mation of the transaction, as required by Section 226.8(a) of Regulation Z.

2. Failing to identify the creditor in any credit transaction, as required by Section 226.8(a) of Regulation Z.

3. Failing to disclose the annual percentage rate with an accuracy at least to the nearest quarter of one percent, in accordance with Section 226.5 of Regulation Z, as required by Section 226.8(b)(2) of Regulation Z.

It is further ordered, That respondent deliver a copy of this order to cease and desist to all present and future personnel of respondents engaged in the consummation of any extension of consumer credit or in any aspect of preparation, creation, or placing of advertising, and that respondent secure a signed statement acknowledging receipt of said order from each such person.

It is further ordered, That respondents notify the Commission at least thirty (30) days prior to any proposed change in the corporate respondent, such as dissolution, assignment or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries or any other change in the corporation which may affect compliance obligations arising out of the order.

It is further ordered, That each respondent shall, within sixty (60) days after service upon them of this order, file with the Commission a report in writing, setting forth in detail the manner and form in which they have complied with the order to cease and desist contained herein.

IN THE MATTER OF

GOLDEN GRAIN MACARONI COMPANY, ET AL.

ORDER, OPINIONS, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE FEDERAL TRADE COMMISSION ACT

Docket 8737. Complaint, May 23, 1967—Decision, Jan. 18, 1971

Order requiring a San Leandro, California, Manufacturer of macaroni and related paste products to divest within one year all assets of three previously acquired competitors in the Pacific Northwest and not to acquire for the next 10 years without prior approval of the Federal Trade Commission all or part of any firm manufacturing macaroni products in the Pacific Northwest.

COMPLAINT

The Federal Trade Commission having reason to believe that Golden Grain Macaroni Company, a corporation, and Paskey DeDomenico, individually and as an officer of said corporation, hereinafter referred to as respondents, have violated and are now violating the provisions of Section 5 of the Federal Trade Commission Act (52 Stat. 111; U.S.C., Title 15, Sec. 45), and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges with respect thereto as follows:

PARAGRAPH 1. Golden Grain Macaroni Company, hereinafter sometimes referred to as Golden Grain, is a corporation organized, existing and doing business under and by virtue of the laws of the State of California with its office and principal place of business located at 1111 139th Avenue, San Leandro, California.

Respondent, Paskey DeDomenico, an individual, is the president of the corporate respondent, with his office and principal place of business located at 4715 6th Avenue South, Seattle, Washington. Said respondent as an officer, director and the principal owner of said corporation, formulates, directs and controls the policies, acts, practices and operations of said respondent corporation, including the acts and practices alleged herein.

PAR. 2. Golden Grain is primarily engaged in the business of producing, processing, distributing and selling macaroni, spaghetti, noodle products and related paste products. Said respondent is also engaged, under the name of D. Ghirardelli, in the business of producing, distributing and selling chocolate and cocoa candy.

Golden Grain has plants located in San Leandro, California, Seattle, Washington, and Bridgeview, Illinois. Through its Seattle plant, operated by the Mission Division of Golden Grain, macaroni and related paste products are distributed and sold, under the Mission and Golden Grain brand names, in the States of Washington, Oregon, Montana, Idaho and Hawaii. Said respondents' sales of all products exceeded $15,000,000 in 1963, and its sales of macaroni and related paste products exceeded $7,500,000 during 1963.

When the geographical terms of "Pacific Northwest" and "Pacific Northwestern United States" are used herein such shall be taken to mean the States of Washington, Oregon, Idaho and the Western half of the State of Montana.

PAR. 3. The macaroni and related paste products produced or distributed by Golden Grain have been and are being, sold by Golden Grain to purchasers located throughout the several States of the United States and in the District of Columbia. The respondents have caused and are causing said macaroni and related paste products to be transported and shipped from the various places of manufacture to purchasers thereof who are located in States other than the State where said macaroni and related paste products have been and are being manufactured, and there has been and is now a constant and continuous current and flow of said macaroni and related paste products in interstate commerce. Respondents, therefore, have been and are engaged in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. Except to the extent that competition has been hindered, frustrated, and lessened as set forth in this complaint, respondent Golden Grain has been and is now in substantial competition with other corporations, individuals and partnerships engaged in the manufacture, sale and distribution of macaroni and related paste products in "commerce" as that term is defined in the Federal Trade Commission Act.

