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Agency Confirms Inquiry Of Tobacco Leaf Prices

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON — The Justice Department confirmed that it is investigating possible price-fixing practices in the tobacco industry, but it wouldn't name the companies that are the focus of the inquiry.

"The antitrust division has a preliminary inquiry looking at possible anticompetitive practices involving leaf tobacco," a department spokesman said.

The investigation, which is in a very early stage, is being conducted by a Justice Department field office in Philadelphia.

The Wall Street Journal reported last week that the inquiry was launched to determine whether three tobacco companies — B.A.T Industries PLC's Brown & Williamson, R.J. Reynolds, and Philip Morris.

For example, merger discussions between AT&T Corp. and SBC Communications Corp. were widely reported last summer after The Wall Street Journal disclosed the talks. But while their stocks moved up, the two companies never confirmed the talks, and never disclosed that the talks broke off later in the summer.

Glaxo and SmithKline had no obligation to disclose that they were close to a deal because their stock prices hadn't made any unusual moves. But industry executives said the companies most likely wanted to complete the negotiations and disclose their progress to ward off any other companies that might have been interested in SmithKline — probably just a handful, given the company's \$70 billion stock-market value.

Another rule in the U.K. that doesn't exist in the U.S. requires companies that have denied a takeover interest in a particular target to wait for as long as one year after the denial to make any actual offer for that target. The takeover panel strongly enforces that rule in order to protect shareholders, investment bankers say.

Other rules set forth by the U.K.'s

Corp.'s R.J. Reynolds Tobacco Co. and Philip Morris Cos. — violated federal antitrust law by colluding on the price they pay for whole-leaf tobacco.

A Justice Department official said prosecutors haven't designated targets of the inquiry. "At this moment," the spokesman said, "none of the three companies is a focus of the investigation." The official denied a Journal report that the probe was triggered when the three tobacco companies entered similar bids for tobacco leaf. He wouldn't elaborate.

Justice Department lawyers directing a separate investigation of the tobacco industry have begun presenting witnesses to a grand jury. That inquiry focuses on fraud allegations against Brown & Williamson, R.J. Reynolds, and Philip Morris.

Panel on Takeovers and Mergers require that an acquirer seeking to buy more than 29% of the shares of a company must make a public disclosure and bid to acquire all remaining shares outstanding.

"The combination of disclosure rules and mandatory takeover rules make the U.K. environment somewhat more constraining than the U.S.," said Michael Zaoui, co-head of European mergers and acquisitions at Morgan Stanley & Co. in London. Speaking generally, Mr. Zaoui said, "in certain circumstances, the U.K. can be a bit more strict."

Chrysler's New Prowler

AUBURN HILLS, Mich. — Chrysler Corp. said its 1999 Plymouth Prowler will be priced at \$40,000, including destination charges.

The 1999 model "street rod" will have a more powerful all-aluminum 233-horsepower 3.5 liter V-6 engine, which is a 39-horsepower upgrade from the 1997 cast-iron engine. Other new features include an on/off switch for the passenger-side air bag and 65 other refinements.

NEW YORK EXCHANGE BO

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Friday, January 30, 1998

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