

UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA

UNITED STATES OF AMERICA,)
)
 Plaintiff,) Civil Action No. ST-C-72-40
)
 v.)
) File: December 1, 1972
)
 THE WACHOVIA CORPORATION;)
 WACHOVIA BANK AND TRUST COMPANY,)
 N.A.; and)
 BANK OF GRANITE,)
)
 Defendants.)

COMPLAINT

The United States of America, plaintiff, by its attorneys, acting under the direction of the Attorney General of the United States, brings this civil action to obtain equitable relief against the above-named defendants and complains and alleges as follows:

I

JURISDICTION AND VENUE

1. This complaint is filed and this action is instituted under Section 15 of the Act of Congress of October 15, 1914, as amended (15 U.S.C. §25), commonly known as the Clayton Act, in order to prevent and restrain the violation by the defendants, as hereinafter alleged, of Section 7 of the Clayton Act, as amended (15 U.S.C. §18).

2. Each of the defendants transacts business and is found within the Western District of North Carolina.

II

THE DEFENDANTS

3. The Wachovia Corporation (hereinafter referred to as "Wachovia Corp.") is made a defendant herein. It is a corporation organized and existing under the laws of the State of North Carolina, with its principal place of business in Winston-Salem, Forsyth County, North Carolina. As used herein, Wachovia Corp. includes all subsidiaries of Wachovia Corp.

4. Wachovia Bank and Trust Company, N.A. (hereinafter referred to as "Wachovia") is made a defendant herein. Wachovia, a wholly owned subsidiary of Wachovia Corp., is a banking association organized under the laws of the United States and maintains its principal place of business in Winston-Salem, Forsyth County, North Carolina.

5. Bank of Granite (hereinafter referred to as "Granite Bank") is made a defendant herein. Granite Bank is a banking association organized under the laws of the State of North Carolina and maintains its principal place of business in Granite Falls, Caldwell County, North Carolina.

III

TRADE AND COMMERCE

6. Commercial banks fill an essential and unique role in the nation's economy. Their principal functions are the acceptance of deposits for safekeeping and convenience in making payments by check, the granting of loans or advances of funds to individuals and business firms, and the creation through demand deposits of net additions to the

supply of money. Most money payments in the United States are made through checks drawn against demand deposits, and the creation and holding of such deposits is a function peculiar to commercial banks and one which makes them to a great extent the administrators of the nation's check payment system. Through the making of loans to individuals and businesses, commercial banks supply a significant part of the credit requirements of the nation's economy.

Commercial banks also accept time deposits from various types of depositors and provide a wide variety of other financial services, including personal and corporate trust accounts, the collection of drafts, bills, and other commercial instruments, the acceptance of bills of exchange, the issuance of letters of credit, the sale of cashier's checks and drafts on correspondent banks, the purchase or sale of securities for customers, the sale of foreign exchange, and the renting of safety deposit boxes. This combination of services is unduplicated by other financial institutions.

7. Customers of Wachovia and Granite Bank have regularly utilized interstate communications, including the mails, telephone and telegraph to carry on their business with, apply for, and obtain the services provided by these banks. Wachovia and Granite Bank have regularly utilized interstate communications, including the mails, telephone and telegraph, to conduct business with customers and with other banks located in states other than North Carolina. Additionally, Wachovia Corp., through its subsidiary American Credit Corporation (hereinafter referred to as "American Credit"), located in North

Carolina, provides non-bank financial services to customers in North Carolina and several other states in the Southeastern United States. Wachovia Corp., Wachovia, and Granite Bank are engaged in interstate commerce.

8. Wachovia Corp. is a registered bank holding company. Wachovia is its principal subsidiary. Wachovia Corp. also owns various other financial and non-financial service subsidiaries, including American Credit, a diversified non-bank financial service corporation, which operates automobile finance and consumer loan offices throughout the Southeastern United States.

9. Wachovia was organized in 1886. It is the largest bank in North Carolina and holds approximately 22 percent of the banking deposits in the state. It operates its head office and 19 branches in the City of Winston-Salem, Forsyth County, North Carolina and a total of 141 other offices in 64 cities and towns throughout the State of North Carolina, including 4 offices in Morganton, Burke County, 1 office each in Valdese and Hildebran, Burke County, and 1 office in Taylorsville, Alexander County. Since 1954 Wachovia has acquired 16 banks, thereby succeeding to 60 banking offices and aggregate deposits of \$235 million. As of June 30, 1972, Wachovia had total assets of \$2.4 billion, total deposits of \$2 billion, and total loans and discounts of \$1.4 billion.

10. Granite Bank was organized in 1906. It operates its head office in Granite Falls, North Carolina, two branches in Lenoir, one branch in Hudson, and one branch

in the City of Hickory. All of Granite Bank's offices are located in Caldwell County except the Hickory office which is located in Catawba County. Granite Bank is one of only three banks in Caldwell County and holds approximately 38 percent of the commercial bank deposits in Caldwell County.