PAR. 5. For many years past and continuing to the present time, respondent Golden Grain, the largest and most dominant seller of macaroni and related paste products in the Pacific Northwest has used its dominant position, size and economic power to frustrate the growth of smaller macaroni manufacturers; to eliminate their opportunities for business survival; and to eliminate competitors and prevent, hinder or lessen competition in the manufacture, distribution and sale of macaroni and related paste products. Thus, Golden Grain has been for a number of years last past, and is now, engaging in various monopolistic or other unfair acts, practices or methods of competition in an attempt to monopolize and maintain a monopoly in the manufacture, distribution or sale of macaroni and related paste products.

More particularly, respondents have adopted and placed into effect and carried out various policies, acts and practices to lessen, restrain, eliminate and prevent sales of macaroni and related paste products by others engaged in the manufacture, distribution and sale of such products in the Pacific Northwest and in the State of Hawaii. Among such monopolistic policies, acts and practices, respondents engaged in the following:

1. Adopted and followed the continuous practice of acquiring various competing macaroni manufacturers in the Pacific Northwest for the purpose or with the effect of enhancing or making more secure, its already dominant position in such area and eliminating such competition as may previously have existed between such competitors and respondent Golden Grain, as follows:

(a) Acquired 49 percent of the stock of Porter Scarpelli Macaroni Co., Inc., including vital information pertaining to costs of manufacture, its prices, profits, losses and identity of customers;

(b) Acquired 51 percent of the stock of Major Italian Foods

Company, a competitor, in June 1963 thus gaining control over the entire operation of such company;

(c) Acquired 100 percent of the stock of Oregon Macaroni Manufacturing Company, a competitor in March 1966 thus gaining control over the entire operations of such company.

2. Purchased from certain retail outlets all macaroni and related paste products produced and sold by respondents' competitors to such outlets, and substituted respondents' products in said retail outlets.

3. Reduced prices or other charges to some grocers of retailers for the purpose or with the intended effect of gaining entry into the stores of such grocers or retailers, thereby enhancing the potential resale of its products at the expense of similar products distributed and sold by others.

4. Engaged in price wars for extended periods of time in the Pacific Northwest in order to injure and destroy competitors and prevent, lessen and eliminate competition in the manufacture, sale and distribution of macaroni and related paste products.

5. Sold at lower prices, directly or through the use of coupons, free merchandise or other devices, for macaroni and related paste products in some areas than it did in other areas without any real justification.

6. Sold, or offered to sell, macaroni and other related paste products at below cost or unreasonably low prices with the intent and purpose, or under circumstances where the effect has been or may be to injure, restrain, suppress, destroy or eliminate competition in the sale of such products in the states comprising the Pacific Northwest area of the United States and in the State of Hawaii.

PAR. 6. The acts and practices of the respondents as herein alleged have had and do have the effect of hindering, lessening, restricting, restraining, destroying, and eliminating competition in the manufacture, distribution and sale of macaroni and related paste products; have had and do have a tendency to unduly hinder competition or to create and maintain in respondents a monopoly; have constituted an attempt to monopolize; have foreclosed markets and access to markets to competitors or potential competitors in the manufacture, distribution and sale of macaroni and related paste products; are all to the prejudice of competitors of respondent and to the public; and constitute unfair methods of competition and unfair acts and practices in commerce within the intent and meaning of the Federal Trade Commission Act.

Mr. James Y. Wood and *Mr. Charles E. Mueller*, for the Commission.

Mr. J. Paul Coie and *Mr. Douglas P. Beighle* of *Holman, Marion,*

INITIAL DECISION BY JOHN B. POINDEXTER, HEARING EXAMINER

APRIL 30, 1969

CONTENTS

PRELIMINARY STATEMENT

The complaint in this proceeding, issued on May 23, 1967, alleges that Golden Grain Macaroni Company, a corporation incorporated under the laws of the State of California, with its principal office located in San Leandro, California, and Paskey DeDomenico, individually and as an officer of said corporation, violated the provisions of Section 5 of the Federal Trade Commission Act.

