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UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

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

In the Matter of **Visant Corporation** **a corporation,** **Jostens, Inc.** **a corporation,** **and** **American Achievement Corporation** **a corporation.**	**Docket No. 9362** **PROVISIONALLY REDACTED PUBLIC VERSION**

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act ("FTC Act"), and by virtue of the authority vested in it by the Act, the Federal Trade Commission ("Commission"), having reason to believe that Respondents Visant Corporation ("Visant"), Jostens, Inc. ("Jostens"), and American Achievement Corporation ("AAC"), having executed a stock purchase agreement in violation of Section 5 of the FTC Act, 15 U.S.C. § 45, which if consummated would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint pursuant to Section 5(b) of the FTC Act, 15 U.S.C. § 45(b), and Section 11(b) of the Clayton Act, 15 U.S.C. § 21(b), stating its charges as follows:

I.

NATURE OF THE CASE

1. High school and college students in the United States purchase class rings to commemorate their academic achievement and show their affiliation to their alma maters. In schools around the country, class rings symbolize longstanding traditions and shared values across generations of students and alumni, representing an enduring connection to the school and its community. Today, three vendors control over [redacted] percent of these class ring sales: Visant (through its Jostens subsidiary), AAC, and Herff Jones, Inc.

("Herff Jones"). Collectively known as the "Big Three," Jostens, AAC, and Herff Jones have competed against one another for nearly a century and together they have long dominated the high school and college class rings markets. The Big Three vigorously compete for high school and college class ring accounts on a regular basis. As one AAC document exclaims: [redacted] Respondents now propose to reduce the Big Three to a "Big Two," eliminating robust head-to-head competition and greatly enhancing the remaining two companies' ability to collude. The result will be higher prices and lower quality and service for students across the United States.

2. Visant, through its Jostens subsidiary, seeks to acquire AAC for approximately [redacted] (the "Acquisition"). The Acquisition will combine Jostens, the leading high school class rings vendor and a strong second in college class ring sales, with AAC, the leading college class ring vendor and the number two in high school class ring sales. Respondents' combined market shares will account for approximately [redacted] percent of high school and [redacted] percent of college class ring sales nationwide. The resulting market shares for high school and college class rings far exceed the market concentration levels presumed likely to result in anticompetitive effects under the relevant case law and the *U.S. Department of Justice and Federal Trade Commission Horizontal Merger Guidelines* ("Merger Guidelines").

3. The vigorous head-to-head competition between Jostens and AAC currently benefits students, as well as their parents and schools. That competition results in lower ring prices, better warranty protection, improved services, and contributions to school programs, such as scholarship funds and educational support programs. The Acquisition will eliminate the competition that produces these benefits. Moreover, the Acquisition will leave two firms controlling over [redacted] percent of the manufacture and sale of high school and college rings in the United States. Firms in this industry already successfully track each other's pricing and offer similar ring lines, services, and complementary graduation products. The Acquisition will leave two firms with high visibility into each other's day-to-day pricing and bidding activities, making the industry ripe for anticompetitive coordination between the remaining Big Two.

4. New entry and expansion into the relevant markets will not prevent the Acquisition's anticompetitive effects. Manufacturing is a significant barrier to entry. It is expensive and time consuming to establish effective production and to fabricate the significant ring mold inventories needed to compete with the Big Three. The well-established reputations the Big Three have burnished over the last century are an important aspect of the business and serve to keep entry barriers high. They also control sales representatives who often have long-standing relationships with high school and college administrators. Those sales representatives compete with each other to earn exclusive on-campus selling rights. Competitors outside of the Big Three rarely dislodge their entrenched sales representatives. Further, the Big Three's sales representatives sign non-compete or non-solicit agreements that prohibit them from selling competing class rings and other

graduation products. Finally, the significant brand equity enjoyed by the Big Three makes sufficient entry and fringe competitor expansion difficult and unlikely.

5. Respondents cannot show cognizable efficiencies that would outweigh the anticompetitive effects that will occur if the Acquisition is consummated.

II.

BACKGROUND

A.

