

## For Immediate Release

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### Wolters Kluwer Financial Services' Capital Changes Releases Annual Top 10 Corporate Actions List

*Merger Activity, International Investments Could Cause Many  
Tax Headaches for Investors and Financial Professionals*

WALTHAM, Mass. - Jan. 22, 2009 - [Wolters Kluwer Financial Services](#) today released its annual list of the Top 10 Corporate Actions representing the most challenging corporate events of 2008. The list, compiled by Wolters Kluwer Financial Services' [Capital Changes](#) tax and legal experts, alerts individuals and their financial and tax advisors of the corporate actions that pose some of the toughest questions.

This year's list presents a number of challenges related to recent merger activity and international securities, as well as events that have taken months or years to become final.

"The structure and tax consequences of corporate actions can be complicated at times," said John Kareken, senior writer/analyst for Capital Changes. "However, this year's list contains some unusual events that raise special issues for tax reporting. For example, shareholders finally learned this year that part of a special dividend paid by Alberto-Culver in 2006 (and reportable by shareholders in that year) was actually a return of capital, not ordinary income."

While properly accounting for corporate actions in one's home market can be challenging enough, the issues become more difficult and the stakes higher when confronting cross-border transactions.

"It is easier than ever to buy and sell securities in markets all over the world," said Richard Ryndak, Capital Changes senior product manager. "But the terms and structure of international corporate events can be hard to understand, and the tax consequences may include unexpected pitfalls. International investing is not for the faint of heart."

The Top 10 list for 2008 was selected based on a number of criteria, including how unique a transaction was, how widely held the affected security was, and how complex the tax issues were. It consists of corporate actions affecting shareholders of the following companies:

#### Top U.S. Transactions

- **Digimarc Inc.:** The company spun off its digital watermarking business (New Digimarc) to shareholders and merged its remaining business into L-1 Identity Solutions in a series of complex transactions. Because of a delay in receiving SEC approval of the company's stock registration statement, Digimarc deposited the new stock into a trust for the benefit of shareholders prior to the merger. Shareholders ultimately received Digimarc Corp. (New) stock from the trust and a key concern was determining the timing of the distribution to shareholders, which affected the valuation of the stock distributed.
- **Alberto-Culver Co.:** In 2006, the company separated into two businesses: Sally Beauty and Alberto-Culver (New). As part of the transaction, shareholders received a special distribution of \$25 which had to be fully declared as ordinary dividend income for 2006

until the company could determine what portion, if any, was a return of capital. Because the company's fiscal year ended on Sept. 30, 2007, the information was not available until 2008 when shareholders learned that a portion of the distribution had to be recharacterized as a return of capital and their 2006 income tax returns would likely have to be amended.

- **Kraft Foods, Inc.:** The company sold its Post Cereal business in a transaction that was structured as a split-off, followed by a merger of Post Cereals into Ralcorp Holdings. Split-offs are somewhat rare situations. In this case, shareholders could voluntarily relinquish some or all their shares in Kraft and receive shares of the split-off subsidiary. Holders who did not tender any of their Kraft shares, upon completion of the split-off, no longer held any interest in the Post Cereals business.
- **Loews Corp.:** Amid much publicity, Loews decided to split off Lorillard, Inc., its cigarette business, to Loews' stockholders in a tax-free transaction. Loews accomplished this by redeeming its Carolina Group tracking stock (originally created in 2002 to track the performance of Lorillard) in exchange for approximately 62 percent of new Lorillard common, and then distributing the remaining 38 percent of Lorillard common to holders of Loews Corp. common in a voluntary exchange offer.
- **IAC/InterActiveCorp.:** In a highly publicized transaction, media conglomerate IAC/InterActiveCorp distributed shares of four companies—Home Shopping Network, Ticketmaster, Interval Leisure Group and Tree.com—in August 2008. In this tax-free spin-off, shareholders were required to allocate the basis in their IAC stock among the four new stocks they received. As daunting as that appeared to be, it was even further complicated by a 1-2 reverse split effected Aug. 21 by IAC on its stock in conjunction with the spin-offs.

### Top International Transactions

- **UBS AG:** The company decided to pay a five percent stock dividend, but instead of simply distributing additional shares to its shareholders, it issued entitlements that could be sold or held until they were automatically exchanged for new shares. This approach triggered Swiss withholding tax, which the company paid on behalf of shareholders by grossing up the distribution. As a result, U.S. taxpayers were deemed to receive a taxable cash distribution even though they never saw any cash. There was also some doubt about whether the new stock received should be treated as a separate tax lot.
- **Fording Canadian Coal Trust:** Unit holders received cash and stock when the company was acquired by Teck Cominco and then liquidated. This transaction provides a cautionary tale for international investors in that for U.S. tax purposes, all amounts received were treated as capital gain or loss. However, for Canadian tax purposes, virtually all amounts received were treated as income and subject to Canadian withholding tax.
- **Suez:** The company merged into Gaz de France, but in a separate transaction distributed to its shareholders rights to acquire shares in a new company, Suez Environment. Counsel could not determine whether the merger qualified as a nontaxable reorganization, and there was some doubt as to whether the rights that were separately distributed should be treated as a taxable dividend or part of the merger consideration.
- **Compagnie Financiere Richemont AG:** The securities of this company traded as twinned units until it decided to restructure itself. The result was that the units were

detwinned and holders ended up with shares of two separate companies. The detwinning itself had no tax consequences, as each component was considered a separate asset for which the basis was established at the time of acquisition. However, one of the “new” companies cautioned that it would be treated as a passive foreign investment company (PFIC) for U.S. tax purposes, which could cause problems for the holder.

- **Cadbury Schweppes plc:** The company split into two companies: Cadbury plc, which holds the group's confectionery business, and Dr. Pepper Snapple Group Inc., which holds the group's American beverage business. The event was nontaxable and required a basis allocation. Most shareholders had to wait more than a month before the company released its own allocation.

For detailed explanations of each corporate action, please contact Angela Peterson in Wolters Kluwer Financial Services' Corporate Communications department at 612-656-7745 or [angela.peterson@wolterskluwer.com](mailto:angela.peterson@wolterskluwer.com). Individuals are encouraged to work with their financial and tax advisors to better understand exactly how these transactions may impact them.

#### **About Capital Changes**

Capital Changes provides a comprehensive source for current corporate action reporting. In addition to detailed tax information and analysis, it provides timely and concise summaries—updated daily—of spin-offs, mergers, exchange offers, reorganizations, bankruptcies, stock dividends, splits and other corporate actions affecting publicly traded securities of both U.S. and foreign companies. With over 100 years of data coverage, leading financial services firms rely on Capital Changes for its basis adjustments and its legacy of unparalleled legal, tax and accounting analysis of corporate actions. For more information, visit [www.capitalchanges.com](http://www.capitalchanges.com).

#### **About Wolters Kluwer Financial Services**

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