

**IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION**

UNITED STATES OF AMERICA,  
*Plaintiff,*

v.

GRUPO VERZATEC S.A. DE C.V.,  
STABILIT AMERICA, INC., CRANE  
COMPANY, and CRANE COMPOSITES,  
INC.,

*Defendants.*

Case No. 1:22-cv-01401-MEA

Hon. Marvin E. Aspen  
Magistrate Judge Young B. Kim

**DEFENDANTS' JOINT ANSWER TO PLAINTIFF'S COMPLAINT**

Grupo Verzatec, S.A. de C.V. (“Grupo Verzatec”) and Stabilit America, Inc. (“Stabilit America”) (together, “Verzatec”), jointly with Crane Composites, Inc. and Crane Company (together, “Crane”) (collectively, “Defendants”) hereby respond as follows to Plaintiff United States of America’s Complaint, dated March 17, 2022, challenging the acquisition by Verzatec of Crane Composites, Inc. The Antitrust Division claims that the merger will create a monopoly in the sale of one product—commodity “pebbled FRP wall panels” (Compl. ¶¶ 7, 19, 43)—a product used to simply cover walls often in commercial settings such as the kitchens and restrooms found in fast food restaurants and gas stations. Compl. ¶ 2.

The Antitrust Division’s alleged relevant market of “pebbled FRP wall panels” (Compl. ¶ 19)<sup>1</sup> is wrong. Pebbled FRP wall panels are no competitive island. Pebbled FRP wall panels compete with a wide “variety of wall covering materials” (Compl. ¶ 21) sold by dynamic and keen competitors in turn to sophisticated purchasers including the nation’s largest home

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<sup>1</sup> “FRP” stands for fiberglass reinforced plastic.

improvement retailers, chains of fast food restaurants, convenience stores, grocery stores, and gas stations. Compl. ¶¶ 2, 6. Pebbled FRP wall panels compete with many other wall coverings with similar performance characteristics to pebbled FRP wall panels, including those the Complaint admits in Paragraph 21 exist including “paint, ceramic tile, wallpaper, stainless steel, and types of plastic panels that are not reinforced with fiberglass (typically called ‘NRP’ panels).” “The outer boundaries of a product market are determined by the reasonable interchangeability of use or the cross-elasticity of demand between the product itself and substitutes for it.” *Brown Shoe Co. v. United States*, 370 U.S. 294, 325 (1962); *see also United States v. E.I. Du Pont de Nemours & Co.*, 351 U.S. 377, 393–95 (1956). Fierce competitors for applications reasonably interchangeable for FRP include plastic products that have the virtue of easy recyclability, such as NRP and PVC wall coverings. Each of these wall-covering options is commonly used in applications that overlap with the uses for pebbled FRP wall panels, and they provide significant competition for pebbled FRP wall panels. There can be no “pebbled FRP wall panel” monopoly in the United States.

The Antitrust Division’s alleged relevant market of “pebbled FRP wall panels” are a 4 foot by 8 foot *commodity* material that also has no significant barriers to entry. The actions a supplier must take to manufacture and sell pebbled FRP wall panels are minimal, especially for suppliers already engaged in manufacturing FRP (Compl. ¶ 34), such as the higher-end FRP products in applications like recreational vehicles (RVs).

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To the extent that the unnumbered first paragraph in the Complaint contains (or is intended to contain) any factual allegations to which a response is required, Defendants deny them.

## I. INTRODUCTION<sup>2</sup>

### Paragraph 1:

**Pebbled FRP wall panels are an important and ubiquitous building material in the United States. For decades, U.S. businesses have used pebbled FRP wall panels as a covering in high-traffic spaces because it is affordable, durable, and easy-to-clean.**

### Response to Paragraph 1:

Defendants admit that U.S. businesses can use Fiberglass Reinforced Plastic (“FRP”), including pebbled FRP wall panels, as one of many options for wall coverings in a large number of applications. FRP panels and rolls come in a variety of colors, finishes (including embossed, textured, and smooth), and standard and non-standard sizes. FRP, like many other wall panels and wall coverings used in high-traffic applications such as NRP, PVC, and many other wall coverings, can be durable, affordable, and easy to clean. Defendants deny that pebbled FRP wall panels, which are a small percentage of wall covering materials and even a smaller percentage of all building materials, are a ubiquitous building material in the United States. Defendants deny the remaining allegations of this Paragraph.

### Paragraph 2:

**As Verzatec recently presented to its largest customer, “FRP expanded across the U.S. as a result of widespread applications in kitchens and restrooms in almost every fast food establishment, gas station and casual dining restaurant.” Verzatec and Crane manufacture and sell pebbled FRP wall panels to home-improvement retailers and distributors for a wide range of end uses including building and construction projects for national fast food chains, and local “mom-and-pop” convenience store owners.**

### Response to Paragraph 2:

Defendants admit that Verzatec and Crane are two of many manufacturers that sell pebbled FRP wall panels or other plastic wall panels for a wide range of end uses. Defendants

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<sup>2</sup> Defendants herein preserve Plaintiff’s headings for convenience only; to the extent that any of the headings constitute factual allegations, Defendants deny each of them. All other allegations not explicitly admitted are denied. Defendants reserve the right to amend their Answer, in whole or in part.

admit that they sell pebbled FRP wall panels to enormous home-improvement chains such as The Home Depot and Lowe's, as well as distributors, who then sell it to customers. Plaintiff's selective quotation of language in certain Verzatec documents, offered without context, is misleading. For example, Plaintiff selectively quotes here from a Verzatec presentation for a home-improvement chain retailer, where FRP faces fierce competition against other wall covering materials for retail shelf and floor space. In the *same* presentation, Verzatec felt compelled to compare the pros and cons of FRP with NRP (Non-Reinforced Panel) and highlighted that "[s]ubstitute products such as NRP continue to emerge on the market but they are facing major installation issues"—an attempt to dissuade its customer from giving more business to a substitute product NRP that demonstrates that FRP and NRP are interchangeable. Defendants deny the remaining allegations of this Paragraph.