Jurisdiction

6. Respondents, and each of their relevant operating entities and parent entities are, and at all relevant times have been, engaged in commerce or in activities affecting "commerce" as defined in Section 4 of the FTC Act, 15 U.S.C. § 44, and Section 1 of the Clayton Act, 15 U.S.C. § 12.

7. The Acquisition constitutes an acquisition subject to Section 7 of the Clayton Act, 15 U.S.C. § 18.

B.

Respondents

8. Respondent Visant is a holding company incorporated under and by virtue of the laws of Delaware. Headquartered in Armonk, New York, Visant is a leading marketing and publishing services enterprise that operates through multiple subsidiaries. For fiscal year 2013, Visant generated approximately $1.1 billion in sales revenue, of which 17% was derived from the sale of class rings and other jewelry.

9. Respondent Jostens is a Visant subsidiary. Jostens is a leading manufacturer and seller of class rings and other graduation products, including graduation announcements, diplomas and diploma covers, caps and gowns, and yearbooks. Jostens relies heavily on a network of approximately [redacted] exclusive sales representatives to sell these products directly to schools and students at both high schools and colleges. Jostens sells a small number of class rings through the retail channel under the Gold Lance brand.

10. Respondent AAC is owned by the private equity fund Fenway Partners Capital Fund II, LP. Incorporated under and by virtue of the laws of Delaware, AAC is headquartered in Austin, Texas. AAC is a leading manufacturer and seller of class rings, varsity jackets, and other graduation products, including graduation announcements, diplomas and diploma covers, and yearbooks, utilizing approximately [redacted] exclusive sales representatives. AAC sells both high school and college class rings through its Balfour

brand. AAC also sells a substantial volume of high school class rings through the retail channel at Walmart, department stores, national jewelry chains, and independent jewelry stores. AAC's sales revenue in fiscal year 2013 totaled [redacted], of which [redacted] percent was derived from class ring sales.

C.

The Acquisition

11. Pursuant to a November 19, 2013 stock purchase agreement (the "Agreement"), Jostens proposes to pay approximately [redacted] to acquire all of AAC's common and non-voting preferred stock, discharge fully AAC's indebtedness, and to cover its management fees, bonuses, and transaction expenses. Visant guaranteed Jostens' obligations under the Agreement.

III.

<u>CLASS RINGS OVERVIEW</u>

A.

High School Class Rings Overview

12. High school students purchase class rings to commemorate their high school experiences, express pride in their school, and celebrate a significant milestone in their lives. This purchase carries enduring sentimental value for students and their parents. High school class rings are crafted in a variety of metals, weights, and styles for both men and women. Class rings are highly customizable to individualize the ring for each student. For example, each student can style the shank (or side) of his or her ring with various design features, such as the high school's mascot, emblems for sports and extracurricular activities, and the student's name and graduation year.

13. High school class rings are sold through two channels: on-campus and retail. The vast majority—over [redacted] percent by revenue—of high school class rings are sold by the Big Three to their national networks of on-campus sales representatives. These sales representatives—who are not employees of the Big Three and are thus considered independent—compete with each other to earn the exclusive right to sell one of the Big Three's class rings and other products on a particular campus. In addition to class rings, the sales representatives typically sell a full line of graduation products, including graduation announcements, diplomas and diploma covers, caps and gowns, and other graduation-related accessories.

14. The agreements between the Big Three and their sales representatives grant each representative the exclusive right to sell that vendor's class rings and other graduation products in a specified territory. The sales representatives in turn grant exclusivity to

their respective Big Three vendor for class rings and some other products. The Big Three prohibit their sales representatives from selling graduation products (including class rings) manufactured by a competitor and require their sales representatives to sign non-compete or non-solicit agreements to deter defections.

15. The Big Three and their sales representatives frequently share competitive intelligence, including regular reporting by the representatives on pricing and competition in their territories. The Big Three routinely support their sales representatives by providing goods, services, and other support directly to the high schools and students to win high school accounts. Respondents also have a high degree of input into and effect on the prices their sales representatives charge end-consumers. Jostens and AAC generally set a suggested retail price ("SRP") for the sales representatives to charge end-customer students and parents. Although the sales representatives make a commission on each ring sale, Jostens and AAC design their commission structures to discourage their representatives from deviating substantially from the SRPs.

