

## Allocation of Tax Basis Between the Shares of Common Stock of Dover Corporation and the Shares of Common Stock of DOVatron International, Inc.

On May 21, 1993, Dover Corporation ("Dover") distributed all of the shares of DOVatron International, Inc. ("DOVatron") to its stockholders of record on May 21, 1993. Dover distributed one share of DOVatron common stock for every ten shares of Dover common stock held on May 21, 1993. No fractional shares of DOVatron common stock were distributed. Instead, stockholders who otherwise would have received fractional shares received cash in lieu of fractional shares.

As discussed in the Information Statement dated May 10, 1993, Dover has requested a ruling from the Internal Revenue Service that the distribution of the common stock of DOVatron will qualify as a non-taxable distribution under Section 355 of the Internal Revenue Code. Pending the issuance of the requested ruling by the Internal Revenue Service, Curtis, Mallet-Prevost, Colt & Mosle, counsel to Dover, has advised Dover that the distribution will not be taxable for federal income tax purposes. Because the distribution is tax free, you are required to allocate a portion of your tax basis in your Dover common stock to your new DOVatron common stock based on their respective fair market values. Your aggregate tax basis for your Dover and DOVatron common stock will be equal to your aggregate tax basis in your shares of Dover immediately prior to the distribution.

Based on the relative fair market values of the Dover common stock and the DOVatron common stock at the time of the distribution, you should allocate 95.99% of your previous tax basis in your Dover common stock to your Dover common stock and 4.01% of your previous tax basis in your Dover common stock to your new DOVatron common stock (including any fractional shares for which cash is received), computed as follows:

	Average Fair Market Value on May 24, 1993		Allocation Percentage		
Dover	(\$47.375 x 1) - \$1.90* = \$45.475		<u>45.475</u>	=	95.99%
			47.375		
DOVatron	\$19 x 1/10 = \$ 1.900		<u>1.90</u>	=	<u>4.01%</u>
			<u>\$47.375</u>		
			47.375		
					<u>100.00%</u>

Since you received one share of DOVatron common stock for every ten shares of Dover common stock you owned, your per share tax basis in your new DOVatron common stock would equal 40.1% (4.01% x 10) of your previous per share tax basis in your Dover common stock.

\*Although the record date for the distribution was the close of business on May 21, 1993, and, therefore, the first trading date of the DOVatron common stock was May 24, 1993, transactions in Dover common stock effected on the New York Stock Exchange through May 28, 1993 reflected the value of the DOVatron common stock. Therefore, to determine the value of the Dover common stock as of May 24, 1993 it was necessary to subtract from the average trading price of Dover common stock on May 24, 1993, the average trading price of one-tenth of one share of DOVatron common stock on the same date.

If your Dover common stock was acquired separately at different times or for different prices, you must separately calculate the tax basis allocation for each block of stock. Your holding period for your new DOVatron common stock will include your holding period for your Dover common stock (assuming your Dover common stock is held as a capital asset).

If you received cash in lieu of fractional shares of DOVatron common stock, you will have a taxable gain or loss measured by the difference between the amount of cash you received and your tax basis in the fractional shares you otherwise would have received. To determine your tax basis in the fractional shares which you otherwise would have received, you should multiply the share fraction (1/10, 2/10, 3/10, etc.) by the tax basis per share of your new DOVatron common stock.

The following examples illustrate the allocation of your tax basis between your Dover common stock and your DOVatron common stock, as well as the determination of the basis in fractional share interests:

**Example 1** You purchased 100 shares of Dover common stock at \$30 per share. Under these facts, your per share tax basis in your 100 shares of Dover common stock would equal \$28.797 ( $\$30 \times 95.99\%$ ) and your per share tax basis in your 10 shares of DOVatron common stock would equal \$12.03 ( $\$30 \times 4.01\% \times 10$ ). Therefore, \$2,879.70 of your aggregate tax basis of \$3,000 prior to the distribution is allocated to your Dover common stock with the balance of the previous aggregate tax basis, or \$120.30, allocated to your DOVatron common stock.

**Example 2** The facts are the same as example 1 except that you also acquired a separate block of 50 shares of Dover common stock at \$35 per share. Your tax basis in your block of 100 shares of Dover common stock would be allocated as set forth in example 1. You then would separately calculate the tax basis allocation for your block of 50 shares of Dover common stock as follows: \$33.5965 per share of Dover common stock ( $\$35 \times 95.99\%$ ) and \$14.035 per share of DOVatron common stock ( $\$35 \times 4.01\% \times 10$ ).

**Example 3** You purchased 105 shares of Dover common stock at \$30 per share, for a total of \$3,150. Your per share tax basis would be allocated as described in example 1 — i.e., \$28.797 per share of Dover common stock ( $\$30 \times 95.99\%$ ) and \$12.03 per share of DOVatron common stock ( $\$30 \times 4.01\% \times 10$ ). Your tax basis in your .5 fractional share interest would be equal to \$6.015 ( $0.5 \times \$12.03$ ).

You should retain this information for income tax purposes. In addition, United States Treasury Regulations require you to attach to your 1993 federal income tax return a statement setting forth certain prescribed information pertaining to the distribution of the DOVatron common stock. To assist you in complying with this reporting requirement, we have enclosed a sample statement that you may complete, sign, and attach to your federal tax return.

**The summary set forth above is for general information only and may not be applicable to all stockholders. Therefore, you should consult your own tax advisor regarding the federal, foreign, state, and local tax consequences of the distribution to you.**

## INFORMATION STATEMENT TO IRS

Pursuant to Treasury Regulation Section 1.355-5(b), set forth below is a statement of stockholders receiving a distribution of stock of DOVatron International, Inc. (a controlled corporation):

1. The undersigned, a stockholder, owning shares of Dover Corporation as of May 21, 1993, received a distribution of stock of DOVatron International, Inc. (a controlled corporation) pursuant to Section 355 of the Internal Revenue Code of 1986.
2. The names and addresses of the corporations involved are:
  - a. Dover Corporation  
280 Park Avenue  
New York, New York 10017  
E.I.N. 53-0257888  
(Distributing Corporation)
  - b. DOVatron International, Inc.  
1198 Boston Avenue  
Longmont, Colorado 80501  
E.I.N. 84-1224426  
(Controlled Corporation)
3. No stock or securities of Dover Corporation were surrendered by the undersigned.
4. \_\_\_\_\_ shares of DOVatron International, Inc. were received in the distribution from Dover Corporation constituting only common shares in DOVatron International, Inc.

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Stockholder