**Paragraph 3:**

**Defendants Verzatec and Crane are the two largest producers and suppliers of pebbled FRP wall panels in the United States. By its own account recorded in a 2021 internal competitive analysis, Verzatec estimated that Verzatec and Crane control 92 percent of all FRP sales in the United States, including the pebbled FRP wall panels at issue in this action.**

Response to Paragraph 3:

Defendants admit that Verzatec and Crane manufacture pebbled FRP wall panels in the United States, but deny the remaining allegations in this Paragraph.

**Paragraph 4:**

**Defendants compete vigorously with each other and are each other's closest competitors to produce and supply pebbled FRP wall panels to retailers and distributors. For years, Verzatec has acknowledged that it faces "fierce competition" from its "biggest competitor" Crane. Similarly, Crane has long described Verzatec as its "primary competitor." As the two largest pebbled FRP wall panel suppliers in the United States, Verzatec and Crane closely monitor each other's competitive moves, cognizant that any disparity in pricing or quality could result in lost sales to the other firm. In particular,**

when Crane attempts to raise its prices, it closely monitors Verzatec's response, knowing that if Verzatec does not match the increase, pressure from customers and the threat of lost sales will require Crane to make concessions. For example, in June 2021, Crane's president reported to his boss at Crane Company that Verzatec had not followed Crane's recent increase and, as a result, an important distributor complained about the price gap, and threatened to switch to Verzatec "if price[s] were not reduced soon." This close, head-to-head competition has resulted in lower prices and better quality and terms of service for retailers and distributors, who play these rivals off of one another to negotiate a better deal. In turn, American businesses benefit from this competition when they use pebbled FRP wall panels for their commercial building projects.

Response to Paragraph 4:

Plaintiff's selective quotation of language in certain Defendants' documents, offered without context, is misleading. Defendants deny the remaining allegations of this Paragraph. For example, Plaintiff selectively quotes here from a Crane document in which Crane's president reports that "resin pricing," not any action by Verzatec, influenced Crane's pricing decisions. Moreover, Crane's president did not limit the quoted report to commentary on Verzatec products as Plaintiff suggests. In fact, in the sentence immediately preceding the quoted language, Crane's president reported the change in "retail pricing for NRP or other wall boards."

Paragraph 5:

Verzatec's internal documents confirm that Verzatec is acquiring Crane's FRP business to eliminate competition in FRP—and to eliminate Verzatec's closest FRP competitor. For example, in a presentation to the CEO, Verzatec's senior management stated that the acquisition of Crane's FRP business by Verzatec would "modify the structure of the industry and make it more profitable," "reduce the number of participants in the market," and "'control' a competitor." Indeed, Verzatec's senior management identified these anticompetitive effects as the basis to support its acquisition of Crane's FRP business. The internal evaluation concluded that by acquiring Crane, Verzatec would "eliminate margin erosion caused by fierce competition," "[a]void potential 'new competitor,'" and gain "pricing and market control" in the FRP business. Against this backdrop, Verzatec's CEO determined that acquiring Crane was "the right step for consolidating FRP in America" and recommended the acquisition to Verzatec's Board of Directors.

Response to Paragraph 5:

Defendants deny that the intent of the acquisition is to eliminate competition in FRP; to the contrary, Defendants plan to bring significant benefits to U.S. manufacturing, jobs, and customers. Plaintiff's selective quotation of language in certain Verzatec documents, offered without context, is misleading. Plaintiff cites in Paragraph 5 a document created long before, and not in connection with, this transaction. Plaintiff's selective quoting of another document, a draft presentation, ignores that the presentation also highlights the "[c]omplementary market segments and customers" and "[v]isible synergies" between Verzatec and Crane. Defendants deny the remaining allegations of this Paragraph.

Paragraph 6:

**Section 7 of the Clayton Act prohibits mergers and acquisitions that are likely to substantially lessen competition and "tend to create a monopoly." If consummated, Verzatec's acquisition of Crane's FRP business would eradicate the competition that exists today in the market for pebbled FRP wall panels and would result in the combined entity possessing monopoly power. The acquisition would inflict competitive harm in a market for a critical building material for American businesses across the country—including small and medium-sized businesses such as convenience stores, local groceries, gas stations, and restaurants.**

Response to Paragraph 6:

Defendants admit that Section 7 of the Clayton Act prohibits mergers and acquisitions that are likely to substantially lessen competition and "tend to create a monopoly," but deny the remaining allegations of this Paragraph. The case law makes clear the important role of product market definition and entry and other legal defenses to a Section 7 claim.

Paragraph 7:

**Allowing Verzatec to eliminate Crane as a competitor would also violate Section 2 of the Sherman Act, 15 U.S.C. § 2, which prohibits monopolization of any relevant line of commerce. The proposed transaction violates Section 2 because it would allow Verzatec to unlawfully monopolize the market for the production and sale of pebbled FRP wall panels**

**in the United States by eliminating its most significant competitor and controlling around 80 percent of the market.**

Response to Paragraph 7:

Defendants deny that the transaction will violate Section 2 of the Sherman Act. Among other legal and factual errors, Plaintiff's allegations in this Paragraph are premised on an inaccurate product market definition and fail to properly address ease of entry. This Paragraph further contains Plaintiff's characterizations of federal statutes or regulations to which no response is required. To the extent that this Paragraph contains Plaintiff's characterization of its claims, legal conclusions, or allegations subject to proof by expert testimony, no response is required. Defendants deny the remaining allegations of this Paragraph.

