

IN THE MATTER OF

VNU N.V.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SEC. 7 OF THE CLAYTON ACT AND SEC. 5 OF THE
FEDERAL TRADE COMMISSION ACT*Docket C-3900. Complaint, Oct. 22, 1999--Decision, Dec. 3, 1999*

This consent order, among other things, requires VNU N.V., a corporation engaged in the research, development, production and sale of media-related products, to divest its competitive media reporting division to a Commission-approved acquirer.

Participants

For the Commission: *Michael Moiseyev, Norman Armstrong, Yolanda Gruendel, Julie McConnell, Randall Long, Ann Malester, Richard Parker, Jeremy Bulow and Malcolm Coate.*

For the respondent: *Kerry Edwards, Washington, D.C.*

COMPLAINT

The Federal Trade Commission ("Commission"), having reason to believe that respondent, VNU N.V. ("VNU"), a corporation subject to the jurisdiction of the Commission, has agreed to acquire all the voting stock of Nielsen Media Research, Inc. ("Nielsen"), a corporation subject to the jurisdiction of the Commission, in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. 45, and it appearing to the Commission that a proceeding in respect thereof would be in the public interest, hereby issues its complaint, stating its charges as follows:

I. DEFINITIONS

1. "*Advertising Expenditure Measurement Services*" means the collection, management, storage, delivery, research, development and sale of advertising occurrence and expenditure information collected from any media source, including but not limited to: (1) national broadcast television; (2) local broadcast television; (3) national syndication; (4) local syndication; (5) national cable; (6) local cable; (7) national radio; (8) local radio; (9) national magazines; (10) local magazines; (11) trade magazines; (12) Sunday magazines; (13)

national newspapers; (14) local newspapers; and (15) outdoor advertising.

2. "*Competitive Media Reporting Division*" or "*CMR*" means the division of VNU that collects, manages, stores, delivers, researches, develops and sells, among other things, Advertising Expenditure Measurement Services.

3. "*Monitor Plus*" means the division of Nielsen that collects, manages, stores, delivers, researches, develops and sells, among other things, Advertising Expenditure Measurement Services.

4. "*Merger Agreement*" means the Agreement and Plan of Merger among VNU N.V., through its subsidiary, VNU U.S.A., Inc., and Nielsen Media Research, Inc., dated August 16, 1999.

5. "*Respondent*" means VNU N.V.

II. RESPONDENT

6. Respondent VNU is a corporation organized, existing and doing business under and by virtue of the laws of The Netherlands, with its office and principal place of business located at Ceylonspoort 5-25, 2003 E.A. Haarlem, The Netherlands. Respondent, among other things, is engaged in the research, development, production and sale of media-related products, including Advertising Expenditure Measurement Services through CMR.

7. Pursuant to the Merger Agreement, respondent will make a cash tender offer for 100 percent of the voting securities of Nielsen.

8. Respondent is, and at all times relevant herein has been, engaged in commerce, as "commerce" is defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. 12, and is a corporation whose business is in, or affects, commerce, as "commerce" is defined in Section 4 of the Federal Trade Commission Act, as amended, 15 U.S.C. 44.

III. THE ACQUIRED COMPANY

9. Nielsen is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Delaware, with its principal place of business located at 299 Park Avenue, New York, New York. Among other media related products, Nielsen offers Advertising Expenditure Measurement Services.

IV. THE ACQUISITION

10. On August 16, 1999, VNU and Nielsen entered into a Merger Agreement under which VNU is to acquire through a cash tender offer 100 percent of the voting securities of Nielsen valued at approximately \$2.5 billion ("Acquisition").

V. THE RELEVANT MARKET

11. For the purposes of this complaint, the relevant line of commerce in which to analyze the effects of the Acquisition is the furnishing of Advertising Expenditure Measurement Services.

12. For the purposes of this complaint, the United States is the relevant geographic area in which to analyze the effects of the Acquisition in the relevant line of commerce.

VI. THE STRUCTURE OF THE MARKET

13. The market for Advertising Expenditure Measurement Services is highly concentrated as measured by the Herfindahl-Hirschman Index ("HHI"). CMR, a VNU subsidiary, and Monitor Plus, a division of Nielsen, are the only two suppliers of Advertising Expenditure Measurement Services in the United States. CMR holds a 72 percent market share, while Monitor Plus has a 28 percent market share, resulting in a pre-merger HHI of 5,968. The proposed acquisition would provide VNU with a monopoly position and a post-merger HHI of 10,000.

VII. BARRIERS TO ENTRY

14. Entry into the market for the collection and furnishing of advertising expenditure measurement data is unlikely and would not occur in a timely manner to deter or counteract the adverse competitive effects described in paragraph 15, because of, among other things, the time and expense necessary to develop effective data collection technology, the time necessary to develop historical data, the prevalence of long term contracts limiting the number of customers available each year, the need to link occurrence data with ratings information, and the importance of an established reputation for accuracy.

