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Section 355 Deja Vu

by Robert W. Wood • San Francisco

The announcement was made some weeks back that the shareholders of Quaker Oats would be

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voting on a proposal submitted by a dismissed Quaker Oats officer (but still current shareholder) to separate at least some portion of the food and beverage giant under Section 355. This announcement rekindled our interest at this newsletter. The former officer, Leland R. Chalmers, seems eminently qualified to propose spinoff plans, given that he was once Vice President of Quaker's tax department. See "Quaker Oats Holders to Vote on Proposal to Explore Breakup," *Wall Street Journal*, April 2, 1996, p. B4.

What might be particularly interesting to aficionados of Section 355 trivia, is that I quoted Mr. Chalmers in a June 1990 article concerning the Quaker Oats' spinoff of Fisher-Price. That was in an earlier iteration of this newsletter. See Wood, "Quaker Oats' Spinoff of Fisher-Price May Fuel Business Purpose Controversy," Vol. 1, No. 2, *Taxation of Mergers and Acquisitions*, June 1990, p. 1. Mr. Chalmers at the time cleverly dodged comment on exactly what the business purpose for that spin would be. And as we all know, determining what is a business purpose sufficient to get a ruling may sometimes differ from market perception. (Regarding the IRS' new list of business purposes, see "Spinoff Changes Announced," this issue, p. 1.)

The latest report indicates that Mr. Chalmers' is exerting efforts to convince Quaker Oats (which apparently does not want to be convinced), to retain an investment banker to explore various alternatives for doing what has now become standard—to enhance the company's value by separating portions of the conglomerate. According to the *Wall Street Journal's* report, Chalmers was dismissed by Quaker Oats for allegedly violating the company's sexual harassment policies. See "Quaker Oats Holders to Vote on Proposal to Explore Breakup," *Wall Street Journal*, April 2, 1996, p. B4. ■