

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA**

UNITED STATES OF AMERICA

Plaintiff,

v.

CONTINENTAL AG

and

VEYANCE TECHNOLOGIES, INC.

Defendants.

CASE NO.: 1:14-cv-02087

JUDGE: Reggie B. Walton

JOINT STATUS REPORT

Plaintiff United States of America and Defendant Continental AG hereby file this Joint Status Report and request that the Court retain jurisdiction over this matter for the ten-year term of the Final Judgment, entered by this Court on March 30, 2015.

I. Background

In February 2014, Defendant Continental AG (“Continental”) announced its intention to acquire defendant Veyance Technologies, Inc. (“Veyance”) for \$1.9 billion, a merger that would have combined two of the three leading suppliers of air springs used in commercial vehicles in North America, in violation of Section 7 of the Clayton Act, 15 U.S.C. § 18. In order to resolve the United States’s competitive concerns, Defendants agreed to divest the Veyance North

America Air Springs Business, and committed to various additional requirements, to ensure the establishment of a new, independent, and economically viable competitor. Accordingly, a Complaint and Proposed Final Judgment were filed with the Court simultaneously on December 11, 2014, and the Court entered the decree as a Final Judgment on March 30, 2015. On July 1, 2015, Defendants completed the divestiture required under Section IV of the Final Judgment, though ancillary provisions, designed to ensure the effectiveness of that divestiture, are ongoing.

II. Continuing Obligations

The Final Judgment includes a number of continuing restrictions and post-divestiture obligations on the part of Continental. Chief among these is the prohibition against Continental's reacquisition of the Divestiture Assets for the ten-year term of the Final Judgment. *See* Final Judgment, Section XII. This provision is an essential restriction that the United States includes in each consent decree, because allowing the merged firm simply to reacquire the divested assets would defeat the goal of maintaining competition through the establishment of a new competitor. Nonetheless, the restriction is limited in duration in recognition of the fact that market conditions may change over time.¹

Additionally, the Final Judgment includes some continuing obligations on Continental designed to allow the Acquirer to quickly replace the competitive impact of the more established firm, Veyance, now lost to the merger. For example, the Final Judgment recognizes that the Acquirer, a new entrant to the commercial vehicle air springs market, may need some time to develop its own supply contracts (Paragraph IV(G)), set up its own information technology

¹ If market conditions change during the term of the Final Judgment, Continental may file a motion to modify the decree. If appropriate, the United States would not oppose such a motion.

system (Paragraph IV(H)), lease a new facility (Paragraph IV(J)), and set up its own research and development laboratory (Paragraph IV(L)). Accordingly, the Final Judgment requires Continental to offer these services to the Acquirer for up to two years, if an optional renewal is requested and approved. (Paragraph IV(G)).

III. Extension of the Supply Agreement

On November 17, 2015, pursuant to Paragraphs IV(H) and IV(J) of the Final Judgment, the Acquirer sent a letter to the United States requesting a six-month extension of certain transition services along with a six-month extension for a sublease of Continental's facility. On November 30, 2015, the United States provided written notice approving both requested extensions through June 30, 2016. On April 27, 2016, the Acquirer sent a letter to the United States requesting a one-year extension of the supply contract for compounds and calendared materials between Continental and the Acquirer. After balancing the Acquirer's need for an extension for these services against the goal of minimizing entanglements among competitors, the United States agreed to the extension. As a result, Continental is required to continue supplying the Acquirer with raw materials through June 30, 2017.

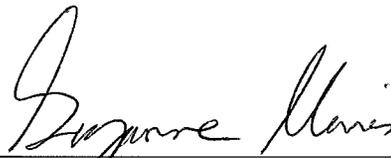
IV. Retention of Jurisdiction

Although Continental's obligations to continue supplying the Acquirer with raw materials will expire on June 30, 2017, the prohibition against reacquisition of the Divestiture Assets will continue until March 30, 2025. Given the length of the reacquisition prohibition, the United States or Continental may require judicial review should disputes over interpretation or enforcement arise during the term of the Judgment. Accordingly, the United States and

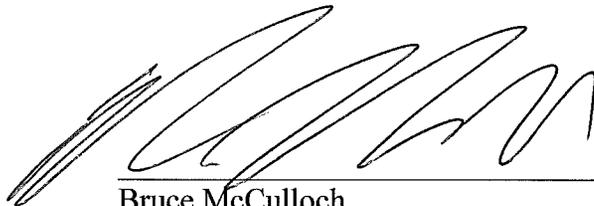
Continental request that this Court retain jurisdiction until the term of the Final Judgment expires on March 30, 2025, “to enable any party to this Final Judgment to apply to this Court at any time for further orders and directions as may be necessary or appropriate to carry out or construe this Final Judgment, to modify any of its provisions, to enforce compliance, and to punish violations of its provisions.” (Section XIII).

Dated: September 21, 2016

Respectfully submitted,



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