

Table of Contents

- [SHAREHOLDER LETTER](#)
 - [Allocation Percentages](#)
 - [Important Note](#)
 - [Example](#)
 - [INFORMATION ON 9/30/97 MERITOR SPIN-OFF](#)
 - [Allocation Percentages](#)
 - [Example](#)
 - [INFORMATION ON 12/6/97 TRANSACTION](#)
 - [Allocation Percentages](#)
 - [Example](#)
 - [STATEMENT FOR 1998 TAX RETURN](#)
-

IMPORTANT TAX INFORMATION FOR ROCKWELL SHAREOWNERS

PLEASE RETAIN FOR YOUR RECORDS

January 6, 1999

Dear Rockwell Shareowner:

On December 31, 1998, Rockwell International Corporation ("Rockwell") distributed all of the outstanding shares of Common Stock of Conexant Systems, Inc. ("Conexant") to holders of Rockwell Common Stock. In the distribution (the "Distribution"), each holder of Rockwell Common Stock received one share of Common Stock of Conexant for every two shares of Rockwell Common Stock held as of the close of business on December 11, 1998. Shareowners do not need to surrender or exchange their Rockwell stock certificates in order to receive the Conexant shares to which they are entitled and will not be receiving new Rockwell stock certificates. Your ownership of Conexant shares initially will be registered only in book-entry form, and you will receive a stock distribution statement indicating the number of Conexant shares that have been credited to you. You will not receive a certificate for Conexant shares unless you request one.

In general, fractional shares of Conexant Common Stock which Rockwell shareowners would be entitled to receive will be aggregated and sold in the open market in 1999. Checks representing the cash value of the fraction of any share of Conexant Common Stock to which Rockwell shareowners would have been entitled will be mailed shortly. Participants in the Rockwell Savings Plan will be credited with full and fractional shares of Conexant Common Stock based on the number of shares of Rockwell Common Stock held in their plan accounts.

Rockwell has received a ruling from the Internal Revenue Service (the "IRS") to the effect that the Distribution qualifies as a tax-free distribution to holders of Rockwell Common Stock for U.S. federal income tax purposes, except that a Rockwell shareowner who receives a cash payment in lieu of a fractional share of Conexant Common Stock will recognize gain or loss equal to the difference between the cash received and the amount of tax basis allocable to such fractional share. Such gain or loss will be capital gain or loss if such fractional share would have been held by such shareowner as a capital asset. This ruling, while generally binding upon the IRS, is subject to certain factual representations and assumptions which, if incorrect in any material respect, would cause such ruling to become invalid. Rockwell is not aware of any facts or circumstances which would cause such representations and assumptions to be untrue.

[Top](#)

Tax Basis Allocation and Holding Period

To determine the U.S. federal income tax basis in your Rockwell Common Stock and your newly-received Conexant Common Stock (including fractional shares), you must allocate the tax basis in your Rockwell

Common Stock immediately before the Distribution among such shares.

Based upon the average of the high and low trading prices on January 4, 1999 of Rockwell Common Stock, as reported on the New York Stock Exchange Composite Transactions reporting system, and of Conexant Common Stock, as reported on the Nasdaq Stock Market, Inc. National Market System, (1) 81.92% of your tax basis should be allocated to your Rockwell Common Stock and (2) the balance, 18.08%, should be allocated to your newly-received Conexant Common Stock (including any fractional share interest).

The tax basis in your Rockwell Common Stock before the Distribution generally is equal to the cost of such shares, including commissions (or, if you acquired Rockwell shares on or before September 17, 1997, an allocable portion of such cost as described in the next paragraph and Exhibit 1). If you acquired those shares at different times and at different costs, you will need to make separate basis calculations for each group of shares. Please consult your tax advisor to determine your tax basis in Rockwell Common Stock to be allocated.