VIII. EFFECTS OF THE ACQUISITION

15. The effects of the Acquisition, if consummated, may be substantially to lessen competition and to tend to create a monopoly in the relevant market in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. 18, and Section 5 of the FTC act, as amended, 15 U.S.C. 45, in the following ways, among others:

- a. By eliminating actual, direct and substantial competition between respondent, through CMR, and Nielsen, through Monitor Plus, in the relevant market;
- b. By increasing the likelihood that customers of Advertising Expenditure Measurement Services would be forced to pay higher prices; and
- c. By reducing innovation in the relevant market.

IX. VIOLATIONS CHARGED

16. The Acquisition agreement described in paragraph 10 constitutes a violation of Section 5 of the FTC Act, as amended, 15 U.S.C. 45.

17. The Acquisition described in paragraph 10, if consummated, would constitute a violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. 45.

ORDER TO HOLD SEPARATE

The Federal Trade Commission having initiated an investigation of the proposed acquisition by Respondent VNU N.V. of 100 percent of the voting securities of Nielsen Media Research, Inc., and Respondent having been furnished thereafter with a copy of a draft of Complaint that the Bureau of Competition presented to the Commission for its consideration and which, if issued by the Commission, would charge Respondent with violations of Section 7 of the Clayton Act, as amended, 15 U.S.C. 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. 45; and

Respondent, its attorneys, and counsel for the Commission having thereafter executed an Agreement Containing Consent Orders ("Consent Agreement"), containing an admission by Respondent of all the jurisdictional facts set forth in the aforesaid draft of Complaint, a statement that the signing of said Agreement is for settlement

purposes only and does not constitute an admission by Respondent that the law has been violated as alleged in such Complaint, or that the facts as alleged in such Complaint, other than jurisdictional facts, are true, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that Respondent has violated the said Acts, and that a Complaint should issue stating its charges in that respect, and having determined to accept the executed Consent Agreement and to place such Consent Agreement on the public record for a period of thirty (30) days, the Commission hereby issues its Complaint, makes the following jurisdictional findings and issues this Order to Hold Separate:

1. Respondent VNU is a corporation organized, existing and doing business under and by virtue of the laws of The Netherlands, with its office and principal place of business located at Ceylonspoort 5-25, 2003 E.A. Haarlem, The Netherlands.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of Respondent, and the proceeding is in the public interest.

ORDER

I.

It is ordered, That, as used in this Order to Hold Separate, the following definitions shall apply:

A. "*Respondent*" or "*VNU*" means VNU N.V., its directors, officers, employees, agents, representatives, successors, and assigns; its subsidiaries, divisions, groups, and affiliates controlled by VNU, and the respective directors, officers, employees, agents, representatives, successors, and assigns of each.

B. "*Commission*" means the Federal Trade Commission.

C. "*Competitive Media Reporting Division*" or "*CMR*" means the division of VNU that collects, manages, stores, delivers, researches, develops, and sells, among other things, Advertising Expenditure Measurement Services, including, but not limited to, the following assets used in any of CMR's businesses:

1. All assets, properties, business and goodwill, tangible and intangible;
 2. Machinery, fixtures, equipment, vehicles, transportation facilities, furniture, tools and other tangible personal property;
 3. All customer lists, vendor lists, catalogs, sales promotion literature, advertising materials, research materials, technical information, management information systems, software, inventions, trade secrets, intellectual property, patents, technology, know-how, specifications, designs, drawings, processes and quality control data;
 4. Inventory and storage capacity;
 5. All rights, titles and interests in and to owned or leased real property, together with appurtenances, licenses and permits;
 6. All rights, titles and interests in and to the contracts entered into in the ordinary course of business with customers (together with associated bid and performance bonds), suppliers, sales representatives, distributors, agents, personal property lessors, personal property lessees, licensors, licensees, consignors and consignees;
 7. All rights under warranties and guarantees, express or implied;
 8. All books, records, and files;
 9. All items of prepaid expense;
 10. All rights under the Nielsen Ratings Data License Agreement;
- and
11. Satellite dish receivers, taping equipment for network and satellite feeds, television data collection equipment, local radio and data collection equipment, and local field monitoring equipment.

D. "*Key Employees*" means the key employees listed in Confidential Appendix I.

E. "*Senior Staff Employees*" means the senior staff employees listed in Confidential Appendix I.

F. "*Acquisition*" means the proposed acquisition of 100 percent of the voting securities of Nielsen Media Research, Inc. by VNU pursuant to the Agreement and Plan of Merger dated August 16, 1999.

G. "*Advertising Expenditure Measurement Services*" means the collection, management, storage, delivery, research, development and sale of advertising occurrence and expenditure information collected from any media source, including, but not limited to: (1) national broadcast television; (2) local broadcast television; (3) national syndication; (4) local syndication; (5) national cable; (6) local cable;

(7) national radio; (8) local radio; (9) national magazines; (10) local magazines; (11) trade magazines; (12) Sunday magazines; (13) national newspapers; (14) local newspapers; (15) outdoor advertising; and (16) Internet.