**Paragraph 8:**

**Verzatec's proposed acquisition of Crane would eliminate the vigorous competition that exists between the companies today and allow Verzatec to accomplish its anticompetitive objective of achieving "FRP dominance." The proposed acquisition also results in Verzatec gaining monopoly power in the market for the production and sale of pebbled FRP wall panels. With control of approximately 80 percent of the pebbled FRP wall panel market in the United States after the transaction, Verzatec would have the power to raise prices, reduce quality, and provide inferior service to wholesalers and distributors of pebbled FRP wall panels. Ultimately, this acquisition harms millions of American businesses, including countless restaurants, grocery stores, convenience stores, and other commercial establishments. For the reasons set forth in this complaint, Verzatec's proposed acquisition of Crane is illegal and must be stopped.**

Response to Paragraph 8:

Plaintiff's selective quotation of language in certain Verzatec documents, offered without context, is misleading. The draft presentation Plaintiff quotes also highlights the "[c]omplementary market segments and customers" between Verzatec and Crane and "[v]isible synergies." This transaction will benefit U.S. consumers, jobs, and manufacturing. Defendants deny the remaining allegations of this Paragraph.

## II. DEFENDANTS AND THE PROPOSED ACQUISITION

### Paragraph 9:

**Verzatec is a privately held Mexican corporation with its headquarters in Monterrey, Mexico. Its revenues are not public. Stabilit America, Inc. is a wholly-owned subsidiary of Verzatec with its headquarters and principal place of business in Moscow, Tennessee. Verzatec and its subsidiary, Stabilit America, manufacture pebbled FRP wall panels on two high-speed, continuous-process production lines located in Monterrey, Mexico, and Moscow, Tennessee. Verzatec sells different kinds of building products and wall coverings, including pebbled FRP wall panels in the United States through Verzatec, Stabilit America, and business units, Marlite and Nudo. They sell pebbled FRP wall panels under several brand names, including Glasliner and Fiberlite.**

### Response to Paragraph 9:

Defendants admit that Grupo Verzatec is a privately held Mexican corporation with its headquarters in Monterrey, Mexico. Verzatec does not report its revenues publicly. Stabilit America, Inc. is a wholly-owned subsidiary of Grupo Verzatec with its headquarters and principal place of business in Moscow, Tennessee. Grupo Verzatec's subsidiaries manufacture pebbled FRP wall panels at facilities located in Monterrey, Mexico, and Moscow, Tennessee. Grupo Verzatec's subsidiaries, including Stabilit America, manufacture pebbled FRP wall panels under the brand names Glasliner and FiberLite. Defendants deny the remaining allegations of this Paragraph.

### Paragraph 10:

**In addition to pebbled FRP wall panels, Verzatec produces and sells other types of wall coverings, including higher-priced FRP wall panel products with different thicknesses, finishes, and fire-ratings. It also produces even higher-priced "value-added" and decorative FRP products that may be digitally printed with designs, logos or colors, or that mimic the appearance of tile and other wall coverings.**

### Response to Paragraph 10:

Defendants admit that Grupo Verzatec's subsidiaries and business units produce and sell various types of building products and wall coverings, including FRP wall panels with different

thicknesses, colors, finishes, and fire-ratings. Grupo Verzatec's subsidiaries and business units produce these other types of FRP wall panels that may be digitally printed with designs, logos, or colors, enhanced to mimic the appearance of tile, wood, stone, and other wall covering finishes. All of these other materials compete with "pebbled FRP wall panels"—the Plaintiff's purported product market that is the focus of Plaintiff's Complaint. Defendants deny the remaining allegations of this Paragraph.

**Paragraph 11:**

**Crane Company is a Delaware corporation headquartered in Stamford, Connecticut. Crane Company's wholly-owned subsidiary, Crane Composites, Inc., manufactures pebbled FRP wall panels on two high-speed, continuous-process production lines located in Joliet, Illinois, and Florence, Kentucky. In 2020, Crane Composites' total sales were \$176 million. Crane Composites sells different kinds of wall coverings, including pebbled FRP wall panels in the United States, and is headquartered and has a principal place of business in Channahon, Illinois. Crane Composites sells pebbled FRP wall panels in the United States under several brand names, including Glasbord and Sequentia.**

**Response to Paragraph 11:**

Defendants admit that Crane Company is a Delaware Corporation headquartered in Stamford, Connecticut. Defendants admit that Crane Composites, Inc. is a wholly-owned subsidiary of Crane Company with its headquarters and a principal place of business in Channahon, Illinois. Defendants admit that Crane Composites, Inc. manufactures pebbled FRP wall panels in Joliet, Illinois, and Florence, Kentucky, and sells pebbled FRP wall panels under the brand names Glasbord and Sequentia. Defendants admit that Crane Composites, Inc.'s total sales in 2020 were \$176 million. Defendants deny the remaining allegations of this Paragraph.

**Paragraph 12:**

**Pursuant to an agreement dated May 16, 2021, Verzatec, by and through its subsidiary, Stabilit America, Inc., agreed to acquire its largest competitor, Crane Composites, Inc., from Crane Company in an all-cash transaction valued at approximately \$360 million.**

Response to Paragraph 12:

On May 16, 2021, Verzatec and Crane entered into a Stock and Asset Purchase Agreement in a transaction valued at approximately \$360 million in cash whereby Verzatec will acquire all the voting securities of Crane Composites, Inc. and certain assets consisting of real property and the improvements thereon related to the Crane Composites, Inc. business from Crane Company. Defendants deny the remaining allegations of this Paragraph.