[Top](#)

IMPORTANT NOTE

1. IF YOU OWNED ROCKWELL COMMON STOCK ON SEPTEMBER 17, 1997, BEFORE YOU ALLOCATE YOUR TAX BASIS TO REFLECT THE DISTRIBUTION OF CONEXANT COMMON STOCK, YOU MUST FIRST ALLOCATE YOUR TAX BASIS AS OF SEPTEMBER 30, 1997 AMONG YOUR ROCKWELL COMMON STOCK AND THE SHARES OF MERITOR AUTOMOTIVE, INC. COMMON STOCK YOU RECEIVED IN THE SPIN-OFF OF ROCKWELL'S AUTOMOTIVE BUSINESS.

2. IF YOU OWNED ROCKWELL COMMON STOCK ON DECEMBER 6, 1996, BEFORE YOU ALLOCATE YOUR TAX BASIS TO REFLECT THE DISTRIBUTION OF CONEXANT COMMON STOCK, YOU MUST FIRST ALLOCATE YOUR TAX BASIS AS OF DECEMBER 6, 1996 AMONG YOUR ROCKWELL COMMON STOCK AND THE SHARES OF THE BOEING COMPANY COMMON STOCK YOU RECEIVED IN THE DIVESTITURE OF ROCKWELL'S AEROSPACE AND DEFENSE BUSINESS. NEXT, YOU MUST ALLOCATE YOUR REMAINING TAX BASIS IN YOUR ROCKWELL COMMON STOCK AMONG YOUR ROCKWELL COMMON STOCK AND THE SHARES OF MERITOR COMMON STOCK YOU RECEIVED IN THE SPIN-OFF OF ROCKWELL'S AUTOMOTIVE BUSINESS.

ENCLOSED FOR YOUR CONVENIENCE IS INFORMATION REGARDING HOW TO ALLOCATE YOUR TAX BASIS AMONG YOUR ROCKWELL COMMON STOCK AND THE SHARES OF MERITOR AND/OR BOEING COMMON STOCK YOU RECEIVED, SIMILAR TO THE INFORMATION PROVIDED TO ALL ROCKWELL SHAREOWNERS IN OCTOBER 1997.

Your holding period for U.S. federal income tax purposes for the newly-received Conexant Common Stock is the same as your holding period for your Rockwell Common Stock with respect to which the Conexant Common Stock was received, unless you fall within a special category of holder, such as a dealer or trader who did not hold the Rockwell Common Stock as a capital asset on December 31, 1998.

[Top](#)

EXAMPLE

Assume that on December 11, 1998 you owned 101 shares of Rockwell Common Stock with a tax basis of \$30.00 for each share, for a total tax basis of \$3,030.00. You would have been entitled to receive 50 1/2 shares of Conexant Common Stock in connection with the Distribution, although you would actually have received 50 shares of Conexant Common Stock plus a cash payment in lieu of a 1/2 fractional share of Conexant Common Stock.

Calculation of New Tax Basis

	<u>% of Basis Allocable</u>	<u>Original Cost Basis in Rockwell Common Stock</u>	<u>Total Allocated Basis</u>	<u>Number of Shares of Rockwell Common Stock or Conexant Common Stock Received</u>	<u>New Tax Basis Per Share</u>
Rockwell Common Stock	81.92% X	\$ 3,030.00 =	\$2,482.18 ÷	101	= \$ 24.58
Conexant Common Stock	18.08% X	\$ 3,030.00 =	\$ 547.82 ÷	50 1/2	= \$ 10.85

Your new tax basis in your 101 shares of Rockwell Common Stock would be \$2,482.18.

Your tax basis in the 50 shares of Conexant Common Stock received would be \$542.40.

Your tax basis with respect to the cash payment in lieu of a 1/2 fractional share of Conexant Common Stock would be \$5.42.

The taxable gain you realize in connection with the sale of the fractional share of Conexant Common Stock will be taxable to you in 1999 (assuming you are a calendar year taxpayer).