16. The Big Three's sales representatives compete with each other to be selected by a high school's principal or administrator as the school's exclusive on-campus class ring seller through a formal or informal selection process. High school principals, on behalf of their students, seek the best price and quality rings and the highest levels of customer service. Sales representatives also often compete by offering to fund scholarships, sponsoring school improvements, offering educational support programs, and supplying free products to faculty and under-privileged students. The class ring vendors subsidize the costs of these "value-added programs" and incentive packages, especially when trying to win new accounts or avoid losing their existing accounts. All of this competition benefits students.

17. Once an on-campus vendor is chosen, that vendor's sales representative has exclusive access to the students at the school. Yet, despite this exclusivity, the on-campus sales representative knows that if he or she performs poorly (*e.g.*, by charging too much or providing poor service), he or she risks losing the school account to a rival on-campus vendor. Sales representatives typically visit their schools several times over the course of a school year, not only to market and sell class rings and other graduation products to students and parents, but also to size rings, walk students through the ordering process, and address any service-related issues. Sales representatives typically also visit schools supplied by their rivals in an effort to win them over as new accounts.

18. High school class rings are also sold through the retail channel in brick-and-mortar stores and online. The brick-and-mortar retailers selling high school class rings include Walmart, department stores, national jewelry chains, and independent jewelers. Jostens sells a small number of high school class rings through retail. In contrast, AAC is by far the largest vendor of high school class rings sold through the retail channel. AAC manufactures approximately [redacted] percent of all high school class rings sold through retail, with about [redacted] percent of those retail units sold through Walmart. Herff Jones does not

manufacture or sell retail high school class rings, so the combined entity will control more than [redacted] percent of the retail channel following the Acquisition.

19. There are significant differences between high school class rings sold by retailers and those sold on-campus. Retailers offer fewer style, design, and metal options as compared to the Big Three's on-campus sales representatives. For example, the Big Three's on-campus rings have mascots and designs unique to particular high schools, whereas typically retail rings do not. Retailers also offer substantially less comprehensive warranties than those available for on-campus rings. Finally, the level of customer service provided by retailers is not comparable to the high level of service and attention afforded to students and parents by on-campus sales representatives, who are often experts in the field and very experienced in working with students on the ordering process and the on-campus class rings' abundant customizable features.

B.

College Class Rings Overview

20. Like high school class rings, college class rings commemorate a student's successful post-secondary education and express a sense of affiliation with a college and its alumni. But unlike high schools, nearly all college rings are sold through college bookstores, alumni associations, and student agencies. College bookstores generally select their class ring vendors through periodic formal requests for proposals ("RFPs") and competitive reviews. Class ring vendors need college approval to sell rings with the college's licensed official name, marks, logos, and other insignia. Once approved, class ring vendors pay licensing royalties to certain licensing companies. Retailers sell very few college class rings. For example, [redacted] because it does not offer class rings with college-licensed marks, seals, logos, or other insignia.

21. College class rings fall into two broad categories: (1) official rings that do not differ substantially from student to student and year to year at a particular college and are offered through official ring programs ("ORPs"); and (2) multi-choice rings that allow students a greater degree of personalization. Colleges with ORPs select an exclusive class ring vendor through a RFP or bid process. For multi-choice class ring accounts, a college may approve multiple vendors. For multi-choice rings, vendors compete in a RFP or bid process to be an approved vendor. Each approved vendor then competes side-by-side on the college's campus against the other approved vendor(s) to sell class rings to students.

22. In the college market, sales representatives—many of whom are employed directly by the vendor—are also very important. Sales representatives provide marketing materials to promote the college's class rings, assist students with in-person ring selection and order completion, and address any service issues. Vendors of college class rings make

significant expenditures to support their sales representatives and other marketing initiatives.

IV.