H. "*Nielsen Ratings Data License Agreement*" means the license agreement dated December 3, 1996 between Nielsen Media Research, Inc. and VNU Advertising Expenditure Corp. through its Competitive Media Reporting Division for the use of Nielsen television ratings data, and attached hereto as Confidential Appendix II.

I. "*Material Confidential Information*" means competitively sensitive or proprietary information not independently known to an entity from sources other than the entity to which the information pertains, and includes, but is not limited to, all customer lists, price lists, marketing methods, patents, technologies, processes, or other trade secrets.

J. "*Hold Separate Period*" means the time period during which the Order to Hold Separate is in effect.

II.

It is further ordered, That:

A. Respondent shall hold CMR as a separate and independent business, except to the extent that Respondent must exercise direction and control over CMR to assure compliance with this Order to Hold Separate, or with the Consent Agreement, and except as otherwise provided in this Order to Hold Separate, and shall vest CMR with all powers and authorities necessary to conduct its business. The purpose of this Order is to: (i) preserve CMR as a viable, competitive, and ongoing Advertising Expenditure Measurement Services business, independent of Respondent, until divestiture is achieved; (ii) assure that no Material Confidential Information is exchanged between Respondent and CMR; and (iii) prevent interim harm to competition pending divestiture and other relief.

B. Respondent shall hold CMR separate and independent on the following terms and conditions:

1. The Commission at any time may appoint an Independent Auditor to monitor Respondent's compliance with Paragraph II. of this Order to Hold Separate, and Respondent shall give the Independent Auditor, if one is appointed, all powers and authority

necessary to effectuate his/her responsibilities pursuant to this Order to Hold Separate.

2. If an Independent Auditor is appointed by the Commission, Respondent shall consent to the following procedures:

a. The Commission shall select the Independent Auditor, subject to the consent of Respondent, which consent shall not be unreasonably withheld. The Independent Auditor shall be a person with experience necessary to perform his or her duties. If Respondent has not opposed, in writing, including the reasons for opposing, the selection of any proposed Independent Auditor within ten (10) days after notice by the staff of the Commission to Respondent of the identity of any proposed Independent Auditor, Respondent shall be deemed to have consented to the selection of the proposed Independent Auditor.

b. Within ten (10) days after appointment of the Independent Auditor, Respondent shall execute an Independent Auditor agreement that, subject to the prior approval of the Commission, transfers to the Independent Auditor all rights and powers necessary to permit the Independent Auditor to perform his/her duties.

c. The Independent Auditor shall have full and complete access to all personnel, books, records, documents and facilities of CMR and VNU or to any other relevant information, as the Independent Auditor may reasonably request, including but not limited to all documents and records kept in the normal course of business that relate to CMR. Respondent shall develop such financial or other information as the Independent Auditor may request and shall cooperate with the Independent Auditor. Respondent shall take no action to interfere with or impede the Independent Auditor's ability to perform his/her responsibilities consistent with the terms of this Order to Hold Separate or to monitor Respondent's compliance with this Order to Hold Separate and the Consent Agreement.

d. The Independent Auditor shall have the authority to employ, at the cost and expense of Respondent, such consultants, accountants, attorneys, and other representatives and assistants as are necessary to carry out the Independent Auditor's duties and responsibilities.

e. Respondent may require the Independent Auditor to sign a confidentiality agreement prohibiting the disclosure of any material information gained as a result of his or her role as Independent Auditor to anyone other than the Commission.

3. Respondent shall appoint, subject to the approval of the Independent Auditor, three (3) individuals from among the current employees of CMR or VNU working in the management, sales, marketing, or financial operations of Advertising Expenditure Measurement Services, to manage and maintain CMR. The Management Team, in its capacity as such, shall report directly and exclusively to the Independent Auditor, and shall manage CMR independently of the management of Respondent. The Management Team shall not be involved in any way in the operations of the businesses of Respondent, other than the CMR business, during the Hold Separate Period.

4. Respondent shall not change the composition of the management of CMR, except that the Management Team shall be permitted to remove management employees for cause subject to approval of the Independent Auditor. The Independent Auditor shall have the power to remove members of the Management Team for cause and to require Respondent to appoint replacement members to the Management Team in the same manner as provided in subparagraph II. B. 3. of this Order to Hold Separate.

5. The Independent Auditor shall have responsibility, through the Management Team, for managing CMR consistent with the terms of this Order to Hold Separate; for maintaining the independence of CMR consistent with the terms of this Order to Hold Separate and the Consent Agreement; and for assuring Respondent's compliance with its obligations pursuant to this Order to Hold Separate.

