

More Spins in the News

by Robert W. Wood • San Francisco

In keeping with our coverage of recently completed, I recently "ruled upon" (if that is a phrase one can use) and recently announced spinoffs, there are a few this month worthy of note. First, the long-discussed spinoff involving Marriott International became controversial this Spring (actually, controversy was nothing new to this spinoff). Marriott International first announced that it was postponing a shareholder vote on splitting into two companies, and that it was no longer linking that plan to the creation of a new class of stock. See Binkley, "Marriott Separates Vote on Splitting Itself and Vote of New Class of Stock," *Wall Street Journal*, March 17, 1998, p. A8.

The Marriott plan has long been discussed (including in this newsletter), and Marriott has experienced bumps in the road for many months now. Ultimately, a short time later, Marriott shareholders did approve the plan amidst much hoopla. See "Marriott Shareholders Approve Plan to Split Company's Business," *Wall Street Journal*, March 23, 1998, p. C22. The split occurred in March, right after the approval.

Apparently the various complaints from the employees' union and from institutional shareholders for coupling the shareholder vote to divide Marriott with another measure to create a new class of supervoting stock for the hotel company were the major objections. Once Marriott reformed its plan to take these protests into account, the arrangement to split the companies was successful.

More Rulings

Turning to recent rulings, U.S. West, Inc. of Englewood, CO, announced recently that the company's proposed split off into two companies has been issued a positive IRS letter ruling. U.S. West's announcement of the IRS approval included the IRS' stamped PLR number (PLR 121669-97), although U.S. West also stated that the ruling would not be available to the public until June 26, 1998. (See "IRS Rules US West Corporate Split-Off Would Be Tax-Free, Telecom Firm Says," Vol. 1, No. 7, *Mergers & Acquisitions Law Report* (April 13, 1998), p. 254.)

The plan was originally announced last fall. U.S. West is the corporate parent of U.S. West Media

Group. After the split, two business units, now traded separately as "tracking" stocks, will become truly independent of one another. See "IRS Will Treat Split-Off as a Tax-Free Transaction," *Wall Street Journal*, April 3, 1998, p. B4.

Time Warner/Limited

Also of interest is Time Warner's plans to spinoff a portion of its business. This spinoff involves a relatively little known portion of the Time Warner giant, a unit that conducts business telephone operations. Time Warner, the well-known entertainment giant, would spinoff its telecommunications operations to be an independent unit under this new plan. See Cauley, "Time Warner Plans to Spin Off Portion of Little-Known Business-Phone Unit," *Wall Street Journal*, April 7, 1998, p. A4.

The company resulting from the spin is to be called Time Warner Telecom, Inc., and is to focus on selling a variety of telecom services, including internet access and local and long distance services, to business customers across the U.S. However, the SEC registration statement does not specify how large a stake Time Warner will be offering, or the amount that it is seeking to eventually raise in the offering.

An announcement was also made of final approval (by the Board of Directors) of the plan by Ralston Purina Co. of St. Louis to spinoff its international animal-feeds business. This approval is subject to obtaining a favorable IRS ruling (which was expected within a matter of days). See "Directors Approve Spinoff of Animal-Feeds Business," *Wall Street Journal*, March 20, 1998, p. B4. Assuming that the ruling did come through, the business was to be separated effective April 1, with Ralston Purina holders of record that day receiving one share of Agribands for each 10 Ralston Purina shares that they hold. *Id.*

Finally, The Limited had long-planned a tax-free split-off of its publicly traded Abercrombie & Fitch unit. A recent filing with the SEC established the terms of a "modified Dutch auction." See "Terms are Set for Split-Off of Abercrombie & Fitch," *Wall Street Journal*, April 15, 1998, p. B6. In the auction, The Limited will select the lowest exchange ratio in which it can sell off the 43.6 million shares (or 84% of Abercrombie shares) that it currently owns. ■