

Goldsmith Wins Fight for Crown Zellerbach Corp. --- Agreement Gives Financier Control of Firm's Board, Names Him Chairman

By Mike Tharp . Wall Street Journal , Eastern edition; New York, N.Y. [New York, N.Y.]26 July 1985: 1.

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ABSTRACT (ABSTRACT)

Sir James Goldsmith won control of Crown Zellerbach Corp. yesterday with an agreement naming him chairman and giving him a majority of a new 11-member board.

The pact caps eight months of sometimes bitter wrangling. Sir James effectively overcame the company's anti-takeover defense by steadily increasing his stake in the forest products concern to about 52% as of last week.

– A restructuring of the company substantially along the lines proposed earlier by Crown management, except that Sir James would prevail in his insistence that Crown's timber properties be held by a corporation rather than a partnership, as planned by Crown.

FULL TEXT

SAN FRANCISCO – Sir James Goldsmith won control of Crown Zellerbach Corp. yesterday with an agreement naming him chairman and giving him a majority of a new 11-member board.

The pact caps eight months of sometimes bitter wrangling. Sir James effectively overcame the company's anti-takeover defense by steadily increasing his stake in the forest products concern to about 52% as of last week.

William T. Creson, former chairman, retains his posts as president and chief executive officer.

The two sides said they would choose from among four options affecting Crown's destiny:

– A restructuring of the company substantially along the lines proposed earlier by Crown management, except that Sir James would prevail in his insistence that Crown's timber properties be held by a corporation rather than a partnership, as planned by Crown.

– Additional purchases of Crown's 27.4 million common shares outstanding by General Oriental Securities Ltd., the flagship of the Goldsmith investment partnership.

– A tender offer by Crown itself for about five million shares of its common at \$41.50 a share in cash or securities in a transaction valued at around \$207 million.

– Possible transactions with third parties, a provision that could allow Sir James to sell Crown assets he didn't want to keep.

Besides appointing the 51-year-old Anglo-French financier as chairman, the agreement also named Roland A.E. Franklin, an officer in several Goldsmith companies, vice chairman.

A committee of three General Oriental designees and three directors unaffiliated with General Oriental – and designated by both General Oriental and the company – was appointed to study the four options and report to the full board by Nov. 1.

The agreement immediately raised questions about what Sir James, who first disclosed his interest in acquiring Crown shares last December, ultimately intends to do with the 135-year-old company. Sir James wasn't immediately available for comment, nor was Mr. Franklin.

Crown's vaunted "poison-pill" anti-takeover defense was approved by its board last year and stipulated that in a takeover, holders of certain rights could buy two shares of the surviving entity for the price of one.

The rights were issued when Sir James passed the 20% mark in his holdings. The investor, however, avoided the poison pill by withdrawing his formal tender offer and simply acquiring majority control of the company through stock purchases on the open market.

The rights under the anti-takeover provision can't be exercised until an acquiring entity gets 100% of Crown common. Sir James is likely to avoid that problem by keeping his holdings under 100% or by contending that the poison pill doesn't apply to his partnership's acquisition.

Mr. Creson defended the poison pill, saying it had been "meaningful in affecting and influencing the timing" of the eventual agreement.

Robert Pirie, president of Rothschild Inc., which represents some of Sir James's U.S. interests, said, "They put up a good fight and we wouldn't respect them if they hadn't." He said there was "no particular pressure on the committee to come up with a quick answer" on how to increase the company's value for shareholders.

Mr. Creson noted in an interview that certain provisions of the agreement stipulated that 75% of the board had to approve certain transactions, which meant that three of the five non-Goldsmith directors would have to join the six Goldsmith members to approve transactions that might be viewed as potentially self-serving.

He added that any future "modification of the company would be consistent with the strategies we've been working on, and it doesn't represent anything our stake holders need to be concerned about."

In New York Stock Exchange composite trading yesterday, Crown closed at \$38.25 a share, down 75 cents.

The agreement, worked out since Monday in negotiations in New York, spells the end of Crown's efforts to restructure itself. Several analysts drew parallels between the agreement and Sir James's disposition of Diamond International Corp., another forest products company he acquired in the early 1980s. In that case, Diamond management was left largely intact while the Goldsmith investment group sold various assets of the company, eventually disposing of most businesses except Diamond's timberland.

"That's been his historical pattern," said John Maach Jr., an analyst with S.G. Warburg, Rowe & Pitman, Akroyd Inc. "It'll end up along the lines of the pulp and paper assets being sold off rather than the timberlands."

The agreement also calls for Crown management to continue its internal operational reorganization, to maintain existing employee benefits and policies and to keep the corporate headquarters in San Francisco.

Credit: Staff Reporter of The Wall Street Journal

DETAILS

Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
Pages:	1
Number of pages:	0
Publication year:	1985
Publication date:	Jul 26, 1985
Publisher:	Dow Jones &Company Inc
Place of publication:	New York, N.Y.
Country of publication:	United States, New York, N.Y.
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspapers
Language of publication:	English
Document type:	NEWSPAPER
ProQuest document ID:	397961446
Document URL:	https://proxy.library.upenn.edu/login?url=https://search.proquest.com/docview/397961446?accountid=14707
Copyright:	Copyright Dow Jones &Company Inc Jul 26, 1985
Last updated:	2017-11-02
Database:	ABI/INFORM Global

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