6. CMR shall be staffed with sufficient employees to maintain the viability and competitiveness of CMR. The CMR employees shall include: (i) all personnel employed by CMR as of the date the Commission accepts the Consent Agreement for public comment; and (ii) those persons hired from other sources. The Management Team, with the approval of the Independent Auditor, shall have the authority to replace employees who have otherwise left their positions with CMR since January 1, 1999. To the extent that CMR employees leave CMR prior to the divestiture of CMR, the Management Team, with the approval of the Independent Auditor, may replace the departing CMR employees with persons who have similar experience and expertise.

7. Respondent shall cause the Independent Auditor, each member of the Management Team, and each CMR manager, administrative

and support staff of any CMR management employee, and any other CMR employee who has or has had access to Material Confidential Information must submit to the Commission a signed statement that the individual will maintain the confidentiality required by the terms and conditions of this Order to Hold Separate. These individuals must retain and maintain all confidential information relating to the held separate business on a confidential basis and, except as is permitted by this Order to Hold Separate, such persons shall be prohibited from providing, discussing, exchanging, circulating, or otherwise furnishing any such information to or with any other person whose employment involves any of Respondent's businesses other than the CMR business. These persons shall not be involved in any way in the management, sales, marketing, and financial operations of the competing products of Respondent.

8. Respondent shall establish written procedures to be approved by the Independent Auditor covering the management, maintenance, and independence of CMR consistent with the provisions of this Order to Hold Separate.

9. Respondent shall circulate to CMR employees and to Respondent's employees who are responsible for the operation or marketing of Advertising Expenditure Measurement Services in the United States, a notice of this Order to Hold Separate and Consent Agreement, in the form attached as Attachment A.

10. The Independent Auditor, if one is appointed, and the Management Team shall serve, without bond or other security, at the cost and expense of Respondent, on reasonable and customary terms commensurate with the person's experience and responsibilities. Respondent shall indemnify the Independent Auditor and the Management Team, and hold the Independent Auditor and the Management Team harmless against any losses, claims, damages, liabilities, or expenses arising out of, or in connection with, the performance of the Independent Auditor's or the Management Team's duties, including all reasonable fees of counsel and other expenses incurred in connection with the preparation for, or defense of any claim, whether or not resulting in any liability, except to the extent that such liabilities, losses, damages, claims, or expenses result from misfeasance, gross negligence, willful or wanton acts, or bad faith by the Independent Auditor or the Management Team.

11. Respondent shall provide CMR with sufficient working capital to operate CMR at least at current rates of operation, to meet

all capital calls in respect of CMR, and to carry on, at least at their scheduled pace, all capital projects for CMR that are ongoing, planned, or approved as of January 1, 1999, plus any additional expenditures authorized since that date. During the period this Order to Hold Separate is effective, Respondent shall make available for use by CMR funds sufficient to perform all necessary routine maintenance to, and replacements of, CMR's assets. Respondent shall provide CMR with such funds as are necessary to maintain the viability, competitiveness, and marketability of CMR until the date the divestiture is completed, provided CMR may not assume any new long-term debt except as necessary to meet a competitive threat and as approved by the Independent Auditor.

12. Respondent shall continue to provide the same support services, as listed and as attached hereto as Confidential Appendix III, to CMR as are being provided to CMR as of the date Respondent signs the Consent Agreement for a period not to exceed six (6) months; provided:

a. Respondent may charge CMR the same fees, if any, charged by Respondent for such support services as of the date Respondent signs the Consent Agreement.

b. Respondent shall assure that personnel providing support services retain and maintain all Material Confidential Information of CMR on a confidential basis, and, except as is permitted by this Order to Hold Separate, shall prohibit such persons from providing, discussing, exchanging, circulating, or otherwise furnishing any such information to or with any person whose employment involves any of Respondent's businesses other than CMR. Such personnel shall also execute confidentiality agreements prohibiting the disclosure of any Material Confidential Information of CMR.

c. Respondent shall direct the Management Team to list, within ten (10) days of Respondent's signing the Consent Agreement, which CMR Assets identified in Paragraph I.C.11 are to be maintained by CMR and which CMR Assets identified in Paragraph I.C.11 are to be maintained by Respondent. For all assets identified by the Management Team to be maintained by Respondent, Respondent shall provide all necessary maintenance and service. For all assets identified by the Management Team to be maintained by CMR, Respondent shall grant any access and assistance as is necessary for CMR to maintain the assets.

d. Respondent shall provide all assistance and cooperation necessary to allow CMR to perform the support services identified in Confidential Appendix III. within six (6) months from the date this Consent Agreement is signed.

e. For services being provided by CMR to VNU as of the date this Consent Agreement is signed, CMR and VNU may contract for CMR to provide those services to VNU for a transitional period not to exceed six (6) months from the date this Consent Agreement is signed.

13. Except as provided in this Order to Hold Separate, Respondent shall not employ or make offers of employment to CMR employees during the Hold Separate Period. The acquirer of CMR shall have the option of offering employment to the CMR employees. After the Hold Separate Period, Respondent may offer employment to CMR employees who have not been offered employment or have been terminated by the acquirer of CMR. Respondent shall not interfere with the employment of CMR employees by the acquirer of CMR; shall not offer any incentive to CMR employees to decline employment with the acquirer of CMR or accept other employment with the Respondent; shall remove any impediments that may deter CMR employees from accepting employment with the acquirer of CMR, including but not limited to, any non-compete or confidentiality provisions of employment or other contracts with CMR or VNU that would affect the ability of CMR employees to be employed by the acquirer of CMR; and shall continue the payment of all accrued bonuses, pensions and other accrued benefits to which CMR employees would otherwise have been entitled had they remained in the employment of the Respondent.

14. For a period of one (1) year commencing on the date CMR is divested, Respondent shall not employ or make offers of employment to Key Employees or Senior Staff Employees who have been offered employment with the acquirer of CMR, unless the individual has been terminated by the acquirer of CMR.

15. Notwithstanding subparagraph II.B.13., Respondent may offer a bonus or severance to those CMR employees that continue their employment with CMR until the date that CMR is divested.

16. Respondent shall not exercise direction or control over, or influence directly or indirectly, CMR, the Independent Auditor, the Management Team, or any of its operations; provided, however, that

Respondent may exercise only such direction and control over CMR as is necessary to assure compliance with this Order to Hold Separate or the Consent Agreement, or with all applicable laws.

17. Except for the Management Team and except to the extent provided in subparagraphs II.B.12 and II.B.16., Respondent shall not permit any non-CMR employees, officers, or directors to be involved in the operations of CMR.

18. Respondent shall maintain the viability, competitiveness, and marketability of CMR; shall not sell, transfer, or encumber CMR's assets (other than in the normal course of business); and shall not cause or permit the destruction, removal, wasting, or deterioration, or otherwise impair the viability, competitiveness, or marketability of CMR.

19. If the Independent Auditor ceases to act or fails to act diligently and consistent with the purposes of this Order to Hold Separate, the Commission may appoint a substitute Independent Auditor in the same manner as provided in Paragraph II.B.1. of this Order to Hold Separate.

20. Respondent shall ensure that CMR employees continue to be paid, until the divestiture of CMR is accomplished, their salaries, all accrued bonuses, pensions and other accrued benefits to which the CMR employees would otherwise have been entitled had they remained in the employment of VNU during the Hold Separate Period.

21. Except as required by law, and except to the extent that necessary information is exchanged in the course of consummating the Acquisition, defending investigations, defending or prosecuting litigation, obtaining legal advice, negotiating agreements to divest assets pursuant to the Consent Agreement, or complying with this Order to Hold Separate or the Consent Agreement, Respondent shall not receive or have access to, or use or continue to use, any Material Confidential Information, not in the public domain, about CMR. Respondent may receive, on a regular basis, aggregate financial information relating to CMR necessary to allow Respondent to prepare United States consolidated financial reports and tax returns. Any such information that is obtained pursuant to this subparagraph shall be used only for the purposes set forth in this subparagraph.

22. Within thirty (30) days after the date Respondent signs the Consent Agreement and every thirty (30) days thereafter until the

Order to Hold Separate terminates, the Independent Auditor or the Management Team shall report in writing to the Commission concerning the efforts to accomplish the purposes of this Order to Hold Separate. Included within that report shall be the Independent Auditor's or the Management Team's assessment of the extent to which CMR is meeting (or exceeding) its projected goals as are reflected in operating plans, budgets, projections or any other regularly prepared financial statements.

III.

It is further ordered, That Respondent shall notify the Commission at least thirty (30) days prior to any proposed change in the corporate Respondent such as dissolution, assignment, sale resulting in the emergence of a successor corporation, or the creation or dissolution of subsidiaries or any other change in the corporation that may affect compliance obligations arising out of this Order to Hold Separate.

IV.

It is further ordered, That for the purposes of determining or securing compliance with this Order to Hold Separate, and subject to any legally recognized privilege, and upon written request with reasonable notice to Respondent made to its principal United States office, Respondent shall permit any duly authorized representatives of the Commission:

A. Access, during office hours of Respondent and in the presence of counsel, to all facilities, and access to inspect and copy all books, ledgers, accounts, correspondence, memoranda, and all other records and documents in the possession or under the control of the Respondent relating to compliance with this Order to Hold Separate; and

B. Upon five (5) days' notice to Respondent and without restraint or interference from Respondent, to interview officers, directors, or employees of Respondent, who may have counsel present, regarding such matters.

V.

It is further ordered, That this Order to Hold Separate shall terminate on the earlier of:

A. Three (3) business days after the Commission withdraws its acceptance of the Consent Agreement pursuant to the provisions of Commission Rule 2.34, 16 CFR 2.34; or

B. The day after the divestiture of CMR, as required by the Decision & Order contained in the Consent Agreement, is completed.

ATTACHMENT A

**NOTICE OF DIVESTITURE AND
REQUIREMENT FOR CONFIDENTIALITY**

VNU N.V. ("VNU") has entered into an Agreement Containing Consent Orders ("Consent Agreement") with the Federal Trade Commission relating to the divestiture of certain assets.

As used herein, the term "CMR" means VNU's Competitive Media Reporting Division, as defined in Paragraph I.C. of the Decision & Order. Under the terms of the Consent Agreement, VNU must divest CMR within six (6) months from the date VNU signs the Consent Agreement.

The term "Acquisition" means the acquisition of Nielsen Media Research, Inc. (publicly announced on August 16, 1999).

CMR must be managed and maintained as a separate, ongoing business, independent of all other VNU businesses until it is divested. All competitive information relating to CMR must be retained and maintained by the persons involved in the operation of CMR on a confidential basis, and such persons shall be prohibited from providing, discussing, exchanging, circulating, or otherwise furnishing any such information to or with any other person whose employment involves any other VNU business. Similarly, persons involved in similar activities in VNU shall be prohibited from providing, discussing, exchanging, circulating, or otherwise furnishing any similar information to or with any other person whose employment involves CMR.

Any violation of the Consent Agreement may subject VNU to civil penalties and other relief as provided by law.

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of the proposed acquisition by Respondent VNU N.V. of 100 percent of the voting securities of Nielsen Media Research, Inc., and Respondent having been furnished thereafter with a copy of a draft of Complaint that the Bureau of Competition presented to the Commission for its consideration and which, if issued by the Commission, would charge Respondent with violations of Section 7 of the Clayton Act, as amended, 15 U.S.C. 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. 45; and

Respondent, its attorneys, and counsel for the Commission having thereafter executed an Agreement Containing Consent Orders ("Consent Agreement"), containing an admission by Respondent of all the jurisdictional facts set forth in the aforesaid draft of Complaint, a statement that the signing of said Consent Agreement is for settlement purposes only and does not constitute an admission by Respondent that the law has been violated as alleged in such Complaint, or that the facts as alleged in such Complaint, other than jurisdictional facts, are true, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that Respondent has violated the said Acts, and that a Complaint should issue stating its charges in that respect, and having thereupon issued its Complaint and an Order to Hold Separate, and having accepted the executed Consent Agreement and placed such Consent Agreement on the public record for a period of thirty (30) days for the receipt and consideration of public comments, now in further conformity with the procedure described in Commission Rule 2.34, 16 CFR 2.34, the Commission hereby makes the following jurisdictional findings and issues the following Order:

1. Respondent VNU is a corporation organized, existing and doing business under and by virtue of the laws of The Netherlands, with its office and principal place of business located at Ceylonspoort 5-25, 2003 E.A. Haarlem, The Netherlands.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of Respondent, and the proceeding is in the public interest.

ORDER

I.

It is ordered, That, as used in this order, the following definitions shall apply:

A. "*Respondent*" or "*VNU*" means VNU N.V., its directors, officers, employees, agents, representatives, successors, and assigns; its subsidiaries, divisions, groups, and affiliates controlled by VNU, and the respective directors, officers, employees, agents, representatives, successors, and assigns of each.

B. "*Commission*" means the Federal Trade Commission.

C. "*Competitive Media Reporting Division*" or "*CMR*" means the division of VNU that collects, manages, stores, delivers, researches, develops, and sells, among other things, Advertising Expenditure Measurement Services, including, but not limited to, the following assets used in any of CMR's businesses:

1. All assets, properties, business and goodwill, tangible and intangible;
2. Machinery, fixtures, equipment, vehicles, transportation facilities, furniture, tools and other tangible personal property;
3. All customer lists, vendor lists, catalogs, sales promotion literature, advertising materials, research materials, technical information, management information systems, software, inventions, trade secrets, intellectual property, patents, technology, know-how, specifications, designs, drawings, processes and quality control data;
4. Inventory and storage capacity;
5. All rights, titles and interests in and to owned or leased real property, together with appurtenances, licenses and permits;
6. All rights, titles and interests in and to the contracts entered into in the ordinary course of business with customers (together with associated bid and performance bonds), suppliers, sales representatives, distributors, agents, personal property lessors, personal property lessees, licensors, licensees, consignors and consignees;
7. All rights under warranties and guarantees, express or implied;
8. All books, records, and files;
9. All items of prepaid expense;
10. All rights under the Nielsen Ratings Data License Agreement; and

11. Satellite dish receivers, taping equipment for network and satellite feeds, television data collection equipment, local radio and data collection equipment, and local field monitoring equipment.

