1110207

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS: **Jon Leibowitz, Chairman**
J. Thomas Rosch
Edith Ramirez
Julie Brill

In the Matter of	)	
CARPENTER TECHNOLOGY CORPORATION a corporation;	)	
and	)	**Docket No. C-4349**
LATROBE SPECIALTY METALS, INC. a corporation.	)	

COMPLAINT

Pursuant to the Clayton Act and the Federal Trade Commission Act, and its authority thereunder, the Federal Trade Commission ("Commission"), having reason to believe that Respondent Carpenter Technology Corporation ("Carpenter"), a corporation subject to the jurisdiction of the Commission, has agreed to acquire Respondent Latrobe Specialty Metals, Inc. ("Latrobe"), a corporation subject to the jurisdiction of the Commission (collectively, "Respondents"), in violation of 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, 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. RESPONDENTS

1. Respondent Carpenter is a Delaware corporation, headquartered at 2 Meridian Boulevard, Wyomissing, Pennsylvania 19610-3202.

2. Respondent Latrobe is a Delaware Corporation, headquartered at 2626 Ligonier Street, Latrobe, Pennsylvania 15650. HHEP-Latrobe, L.P., the ultimate parent entity of Latrobe Specialty Metals, Inc., has its headquarters at 100 Crescent Court, Suite 1200, Dallas, Texas 75201.

3. Respondents are corporations who are engaged in, among other activities, the production and sale of specialty alloys, including, but not limited to, multiphase nickel-cobalt alloys MP159, and MP35N used in aerospace applications ("Aerospace MP35N").

4. Respondents are corporations and at all times relevant herein have been, engaged in commerce, as "commerce" is defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. § 12, and are corporations whose business is in, or affects commerce, as "commerce" is defined under Section 4 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 44.

II. THE PROPOSED ACQUISITION

5. Pursuant to the June 20, 2011 Agreement and Plan of Merger ("Merger Agreement"), Carpenter announced its intention to purchase all of Latrobe's approximately 8.1 million voting securities for approximately $410 million ("Acquisition").

III. THE RELEVANT MARKET

6. For purposes of this Complaint, the relevant lines of commerce in which to analyze the Acquisition are: (1) MP159; and (2) Aerospace MP35N.

7. For purposes of this Complaint, the relevant geographic area in which to analyze the effects of the Acquisition on the MP159 and Aerospace MP35N markets, respectively, is the United States plus foreign countries approved by the United States Congress to supply materials for military purposes under the Defense Federal Acquisition Regulation System ("DFARS"), as amended, 48 C.F.R. § 225-7012.

8. Foreign countries approved under DFARS are: Australia, Belgium, Canada, Denmark, Egypt, Federal Republic of Germany, France, Greece, Israel, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, and the United Kingdom of Great Britain and Northern Ireland. Under DFARS, companies manufacturing products in Austria and Finland may also supply materials for military purposes, provided that they receive waivers exempting their sale of materials from the Buy American Act and Balance of Payments programs.

IV. MARKET STRUCTURE

9. The market for MP159 is highly concentrated, as measured by the Herfindahl-Hirschman Index ("HHI"). The Acquisition would consolidate the only MP159 manufacturers. Post-Acquisition, Respondents will have 100 percent market share. The post-Acquisition HHI will be 10,000, with a 4,668 HHI increase. This market concentration level far exceeds the *Horizontal Merger Guidelines* thresholds, and thus, supports the presumption that the Acquisition will create or enhance market power.

10. The market for Aerospace MP35N is highly concentrated, as measured by the HHI. The Acquisition would consolidate the only Aerospace MP35N manufacturers. Post-Acquisition, Respondents will have 100 percent market share. The post-Acquisition HHI will be

10,000, with a 4,928 HHI increase. This market concentration level far exceeds the *Horizontal Merger Guidelines* thresholds, and thus, supports the presumption that the Acquisition will create or enhance market power.

V. ENTRY CONDITIONS

11. Entry into the market for MP159 or Aerospace MP35N, respectively, would not be timely, likely, or sufficient to deter the likely anticompetitive effects of the Acquisition. The time and costs required to obtain the physical assets and expertise necessary for the manufacture of MP159 and Aerospace MP35N are substantial. Before supplying the alloys to customers, MP159 and Aerospace MP35N manufacturers must also invest significant amounts of time and money to receive customer and end-user qualifications. Finally, these two markets are small, which further deters firms from making the investments required to compete effectively in these markets.

VI. EFFECTS OF THE ACQUISTITION

12. The effects of the Acquisition, if consummated, may be to substantially lessen competition, and to tend to create a monopoly, in the markets for MP159 and Aerospace MP35N, respectively, in violation of 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, in the following ways, among others:

a. by eliminating actual, direct, and substantial competition between Respondents Carpenter and Latrobe; and

b. by increasing the likelihood that Respondent Carpenter would unilaterally exercise market power in the MP159 and Aerospace MP35N markets.

VII. VIOLATIONS CHARGED

13. The allegations contained in Paragraphs 1 through 12 above are hereby incorporated by reference as though fully set forth here.

14. The Acquisition described in Paragraph 5, if consummated, would constitute a violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18.

15. The Acquisition described in Paragraph 5, if consummated, would constitute a violation of Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45.

16. The Merger Agreement described in Paragraph 5 constitutes a violation of Section 5 of the FTC Act, as amended, 15 U.S.C. § 45.

WHEREFORE, THE PREMISES CONSIDERED, the Federal Trade Commission on this twenty-eighth day of February, 2012, issues its complaint against said Respondents.

By the Commission.

Donald S. Clark
Secretary

SEAL: