

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name STEPAN COMPANY		2 Issuer's employer identification number (EIN) 36-1823834	
3 Name of contact for additional information SCOTT D. BEAMER	4 Telephone No. of contact (847) 446-7500	5 Email address of contact SBEAMER@STEPAN.COM	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 22 WEST FRONTAGE ROAD		7 City, town, or post office, state, and Zip code of contact NORTHFIELD, IL 60093	
8 Date of action 8/9/2013		9 Classification and description CONVERSION OF THE 5 1/2% CONVERTIBLE PREFERRED STOCK INTO COMMON SHARES	
10 CUSIP number 858586209	11 Serial number(s)	12 Ticker symbol SCL PR CL	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 August 9, 2013, Stepan Company (the "Company") completed the conversion of outstanding shares of its 5 1/2% Convertible Preferred Stock, no par value (the "Preferred Stock"), into shares of the Company's Common Stock, \$1 par value (the "Common Stock"). In accordance with the Company's Amended Articles of Incorporation, as amended, each share of Preferred Stock was converted into 2.2835 shares of Common Stock. No fractional shares of Common Stock were issued in connection with the conversion, and the Company paid cash in lieu of fractional shares based upon the closing price for a share of Common Stock on August 9, 2013.**

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 ▶ **A holder's tax basis in each share of Common Stock issued upon the Preferred Stock conversion equals the holder's tax basis in his/her Preferred Stock held immediately prior to the conversion divided by the aggregate number of common shares into which the Preferred Stock converted. For example, if immediately prior to the Preferred Stock conversion, a holder owns one preferred share, with a tax basis of \$40.00, the one preferred share will convert into 2.2835 shares of Common Stock (1 x 2.2835). The holder's tax basis in each of these shares of Common Stock will be \$17.517 [(1 x \$40)/2.2835]. The holder's tax basis in the .517 fractional share will be \$4.966 (\$17.517 x .2835). If a holder has purchased more than one lot of Preferred Shares at different prices, the holder will have a different basis in each lot of Preferred Shares. The basis in each lot must be calculated separately.**

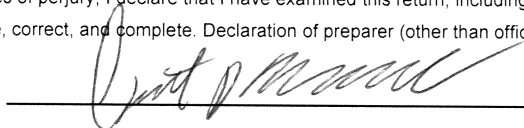
16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ **The conversion rate (the rate at which shares of Preferred Stock were converted into shares of Common Stock) was determined in accordance with the terms and conditions set forth in Stepan Company's Amended Articles of Incorporation, as amended.**

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ► **The Internal Revenue Code sections that apply to the Preferred Stock conversion are: (i) §354(a)(1), regarding an exchange of stock in certain reorganizations; (ii) §368(a)(1)(E), regarding a recapitalization; (iii) §358, regarding basis to distributee; (iv) §302(a), regarding distributions in redemption of stock; and (v) §1223, regarding holding period of property.**

18 Can any resulting loss be recognized? ► **To the extent holders receive shares of Common Stock in the Preferred Stock conversion, the holders will not recognize a gain or loss for U.S. federal income tax purposes. Cash received in lieu of fractional shares of Common Stock will be treated as a payment in a taxable exchange, and a holder will recognize a gain or loss on the receipt of such cash in an amount equal to the difference between the amount of cash received and the amount of adjusted tax basis allocable to the fractional shares of Common Stock. If the holder held the Preferred Shares as a capital asset, the capital gain or loss recognized will be short-term or long-term depending upon the length of time the holder held the Preferred Shares. The characterization of the gain or loss, as ordinary and capital, will depend on the holder's circumstances. Please consult your tax advisor for more information.**

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ► **The reportable tax year is the calendar year ending December 31, 2013. The information presented herein represents the Company's understanding of existing U.S. federal income tax law and regulations and does not constitute tax advice. The information does not purport to be complete or to describe tax consequences that may apply to particular categories of shareholders. The Company does not provide tax advice to its shareholders. However, to ensure compliance with requirements imposed by the IRS, the Company informs you that any U.S. tax advice contained herein is not intended or written to be used, and cannot be used, for purposes of (i) avoiding penalties under the Internal Revenue Code of 1986, as amended, or (ii) promoting, marketing or recommending any transaction or matter discussed herein.**

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 ► 2/12/2013
Print your name ► **SCOTT D. BEAMER** Title ► **V.P. & 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.