The complaint alleges, among other things, that Golden Grain is the largest and most dominant seller of macaroni and related paste products in the Pacific Northwest, and has used its dominant position, size and economic power to frustrate the growth of smaller macaroni manufacturers; to eliminate their opportunities for business survival; and to eliminate competitors and prevent, hinder or lessen competition in the manufacture, distribution and sale of macaroni and related paste products. Thus, the complaint continues, Golden Grain has been for a number of years last past, and is now, engaging in various monopolistic or other unfair acts, practices or methods of competition in an attempt to monopolize and maintain a monopoly in the manufacture, distribution or sale of macaroni and related paste products. More particularly, the complaint alleges, respondents have adopted and placed into effect and carried out various policies, acts and practices to lessen, restrain, eliminate and prevent sales of macaroni and related paste products by others engaged in the manufacture, distribution and sale of such products in the Pacific Northwest and in the State of Hawaii. Among such monopolistic policies, acts and practices, the complaint alleges that respondents engaged in the following:

1. Adopted and followed the continuous practice of acquiring various competing macaroni manufacturers in the Pacific Northwest for the purpose or with the effect of enhancing or making more secure, its already dominant position in such area and eliminating such competition as may previously have existed between such competitors and respondent Golden Grain, as follows:

(a) Acquired 49 percent of the stock of Porter-Scarpelli Macaroni Co., Inc., including vital information pertaining to costs of manufacture, its prices, profits, losses and identity of customers;

(b) Acquired 51 percent of the stock of Major Italian Foods Company, a competitor, in June 1963, thus gaining control over the entire operation of such company;

(c) Acquired 100 percent of the stock of Oregon Macaroni Manufacturing Company, a competitor in March 1966, thus gaining control over the entire operations of such company.

2. Purchased from certain retail outlets all macaroni and related paste products produced and sold by respondents' competitors to such outlets, and substituted respondents' products in said retail outlets.

3. Reduced prices or other charges to some grocers or retailers for the purpose or with the intended effect of gaining entry into the stores of such grocers or retailers, thereby enhancing the potential resale of its products at the expense of similar products distributed and sold by others.

4. Engaged in price wars for extended periods of time in the Pacific Northwest in order to injure and destroy competitors and prevent, lessen and eliminate competition in the manufacture, sale and distribution of macaroni and related paste products.

5. Sold at lower prices, directly or through the use of coupons, free merchandise or other devices, for macaroni and related paste products in some areas than it did in other areas without any real justification.

6. Sold, or offered to sell, macaroni and other related paste products at below cost or unresonably low prices with the intent and purpose, or under circumstances where the effect has been or may be to injure, restrain, suppress, destroy or eliminate competition in the sale of such products in the States comprising the Pacific Northwest area of the United States and in the State of Hawaii.

The complaint further alleges that the acts and practices of the respondents as herein alleged have had and do have the effect of hindering, lessening, restricting, restraining, destroying, and eliminating competition in the manufacture, distribution and sale of macaroni and related paste products; have had and do have a tendency to unduly hinder competition or to create and maintain in respondents a monopoly; have constituted an attempt to monopolize; have foreclosed markets and access to markets to competitors or potential competitors in the manufacture, distribution and sale of macaroni and related paste products; are all to the prejudice of competitors of respondents and to the public; and constitute unfair methods of competition and unfair acts and practices in commerce within the intent and meaning of the Federal Trade Commission Act.

Complaint counsel request that respondents be ordered to cease and desist:

1. From discriminating in the price of macaroni or related paste products, in commerce, by selling such products to any purchaser at a price which is lower than the price charged any other purchaser at the same level of distribution, where such lower price undercuts the lowest price offered to that purchaser by any other seller in that market, including failure to reasonably reflect differences in consumer acceptability in the marketing area between respondents' products and those of any other seller in that market;

2. From selling or offering to sell its macaroni or related paste products at a price less than the cost of manufacture and delivery thereof with the purpose or intent to injure, suppress or stifle competition in the manufacture, sale or distribution of such products;

3. From offering to buy or buying and taking over stocks of macroni products sold and distributed by competitors, or agreeing or arranging with retail sellers for any consideration whatever to lift or remove from the channels of trade stocks of macaroni products distributed to such retail sellers by competitors.