11. The "Western Urban Complex," located in the Piedmont Region of west-central North Carolina is comprised of those portions of Caldwell (population 56,699), Catawba (population 90,873), Burke (population 60,364), and Alexander (population 19,466), counties generally bounded by the City of Hickory and the towns of Lenoir, Morganton, Newton, and Taylorsville. The manufacturing of furniture, textiles, and hosiery are the most significant activities in the area. The region is important agriculturally; its products include corn, cotton, wheat, poultry and beef. The Western Urban Complex has experienced substantial population and economic growth in recent years.

12. Commercial banking in the Western Urban Complex is highly concentrated. The four leading banks in the area hold approximately 85 percent of total deposits held by all banks. Wachovia and Granite Bank hold the third and fifth largest shares of commercial bank deposits in the area, about 9 percent and 5.6 percent, respectively.

13. The City of Hickory (population 20,569) is located at the northwestern edge of Catawba County, in the approximate center of the Western Urban Complex at a point where the four counties are almost contiguous. The City of Hickory is the commercial and economic center of the

Western Urban Complex and has experienced substantial economic and population growth in recent years.

14. The City of Hickory and the towns of Lenoir and Morganton are the largest communities in the Western Urban Complex. Highway connections between these communities are excellent; there are also good roads providing access to them from other parts of the area.

15. Wachovia's seven banking offices in Burke and Alexander counties are located at distances of approximately 6 to 22 miles from Granite Bank's respective offices in adjacent Caldwell and Catawba counties. Wachovia derives significant deposit and loan business, including loans on the security of automobiles, from the communities where Granite Bank has its offices. Granite Bank is a full service bank, and a significant lender in automobile and other consumer-oriented loans. Wachovia and Granite Bank are competitors.

16. American Credit operates automobile finance offices in Hickory and Lenoir, and consumer loan offices in Hickory, Lenoir and Newton. From these offices American Credit makes direct and indirect automobile and other personal loans to residents of Caldwell and Catawba counties and the Western Urban Complex. American Credit and Granite Bank are competitors.

17. Concentration of banking resources in the State of North Carolina has increased rapidly in the past decade. A significant part of this growth has been through mergers and consolidations in which the largest banks in the state have succeeded to the leading local market positions of the

acquired banks. Between December 28, 1962 and June 30, 1972, the percentage of statewide deposits held by the five largest banks in North Carolina increased from 59.7 percent to 68.2 percent, and the percentage of statewide deposits held by the three largest banks from 47.2 percent to 52.9 percent. The proposed acquisition of Granite Bank by Wachovia would significantly further this trend toward concentration of banking deposits in North Carolina.

18. Wachovia has the resources and incentive to increase its competitive activity in Caldwell and Catawba counties and the Western Urban Complex by means other than acquiring Granite Bank, and thereby compete more extensively with Granite Bank and other banks in the area.

IV

VIOLATION ALLEGED

19. In July, 1972, Wachovia and Granite Bank entered into an agreement and plan which will result in the merger of Granite Bank into Wachovia. On November 3, 1972, the Comptroller of the Currency granted approval of the proposed merger.

20. The effects of the merger described in paragraph 19 may be substantially to lessen competition or tend to create a monopoly in violation of Section 7 of the Clayton Act in the following ways, among others:

- (a) existing and potential competition between Wachovia and Granite Bank in commercial banking in the Western Urban Complex will be eliminated;

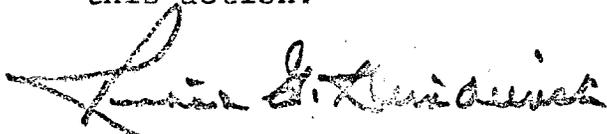
- (b) existing and potential competition between Wachovia Corp., through its subsidiaries Wachovia and American Credit and Granite Bank in automobile financing and consumer lending in Caldwell and Catawba counties and the Western Urban Complex will be eliminated;
- (c) concentration of commercial banking resources in the Western Urban Complex will be increased; and
- (d) additional acquisitions of leading local banks by large banking organizations in the State of North Carolina may be fostered, thereby further increasing concentration.

PRAYER

WHEREFORE, plaintiff prays:

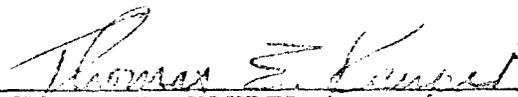
1. That the agreement and proposed merger described in paragraph 19 of this complaint be adjudged to be unlawful, in violation of Section 7 of the Clayton Act.
2. That defendants and all persons acting on their behalf be enjoined from carrying out the aforesaid merger agreements, or any similar plans or agreements, the effect of which would be to merge, consolidate, or in any other way combine the businesses of said defendants.
3. That the plaintiff have such other and further relief as the Court may deem just and proper.

4. That the plaintiff recover the costs of
this action.



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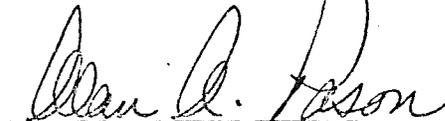


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