THE RELEVANT PRODUCT MARKETS

23. The first relevant product market in which to analyze the Acquisition's effects is the manufacture and sale of high school class rings. No other product serves the same commemorative function, carries the same traditions, or imparts the same sentimental value for high school students as high school class rings. Other products are not included in this relevant product market because not enough consumers would switch to such products to make a small but significant and non-transitory increase in price ("SSNIP") of high school class rings unprofitable for a hypothetical monopolist.

24. The second relevant market in which to analyze the Acquisition's effects is the manufacture and sale of college class rings. No other product serves the same commemorative function, carries the same traditions, or imparts the same sentimental value for college students as college class rings. Other products are not included in this relevant product market because not enough consumers would switch to such products to make a SSNIP of college class rings unprofitable for a hypothetical monopolist.

25. Defining separate relevant product markets for high school and college class rings is appropriate because college students do not view high school class rings as substitutes for college class rings and vice versa.

V.

THE RELEVANT GEOGRAPHIC MARKET

26. The relevant geographic market in which to analyze the effects of the Acquisition is no broader than the United States. The Big Three manufacture and sell class rings to their broad networks of sales representatives that enable them to compete on a nationwide basis. [redacted] The Big Three are the only major high school and college class ring manufacturers that distribute nationwide and have sales in most regions of the country. Respondents track each other's market shares on a national level. Although each of the Big Three has areas of the United States where it is a stronger or weaker competitor relative to the other two vendors, no other manufacturer or seller of high school and college class rings operates on a comparable scale.

VI.

MARKET STRUCTURE AND THE ACQUISITION'S PRESUMPTIVE ILLEGALITY

27. Post-Acquisition, the combined firm will control more than [redacted] percent of the high school ring market and more than [redacted] percent of the college class ring market, resulting in a dominant firm with only one meaningful (but much smaller) competitor in each market. Under the relevant case law and the Merger Guidelines, the Acquisition is presumptively unlawful, as it will greatly increase concentration in markets that already are highly concentrated.

28. The Herfindahl-Hirschman Index ("HHI") measures market concentration under the Merger Guidelines. A merger or acquisition is presumed likely to create or enhance market power, and thus is presumed illegal, when the post-merger HHI exceeds 2,500 points and the merger or acquisition increases the HHI by more than 200 points. Here, the market concentration levels for both markets exceed these thresholds by a wide margin. The post-Acquisition HHI in the high school class rings market will be 6,213, an increase of 2,492 points. The post-Acquisition HHI in the college class rings market will be 7,524, an increase of 3,430. The HHI figures for the high school and college class ring markets are summarized in Tables 1 and 2 below.[1]

Market Concentration Table 1: High School Class Rings[2]

Company	2013 Revenues	Pre-Merger Share	Post-Merger Share
Jostens	[redacted]	[redacted]	[redacted]
AAC	[redacted]	[redacted]	[redacted]
Herff Jones	[redacted]	[redacted]	[redacted]
Dunham Manufacturing	[redacted]	[redacted]	[redacted]
J. Lewis Small	[redacted]	[redacted]	[redacted]
Custom Personalization Solutions	[redacted]	[redacted]	[redacted]
National Recognition Products	[redacted]	[redacted]	[redacted]
J. Jenkins Sons Co., Inc.	[redacted]	[redacted]	[redacted]
Total	[redacted]	[redacted]	[redacted]
HHIs		**3,721**	**6,213**
Delta			**2,492**

[1] Visant, AAC, and Herff Jones revenues are net of sales representative commissions.
[2] Individual shares may not add up to 100% due to rounding.
[3] 2007 revenue.

Market Concentration Table 2: College/University Class Rings[2]

Company	2013 Revenues	Pre-Merger Share	Post-Merger Share
Jostens	[redacted]	[redacted]	[redacted]
AAC	[redacted]	[redacted]	
Herff Jones	[redacted]	[redacted]	[redacted]
National Recognition Products	[redacted]	[redacted]	[redacted]
J. Lewis Small	[redacted]	[redacted]	[redacted]
Total	**$69,322,138**	[redacted]	[redacted]
HHIs		**4,094**	**7,524**
Delta			**3,430**

VII.

