. Gordmans does not provide tax advice.

### **What is the tax treatment of the 2013 "return of capital"?**

The "nondividend distribution" language on Box 3 of the 2013 Form 1099-DIV should be read with care in conjunction with the Instructions to Recipients explanation to Box 3 contained in the notes to Form 1099-DIV. These distributions are more commonly referred to as "return of capital" distributions for U.S. federal income tax purposes. If a holder of common stock has a cost or other tax basis in the shares of common stock equal to at least the amount of the return of capital distribution, the distribution does not trigger any tax, but instead merely reduces the holder's cost or other tax basis in his or her shares of common stock. If the amount of the "nontaxable distribution" is in excess of the holder's cost or other tax basis, such excess is taxable as capital gain income. See the Instructions to Recipients—Box 3 on the 2013 Form 1099-DIV or 2013 IRS Publication 550, Investment Income and Expenses.

### **What if my broker sent me an incorrect 2013 1099-DIV?**

To ensure that information regarding such accounts is correctly reported to the IRS, holders who receive incorrect 1099-DIV forms should contact their brokers directly to request a corrected 1099-DIV. Brokers can access the correct information through the Depository Trust Company's databank. Unfortunately, Gordmans cannot provide a 1099-DIV to holders who own their shares through brokers.

**Contact Information**

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IRS Circular 230 Disclosure: The discussion contained in this memorandum as to tax matters is not intended or written to be used, and cannot be used, for the purpose of avoiding United States federal income tax penalties. Such discussion is written to support the promotion or marketing of the transactions or matters addressed in this memorandum. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

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