Statement in U.S. Federal Income Tax Return

U.S. Treasury regulations require each shareowner to attach to his or her 1998 U.S. federal income tax return a signed statement setting forth certain prescribed information about the Distribution. For this purpose, we are enclosing a sample statement (Exhibit 2 attached) which you may complete and use when filing your 1998 tax return.

Shares of Rockwell Common Stock held in a plan account by a participant in any of the Rockwell Savings Plans are not treated as owned by the participant for purposes of these filing requirements. Accordingly, a participant in any of the Rockwell Savings Plans who does not otherwise own Rockwell Common Stock is not required to attach the statement referred to above to his or her 1998 tax return. Further, a participant who does otherwise own Rockwell Common Stock is not required to reflect the number of shares of Conexant Common Stock credited to his or her plan account on the statement attached to his or her 1998 tax return.

* * * *

The information in this letter represents our understanding of existing U.S. federal income tax law and regulations and does not constitute tax advice. It does not purport to be complete or to describe tax consequences that may apply to particular categories of shareowners. Each shareowner should consult a tax advisor as to the particular consequences of the Distribution under U.S. federal, state and local tax laws and foreign tax laws, including, in particular, tax basis allocation rules and the effect of possible changes in tax laws that may affect the description set forth above.

Questions about the information in this letter should be directed as follows:

Rockwell: Rockwell International Corporation

Shareowner Relations
600 Anton Boulevard
Suite 700 (CM 72)
Costa Mesa, California 92626
(714) 424-4550

Conexant: Conexant Systems, Inc.

Shareowner Relations
4311 Jamboree Road
Newport Beach, California 92660
(949) 483-4533

Sincerely,



William J. Calise, Jr.
Senior Vice President,
General Counsel and Secretary

[Top](#)

EXHIBIT 1

NOTE: IF YOU OWNED ROCKWELL SHARES ON SEPTEMBER 17, 1997, BEFORE YOU ALLOCATE YOUR TAX BASIS TO REFLECT THE DISTRIBUTION OF CONEXANT SHARES YOU MUST FIRST ALLOCATE YOUR TAX BASIS AMONG YOUR ROCKWELL AND MERITOR SHARES, AS DESCRIBED BELOW.

INFORMATION REGARDING ALLOCATION OF TAX BASIS IN CONNECTION WITH SEPTEMBER 30, 1997 SPIN-OFF OF ROCKWELL'S AUTOMOTIVE BUSINESS

On September 30, 1997, Rockwell distributed all of the outstanding shares of Common Stock of Meritor Automotive, Inc. ("Meritor") to holders of Rockwell Common Stock. In that distribution (the "1997 Distribution"), each holder of Rockwell Common Stock received one share of Common Stock of Meritor for every three shares of Rockwell Common Stock held as of the close of business on September 17, 1997.

Rockwell received a ruling from the IRS to the effect that the 1997 Distribution qualified as a tax-free distribution to holders of Rockwell Common Stock for U.S. federal income tax purposes, except that a Rockwell shareowner who received a cash payment in lieu of a fractional share of Meritor Common Stock recognized gain or loss equal to the difference between the cash received and the amount of tax basis allocable to such fractional share. Such gain or loss was capital gain or loss if such fractional share was held by such shareowner as a capital asset.

[Top](#)

Tax Basis Allocation and Holding Period

To determine the U.S. federal income tax basis in your Rockwell Common Stock and your newly-received Meritor Common Stock (including fractional shares for which you received cash), you must allocate the tax basis in your Rockwell Common Stock immediately before the 1997 Distribution. The tax basis in your Rockwell Common Stock before the 1997 Distribution generally is equal to the cost of such shares, including commissions. If you acquired those shares at different times and at different costs, you will need to make separate basis calculations for each group of shares.