ANTICOMPETITIVE EFFECTS

A.

The Acquisition Will Eliminate Direct, Head-to-Head Competition Between Jostens and AAC

29. The Acquisition will eliminate direct, head-to-head competition between two of the three largest class ring vendors in the relevant markets. Students and parents benefit substantially from competition between Jostens and AAC, in the form of lower class ring prices, better product quality, improved customer service and warranties, and financial support from Jostens and AAC to their schools. The Acquisition will likely reduce these benefits significantly, harming students, parents, and schools by eliminating Jostens' and AAC's incentives to compete against one another.

1. The Acquisition Will Likely Harm High School Students

30. Respondents set their wholesale class ring prices to their sales representatives based in part on the competitive conditions in the marketplace, including in particular, feedback they receive from their sales representatives regarding their competitors' on-campus prices.

31. Jostens' and AAC's sales representatives vigorously compete with each other to be selected as a high school's exclusive on-campus class ring seller. To the extent on-campus high school class rings face competition from retail high school class rings, the bulk of this competition comes from AAC, given it produces the vast majority of the rings sold in the retail channel.

32. High school administrators take into account their students' interests when selecting their school's on-campus class ring vendor. As a result, they care about and consider price, quality, reputation, and service when selecting a representative. Moreover, even though the Big Three have high retention rates for their high school accounts, Jostens' and AAC's sales representatives regularly solicit each other's schools in an attempt to steal accounts from one another. This ongoing competition incents incumbent sales representatives to provide responsive customer service and lower prices to high school students, parents, and administrators in order to maintain their accounts. Indeed, Respondents' ordinary-course business documents confirm that Jostens and AAC compete directly with each other along price, quality, and service dimensions when trying to win high school accounts:

a. Feedback collected by Jostens from its sales representative in 2012 highlighted the importance of class ring prices in winning a school account: [redacted]

b. [redacted]

c. In 2013, Jostens gave pricing concessions to a sales representative competing to keep [redacted] class ring business. In a discussion with the sales representative, Jostens stated: [redacted]

d. In 2013, in an attempt to win the [redacted] class ring bid, one of AAC's Regional Managers requested the [redacted] to take the account away from Jostens.

e. In 2012, Jostens' sales representatives in [redacted] took two of AAC's long-standing high school class ring accounts [redacted] by working with Jostens to offer competitive pricing: [redacted]

f. In 2011, an AAC sales representative requested price concessions, noting: [redacted]

33. Jostens and AAC also track each other's warranty options, with AAC introducing its extended warranty option for its on-campus high school class rings in response to Jostens' introduction of a similar warranty. Both Jostens and AAC have also developed several high school educational enrichment programs, in part, to compete against one other.

34. Eliminating this head-to-head price and non-price competition between Jostens and AAC substantially enhances the combined firm's ability to exercise market power. The Acquisition will allow the combined firm to recapture the substantial business that Jostens and AAC would otherwise lose to one another, and will thus increase the combined firm's incentive to increase prices and reduce quality and service levels. It will also reduce the combined firm's incentive to offer financial support and to fund educational enrichment programs that benefit schools and their students, because these value-added benefits are, in large part, the products of competition between Jostens and AAC for high school accounts.

35. In addition to the loss of competition between Jostens and AAC in the on-campus channel, the Acquisition will lessen competition between Jostens' on-campus and AAC's retail businesses. There is limited competition between on-campus rings and those sold at retail given the many style, design, metal option, warranty, and service differences. Nevertheless, to the extent that such competition exists, AAC sells approximately [redacted] percent of all high school class rings sold through the retail channel. To the extent Jostens' on-campus high school class rings today face competition from retail high school class rings, most of this competition comes from AAC. Currently, AAC has a strong incentive to use its retail presence to compete aggressively on price with Jostens' on-campus class rings, particularly in areas where AAC has few or no sales representatives. Eliminating that competition will enhance the combined firm's ability to raise prices in both channels, further harming high school students across the country.

