

UNITED STATES OF AMERICA  
BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS: Edith Ramirez, Chairwoman  
Julie Brill  
Maureen K. Ohlhausen  
Joshua D. Wright

In the Matter of	)	
	)	
	)	Docket No. C-4399
	)	
GRACO INC.,	)	
a corporation.	)	
	)	
	)	

COMPLAINT

The Federal Trade Commission ("Commission"), pursuant to the provisions of the Federal Trade Commission Act and of the Clayton Act, and by virtue of the authority vested in it by said Acts, having reason to believe that Respondent Graco Inc. ("Graco") entered into agreements pursuant to which Graco acquired, or will acquire, all of the voting securities of Gusmer Corp. ("Gusmer"), and all of the voting securities of GlasCraft, Inc. ("GlasCraft"), and that each acquisition violated Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, and Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and it appearing to the Commission that a proceeding in respect thereof would be in the public interest, hereby issues its complaint, stating its charges as follows:

I. STATEMENT OF THE CASE

1. Graco acquired its only significant competitors in the manufacture and sale of fast-set equipment in North America: Gusmer and GlasCraft.
2. Fast-set equipment combines and applies various reactive chemicals that form polyurethane foams or polyurea coatings. The essential components of a complete fast-set equipment system are: (1) the proportioner, which controls the ratio, temperature, and flow of the chemicals; (2) heated hoses, which independently maintain the fast-set chemicals at proper temperature; and (3) a spray gun, which is specially designed to mix and to dispense polyurethane foams and polyurea coatings. A manufacturer that produces or supplies a complete system of fast-set equipment is generally considered to be a full-line manufacturer.

3. The vast majority of end-users of fast-~~equi~~equipment are contractors or contracting firms that use the equipment to apply polyurethane foams to insulate commercial and residential buildings, and to apply polyurea coatings to protect~~str~~ structures such as bridges, holding tanks, pipeline~~s~~, and marine hulls.
4. Prior to the acquisitions, Gusmer, GlasCraft and Graco competed aggressively on price, innovation, service, and quality. Each ~~comp~~ responded to the others' innovations and

## II. RESPONDENT GRACO

11. Graco is a for-profit corporation, existing and doing business under and by virtue of the laws of the state of Minnesota, with its office and principal place of business located at 88 11th Avenue Northeast, Minneapolis, Minnesota 55413. Graco manufactures and sells a full line of fast-set equipment throughout North America and the world.

## III. GUSMER

12. Prior to its acquisition by Respondent in

18. In February 2008, Graco acquired GlasCraft for \$35 million. The transaction was not reportable under the Hart-Scott-Rodino Act, U.S.C. § 18a. The acquisition raised

customers in the relevant market, substantially reducing the likelihood of successful entry and the disciplining of Graco's prices.

25. Given all of the above, following Graco's 2008 acquisition of Glascraft, only one competitor, Gama/PMC, has held a market share as much as five percent, and it is unlikely to expand substantially due to the unavailability of effective distribution.

26. Other prospective entrants have also failed to gain any meaningful market share in the North American fast-set equipment market. These would-be competitors participate at the fringes of the market. Most do not offer full lines of fast-set equipment, but rather individual proportioners or guns. Together, they comprise significantly less than 5% of the relevant market. Without access to specialized distribution channels, these prospective entrants are not likely to expand beyond being fringe competitors.

## XI. EFFECTS OF THE ACQUISITIONS

27. Graco's acquisitions of Gusmer and GlasCraft substantially lessened competition and tended to create a monopoly in the relevant market in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. § 45.

28. Specifically, the acquisitions have:

- a. Eliminated actual, direct, and substantial competition among Graco, Gusmer, and GlasCraft in the relevant market;
- b. Permitted Graco to increase prices, reduce product options and offerings, and reduce innovation;
- c. Permitted Graco to increase barriers to entry and expansion by foreclosing access

XII.