Complaint counsel further request that Golden Grain and its subsidiaries, be ordered, among other things:

> To divest, to a purchaser or purchasers approved by the Federal Trade Commission, all stock, assets or other interests acquired by respondents from Mission Macaroni Company, Major Italian Foods Company, Inc., Oregon Macaroni Manufacturing Company, Inc., and Porter-Scarpelli Macaroni Co., Inc.

Respondents, through their attorneys, answered the complaint and denied the substantial allegations thereof. Hearings have been completed, and proposed findings of fact, conclusions of law and replies thereto have been filed by respective counsel. The transcript of the testimony taken at hearings comprises more than 5100 pages. Approximately 790 Commission exhibits were received in evidence, many of them multi-paged. Approximately 321 exhibits were received in evidence on behalf of respondents.

All proposed findings and conclusions not found or concluded herein are denied. Upon the basis of the entire record, his observation of the witnesses and their demeanor while testifying on the witness stand, and an evaluation and determination of the weight to be given their testimony, the hearing examiner makes the following findings of fact and conclusions of law, and order:

FINDINGS OF FACT

1. Golden Grain Macaroni Company, hereinafter sometimes referred to as "Golden Grain," is a corporation organized and doing business under the laws of the State of California, with its office and principal place of business located at 1111 139th Avenue, San Leandro, California (admitted in Answer).

2. The individual respondent, Paskey DeDomenico, is the president of the corporate respondent, with his office and principal place of business located at 4715 6th Avenue South, Seattle, Washington. In his capacity as an officer, director and stockholder of Golden Grain, Mr. DeDomenico formulates, directs and controls the policies, acts and practices of the Mission Division of Golden Grain, and he,

together with the other officers and directors of Golden Grain, formulates, directs and controls the policies, acts, practices and operations of respondent Golden Grain (admitted in Answer).

3. Golden Grain is primarily engaged in the business of manufacturing, processing, selling and distributing macaroni, spaghetti, noodle and dry paste products, including so-called convenience dinners, to wholesale grocery companies, retail grocery chain stores, and institutions, including restaurants, schools, hospitals, and military installations. Under the name of D. Ghirardelli, corporate respondent is also engaged in the business of manufacturing, selling and distributing chocolate and cocoa candy (admitted in Answer).

4. Golden Grain has plants located in San Leandro, California, Seattle, Washington, and Bridgeview, Illinois. Through its Seattle plant, operated by what is called the Mission Division of Golden Grain, macaroni and related paste products are sold and distributed under the Mission brand name or label, among others, in the States of Washington, Oregon, Montana, Idaho, Hawaii, and Alaska.

5. When the terms "Pacific Northwest" or "Pacific Northwestern United States" are used herein, the same shall be taken to mean the States of Washington, Oregon, Idaho, and the western one-half of the State of Montana as delineated in the last paragraph of Paragraph Two on page 64 of the complaint herein.

6. The macaroni and related paste products manufactured and produced by Golden Grain have been, and are being sold by Golden Grain to purchasers located throughout the several States of the United States and in the District of Columbia. Golden Grain has caused, and is now causing, said macaroni and related paste products to be transported and shipped from the various places of manufacture to purchasers located in States other than where said macaroni and related paste products have been, and are being, manufactured, and there has been, and is now, a constant and continuous flow of said macaroni and related paste products in interstate commerce. The respondent, Golden Grain, has been, and is now, engaged in commerce as "commerce" is defined in the Federal Trade Commission Act. Golden Grain has been, and is now, in substantial competition with other corporations, individuals and partnerships engaged in the manufacture, sale and distribution of macaroni and related paste products in "commerce" as that term is defined in the Federal Trade Commission Act (admitted in Answer).