2. The Acquisition Will Likely Harm College Students

36. AAC and Jostens are also the number one and two college class ring vendors and compete vigorously in that market; Herff Jones is a distant third. Retailers sell very few college class rings, and as the market shares reflect, vendors other than the Big Three are virtually nonexistent in the college class ring market.

37. The Acquisition will allow the combined firm to exercise enhanced market power, harming consumers. Competition between college class ring vendors generally takes one of two forms: (1) competing in a RFP or bid process to be selected for the ORP; or (2) competing side-by-side on college campuses against another approved vendor to sell class rings to students.

38. Respondents' ordinary-course business documents illustrate the significant competition between Jostens and AAC in both competitive settings. For example, in 2011, AAC's Director of College Marketing agreed to a sales representative's request for lower class

ring prices to stay competitive in a side-by-side: [redacted] That same Director of College Marketing approved price reductions for side-by-sides at several universities the year before, noting the [redacted]

Respondents' documents further highlight this head-to-head competition in the college market:

a. In 2012, one of AAC's regional managers reported [redacted] in an effort to win [redacted] class ring business, and that: [redacted]

b. In 2011, an AAC sales representative noted that in a side-by-side at St. Mary's College: [redacted]

c. A 2011 AAC internal memorandum noted: [redacted]

d. In 2011, AAC and Jostens bid against each other to be the exclusive ring supplier for the [redacted], with AAC noting, [redacted]

e. In 2011, AAC's ORP National Director reported on Jostens: [redacted]

39. Colleges play one vendor off another to get lower college class ring pricing and better quality and service. Post-Acquisition, colleges will no longer have the ability to use Jostens to improve AAC's bids or vice-versa. Moreover, the combined firm will be able to recapture college class rings sales that Jostens and AAC would otherwise lose to one another by increasing its ring prices or lowering its ring quality. Importantly, competition from the only other significant vendor, Herff Jones, is unlikely to alleviate this harm or otherwise protect college class ring consumers. [redacted]

[redacted] suggests that it is a substantially less desirable option than AAC and Jostens for many colleges and their students.

B.

The Acquisition Will Likely Lead to Anticompetitive Coordination

40. The Acquisition will result in an effective duopoly of Jostens/AAC and Herff Jones, enhancing their incentive and ability to coordinate behavior in the markets for high school and college class rings. Both of these markets already have many features that increase the likelihood of post-Acquisition coordination, including substantial price transparency, stable market shares, and high barriers to entry.

41. After the Acquisition, with only two major manufacturers of high school and college class rings, it will become substantially easier for the remaining Big Two to coordinate with one another on price and non-price terms to achieve supracompetitive prices or other anticompetitive outcomes.

42. Post-Acquisition, detection of cheating in a coordinated scheme will become significantly easier. Today, information regarding which firm wins or loses particular accounts can be opaque in many instances. Although a member of the Big Three can safely assume a lost account went to one of the other two, it is often unsure to which one. The Acquisition eliminates this uncertainty by leaving only one firm to which each is likely to lose.

43. By acquiring AAC, Jostens will eliminate the Big Three vendor with the most divergent competitive incentives, given AAC's uniquely large presence in the retail channel. AAC, unlike Herff Jones and Visant, sells a significant number of its high school class rings through the retail channel. After the Acquisition, Jostens' incentive to disrupt a coordination scheme using the AAC retail brands is much lower as compared to AAC's pre-Acquisition incentive.

44. Today, the high school and college class ring markets are both highly concentrated, with the Big Three accounting for approximately [redacted] percent of the high school market and nearly [redacted] percent of the college market. Market shares have remained relatively stable over the last several years, with little shifting among the Big Three, and limited entry or expansion by fringe vendors.

45. The Big Three have substantial visibility into each other's pricing in both relevant markets—both the wholesale prices to sales representatives and retailers, and the end prices charged to students and parents. For example, the Big Three make their end pricing information readily available online. The Big Three's sales representatives also have tremendous insight into local competitive conditions and are able to obtain their rivals' class ring prices. [redacted] College class ring sales representatives also are able to observe their competitors'

activities where they are selling in side-by-side situations. Where colleges engage in RFPs, the Big Three receive direct feedback about rivals from college decision-makers during the RFP process and from competitive bid documents shared post-award.

