

More Spins in the News

by Robert W. Wood • San Francisco

Spinoffs continue to generate tremendous interest, both proposed transactions and ones that have recently been concluded. Republic Industries announced that it will spin-off its solid waste division, generating as much as \$2 billion to use primarily to beef up Republic's automotive retail and rental business. See Morse, "Republic Industries Intends to Spin Off Solid-Waste Unit to Boost Auto Division," *Wall Street Journal*, May 12, 1998, p. A4. This proposed spinoff would separate two very disparate lines of business. The waste disposal company (to be known as Republic Services) will end up with no debt and a \$1 billion line of credit. Republic Industries, on the other hand, would be left with the company's automobile sales and rental business. Republic Services' shares will be sold to the public, although current Republic Industries will receive shares in the new entity.

Elsewhere, Ivax Corp. announced that it is considering spinning off various business units to improve its performance. Ivax, a pharmaceutical company, is in discussions with bankers over a possible initial public offering of stock in Norton Healthcare, plus possible spins of the generic, oncology, veterinary and diagnostics businesses that it runs in the U.S. See "Ivax Weighs Spin-Offs of Its Generic Units and Other Businesses," *Wall Street Journal*, May 27, 1998, p. B-2.

Dixie Group, Inc. also plans to spinoff one of its businesses (the textiles and apparels group) and to thereafter operate as two separate public companies. See "Dixie Group, Inc. Company Plans to Spinoff Textile/Apparel Business," *Wall Street Journal*, May 27, 1998, p. B-4. Dixie has indicated it will seek a favorable ruling from the IRS for the spin, and expects it will take 6-8 months to complete the transaction. [This may or may not be a reasonable

estimate for getting the ruling and getting the deal closed!]

Outside the U.S., Thomson Corp.'s spinoff of its travel division in Canada and the U.K. have been met with enormous market demand. See "Thomson's Spinoff of Travel Division Draws Much Interest," *Wall Street Journal*, May 12, 1998, p. B-8. Closer to home, the much-troubled plan by Marriott International to create two classes of stock has finally been rejected. Readers may recall that this controversial proposal was actually Marriott's second attempt to obtain shareholder approval for a dual class of stock system. Marriott had postponed a planned March 1998 vote (which had been tied to a separation of its management services division into a new company called Sodexo Marriott Services, Inc.) when it appeared the proposal would fail. See Binkley, "Marriott Plan for New Stock is Voted Down," *Wall Street Journal*, May 21, 1998, p. A-3.

Finally, Limited, Inc. announced that it has finally completed its spinoff of Abercrombie & Fitch Co. See "Limited, Inc. Spinoff to Holders is Set of Abercrombie & Fitch," *Wall Street Journal*, May 15, 1998, p. B-4. ■

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