Based upon the average of the high and low trading prices of Rockwell Common Stock and of Meritor Common Stock on October 1, 1997, as reported on the New York Stock Exchange Composite Transactions reporting system, (1) 87.09% of your tax basis should be allocated to Rockwell Common Stock and (2) the balance, 12.91%, should be allocated to your newly-received Meritor Common Stock (including any fractional share interest). Assuming that your Rockwell Common Stock was held as a capital asset, your holding period for U.S. federal income tax purposes for the newly-received Meritor Common Stock would be the same as your holding period for your Rockwell Common Stock with respect to which the Meritor Common Stock was received.

[Top](#)

EXAMPLE

Assume that on September 17, 1997 you owned 100 shares of Rockwell Common Stock with a tax basis of \$30.00 for each share, for a total tax basis of \$3,000.00. You would have been entitled to receive 33 1/3 shares of Meritor Common Stock in connection with the 1997 Distribution. Unless you were credited with fractional shares, you would actually have received 33 shares of Meritor Common Stock plus a cash payment in lieu of a fractional share of Meritor Common Stock.

Calculation of New Tax Basis

	% of Basis Allocable	Original Cost Basis in Rockwell Common Stock	Total Allocated Basis	Number of Shares of Rockwell Common Stock or Meritor Common Stock Received	New Tax Basis Per Share
Rockwell Common Stock	87.09% X	\$3,000 =	\$2,612.70 ÷	100	= \$ 26.13
Meritor Common Stock	12.91% X	\$3,000 =	\$ 387.30 ÷	33 1/3	= \$ 11.62

Your new tax basis in your 100 shares of Rockwell Common Stock would be \$2,612.70.

Your tax basis in the 33 shares of Meritor Common Stock received would be \$383.43.

Your tax basis with respect to the cash payment in lieu of a 1/3 fractional share of Meritor Common Stock would be \$3.87.

Assuming you still owned 100 shares of Rockwell Common Stock on December 11, 1998, you would have been entitled to receive 50 shares of Conexant Common Stock in connection with the current Distribution.

Calculation of New Tax Basis

	% of Basis Allocable	Previously Adjusted Basis in Rockwell Common Stock	Total Allocated Basis	Number of Shares of Rockwell Common Stock or Conexant Common Stock Received	New Tax Basis Per Share
Rockwell Common Stock	81.92% X	\$ 2,612.70 =	\$2,140.32 ÷	100	= \$ 21.40
Conexant Common Stock	18.08% X	\$ 2,612.70 =	\$ 472.38 ÷	50	= \$ 9.45

Your new tax basis in your 100 shares of Rockwell Common Stock would be \$2,140.32.

Your tax basis in the 50 shares of Conexant Common Stock received would be \$472.38.

[Top](#)

* * * *

NOTE: IF YOU OWNED ROCKWELL SHARES ON DECEMBER 6, 1996, BEFORE YOU ALLOCATE YOUR TAX BASIS TO REFLECT THE DISTRIBUTION OF CONEXANT SHARES YOU MUST FIRST ALLOCATE YOUR TAX BASIS AMONG YOUR ROCKWELL, BOEING AND MERITOR SHARES, AS DESCRIBED BELOW.

INFORMATION REGARDING ALLOCATION OF TAX BASIS IN CONNECTION WITH DECEMBER 6, 1996 DIVESTITURE OF ROCKWELL'S AEROSPACE AND DEFENSE BUSINESS

A series of transactions was completed on December 6, 1996 pursuant to which Rockwell divested its aerospace and defense business. As a result of those transactions (collectively, the "1996 Distribution"), holders of Common Stock and Class A Common Stock of the former Rockwell International Corporation (now named Boeing North American, Inc.) ("old" Rockwell) received (for each share thereof) (a) one share of Common Stock or Class A Common Stock of New Rockwell International Corporation, a Delaware corporation (now named Rockwell International Corporation) ("new" Rockwell) and (b) .042 of a share (now .084 of a share as a result of a stock split) of Common Stock of The Boeing Company ("Boeing"). The Class A Common Stock of "new" Rockwell was subsequently converted into shares of Common Stock of "new" Rockwell.