46. Post-Acquisition, the combined Jostens/AAC and Herff Jones, already possessing substantial up-to-date price and non-price information about each other, will have increased opportunity and incentives to coordinate their behavior.

VIII.

ENTRY BARRIERS

47. Neither entry by new class ring vendors, nor expansion by existing market participants will deter or counteract the Acquisition's likely serious competitive harm in the relevant markets.

48. New class ring vendor entry will not be likely, timely, or sufficient to offset the Acquisition's harmful effects. Creating an effective class ring manufacturing operation requires a significant investment of capital and time. Class ring manufacturing requires the production of molds. Regardless of whether the molds are produced through traditional hand tooling or modern computer-aided methods, a new entrant would need to build a large inventory of molds in order to offer the highly customized rings that would enable it to compete effectively. For example, AAC currently has [redacted] ring molds, while a fringe competitor, [redacted], after years of effort and significant investment has approximately [redacted]. Even if new class ring manufacturing entry did occur, it is unlikely that it would be sufficient to offset the Acquisition's harm because of the time it would take a new vendor to build up its mold inventory.

49. Difficulty gaining access to distribution channels presents an additional barrier to new entry or expansion in the markets for high school and college class rings. Sales representatives are crucial for selling on-campus high school and college class rings, in large part because of their enduring customer relationships. The Big Three vendors use non-compete and non-solicit agreements to discourage their sales representatives from switching to other competitors. In addition, high schools continue to prefer an on-campus class rings vendor that also sells a full line of graduation products. Successful entry into the class ring markets would therefore likely require simultaneous entry into multiple product lines, either through manufacture or third-party sourcing agreements. Entering the market for college class rings, moreover, would require a new entrant to pay licensing fees. Ring vendors normally must pay a royalty for the use of college's name, seal, logo, or other insignia.

50. Meaningful entry into the retail channel would be difficult as well. An entrant would have to overcome the same manufacturing and mold inventory hurdles because retailers generally require customizable rings. In addition, any class ring vendor attempting to enter the retail channel would have to be able to fulfill orders, as retailers do not want to develop their own customization platforms or hold inventory.

51. Brand name and reputation also remain important to high schools and colleges regardless of whether class rings are sold on-campus or through retail. The Big Three have been manufacturing and selling rings for nearly a century and have well-established reputations. Building a reputation that a significant number of consumers will trust requires time and money. New entrants and online vendors cannot easily overcome this reputational hurdle.

52. Entry is also unlikely because neither relevant market is growing. Indeed, the high school class ring market has seen significant declines, which act as a significant deterrent to entry.

53. There is no recent history of meaningful entry, as the Big Three have maintained the lion's share of the markets for at least five years. In fact, Jostens acquired a fringe competitor, Intergold, in 2010.

54. Growth of fringe competitors sufficient to offset the Acquisition's likely significant competitive harm is also unlikely. Existing third-party competitors attempting to expand their presence in the class rings markets face the same manufacturing and distribution barriers as new entrants. While various fringe competitors have attempted to expand their presence in the class rings markets, none has meaningfully increased its market share.

IX.

EFFICIENCIES

55. Extraordinary merger-specific efficiencies are necessary to outweigh the Acquisition's likely significant harm to competition in the markets for the manufacture and sale of high school and college class rings. Respondents cannot show cognizable efficiencies necessary to justify the Acquisition in light of its substantial potential to harm competition.

X.

VIOLATION

COUNT I – ILLEGAL AGREEMENT

56. The allegations of Paragraphs 1 through 55 above are incorporated by reference as though fully set forth.

57. The Agreement constitutes an unfair method of competition in violation of Section 5 of the FTC Act, as amended, 15 U.S.C. § 45.

COUNT II – ILLEGAL ACQUISITION

58. The allegations of Paragraphs 1 through 55 above are incorporated by reference as though fully set forth.

59. The Acquisition, if consummated, may substantially lessen competition in the relevant markets in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and is an unfair method of competition in violation of Section 5 of the FTC Act, as amended, 15 U.S.C. § 45.