D. "*Key Employees*" means the key employees listed in Confidential Appendix I.

E. "*Senior Staff Employees*" means the senior staff employees listed in Confidential Appendix I.

F. "*Acquisition*" means the proposed acquisition of 100 percent of the voting securities of Nielsen Media Research, Inc. by VNU pursuant to the Agreement and Plan of Merger dated August 16, 1999.

G. "*Advertising Expenditure Measurement Services*" means the collection, management, storage, delivery, research, development and sale of advertising occurrence and expenditure information collected from any media source, including, but not limited to: (1) national broadcast television; (2) local broadcast television; (3) national syndication; (4) local syndication; (5) national cable; (6) local cable; (7) national radio; (8) local radio; (9) national magazines; (10) local magazines; (11) trade magazines; (12) Sunday magazines; (13) national newspapers; (14) local newspapers; (15) outdoor advertising and (16) Internet.

H. "*Nielsen Ratings Data License Agreement*" means the license agreement dated December 3, 1996 between Nielsen Media Research, Inc. and VNU Advertising Expenditure Corp. through its Competitive Media Reporting Division for the use of Nielsen television ratings data, and attached hereto as Confidential Appendix II.

I. "*Material Confidential Information*" means competitively sensitive or proprietary information not independently known to an entity from sources other than the entity to which the information pertains, and includes, but is not limited to, all customer lists, price lists, marketing methods, patents, technologies, processes, or other trade secrets.

J. "*Hold Separate Period*" means the time period during which the Order to Hold Separate is in effect.

II.

It is further ordered, That:

A. Respondent shall divest CMR at no minimum price, absolutely and in good faith, within six (6) months from the date the Agreement Containing Consent Orders is signed by Respondent.

B. Respondent shall divest CMR only to an acquirer that receives the prior approval of the Commission and only in a manner that receives the prior approval of the Commission. The purpose of the divestiture of CMR is to ensure the continued use of CMR in the same business in which CMR is engaged at the time of the proposed acquisition, and to remedy the lessening of competition resulting from the proposed acquisition as alleged in the Commission's complaint.

C. Pending divestiture of CMR, Respondent shall take such actions as are necessary to maintain the viability and marketability of CMR and to prevent the destruction, removal, wasting, deterioration, or impairment of any of CMR's assets, except for ordinary wear and tear.

D. No later than the time of the execution of a purchase agreement between Respondent and a proposed acquirer of CMR, Respondent shall provide the proposed acquirer with a complete list of all non-clerical, salaried employees of CMR who have been involved in the collection, management, storage, delivery, research, development and sale of Advertising Expenditure Measurement Services at any time from January 1, 1999 until the date of the purchase agreement. Respondent shall also provide the proposed acquirer with a complete list of all independent contractors to CMR involved in the collection, management, storage, delivery, research, development and sale of Advertising Expenditure Measurement Services at any time from January 1, 1999 until the date of the purchase agreement. The lists shall state each individual's name, position or positions held from January 1, 1999 until the date of the purchase agreement, address, telephone number, and a description of the duties and work performed by the individual in connection with the collection, management, storage, delivery, research, development and sale of Advertising Expenditure Measurement Services.

E. Respondent shall provide the proposed acquirer with an opportunity to inspect the personnel files and other documentation relating to individuals identified in paragraph II.D. of this order to the extent permissible under applicable laws, at the request of the proposed acquirer any time after the execution of the purchase agreement.

F. Respondent shall provide to all CMR employees during the Hold Separate Period a continuation of all employee benefits currently offered to such employees. In addition, Respondent shall

provide to Key Employees of CMR incentives to accept employment with the Commission-approved acquirer at the time of the divestiture. Such incentives shall include a bonus for each Key Employee, equal to 20 percent of the employee's annual salary and commissions (including any other bonuses) as of the date this order becomes final, who agrees to accept an offer of employment from the Commission-approved acquirer, payable by Respondent upon the beginning of the employee's employment by the Commission-approved acquirer. In addition, Respondent shall provide to Senior Staff Employees of CMR incentives to accept employment with the Commission-approved acquirer at the time of the divestiture. Such incentives shall include a bonus for each Senior Staff Employee, equal to 25 percent of the employee's annual salary and commissions (including any other bonuses) as of the date this order becomes final, who agrees to accept an offer of employment from the Commission-approved acquirer, payable by Respondent upon the beginning of the employee's employment by the Commission-approved acquirer.

G. For a period of one (1) year commencing on the date of the individual's employment by the Commission-approved acquirer, Respondent shall not employ any of the Key Employees who have been offered employment with the Commission-approved acquirer, unless the individual's employment has been terminated by the acquirer.

III.

It is further ordered, That:

A. If VNU has not divested, absolutely and in good faith and with the Commission's prior approval, CMR within six (6) months from the date Respondent signs the Consent Agreement, the Commission may appoint a trustee to divest CMR. In the event that the Commission or the Attorney General brings an action pursuant to Section 5(l) of the Federal Trade Commission Act, 15 U.S.C. 45(l), or any other statute enforced by the Commission, VNU shall consent to the appointment of a trustee in such action. Neither the appointment of a trustee nor a decision not to appoint a trustee under this paragraph shall preclude the Commission or the Attorney General from seeking civil penalties or any other relief available to it, including a court-appointed trustee, pursuant to Section 5(l) of the Federal Trade Commission Act, or any other statute enforced by the Commission, for any failure by the Respondent to comply with this order.