History of Golden Grain Macaroni Company

7. Golden Grain Macaroni Company was originated in 1912 by the father and grandfather of Mr. Paskey DeDomenico, the president

of Golden Grain, and his two brothers, Messrs. Vincent and Tom DeDomenico, in San Francisco, California. These three brothers are now the principal stockholders of Golden Grain Macaroni Company, which was incorporated in 1916. For the first twenty years of its existence, Golden Grain manufactured and sold macaroni products in bulk containers of 10-pound, 25-pound and 50-pound boxes and 100-pound sacks, mainly to the Italian trade, bulk customers. During the depression years of the 1930's prices of dry paste products in northern California were depressed and manufacturers located there were not making a profit. However, shipments of dry paste products reached the northern California market from as far east as Louisville, Kentucky, and New Orleans, Louisiana, at a price of 90 cents for 20 pounds of macaroni, or 4½ cents per pound. About that time, the Dupont Company introduced a new product, called "Cellophane," and Mr. Paskey DeDomenico conceived the idea of packaging macaroni and spaghetti in cellophane bags. Mr. DeDomenico also originated the idea of providing the store owner with a small retail rack upon which to display the packaged macaroni products (Tr. 4342–43). Immediately prior to the time Golden Grain began packaging macaroni and paste products in cellophane bags, Golden Grain was probably the tenth largest packer of bulk macaroni products in northern California. After four or five years of promoting the sale of macaroni in cellophane packages, Golden Grain had probably become the number two brand in northern California, the number one brand on the Pacific Coast at that time being Fontana. Fontana was also the number one brand in Hawaii. Fontana's plant burned in 1949, and it ceased production in 1951 and withdrew from the market. Golden Grain then became the number one plant in northern California (Tr. 4343–44).

8. In June 1941, the Golden Grain plant, then located in San Francisco, California, burned (Tr. 4025), and Golden Grain was compelled to buy its dry paste from other suppliers. As a result of shortages which arose, an adequate supply of dry paste products became more difficult for Golden Grain to obtain. In the fall of 1941, Messrs. Paskey and Vincent DeDomenico learned about, inspected, and made arrangements for the purchase of an abandoned and vacant macaroni plant located on Sixth Avenue in Seattle, Washington. The plant had formerly been operated by the Ghighlione Macaroni Corporation of Seattle, Washington, but that company had ceased operations and the plant had been closed for about one year and a half. The building and former plant had been taken over by the Reconstruction Finance Corporation. Golden Grain purchased

the plant building and machinery from the RFC for approximately $31,000 in the fall of 1941 (CX 3-A and B; Tr. 4219; 4344-45).

9. The brothers, Paskey and Tom DeDomenico, with their respective families, moved to Seattle from California and commenced operating the former Ghighlione plant. Initially, all of the production from the Seattle plant was shipped to California for the use of Golden Grain's accounts located in California. By early 1943, Mr. Vincent DeDomenico was successful in salvaging three production lines from the four production lines formerly operated by the Golden Grain plant in San Francisco, California. The San Francisco plant was then reopened. When the San Francisco Golden Grain plant was able to start supplying part of its own requirements in California, the Seattle plant began to develop a small number of accounts in the Pacific Northwest (Tr. 4344-45).

10. In 1950, Golden Grain's rebuilt San Francisco plant was condemned by the city of San Francisco for the purpose of constructing a freeway. Golden Grain then constructed a new and larger plant in nearby San Leandro, California, in which it began operations in 1951. Although the new San Leandro plant became less dependent upon Seattle to supply part of its requirements for northern California, the Seattle plant continued to supply the San Leandro plant with a substantial amount of dry paste until 1964, when a State of Washington Freeway condemnation took the Golden Grain Mission Division's 8th Avenue plant in Seattle (Tr. 4346). This condemnation is discussed in more detail in paragraph 18 hereof.