NOTICE

Notice is hereby given to the Respondents that the seventeenth day of September, 2014, at 10 a.m., is hereby fixed as the time, and the Federal Trade Commission offices at 600 Pennsylvania Avenue, N.W., Room 532, Washington, D.C. 20580, as the place, when and where an evidentiary hearing will be had before an Administrative Law Judge of the Federal Trade Commission, on the charges set forth in this complaint, at which time and place you will have the right under the Federal Trade Commission Act and the Clayton Act to appear and show cause why an order should not be entered requiring you to cease and desist from the violations of law charged in the complaint.

You are notified that the opportunity is afforded you to file with the Commission an answer to this complaint on or before the fourteenth (14th) day after service of it upon you. An answer in which the allegations of the complaint are contested shall contain a concise statement of the facts constituting each ground of defense; and specific admission, denial, or explanation of each fact alleged in the complaint or, if you are without knowledge thereof, a statement to that effect. Allegations of the complaint not thus answered shall be deemed to have been admitted.

If you elect not to contest the allegations of fact set forth in the complaint, the answer shall consist of a statement that you admit all of the material facts to be true. Such an answer shall constitute a waiver of hearings as to the facts alleged in the complaint and, together with the complaint, will provide a record basis on which the Commission shall issue a final decision containing appropriate findings and conclusions and a final order disposing of the proceeding. In such answer, you may, however, reserve the right to submit proposed findings and conclusions under Rule 3.46 of the Commission's Rules of Practice for Adjudicative Proceedings.

Failure to file an answer within the time above provided shall be deemed to constitute a waiver of your right to appear and to contest the allegations of the complaint and shall authorize the Commission, without further notice to you, to find the facts to be as alleged in the complaint and to enter a final decision containing appropriate findings and conclusions, and a final order disposing of the proceeding.

The Administrative Law Judge shall hold a prehearing scheduling conference not later than ten (10) days after the Respondents file their answers. Unless otherwise directed by the Administrative Law Judge, the scheduling conference and further proceedings will take place at the Federal Trade Commission, 600 Pennsylvania Avenue, N.W., Room 532, Washington, D.C. 20580. Rule 3.21(a) requires a meeting of the parties' counsel as early as practicable before the pre-hearing scheduling conference (but in any event no later than five (5) days after the Respondents file their answers). Rule 3.31(b) obligates counsel for each party, within five (5) days of receiving the Respondents' answers, to make certain initial disclosures without awaiting a discovery request.

NOTICE OF CONTEMPLATED RELIEF

Should the Commission conclude from the record developed in any adjudicative proceedings in this matter that the Acquisition challenged in this proceeding violates Section 5 of the Federal Trade Commission Act, as amended, and/or Section 7 of the Clayton Act, as amended, the Commission may order such relief against Respondents as is supported by the record and is necessary and appropriate, including, but not limited to:

1. If the Acquisition is consummated, divestiture or reconstitution of all associated and necessary assets, in a manner that restores two or more distinct and separate, viable and independent businesses in the relevant markets, with the ability to offer such products and services as Visant and AAC were offering and planning to offer prior to the Acquisition.

2. A prohibition against any transaction between Visant and AAC that combines their businesses in the relevant markets, except as may be approved by the Commission.

3. A requirement that, for a period of time, Visant and AAC provide prior notice to the Commission of acquisitions, mergers, consolidations, or any other combinations of their businesses in the relevant markets with any other company operating in the relevant markets.

4. A requirement to file periodic compliance reports with the Commission.

5. Any other relief appropriate to correct or remedy the anticompetitive effects of the transaction or to restore AAC as a viable, independent competitor in the relevant markets.

IN WITNESS WHEREOF, the Federal Trade Commission has caused this complaint to be signed by its Secretary and its official seal to be hereto affixed, at Washington, D.C., this seventeenth day of April, 2014.

By the Commission.

Donald S. Clark
Secretary

SEAL: