



Department of Justice

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JUSTICE DEPARTMENT FILES ANTITRUST SUIT AND CONSENT DECREE
IN ACQUISITION OF VELOBIND INC. BY GENERAL BINDING CORP.

WASHINGTON, D.C. -- The Department of Justice today filed a civil antitrust suit and consent decree that would allow General Binding Corp. of Northbrook, Illinois, to acquire VeloBind Inc. of Freemont, California.

The Department had announced on December 28, 1990, that it would file a civil antitrust suit challenging the proposed acquisition because, as then structured, it would violate Section 7 of the Clayton Act since the proposed acquisition would likely lessen competition substantially in the high-volume mechanized binding machine market in the United States.

The suit and the consent decree were filed in U.S. District Court in Washington, D.C.

High-volume mechanized binding machines are electric machines that can easily and securely bind numerous documents in a professional-looking manner. General Binding is the largest manufacturer of such machines in the United States. VeloBind is the second largest manufacturer of such machines and the sole manufacturer of plastic strip-binding machines in the United States. Together, the two firms account for about 88 percent of all domestic sales of high-volume mechanized binding machines.

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As originally structured, the merger agreement would have made General Binding the sole manufacturer and distributor of VeloBind high-volume plastic strip-binding machines and related supplies. As a result of the restructuring, General Binding will establish Gestetner Corporation of Greenwich, Connecticut, as a competing seller of these plastic strip-binding machines and supplies.

James F. Rill, Assistant Attorney General in charge of the Antitrust Division, said, "Gestetner's entry into the distribution and sale of high-volume plastic strip-binding machines will foster competition among high-volume mechanized binding systems to the benefit of consumers nationwide. Therefore, competition in that market will not be lessened as a result of the restructured merger agreement."

Gestetner is a leading nationwide retailer of office products. Its product lines include copiers and facsimile machines. The addition of high-volume mechanized binding machines will complement Gestetner's existing product lines.

General Binding has agreed to supply Gestetner at favorable prices with plastic strip-binding machines and the plastic strips used in the machines, which Gestetner will resell under a private label. General Binding also has agreed to license Gestetner at a favorable royalty rate under VeloBind's basic patent covering the plastic strips. The license will permit Gestetner quickly to

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begin manufacturing plastic strips and strip binding machines, for which no significant patent protection exists. Both agreements will expire January 18, 2000, the expiration date of the plastic strip patent.

The consent decree would require General Binding to notify the Department 60 days prior to making any modification, cancellation, rescission, or amendment to the supply and license agreements. General Binding Corp. could not proceed with any such modification, cancellation, rescission, or amendment without the written permission of the Department.

The consent decree would enjoin General Binding and Gestetner from discussing or exchanging any information relating to the prices at which General Binding or Gestetner will sell high-volume binding machines and related supplies.

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