

Rash of Spinoffs Continues

by Robert W. Wood • Bancroft & McAlister

The Sears and Marriott spinoffs seem to be proceeding apace. (For prior coverage, see "Sears' Spinoff: In the Land of the Giants," and "Marriott Jumps on Spin Bandwagon," both at 1 *M&A Tax Rep't* 4 (November 1992), p. 1.) Marriott recently began discussions with its bondholders, who had initially grumbled about the company's split plans. Whatever happens in those negotiations with bondholders, reports suggest that the split will occur in June—after an IRS ruling.

Interestingly, Marriott's share prices have climbed since the split plan was announced. (See "Marriott Opens Talks With Bondholders On Its Plan to Split Into Two Entities," *Wall St. J.*, 12/30/92, p. A2.) Meanwhile, Sears' plan to spin off Dean Witter is proceeding too, with the likelihood that Sears will realize a handy profit from the planned IPO of 20% of the brokerage firm.

Radio Shuck

Meanwhile, Tandy Corp. has announced the spinoff of its manufacturing operations into a new company, TE Electronics Inc. The proposed spinoff remains subject to final board approval, the completion of SEC filings and other contingencies (how about an IRS ruling?). (See "Tandy Unveils Major Overhaul Of Operations," *Wall St. J.*, 1/11/93, p. A3.) The idea is reportedly to allow Tandy to broaden its product line and focus on new retailing concepts, while permitting the manufacturing end to expand its customer base and establish strategic alliances for new product development. But it clearly follows a Tandy pattern of spinoffs, which in the past included Bombay Co., Tandy Crafts, Inc., Pier I Imports, and Color Tile, Inc.

Tippecanoe and Telesis, Too

The Board of Pacific Telesis Group has now voted unanimously to spin off its \$1 billion cellular phone business from its \$9 billion traditional telephone business, ostensibly to improve shareholder value. (See "Pacific Telesis Plan to Split Up Poses Challenges," *Wall St. J.*, 12/14/92, p. A3.) Given that Telesis says the transaction will take a year to achieve—and that

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IRS approval will be sought—it will be interesting to see how "enhancing shareholder value" stacks up with any other asserted (and hopefully more IRS-favored) business purposes. (On the shareholder value quandary in this context, see "Sears Spinoff: In the Land of the Giants," 1 *M&A Tax Rep't* 4 (November 1992), p. 1.) ■