Based on opinions received from Chadbourne & Parke LLP and Wachtell, Lipton, Rosen & Katz, the receipt by shareowners of the "new" Rockwell Common Stock and Class A Common Stock and Boeing Common Stock was tax-free for U.S. federal income tax purposes, except that shareowners recognized gain or loss with respect to cash received in lieu of fractional shares of Boeing Common Stock. The taxable gain or loss required to be recognized with respect to the cash received in lieu of any fractional share was equal to the difference between the cash received and the shareowner's tax basis (determined as described below) in such fractional share. Such gain or loss was capital gain or loss (assuming the fractional share was held as a capital asset). For purposes of determining cash payments in lieu of fractional shares, the value of a share of Boeing Common Stock was \$94.31.

Tax Basis Allocation and Holding Period

To determine the U.S. federal income tax basis in your "new" Rockwell Common Stock or Class A Common Stock and Boeing Common Stock (including any fractional share for which you received cash), you must allocate the tax basis in your "old" Rockwell Common Stock or Class A Common Stock immediately before the 1996 Distribution. The tax basis in your "old" Rockwell shares before the 1996 Distribution generally is equal to the cost of such shares, including commissions. If you acquired those shares at different times and at different costs, you will need to make separate basis calculations for each group of shares.

[Top](#)

Based upon the average of the high and low trading prices of the "new" Rockwell Common Stock (trading on a "when-issued" basis) and the Boeing Common Stock on December 6, 1996 as reported on the New York Stock Exchange Composite Transactions reporting system, (1) 93.65% of your tax basis in your "old" Rockwell Common Stock and Class A Common Stock should be allocated to your "new" Rockwell Common Stock and Class A Common Stock and (2) the balance, 6.35%, should be allocated to your Boeing Common Stock (including any fractional share interest). Assuming that your "old" Rockwell Common Stock and Class A Common Stock were held as capital assets, your holding period for U.S. federal income tax purposes for your "new" Rockwell Common Stock or Class A Common Stock and Boeing Common Stock would be the same as your holding period for your "old" Rockwell Common Stock or Class A Common Stock with respect to which the "new" Rockwell Common Stock or Class A Common Stock and Boeing Common Stock were received.

Your tax basis in your "new" Rockwell Common Stock must then be allocated between your Rockwell Common Stock and the shares of Meritor Common Stock you received in the spin-off of Rockwell's Automotive business, as discussed above.

[Top](#)

EXAMPLE

Assume that on December 6, 1996 you owned 100 shares of "old" Rockwell Common Stock with a tax basis of \$30.00 for each share, for a total tax basis of \$3,000.00. You would have received 100 shares of "new" Rockwell Common Stock, 4 shares of Boeing Common Stock plus a cash payment of \$18.86 ($0.2 \times \94.31) in lieu of a 0.2 fractional share of Boeing Common Stock.

Calculation of New Tax Basis

	% of Basis Allocable	Original Cost Basis in Rockwell Common Stock	Total Allocated Basis	Number of Shares of Rockwell Common Stock or Boeing Common Stock Received	New Tax Basis Per Share
Rockwell Common Stock	93.65% X	\$3,000 =	\$2,809.50 ÷	100	= \$ 28.10
Boeing Common Stock	6.35% X	\$3,000 =	\$ 190.50 ÷	4.2	= \$ 45.36

Your new tax basis in your 100 shares of "new" Rockwell Common Stock received would be \$2,809.50.

Your tax basis in the 4 shares (now 8 shares as a result of a stock split) of Boeing Common Stock received would be \$181.43.

Your tax basis with respect to the cash payment in lieu of a 0.2 fractional share of Boeing Common Stock would be \$9.07.

Then, assuming you still owned 100 shares of Rockwell Common Stock on September 17, 1997, you would have been entitled to receive 33 1/3 shares of Meritor Common Stock in connection with the 1997 Distribution. Unless you were credited with fractional shares, you would actually have received 33 shares of Meritor Common Stock plus a cash payment in lieu of a 1/3 fractional share of Meritor Common Stock.