**III. INDUSTRY BACKGROUND**

**Paragraph 13:**

**FRP is a composite material made of polyester resin reinforced with fiberglass. For decades, FRP has been used to produce thin, utilitarian wall coverings. A variety of commercial businesses, such as restaurants, grocery stores, convenience stores, retail outlets, hotels, gyms, hospitals, schools, correctional facilities, car washes, meat and dairy facilities, clean rooms, and laboratories, use FRP wall panels in high-traffic areas where durability and sanitary performance are of paramount importance. As Verzatec’s website states, “[FRP wall panel] surfaces are tough, strong, and easy to clean. [They are] ideal for high traffic areas where hygiene and easy maintenance are a must.” A Verzatec brochure advertises FRP as “economical to install, easy to maintain and a breeze to sanitize over and over again.” Crane similarly boasts that its “FRP wall panels for interior use combine unsurpassed hygienic characteristics with durability” and “comply with common building, fire and food safety codes.”**

Response to Paragraph 13:

Defendants admit that FRP is a composite material that is primarily made of polyester resin reinforced with fiberglass and that it is used as wall coverings. Defendants admit that FRP can be used in a variety of businesses that include, among others, restaurants, grocery stores, convenience stores, retail outlets, hotels, gyms, hospitals, schools, correctional facilities, car washes, meat and dairy facilities, clean rooms, and laboratories. Defendants admit that this Paragraph quotes from Verzatec’s website and marketing brochures, which are promotional materials prepared in part to compete against non-FRP wall coverings. Defendants admit that

this Paragraph quotes from Crane’s website and marketing materials, which are promotional materials prepared in part to compete against non-FRP wall coverings. Defendants deny the remaining allegations of this Paragraph.

**Paragraph 14:**

**Defendants produce a variety of FRP wall panel products, including the pebbled FRP wall panels at issue in this Complaint. They have different thicknesses, finishes, and fire-ratings that affect their affordability and potential commercial uses. Pebbled FRP wall panels are the most popular and most commonly installed FRP wall panels. They have a pebble-textured-finish, a Class-C fire-rating, and a thickness of 0.09 inches. They are the most significant type of FRP panels sold in the United States. National and regional home-improvement retail chains refer to the pebbled FRP wall panels they stock as “plastic composite siding panel made of polyester resin with a cracked ice surface,” “impact resistant wall panel with an embossed finish and rigid design,” or “textured FRP wall panel.” The pebbled-textured panels are distinguishable from the Defendants’ more expensive varieties of flat FRP panels that feature smooth or decorative finishes or those with enhanced fire resistance. Retailers typically sell these higher priced FRP panels as a special order. For convenience and simplicity, this Complaint refers to the pebbled-texture, Class-C, 0.09 FRP walls panel as “pebbled FRP” wall panels.**

**Response to Paragraph 14:**

Defendants admit that they produce a variety of FRP wall panel products that have different thicknesses, finishes, and fire-ratings that make the FRP wall panel products attractive to end-user consumers for a variety of applications, and that Defendants’ wall panel products include pebbled FRP wall panels. Defendants admit that “pebbled FRP wall panels” are one type of commonly installed FRP wall panel, but FRP wall panels are only a small portion of a large wall covering industry and just one of many competitive wall covering options. Defendants admit that they manufacture and sell FRP wall panels in various colors and sizes that have an embossed, textured, or pebbled finish, with an ASTM E-84 Class C fire-rating, and a thickness of 0.09 inches. Defendants’ FRP wall panel products can be used for similar applications in a variety of businesses that include, among others, restaurants, grocery stores, convenience stores,

retail outlets, hotels, gyms, hospitals, schools, correctional facilities, car washes, meat and dairy facilities, clean rooms, and laboratories, depending on customer preferences such as performance characteristics, recyclability, installation costs, delivery time, or aesthetics. Defendants deny the remaining allegations of this Paragraph.

**Paragraph 15:**

**Defendants Verzatec and Crane sell pebbled FRP wall panels to their wholesale customers through retail and distribution channels. The retail channel is comprised of national and regional home-improvement retail chains, accounting for 40 to 50 percent of Defendants' pebbled FRP wall panel sales. The vast majority of customers purchasing pebbled FRP wall panels at home-improvement retail chains are professional contractors.**

Response to Paragraph 15:

Defendants admit that they sell pebbled FRP wall panels to large retailers such as The Home Depot and Lowe's and distributor customers. Defendants deny the remaining allegations of this Paragraph.

**Paragraph 16:**

**The distribution channel consists of building-supply distributors that range from single location, family-owned firms to regional or national distributors with dozens or hundreds of local outlets. To meet the needs of construction contractors, Verzatec and Crane have relationships with hundreds of building-supply distributors throughout the country. Verzatec and Crane offer these distributors financial incentives such as rebates, special pricing, and freight concessions to have their pebbled FRP wall panel brand stocked in each of the distributor's locations.**

Response to Paragraph 16:

Defendants admit that they sell pebbled FRP wall panels to distributors that sell building supplies and has such customers throughout the country, but Defendants deny that their FRP distribution channel is limited to building-supply distributors. Building-supply distributors compete with home-improvement retail chains. Defendants admit that they may offer

distributors rebates, special pricing, and freight savings depending on volume and the cost of raw materials. Defendants deny the remaining allegations of this Paragraph.

#### IV. RELEVANT MARKET

##### Paragraph 17:

**Courts define a relevant market as a tool for understanding the potential anticompetitive effects of an acquisition. A relevant market has both a product and a geographic dimension.**

##### Response to Paragraph 17:

Defendants admit that defining a relevant market correctly is necessary to assess whether there is harm to competition from a merger or that a monopoly has been created under the Sherman Act, but deny that Plaintiff has identified a relevant market and that competition will be harmed in the appropriate relevant market. To the extent a further response is required, Defendants deny the allegations of this Paragraph.