11. However, Golden Grain's Seattle operation made little progress. In 1954, it had only $458,095 in gross sales, incurring an operating loss of $90,304. Its cumulative loss up to 1955 was approximately $355,235 (CX 39). Golden Grain's gross sales from its Seattle operation in 1955 (Tr. 3989, 4218) increased only $1,000 over 1954, to a total of $459,037 (CX 40-E), and its operating loss was $78,815. In 1955, the sales of the Golden Grain Seattle plant were so low that negotiations were begun with a local competitor, Mission Macaroni Company, of Seattle, Washington, whereby Golden Grain would sell its Seattle plant to Mission in exchange for a minority stockholder's interest in Mission Macaroni Company (CX 6; Tr. 4039, 4346). At that time, Mission Macaroni Company had approximately 80% of the macaroni market in Seattle and the Pacific Northwest and, according to Mr. DeDomenico, Mission Macaroni Company had the price of macaroni so low that Golden Grain was not able to make any money at those prices (Tr. 3989-4218). However, these negotiations failed, and Golden Grain did not sell out to Mission.

12. In June of 1956, Golden Grain and Favro Macaroni Company, a small macaroni plant located in Seattle, decided to merge their Seattle operations. Neither company had been operating successfully, and, by combining, the respective owners believed that they could operate more efficiently and competitively (Tr. 4034). Golden Grain paid $50,000 for Favro Macaroni Company, payable over a period of ten years at the rate of approximately $416.66 per month, plus a commission of 5% on all sales to Favro's old customers. (In this connection, it is noted that the complaint does not object to this acquisition and divestiture is not requested.) Favro's net sales at that time were approximately $250,000 per year, of which amount approximately $200,000 were sales to Safeway Stores, Inc. (Tr. 3986–87, 3990; CX 17 and 18).

Golden Grain's Acquisition of the Capital Stock of Mission Macaroni Company

13. About this time (1956), three of the stockholders of Mission Macaroni Company, a competing and the leading macaroni manufacturer located in Seattle, Washington, had differences with the fourth stockholder, Mr. Joseph Merlino. These were resolved by Mission's purchasing Mr. Joseph Merlino's stock for $225,000, the payments to be made over a five-year period. Mr. Joseph Merlino thereby severed his connection with Mission Macaroni Company and, in March 1957, built and began operating a new macaroni plant in Seattle under the name of Major Italian Foods Company, Inc., hereinafter discussed in paragraph 16 hereof. Mission Macaroni Company had been selling its principal macaroni products under the Mission label. Shortly thereafter, Mr. Guido Merlino, president of Mission, initiated negotiations with Mr. Paskey DeDomenico, president of Golden Grain, for the sale of Mission Macaroni Company to Golden Grain. Mr. Guido Merlino advised Mr. Paskey DeDomenico that the reason the remaining three shareholders of Mission Macaroni Company wished to sell to Golden Grain was that Mr. John Madonna, one of the three stockholders in Mission, was 65 years old and wished to retire. The second stockholder, Mrs. Pesce, was not active in the business, and third stockholder, Mr. Guido Merlino, had two children who were deaf and dumb, and he had no close family relatives who could operate the business, so he decided to sell out at the same time (Tr. 4039, 4219–20, 4346, 2147, 5036–37). The owners of Mission Macaroni Company gave Golden Grain a 60 or 90 day option in which to consummate the sale. Golden Grain borrowed the

necessary $150,000 with which to purchase the stock, and Golden Grain then took over the operation of Mission Macaroni Company on or about September 10, 1956 (CX 13). Golden Grain assumed the obligation of Mission Macaroni Company to pay Mr. Joseph Merlino the $225,000 for his former one-fourth stock interest in Mission Macaroni Company. Mission Macaroni Company was dissolved on November 30, 1956, and its assets distributed to Golden Grain (CX 16–A and B). The operations of Mission Macaroni Company were continued by Golden Grain at the former Mission plant located on 8th Avenue in Seattle as the Mission Division of Golden Grain Macaroni Company (Tr. 4024). Golden Grain continued operating its original plant located on 6th Avenue in Seattle. The former Mission plant on 8th Avenue had five presses and the Golden Grain plant on 6th Avenue had two presses (Tr. 4236). Mr. Paskey DeDomenico makes all decisions with respect to pricing by the Mission Division (Tr. 4044, 4322). The Mission Division sells macaroni and dry paste products in Washington, Oregon, Montana, Idaho, Alaska, and Hawaii. After the acquisition of Mission Macaroni Company, Golden Grain Macaroni Company continued to sell macaroni products under the brand name of Golden Grain, and also began to sell macaroni products under the brand name of Mission, which it had acquired by the purchase of Mission Macaroni Company.