Calculation of New Tax Basis

	% of Basis Allocable	Previously Adjusted Basis in Rockwell Common Stock	Total Allocated Basis	Number of Shares of Rockwell Common Stock or Meritor Common Stock Received	New Tax Basis Per Share
Rockwell Common Stock	87.09% X	\$ 2,809.50 =	\$2,446.79 ÷	100	= \$ 24.47
Meritor Common Stock	12.91% X	\$ 2,809.50 =	\$ 362.71 ÷	33 1/3	= \$ 10.88

Your new tax basis in your 100 shares of Rockwell Common Stock would be \$2,446.79.

Your tax basis in the 33 shares of Meritor Common Stock received would be \$359.08.

Your tax basis with respect to the cash payment in lieu of a 1/3 fractional share of Meritor Common Stock would be \$3.63.

Assuming you still owned 100 shares of Rockwell Common Stock on December 11, 1998, you would have been entitled to receive 50 shares of Conexant Common Stock in connection with the current Distribution.

Calculation of New Tax Basis

	<u>% of Basis Allocable</u>	<u>Previously Adjusted Basis in Rockwell Common Stock</u>	<u>Total Allocated Basis</u>	<u>Number of Shares of Rockwell Common Stock or Conexant Common Stock Received</u>	<u>New Tax Basis Per Share</u>
Rockwell Common Stock	81.92% X	\$ 2,446.79 =	\$2,004.41 ÷	100	= \$ 20.04
Conexant Common Stock	18.08% X	\$ 2,446.79 =	\$ 442.38 ÷	50	= \$ 8.85

Your new tax basis in your 100 shares of Rockwell Common Stock would be \$2,004.41.

Your tax basis in the 50 shares of Conexant Common Stock received would be \$442.38.

* * * *

The information set forth above represents our understanding of existing U.S. federal income tax law and regulations and does not constitute tax advice. It does not purport to be complete or to describe tax consequences that may apply to particular categories of shareowners. Each shareowner should consult a tax advisor as to the particular consequences of each of the distributions described above under U.S. federal, state and local tax laws and foreign tax laws, including, in particular, tax basis allocation rules and the effect of possible changes in tax laws that may affect the description set forth above.

[Top](#)

EXHIBIT 2

STATEMENT OF COMMON SHAREOWNER OF ROCKWELL INTERNATIONAL CORPORATION, A DELAWARE CORPORATION, FILED PURSUANT TO TREASURY REGULATION SECTION 1.355-5(b), WITH RESPECT TO THE DISTRIBUTION OF STOCK OF CONEXANT SYSTEMS, INC., A DELAWARE CORPORATION

1. The undersigned, a shareowner owning Common Stock of Rockwell International Corporation, a Delaware corporation, received a distribution on December 31, 1998 of shares of Common Stock of Conexant Systems, Inc., a Delaware corporation, in a distribution which is subject to Section 368(a)(1)(D) of the Internal Revenue Code of 1986, as amended (the "Code").
2. The names and addresses of the corporations involved were:
 - (a) Rockwell International Corporation
600 Anton Boulevard
Costa Mesa, California 92626
 - (b) Conexant Systems, Inc.
4311 Jamboree Road
Newport Beach, California 92660
3. The undersigned surrendered no stock or securities of Rockwell International Corporation, a Delaware corporation, in connection with the distribution.
4. The undersigned received _____ shares of Common Stock of Conexant Systems, Inc., a Delaware corporation, in the distribution.
5. Rockwell International Corporation received a ruling from the Internal Revenue Service to the effect that the distribution qualifies as a tax-free reorganization under Section 368(a)(1)(D) of the Code.

Shareholder Signature _____

Shareholder Signature _____

[Top](#)

[close window](#)

Copyright © 2001 Rockwell Automation.
All Rights Reserved.
[Important Notices](#)