##### Paragraph 18:

**The proposed transaction would harm competition in the relevant market for the production and sale of pebbled FRP wall panels in the United States. One tool used to assess the extent to which products are substitutes, and thus whether they belong in the same market, is known as the “hypothetical monopolist” test. This test asks whether a firm that is the only seller of a product (a hypothetical monopolist) could profitably impose a price increase—specifically, a small but significant and non-transitory increase in price (“SSNIP”)—on at least one product sold by the merging firms in the relevant product market. As described below, pebbled FRP wall panels sold to customers in the United States satisfies this hypothetical monopolist test.**

##### Response to Paragraph 18:

This Paragraph is a conclusion of law to which no response is required. “The outer boundaries of a product market are determined by the reasonable interchangeability of use or the cross-elasticity of demand between the product itself and substitutes for it.” *Brown Shoe Co. v.*

*United States*, 370 U.S. 294, 325 (1962); *see also United States v. E.I. Du Pont de Nemours & Co.*, 351 U.S. 377, 393–95 (1956). Defendants deny the allegations of this Paragraph.

**Paragraph 19:**

**The sale of pebbled FRP wall panels to United States customers constitutes a relevant antitrust market and line of commerce under Section 7 of the Clayton Act and Section 2 of the Sherman Act. Pebbled FRP wall panels are pebble-textured, Class C fire-rated, and 0.09” thick. No reasonably interchangeable substitutes exist for pebbled FRP wall panels.**

Response to Paragraph 19:

This Paragraph is a conclusion of law to which no response is required. To the extent a response is required, Defendants deny that Plaintiff has identified a relevant market and that competition will be harmed in the appropriate relevant market. Defendants deny the remaining allegations of this Paragraph.

**Paragraph 20:**

**Other more-expensive FRP wall panel products produced by the Defendants, including “smooth-finish,” Class A fire-rated, or decorative-finish FRP wall panels are not reasonable alternatives to pebbled FRP wall panels. These higher-value products have distinct characteristics that separate them from pebbled FRP wall panels, such as a higher fire-rating, or aesthetic characteristics that mimic the look of other wall covering materials, and as a result, higher-value FRP wall panels are at least 50 percent more expensive than pebbled FRP wall panels.**

Response to Paragraph 20:

Defendants admit that they produce a variety of FRP wall panel products that have different thicknesses, finishes, and fire-ratings that make the FRP wall panel products attractive to end-user consumers for a variety of applications. To the extent that this Paragraph implies that these other “higher-value” FRP products do not compete with pebbled FRP wall panels, Plaintiff is wrong. These products compete with “pebbled FRP wall panels.” Defendants deny the remaining allegations of this Paragraph.

**Paragraph 21:**

**There are also a variety of wall covering materials in the broad category of building products including paint, ceramic tile, wallpaper, stainless steel, and types of plastic panels that are not reinforced with fiberglass (typically called “NRP” panels). Each of these alternative wall covering materials have different strengths and weaknesses based on their particular product characteristics and performance, but they do not provide the distinctive combination of product characteristics and proven performance in terms of durability, impact-resistance, cleanability, and ease-of-installation that pebbled FRP wall panels provide. For instance, paint is easily chipped or damaged and does not clean well. Tile is more expensive and time consuming to install, is less impact resistant, and is difficult to clean and maintain over time. Stainless steel is much more expensive than pebbled FRP wall panels. NRP damages more easily than pebbled FRP wall panels and is a “poor performer in cleanability and abrasion resistance” due to “a soft surface” and has a higher rate of thermal expansion than FRP, which can lead to “bulges in wall, incurring costly replacement.”**

**Response to Paragraph 21:**

Defendants admit that there are a variety of wall covering materials that compete with pebbled FRP wall panels including other FRP, paint, ceramic tile, wallpaper, vinyl wall coverings, stainless steel, non-reinforced plastic (“NRP”) panels, PVC planks, fiberglass reinforced gypsum panel, and thermoplastic panels. These wall covering materials have characteristics including performance, recyclability, installation costs, delivery time, or aesthetics. NRP, for example, is durable, impact resistant, cleanable, and recyclable. The cost of each material depends on a variety of factors. Defendants deny the remaining allegations of this Paragraph.

**Paragraph 22:**

**Architects and designers specify, and construction contractors and business owners purchase and rely on, pebbled FRP wall panels because of their superior value and performance compared to alternative materials such as paint, ceramic tile, stainless steel, NRP, wallpaper, wood, and even value-added FRP wall panels. Pebbled FRP wall panels are different from other wall covering materials and meet many of the “practical indicia” that courts rely on to define a relevant product market. As a result of pebbled FRP wall panels’ blend of characteristics and performance, customers would not reduce purchases or switch away from pebbled FRP wall panels in sufficient numbers to make a SSNIP of**

**pebbled FRP wall panels unprofitable. Accordingly, the production and sale of pebbled FRP wall panels constitutes a relevant product market and line of commerce under Section 7 of the Clayton Act and Section 2 of the Sherman Act.**

Response to Paragraph 22:

This Paragraph is a conclusion of law to which no response is required. To the extent a response is required, Defendants deny that Plaintiff has identified a relevant market and that competition will be harmed in the appropriate relevant market. Defendants deny the remaining allegations of this Paragraph.

**Paragraph 23:**

**The United States is a relevant geographic market. A hypothetical monopolist of pebbled FRP wall panels in the United States would impose at least a SSNIP on some customers. This price increase would not be defeated by buyer responses, including substitution away from pebbled FRP wall panels, or by arbitrage, e.g., customers purchasing pebbled FRP wall panels outside the United States. Accordingly, the sale of pebbled FRP wall panels to customers in the United States constitutes a relevant market and line of commerce under Section 7 of the Clayton Act and Section 2 of the Sherman Act.**

Response to Paragraph 23:

This Paragraph is a conclusion of law to which no response is required. To the extent a response is required, Defendants deny the allegations of this Paragraph.

## **V. ANTICOMPETITIVE EFFECTS**

**Paragraph 24:**

**The proposed acquisition would eliminate the fierce competition between Verzatec and Crane that exists today and unduly increase concentration in the already highly concentrated market for the sale of pebbled FRP wall panels in the United States. Indeed, the proposed acquisition would create a single dominant producer with over 80 percent of current sales and production capacity. With its new commanding position—unconstrained by its “biggest competitor” Crane—Verzatec would likely, among other things, raise prices, reduce quality, reduce levels of service, and eliminate excess capacity.**

Response to Paragraph 24:

Denied.

