

More Spins to Win

by Robert W. Wood • Bancroft & McAlister

The trend in favor of spinoffs does not seem to be diminishing, and indeed, spans both sides of the Atlantic. Britain Imperial Chemical Industries PLC ("ICI") has announced a split into two companies. One part, retaining the ICI name, will handle industrial chemicals, paints, and explosives. The other, Zeneca Group PLC, will sell drugs, pesticides, seeds, and specialty chemicals. The idea, once again, is dislike of the diversified business. So far, market reaction to the plan has been positive. (See "ICI Changes Tack and Splits Itself Into Two Businesses," *Wall St. J.*, 3/5/93, p. B3.)

Ethyl Corp. has also announced that it is going forward with the spinoff of its insurance subsidiary, First Colony Corp., now that the IRS has agreed the transaction will be tax free. (See "Firm Says Spinoff of Unit To Be Treated as Tax-Free," *Wall St. J.*, 3/3/93, p. A9.) Already, 20% of the insurance company was sold in an initial public offering, and the remaining 80% is now to be spun off. This sounds awfully similar to Sears' planned spinoff of at least one of its Dean Witter/Allstate/Coldwell Banker Units. (See "Sears' Spinoff: In the Land of the Giants," *1 M&A Tax Rep't 4* (November 1992), p. 1.)

Humana Inc. just completed the spinoff of its hospital and health plan business into two publicly traded companies. The new hospital company is called Galen Health Care Inc. (See "Humana Completes a Spinoff, Forming 2 Public

Companies," *Wall St. J.*, 3/3/93, p. B4.) Marriott, however, is apparently altering its spinoff plan in response to criticism from its bondholders. Under the revised plan (which precipitated a jump in Marriott shares), \$450 million of debt would be moved from the real estate arm, Host Marriott Corp., to the other entity, Marriott International Inc. Existing debt would be swapped for bonds paying 1% more in interest, and having longer maturity dates. Under various other debt restructurings, Host Marriott's debt would be pared from \$2.6 to \$2.1 billion. Conversely, Marriott International debt would jump from \$230 million to about \$900 million. (See "Marriott Corp. Modifies Plan To Split in Two," *Wall St. J.*, 3/12/93, p. A2.)

In the medical world, MedChem Products Inc. has announced plans to spin off its Anika Research Inc. unit to MedChem shareholders, raising \$20 million in a public offering after the spinoff. (See "Concern to Spinoff Anika and Hold Public Offering," *Wall St. J.*, 3/9/93, p. B11.)

Finally, Alza Corp. announced that its board approved a special dividend of one unit of its newly formed Therapeutic Discovery Corp. for each ten shares of Alza Class A common. The new company will develop human pharmaceuticals by combining Alza's drug delivery systems with drug compounds. (See "Alza Corp. to Spin Off New Firm to Holders In Form of Dividend," *Wall St. J.*, 3/12/93, p. B4A.) ■

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