

## Spin City

by Robert W. Wood • San Francisco

In our periodic rundown of what's happening in the spinoff world, we note the following.

First, CompuServe Corp.'s previously announced spinoff of its H&R Block, Inc. unit (of which it owns 80%) has been postponed. While H&R Block directors had formerly approved the spinoff, and

proxy materials describing it went out, CompuServe is apparently not as healthy financially as it had been in recent months. Still, the spinoff plan was supposed to "unlock the value" of CompuServe, letting Block focus more clearly on its core business. (Sound like a good business purpose?) See "CompuServe Spinoff Plan is Postponed," *Wall Street Journal*, Aug. 29, 1996, p. A3.

And speaking of delays, Dial Corp.'s largest shareholder a few months back demanded a delay in Dial's plan to split. See "Dial's Largest Holder Demands Delay of Plan to Split Firm in Two," *Wall Street Journal*, July 9, 1996, p. B3. As had been reported since early this year, Dial plans to separate consumer product operations (which include various famous brand soaps and detergents) from its diverse service businesses, which include money order operations, airline catering, etc. Despite the objection of the largest shareholder in Dial (owning 9.9%), the plan is evidently still on track.

Speaking of opposition, it was a number of months ago that specialty retailer Woolworth Corp. announced that it was opposing the proposal by Greenway Partners LP to break up Woolworth by spinning off the profitable Foot Lock and Champs sports chains into a separate company. See "Woolworth Opposes Plan to Spin Off Two Chains," *Wall Street Journal*, April 3, 1996, p. A6. Also on the negative front, Commercial Intertech Corp. is still trying to pave the way for the spinoff of its Cuno Ink division, but apparently NASDAQ regulators have evidently found some irregularities with the proposed plan and the contemplated marketed sales of stock. See "Commercial Intertech's Spinoff Plan Catches Eye of NASDAQ Regulators," *Wall Street Journal*, Aug. 12, 1996, p. B5B.

Another bit of negative news concerning anticipated transactions concerns Baxter International. That company's hospital supply business is scheduled to be spun off this fall as Allegiance Corp. Unfortunately, Baxter reported lower earnings for this year's first quarter, and for all of 1995, excluding the divested businesses. The soon to be spun off Allegiance is to sell a wide range of supplies to hospitals and alternate site medical offices such as surgical centers, including gloves, gowns, sterile kits,

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surgical tools, etc. See "Baxter Business Has Lower Net Ahead of Spinoff," *Wall Street Journal*, July 2, 1996, p. B5.

**Success at Last**

On a more positive note, several long-awaited spinoffs are finally bearing fruit. Viacom has started its exchange of shares related to the \$2.3 billion spinoff of its cable systems. See "Viacom Starts Offer to Exchange Shares Related to Cable Sale," *Wall Street Journal*, June 25, 1996, p. D2. And, the new AT&T stock reflecting the spinoff of Lucent Technologies has finally come about, too. See "New AT&T Stock is Listed to Reflect Spinoff of Lucent," *Wall Street Journal*, Sept. 12, 1996, p. B13.

Also on a positive note, the American Airlines holding company, AMR Corp., is said to be closer to the spinoff of its Sabre Group holdings company. See "AMR Moves Closer to Spinoff of Sabre Group," *Wall Street Journal*, Aug. 9, 1996, p. A4. Likewise, W.R. Grace & Co. has finally obtained shareholder approval for the planned spinoff of its national medical care subsidiary, a transaction that will combine that medical unit with German dialysis concern, Fresenius AG. See "Grace Shareholders Approve the Spinoff of National Medical," *Wall Street Journal*, Sept. 17, 1996, p. B9. On the topic of approvals, Melville Corp. also announced some time ago that its board had approved the spinoff of its footwear operations. Melville is to distribute shares in a new company, Footstar, Inc., to be made up of Melville's FootAction chain and the Meldisco Shoe Departments in K-Mart Stores. See "Melville Board Clears Spinoff of Shoe Units, Shuffles Executives," *Wall Street Journal*, July 12, 1996, p. B5B.

In a deal recently described in the *Wall Street Journal* as just the latest example of the spinoff craze, Santa Fe Energy Resources, Inc. announced a planned spinoff. See "Santa Fe Energy Plans to Split Operations," *Wall Street Journal*, Sept. 18, 1996, p. B4. The plan involves an IPO of a new entity to be called Monterey Resources, to be followed in the second quarter of next year by a spinoff of the remaining stake in Monterey to Santa Fe shareholders. The spin is conditioned on a favorable ruling from the IRS.

Other recently announced spinoffs include Stac, Inc., which hopes to spinoff within the next 9-12 months some of its businesses, including its original technology (that compresses software data onto computer storage disks). See "Stac, Inc. Plans Call For a Spinoff of Some Business Lines," *Wall Street Journal*, Sept. 10, 1996, p. B6. Diana Corp. is also considering a spinoff of some units, with the predictable business purpose moniker of "maximizing shareholder value." Diana, a Milwaukee food and telecommunications company, is pursuing options to separating operating units by industry type into different publicly traded entities. See "Diana Corp. Says It Will Consider Spinoff of Units," *Wall Street Journal*, June 25, 1996, p. C28.

Finally, the notion that spinoffs exist only on this side of the Atlantic is refuted by the favorable recent story concerning IBM's Xyratex unit. In September, it was announced that IBM had saved about 2,000 jobs by spinning off the UK-based company as opposed to closing its plants. See "IBM Splits Off Unit Instead of Closing It," *Wall Street Journal*, Sept. 9, 1996, p. B7C. ■

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