**Paragraph 25:**

The Supreme Court has held that mergers and acquisitions that significantly increase concentration in an already concentrated market are presumptively anticompetitive and, therefore, presumptively unlawful. To measure market concentration, courts often use the Herfindahl-Hirschman Index (“HHI”). HHIs range from 0 in markets with no concentration to 10,000 in markets where one firm has 100 percent market share. Courts have found that mergers that increase the HHI by more than 200 and result in an HHI above 2,500 in any market are presumed to be anticompetitive. Verzatec’s acquisition of Crane would substantially consolidate the relevant market. Pre-merger, the market is already highly concentrated with an HHI of 3,848. Post-merger, the HHI is 7,048, resulting in an increase of 3,200 points. This dramatic increase caused by the merger creates a strong presumption that this merger is unlawful under Section 7 of the Clayton Act and significantly exceeds increases in concentration that courts have found to be presumptively anticompetitive.

**Response to Paragraph 25:**

This Paragraph contains Plaintiff’s characterizations of federal statutes or regulations to which no response is required. Plaintiff’s allegations depend on its flawed product market allegations of a “pebbled FRP wall panel” product market and its assumption that entry is difficult. Defendants deny the remaining allegations of this Paragraph.

**Paragraph 26:**

Verzatec and Crane are two of only three companies in the United States that customers turn to in order to supply pebbled FRP wall panels. In strategic plans and other business documents, Crane and Verzatec each routinely identifies the other as its most significant competitor. In its most recent strategic plan, for example, Verzatec stated that Crane “remains our biggest competitor.” Defendants also routinely acknowledge in their internal documents that Verzatec, Crane, and a distant third competitor, Panolam, account for virtually all sales of pebbled FRP wall panels in the United States and regularly include market share charts depicting only these three firms in their strategic planning documents.

**Response to Paragraph 26:**

Verzatec and Crane both compete against many other companies, and FRP competes with many other products. Plaintiff’s selective quotation of language in certain Verzatec documents, offered without context, is misleading. Defendants deny the remaining allegations of this Paragraph.

**Paragraph 27:**

Defendants compete head-to-head to sell pebbled FRP wall panels to retail chains and building-supply distributors, resulting in lower prices, shorter delivery times, and better terms of service. In order to win, the Defendants closely monitor each other's prices and also compete against one another by offering financial incentives, including rebates, special pricing, and pre-paid freight, to entice distributors to carry their pebbled FRP wall panels. Such financial incentives may be tied to distributors winning large building projects as a form of "bid support." In one instance, Verzatec offered a four percent lower price than Crane's reported price to a distributor in order to win a bid for a large construction project in Phoenix, Arizona. Verzatec also offered a distributor in the Southwest pricing concessions to prevent that distributor from switching to Crane to supply nine local outlets. Similarly, Crane approved lower pricing to "convert" a distributor from Verzatec to Crane. The proposed acquisition would eliminate this important competition and result in higher prices.

**Response to Paragraph 27:**

Defendants specifically deny that the transaction would result in higher prices.

Defendants deny the remaining allegations of this Paragraph.

**Paragraph 28:**

Unless enjoined, the proposed acquisition would create one dominant firm that controls substantially all of the relevant production capacity for pebbled FRP wall panels, daunting for even the nation's largest major home-improvement retail chains. These customers obtain lower prices and a higher level of service from Verzatec and Crane by pitting the firms against each other in periodic solicitations called "line reviews." These retailers use the persistent and ever-present threat of opening up a "line review" to obtain better prices and service from Verzatec and Crane. The proposed acquisition would eliminate this critical head-to-head competition.

**Response to Paragraph 28:**

Denied.

**Paragraph 29:**

Both Defendants have faced pressure from their retailer and distributor customers when the other pebbled FRP wall panel suppliers do not follow their price increase announcements. Crane and Verzatec closely monitor each other's price announcements and have matched some of the price decreases and increases instituted. For example, when Crane attempts to raise price, it closely monitors Verzatec's response, knowing that if Verzatec does not match the increase, pressure from customers and the threat of lost sales will require Crane to make concessions. In the words of one Crane executive, the "risk we

**run with a price increase announcement, which should not be discounted, is that our competitors do not follow suit.”**

Response to Paragraph 29:

Plaintiff’s selective quotation of language in certain Defendants’ documents, offered without context, is misleading. Defendants deny the remaining allegations of this Paragraph.

**Paragraph 30:**

**Additionally, head-to-head competition between Verzatec and Crane has spurred the development of more efficient production lines in order to meet customer demand for pebbled FRP wall panels. The proposed acquisition would eliminate this important competition and empower Verzatec to reduce quality and potentially reduce production volumes for pebbled FRP wall panels.**

Response to Paragraph 30:

Defendants specifically deny that the transaction would empower Verzatec to reduce quality and potentially reduce production volumes for pebbled FRP wall panels. To the contrary, Verzatec plans to bring significant benefits to U.S. manufacturing, jobs, and customers. Defendants deny the remaining allegations of this Paragraph.

**Paragraph 31:**

**Tired of competing with Crane for business, Verzatec is now opting to buy its biggest competitor. Its anticompetitive objectives are clear. In an internal company analysis reviewed by senior executives, Verzatec identified key acquisition objectives that included whether a transaction would allow the company to “modify the structure of the industry and make it more profitable,” “reduce the number of participants in the market,” and “control a competitor”—Crane checked all the boxes. Verzatec’s executives were clear about the anticompetitive objectives of the transaction, including giving Verzatec “pricing and market control” by “improv[ing] distribution channel control” and “eliminate[ing] margin erosion caused by fierce competition [with Crane.]” Post-acquisition, Verzatec would be able to raise prices because most customers in the United States will have at most, one other distant option for the supply of pebbled FRP wall panels.**

Response to Paragraph 31:

Plaintiff’s selective quotation of language in certain Verzatec documents, offered without context, is misleading. Defendants deny the remaining allegations of this Paragraph.

