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The Associated Press

Obagi Medical Products Inc., which makes prescription-strength and over-the-counter skin creams, said Friday that two shareholders are planning to sell off their stakes through a \$28.2 million public offering and \$35 million buyback agreement with the company.

The Stonington Capital Appreciation 1994 Fund LP and the Zein and Samar Obagi Family Trust are offering a combined 2.69 million shares at \$10.25 apiece, marking a 4 percent discount to Thursday's closing price of \$10.70. Obagi Medical will not receive proceeds from the public offering, which is expected to close on Nov. 24.

Stifel Nicolaus Weisel is acting as sole underwriter. Zein Obagi is the company's former executive medical director and board member and one of its current principal stockholders. Stonington Partners Inc. holds 4.7 million shares or about 21.4 percent of Obagi, according to data from CapitalIQ, while Zein Obagi has held a 9.7 percent stake, or about 2.1 million shares.

Meanwhile, Obagi Medical said it is buying back about \$35 million in common stock from the stockholders. The company will repurchase up to about 3.56 million shares at \$9.84 apiece, marking a 8 percent discount to Thursday's closing price.

Obagi currently has about 22 million shares of common stock outstanding. When the deals are completed the selling stockholders won't own any shares of Obagi common stock, the company said.

Messages left with the company and Stonington Partners for further comment weren't immediately returned.

Shares of Obagi fell 31 cents, or 2.9 percent, to \$10.39 in afternoon trading.

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