

Mr. R. H. Gregory, Jr.
Law Department
45th Floor

August 8, 1968

Mr. W. I. Ellis
Dr. L. P. Jehle
Mr. D. Varoli

Business-Confidential
Asbestos

This will formalize my request for information regarding the establishment of our Asbestos business as a separate, wholly owned subsidiary of UCC. The key questions to be answered are:

1. What would be the tax consequences of disposing of this business if it were a wholly owned subsidiary compared to the tax consequences of such a disposal of the business as it now exists?

2. If the tax consequences favor disposal via the subsidiary route, can such a subsidiary be set up in immediate anticipation of such a disposal or must the subsidiary status be established well in advance? (A recent ruling referred to in Chemical Week, the details of which I do not recall, says that the latter is acceptable--at least it was in one case.)

3. If it is necessary that the business operate for a period of time as a subsidiary, what are the tax consequences of this to UCC?

4. Would operation of the business as a subsidiary pose any legal or, in your view, operational problems for UCC or the subsidiary company? In this connection, I point out that, at present, the Mining and Metals Division operates the mining end of the business and handles all matters related to the owned property and claims.

A further question which I plan to raise at a later time but need not be answered now, unless its consideration would materially affect the answers to any of the above questions, is: Could this subsidiary obtain funds through equity financing (i.e. sale of stock) or would this run counter to UCC's existing debt financing or policy, or would it otherwise impair UCC's credit position?

A major review of our asbestos business is scheduled for October 11, 1968. It would be helpful if the requested information could be obtained before that time.

F. D. Dexter

FDD/lr

Published by AsbestosClaims.Law
asbestosclaims.law/library/15710/2