**VI. ABSENCE OF COUNTERVAILING FACTORS**

**Paragraph 32:**

**New entry or expansion by existing competitors is unlikely to prevent or counteract the proposed acquisition’s likely anticompetitive effects. The pebbled FRP wall panel market has significant barriers to entry or expansion. For example, Crane’s investment bank has emphasized that “Crane Composites has built a moat around its customer relationships [through] a combination of competitive advantages . . . compared to international competitors that often run into supply chain issues.” Similarly, Verzatec has recognized that numerous “entry barriers represent a competitive advantage to [Verzatec].” Verzatec’s CEO even touted that a benefit of the proposed acquisition is that the new company would be so powerful that it “prevents a ‘new entrant’ to participate as [a] competitor.”**

Response to Paragraph 32:

Defendants deny that new entry or expansion by existing competitors is unlikely and that there are significant barriers to entry or expansion for “pebbled FRP wall panels.” Pebbled FRP wall panels are a basic commodity material that is not complex to manufacture, distribute, or sell to a wide variety of customers. The basic technology for FRP manufacturing has existed for decades—there are no patent or intellectual property barriers to manufacture FRP pebbled wall panels. Plaintiff’s selective quotation of language in certain Verzatec documents, offered without context, is misleading. Defendants deny the remaining allegations of this Paragraph.

**Paragraph 33:**

**Based on competitive conditions and constraints, Panolam is unlikely to expand or constrain Verzatec from increasing prices if the proposed acquisition is completed. Panolam is a smaller manufacturer that has only one production line compared to four production lines owned by Defendants.**

Response to Paragraph 33:

Defendants deny that Panolam cannot expand or constrain Verzatec from increasing prices if the transaction is completed. Defendants face significant competition from Panolam, other FRP manufacturers, and numerous other manufacturers of wall coverings including other FRP, paint, ceramic tile, wallpaper, vinyl wall coverings, stainless steel, NRP panels, PVC planks, and thermoplastic panels. Defendants deny the remaining allegations of this Paragraph.

Paragraph 34:

**There are U.S. and foreign firms that currently manufacture and sell a high-grade FRP product to the recreational vehicle (“RV”) industry, but these firms are unlikely to reposition to expand production of pebbled FRP wall panels. A substantial share of RV-grade FRP is produced through a batch process that is not suitable for high-speed production of pebbled FRP wall panels, which are produced on continuous-process lines. Because it is more difficult to produce, RV-grade FRP also earns higher margins than pebbled FRP wall panels. Due to the differences in both production methods and margins, it is unlikely that producers would divert production capacity from RV-grade FRP to pebbled FRP wall panels in the event of a price increase in pebbled FRP wall panels.**

Response to Paragraph 34:

Defendants admit that there are U.S. and foreign firms that currently manufacture and sell FRP in the United States in the RV industry. Making the more sophisticated FRP product for RVs, those firms could easily reposition to more directly compete in the commodity product of pebbled FRP wall panels. Defendants deny the remaining allegations of this Paragraph.

Paragraph 35:

**A new firm is unlikely to successfully enter and sell FRP in the United States. Verzatec and Crane have built rival production and warehouse networks in the United States and Mexico that they each integrate into the highly fragmented building-supply distribution network and the retail channel. Building a new manufacturing facility, or even introducing new equipment to an existing facility in the United States is expensive. Other firms seeking to enter the market or expand would need to spend a significant amount of time and money to acquire manufacturing equipment, build new facilities and accompanying infrastructure, and hire qualified employees. Even after taking on this costly and time-consuming investment, without the scale of orders needed to operate**

**efficiently, the firm would not be able to offer the same cost-effective distribution as Verzatec and Crane do today.**

Response to Paragraph 35:

Defendants deny that it is unlikely for a new firm to successfully enter and sell FRP in the United States. Numerous firms in the United States have already entered in the manufacturing or sale of FRP. Defendants deny the remaining allegations of this Paragraph.

**Paragraph 36:**

**Entry by foreign suppliers will not be timely, likely, or sufficient to counteract the anticompetitive effects of the proposed transaction. First, many foreign firms do not have the same equipment as the Defendants to produce pebbled FRP wall panels. Foreign firms have previously tried and failed to enter the FRP wall panel market, due to barriers including lengthy supply chains, the high cost of ocean freight relative to the value of pebbled FRP wall panels, and the difficulty of obtaining effective distribution. The high cost of ocean freight in recent years has only increased this already substantial barrier to expansion by any foreign FRP producers. Verzatec itself just completed construction of a new PVC production line in the United States to avoid sourcing PVC from overseas due to supply chain issues.**

Response to Paragraph 36:

Denied.

**Paragraph 37:**

**Verzatec's claimed efficiencies are unsubstantiated and are not cognizable. For example, Verzatec claims that the acquisition will improve the combined firm's operations, but such improvements can be achieved by each Defendant independently, without the transaction eliminating the important competition between Verzatec and Crane. Moreover, any of the claimed efficiencies that arise from combining or consolidating production may actually harm competition by reducing available capacity in the industry. In short, pebbled FRP wall panel customers and the American businesses they serve will be better off if Verzatec and Crane continue to compete for their business.**

Response to Paragraph 37:

Defendants admit that the transaction will improve the combined firm's operations and result in other substantial synergies and efficiencies. Defendants deny the remaining allegations of this Paragraph.