14. At the time Golden Grain purchased the stock of Mission Macaroni Company in 1956, Mission Macaroni Company owned 49% of the stock of Porter-Scarpelli Macaroni Company, a macaroni manufacturing plant located in Portland, Oregon. In the early 1950's Mrs. Louise Scarpelli, the widow of the uncle of Mr. Ernest Scarpelli, had a disagreement with certain members of the Scarpelli family, and refused to sell her 49% stock interest in Porter-Scarpelli to any member of the Scarpelli family. Eventually, she sold the stock to Mission Macaroni Company, which at that time was owned by Messrs. Guido and Joseph Merlino, Mrs. Pesce, and Mr. John Madonna (Tr. 1939). So, it is seen that Golden Grain's ownership of the 49% minority stock interest in Porter-Scarpelli Macaroni Company was incidental to its acquisition of the stock of Mission Macaroni Company on or about September 10, 1956. The acquisition by Golden Grain of the stock of Mission Macaroni Company in 1956 was investigated and examined by the Federal Trade Commission to determine whether or not such acquisition violated the provisions of Section 7 of the Clayton Act, as amended. As a result of this investigation, the Federal Trade Commission issued a letter of clearance, dated July 10, 1957, and the Commission's investigative file was

closed. A copy of this letter was received in evidence at the hearing as Respondents' Exhibit 294.

15. Since the acquisition of Mission Macaroni Company in 1956, Golden Grain has not used its 49% stock interest in Porter-Scarpelli to the detriment of Porter-Scarpelli Macaroni Company. Golden Grain's 49% minority stock interest in Porter-Scarpelli Macaroni Company constitutes an investment in said company. The majority 51% interest in Porter-Scarpelli is owned by the Scarpelli family, including Mr. Ernest Scarpelli, his sister, and his father, and the Scarpelli family has complete control of the Porter-Scarpelli operations (Tr. 1673). Golden Grain has never exercised any control over the operations or management of Porter-Scarpelli Macaroni Company and has never had a representative on the board of directors of Porter-Scarpelli Macaroni Company. The only information that Golden Grain receives from Porter-Scarpelli Macaroni Company is an annual profit and loss statement (Tr. 4245–46; 1821–22; CX 550–1960; CX 552–1962; CX 554–1964; CX 557–1966).

The Origination and Growth of Major Italian Foods Company of Seattle, Washington

16. In early March of 1957, Major Italian Foods Company began operations as a manufacturer of macaroni and paste products in Seattle, Washington. The company began as an individual proprietorship owned by Mr. Joseph Merlino, referred to in paragraph numbered 13 above. Previously, Mr. Merlino had been a one-fourth owner and operator of Mission Macaroni Company, but sold his stock in Mission Macaroni Company in 1956. Major Italian's growth was meteoric; from a new plant with no sales in March of 1957, Major achieved a sales volume of $622,000 by 1960, and $852,000 by 1961 (CX 507). In 1960, Major produced approximately 4,345,000 pounds of dry paste, or 14.6% of all dry paste produced by all of the manufacturers in the Pacific Northwest (CX 509). In 1960, Major's volume exceeded that of U. S. Macaroni Company by 30%, and U. S. Macaroni, a manufacturer located in Spokane, Washington, had been operating in the Pacific Northwest market for 44 years. In 1961, Major's volume increased to 6,052,000 pounds, primarily at the expense of Golden Grain and Porter-Scarpelli Macaroni Company, the manufacturer located in Portland, Oregon. This volume was 18% of the total manufactured by all of the macaroni and dry paste manufacturers located in the Pacific Northwest and was close to the 7,457,000 pounds produced by Porter-Scarpelli, which had been op-