ANALYSIS OF PROPOSED AGREEMENT CONTAINING CONSENT ORDER
TO AID PUBLIC COMMENT

In the Matter of Keystone Holdings, LLC and Compagnie de Saint-Gobain
File No. 1010175

I. Introduction

The Federal Trade Commission ("Commission") has accepted for public comment, subject to final approval, an Agreement Containing Consent Order ("Consent Agreement") from Keystone Holdings LLC ("Keystone") and Compagnie de Saint-Gobain ("Saint-Gobain"). The purpose of the proposed Consent Agreement is to remedy the anticompetitive effects resulting from Keystone's proposed acquisition of certain Advanced Ceramics Business assets from Saint-Gobain ("proposed acquisition"). As originally structured, Keystone would have acquired Saint-Gobain's worldwide assets and businesses relating to the manufacture and sale of alumina wear tiles. To resolve the competitive concerns raised by the proposed acquisition, Keystone and Saint-Gobain have re-structured the original transaction to exclude Saint-Gobain's North American alumina wear tile business operated out of a facility in Latrobe, Pennsylvania.

Under the terms of the proposed Consent Agreement, Keystone is required for ten years to obtain prior approval from the Commission for the direct or indirect acquisition of Saint-Gobain's alumina wear tile business in Latrobe or certain other assets owned or controlled by Saint-Gobain relating to the research, development, marketing, and sale anywhere in the world of alumina wear tile produced or manufactured in North America. The proposed Consent Agreement also requires that Saint-Gobain for five years provide advance written notice to the Commission prior to leasing or selling the Latrobe, Pennsylvania facility or selling assigning, or otherwise conveying substantially all its interest in the Saint-Gobain alumina wear tile business. In addition, with limited exceptions, Saint-Gobain is obligated to provide advance written notice to the Commission prior to closing the Latrobe, Pennsylvania facility or ceasing operation or production of alumina wear tiles at the facility.

The proposed Consent Agreement has been placed on the public record for thirty days for receipt of comments by interested persons. Comments received during this period will become part of the public record. After thirty days, the Commission will again review the proposed Consent Agreement and the comments received, and will decide whether it should withdraw from the proposed Consent Agreement, modify it, or make it final.

On June 28, 2010, Keystone and Saint-Gobain entered into a merger agreement under which Keystone proposed to acquire Saint-Gobain's Advanced Ceramics Business, including facilities in Europe, North America, South America, and Asia for a purchase price of $245 million. As originally structured, the assets acquired by Keystone would have included the Latrobe facility and other assets relating to the manufacture and sale of alumina wear tiles. On December 2, 2010, however, in an effort to resolve competitive concerns relating to the original transaction, Keystone and Saint-Gobain amended their agreement to exclude from the sale Saint-Gobain's North American alumina wear tile business.

The Commission's complaint alleges that the initial proposed acquisition, if consummated, would violate Section 7 of the Clayton Act, as amended, 15. U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, by lessening competition in the manufacture and sale of standard and pre-engineered alumina wear tile in North America. Although Saint-Gobain now proposes to retain its North American alumina wear tile business, a credible risk exists that the parties could re-negotiate the sale of Saint-Gobain's alumina wear tile business in the future, or that Saint-Gobain could sell the business upon terms that would reduce competition in the North American alumina wear tile markets. Therefore, the proposed Consent Agreement requires that Keystone obtain the Commission's prior approval in advance of any acquisition of Saint-Gobain's alumina wear tile business or related assets, and requires that Saint-Gobain provide written notice to the Commission prior to selling or ceasing its alumina wear tile business or selling or leasing its Latrobe, Penn

The Commission's complaint alleges that the relevant markets within which to analyze the transaction are standard and pre-engineered alumina wear tile, or alternatively, all alumina wear tile. Standard alumina wear tile comes in a variety of predetermined sizes and shapes whereas pre-engineered alumina wear tile is custom made-to-order to fit complex shapes that standard tile sizes cannot accommodate.

The Commission's complaint alleges that the relevant geographic market in which to assess the impact of the proposed acquisition is North America. Successful participation in the market requires an established North American presence, most notably North American sales support and facilities from which to inventory and distribute alumina wear tile. Alumina wear tile companies that do not have an established presence in North America do not effectively compete for the business of U.S. alumina wear tile purchasers.

Keystone and Saint-Gobain are two of three significant suppliers of pre-engineered alumina wear tile and two of four significant suppliers of standard alumina wear tile in North America. In an all alumina wear tile market, Keystone and Saint-Gobain are two of four significant suppliers in North America. The acquisition would increase concentration levels substantially in markets that already are highly concentrated.

IV. Effects of the Acquisition

The Commission's complaint charges that the proposed acquisition would enhance the likelihood of collusion or coordinated interaction among the remaining firms in the market. Certain market conditions, including product homogeneity and the availability of detailed market information about customers and transactions are conducive to the firms reaching terms of coordination and detecting deviations from those terms.

The Commission's complaint also charges that Keystone's acquisition of Saint-Gobain's North American alumina wear tile assets would eliminate actual, direct, and substantial competition between CoorsTek and Saint-Gobain. By increasing CoorsTek's market share substantially, while at the same time eliminating the most significant competitor in the market, an acquisition of Saint-Gobain's North American alumina tile assets likely would allow CoorsTek to unilaterally charge higher prices for alumina wear tile.

The Commission's complaint alleges that significant impediments to entry, expansion or repositioning in the alumina wear tile markets make entry unlikely, untimely and likely unprofitable. The size of the investment and the time needed to enter the relevant markets relative to the size of the overall market is substantial. Entry is made more difficult due to reputational hurdles, and there is uncertainty that an entrant could secure the sales to make the investment profitable. As a result, new entry, expansion, or repositioning by other firms sufficient to achieve a significant market impact is unlikely to ameliorate the harms posed by the proposed transaction.

V. The Proposed Consent Agreement

The proposed Consent Agreement addresses the competitive risks of a future