## VII. JURISDICTION AND VENUE

### Paragraph 38:

The United States brings this action under Section 15 of the Clayton Act, 15 U.S.C. § 25, and Section 4 of the Sherman Act, 15 U.S.C. § 4, to prevent and restrain Verzatec from violating Section 2 of the Sherman Act, 15 U.S.C. § 2, and restrain Defendants from violating Section 7 of the Clayton Act, 15 U.S.C. § 18. This Court has subject matter jurisdiction over this action under Section 15 of the Clayton Act, 15 U.S.C. § 25, Section 4 of the Sherman Act, 15 U.S.C. § 4, and 28 U.S.C. §§ 1331, 1337(a), and 1345.

### Response to Paragraph 38:

Defendants admit that this Court has subject matter jurisdiction over this action. Defendants specifically deny that the transaction would lessen competition in any market or otherwise violate the Clayton Act and Sherman Act. Defendants deny that Plaintiff is entitled to any relief. Defendants admit that Plaintiff filed its complaint under Section 15 of the Clayton Act, 15 U.S.C. § 25, and Section 4 of the Sherman Act, 15 U.S.C. § 4. Defendants deny the remaining allegations of this Paragraph.

### Paragraph 39:

Defendants Verzatec and Crane are engaged in interstate commerce and in activities substantially affecting interstate commerce. Verzatec and Crane manufacture and sell pebbled FRP wall panels throughout the United States. Defendants are engaged in a regular, continuous, and substantial flow of interstate commerce, and their FRP wall panel sales have had a substantial effect on interstate commerce.

### Response to Paragraph 39:

Defendants admit that they engage in interstate commerce. Defendants deny the remaining allegations of this Paragraph.

### Paragraph 40:

This Court has personal jurisdiction over each Defendant. Both Verzatec and Crane are corporations that transact business within this district through, among other things, their sale of pebbled FRP wall panels. Crane's headquarters and its major manufacturing facility are located within this district.

Response to Paragraph 40:

Defendants admit that this Court has personal jurisdiction over Defendants in this action. Defendants admit that Stabilit America transacts business within this district. Defendants admit that Crane transacts business within this district. Defendants admit that Crane's headquarters and its manufacturing facility are located within this district. Defendants deny the remaining allegations of this Paragraph.

Paragraph 41:

**Venue is proper in this judicial district under Section 12 of the Clayton Act, 15 U.S.C. § 22, and under 28 U.S.C. § 1391(b) and (c).**

Response to Paragraph 41:

Defendants admit that this district is the proper venue for this action.

**VIII. VIOLATIONS ALLEGED**

Paragraph 42:

**Verzatec's proposed acquisition of Crane is likely to substantially lessen competition and tend to create a monopoly, in interstate trade and commerce in the relevant market in violation of Section 7 of the Clayton Act, 15 U.S.C. § 18.**

Response to Paragraph 42:

Denied.

Paragraph 43:

**In addition, Verzatec's proposed acquisition of Crane would eliminate Crane as a significant competitor, conferring both monopoly power and an approximately 80 percent share of the market to Verzatec. Accordingly, the proposed acquisition would allow Verzatec to unlawfully monopolize the market for the production and sale of pebbled FRP wall panels. The proposed acquisition thus constitutes monopolization in violation of Section 2 of the Sherman Act, 15 U.S.C. § 2.**

Response to Paragraph 43:

Denied.

**Paragraph 44:**

The proposed acquisition would likely have the following anticompetitive effects, among others, in the relevant market: (a) Eliminating significant head-to-head competition between Verzatec and Crane; (b) Increasing prices of pebbled FRP wall panels; (c) Reducing the quality of pebbled FRP wall panels; (d) Reducing the levels of service to pebbled FRP wall panel customers; and (e) Reducing output of pebbled FRP wall panels.

Response to Paragraph 44:

Denied.

**IX. RELIEF REQUESTED**

**Paragraph 45:**

The United States requests that the Court: (a) Adjudge Verzatec's acquisition of Crane to violate Section 7 of the Clayton Act, 15 U.S.C. § 18; (b) Adjudge Verzatec's acquisition of Crane to violate Section 2 of the Sherman Act, 15 U.S.C. § 2; (c) Permanently enjoin Defendants from consummating Verzatec's proposed acquisition of Crane, and from entering into or carrying out any other transaction by which control of the assets or business of Crane would be combined with Verzatec; (d) Award the United States its costs of this action; and (e) Grant the United States such other relief as the Court deems just and proper.

Response to Paragraph 45:

Defendants deny that any of the requested relief is permitted or appropriate.

**X. DEFENSES / AFFIRMATIVE DEFENSES**

Defendants assert the following defenses without assuming the burden of proof on such defenses that would otherwise rest with Plaintiff:

**FIRST DEFENSE / AFFIRMATIVE DEFENSE**

The Complaint fails to state a claim upon which relief can be granted.

**SECOND DEFENSE / AFFIRMATIVE DEFENSE**

Granting the relief sought by Plaintiff is contrary to the public interest.

**THIRD DEFENSE / AFFIRMATIVE DEFENSE**

The Complaint fails to allege a plausible relevant product market.

**FOURTH DEFENSE / AFFIRMATIVE DEFENSE**

The Complaint fails to allege a plausible relevant geographic market.

**FIFTH DEFENSE / AFFIRMATIVE DEFENSE**

The transaction will result in substantial merger-specific efficiencies. The transaction will result in substantial efficiencies and other procompetitive effects that will directly benefit workers, consumers, and the American economy.

**SIXTH DEFENSE / AFFIRMATIVE DEFENSE**

The Complaint fails to allege any plausible harm to competition.

**SEVENTH DEFENSE / AFFIRMATIVE DEFENSE**

New and rapid entry, as well as expansion, by competitors will ensure that there will be no harm to competition, consumers, or consumer welfare.

Defendants reserve the right to assert any other defenses as they become known to Defendants.

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WHEREFORE, Defendants respectfully request that this Court deny Plaintiff's requested relief, dismiss this action with prejudice, and grant such other and further relief as may be proper and just.

Dated: April 5, 2022

Respectfully submitted,

/s/ J. Mark Gidley

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