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UNITED STATES OF AMERICA  
BEFORE THE FEDERAL TRADE COMMISSION

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

In the Matter of

REYNOLDS AMERICAN INC.

3. Each Respondent is, and at all times relevant herein has been, engaged in commerce, as “commerce” is defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. § 12, and is a company whose business is in or affects commerce, as “commerce” is defined in Section 4 of the FTC Act, as amended, 15 U.S.C. § 44.

## II. THE PROPOSED ACQUISITION

4. Pursuant to an agreement executed on July 15, 2014 (the “Agreement”), Reynolds proposes to acquire all of the voting securities of Lorillard for approximately \$27.4 billion (the “Acquisition”). The Acquisition is subject to Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18.

## III. THE RELEVANT MARKETS

5. The relevant line of commerce for analyzing the Acquisition is the design, manufacture, and sale of traditional combustible cigarettes (“cigarettes”).
6. The relevant geographic area for analyzing the Acquisition is the United States.

## IV. THE STRUCTURE OF THE MARKET

7. The U.S. cigarette market is already concentrated. After the acquisition, Altria Group, Inc. and Reynolds would have approximately 90% of all U.S. cigarette sales. measured by the Herfindahl-Hirschman Index, the Acquisition would increase the concentration index of the market by roughly 775 points to a post-merger level of roughly 4,250. This increase in concentration far exceeds the thresholds set out in the *Horizontal Merger Guidelines* for raising a presumption that the Acquisition would create or enhance market power.

## V. BARRIERS TO ENTRY AND EXPANSION

8. Entry and expansion by other cigarette producers would not deter or counteract anticompetitive harm of the Acquisition. Entry is unlikely in light of the statutory and regulatory barriers to product development and advertising, and other contractual barriers

(b) by increasing the likelihood that Respondent Reynolds unilaterally exercise market power; and

(c) by increasing the likelihood of, or facilitating, coordinated interaction between the remaining participants in the relevant market

## VII. VIOLATIONS CHARGED

10. The Agreement described in Paragraph 1c constitutes a violation of Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45.
11. The Acquisition described in Paragraph 4, if consummated, would constitute a violation of Section 7 of the Clayton Act, as amended, 15 U.S.C, § 17 and Section 5 of the FTC Act, as amended, 15 U.S.C. §45

WHEREFORE, THE PREMISES CONSIDERED, the Federal Trade Commission on this \_\_\_\_\_ day of \_\_\_\_\_, 2015 issues this Complaint against the Respondent

By the Commission.

Donald S. Clark  
Secretary

SEAL: