

FTC news

Federal Trade Commission *Washington, D.C. 20580*

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RELIANCE GROUP HOLDINGS TO PAY \$550,000 CIVIL PENALTY TO SETTLE CHARGES IT VIOLATED PREMERGER NOTIFICATION LAWS IN ACQUIRING SPECTRA-PHYSICS STOCK

Reliance Group Holdings Inc. has agreed to pay \$550,000 in civil penalties to settle federal charges that it did not comply with premerger notification requirements when it acquired stock in Spectra-Physics Inc. The Department of Justice filed the complaint in federal district court in Washington, D.C., at the request of the Federal Trade Commission.

The complaint charges that Reliance violated the premerger reporting provisions of the Hart-Scott-Rodino Act. The HSR Act requires large companies to formally notify the FTC and Department of Justice, and to observe a waiting period, before making certain acquisitions.

According to the complaint, Reliance began acquiring stock in Spectra-Physics in November 1985. In August 1986, Reliance's holdings of Spectra-Physics stock exceeded the \$15 million threshold that normally triggers the notification-and-waiting period requirements under the HSR Act. Reliance continued buying Spectra-Physics' securities through December 1986. In January 1987, Reliance filed its HSR notification-and-report form with the government, and withdrew the notification in February. On July 1, 1987, Reliance sold all of its interest in Spectra-Physics.

Although certain acquisitions that are made solely for the purpose of investment are exempt from the filing requirement, the complaint charges that this exemption did not apply in this instance.

The complaint alleges that because its purchases of Spectra-Physics stock in August 1987 and later months were not made solely for investment, Reliance did not comply with the report-and-wait requirements of the HSR Act. Reliance remained in violation of the filing requirements of the HSR Act from August 27, 1986, to at least February 15, 1987, when the waiting period would have expired had Reliance not withdrawn its filing.

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The complaint does not allege that the acquisition of Spectra-Physics voting securities itself violated the antitrust laws.

Reliance is based in New York City. Spectra-Physics is based in San Jose, Calif. The complaint and final judgment were filed in the U.S. District Court for the District of Columbia on Oct. 31.

The Commission vote to ask the Department of Justice to file the complaint and final judgment was 3-1, with Commissioner Andrew J. Strenio, Jr., dissenting. According to Commissioner Strenio, "without injunctive relief, and without a civil penalty large enough to take a real bite out of the profits from this type of activity, the proposed settlement sells short the importance of strict HSR Act enforcement."

The final judgment is for settlement purposes only and does not constitute admission of a law violation.

Copies of the complaint and final judgment will be available soon from the FTC's Public Reference Branch, Room 130, 6th St. and Pennsylvania Ave. N.W. Washington, D.C. 20580; 202-326-2222; TTY 202-326-2502.

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(Reliance)