B. If a trustee is appointed by the Commission or a court pursuant to paragraph III.A. of this order, Respondent shall consent to the following terms and conditions regarding the trustee's powers, duties, authority, and responsibilities:

1. The Commission shall select the trustee, subject to the consent of Respondent, which consent shall not be unreasonably withheld. The trustee shall be a person with experience and expertise in acquisitions and divestitures. If Respondent has not opposed, in writing, including the reasons for opposing, the selection of any proposed trustee within ten (10) days after notice by the staff of the Commission to Respondent of the identity of any proposed trustee, Respondent shall be deemed to have consented to the selection of the proposed trustee.

2. Subject to the prior approval of the Commission, the trustee shall have the exclusive power and authority to divest CMR.

3. Within ten (10) days after appointment of the trustee, Respondent shall execute a trust agreement that, subject to the prior approval of the Commission and, in the case of a court-appointed trustee, of the court, transfers to the trustee all rights and powers necessary to permit the trustee to effect the divestiture required by this order.

4. The trustee shall have twelve (12) months from the date the Commission approves the trust agreement described in paragraph III.B.3. to accomplish the divestiture, which shall be subject to the prior approval of the Commission. If, however, at the end of the twelve-month period, the trustee has submitted a plan of divestiture or believes that divestiture can be achieved within a reasonable time, the divestiture period may be extended by the Commission, or, in the case of a court-appointed trustee, by the court; provided, however, the Commission may extend this period only two (2) times.

5. The trustee shall have full and complete access to the personnel, books, records and facilities related to CMR or to any other relevant information, as the trustee may request. Respondent shall develop such financial or other information as such trustee may request and shall cooperate with the trustee. Respondent shall take no action to interfere with or impede the trustee's accomplishment of the divestiture. Any delays in divestiture caused by Respondent shall extend the time for divestiture under this paragraph in an amount

equal to the delay, as determined by the Commission or, for a court-appointed trustee, by the court.

6. The trustee shall use his or her best efforts to negotiate the most favorable price and terms available in each contract that is submitted to the Commission, subject to Respondent's absolute and unconditional obligation to divest expeditiously at no minimum price. The divestiture shall be made in the manner and to the acquirer as set out in paragraph II. of this order; provided, however, if the trustee receives bona fide offers from more than one acquiring entity, and if the Commission determines to approve more than one such acquiring entity, the trustee shall divest to the acquiring entity selected by Respondent from among those approved by the Commission; provided further, however, that Respondent shall select such entity within five (5) business days of receiving notification of the Commission's approval.

7. The trustee shall serve, without bond or other security, at the cost and expense of Respondent, on such reasonable and customary terms and conditions as the Commission or a court may set. The trustee shall have the authority to employ, at the cost and expense of Respondent, such consultants, accountants, attorneys, investment bankers, business brokers, appraisers, and other representatives and assistants as are necessary to carry out the trustee's duties and responsibilities. The trustee shall account for all monies derived from the divestiture and all expenses incurred. After approval by the Commission and, in the case of a court-appointed trustee, by the court, of the account of the trustee, including fees for his or her services, all remaining monies shall be paid at the direction of the Respondent, and the trustee's power shall be terminated. The trustee's compensation shall be based at least in significant part on a commission arrangement contingent on the trustee's divesting CMR.

8. Respondent shall indemnify the trustee and hold the trustee harmless against any losses, claims, damages, liabilities, or expenses arising out of, or in connection with, the performance of the trustee's duties, including all reasonable fees of counsel and other expenses incurred in connection with the preparation for, or defense of any claim, whether or not resulting in any liability, except to the extent that such liabilities, losses, damages, claims, or expenses result from misfeasance, gross negligence, willful or wanton acts, or bad faith by the trustee.

9. If the trustee ceases to act or fails to act diligently, a substitute trustee shall be appointed in the same manner as provided in paragraph III.A. of this order.

10. The Commission or, in the case of a court-appointed trustee, the court, may on its own initiative or at the request of the trustee issue such additional orders or directions as may be necessary or appropriate to accomplish the divestiture required by this order.

11. In the event that the trustee determines that he or she is unable to divest CMR in a manner consistent with the Commission's purpose as described in paragraph II. of this order, the trustee may divest additional ancillary assets of Respondent related to CMR and effect such arrangements as are necessary to satisfy the requirements of this order.

12. The trustee shall have no obligation or authority to operate or maintain CMR.

13. The trustee shall report in writing to Respondent and the Commission every sixty (60) days concerning the trustee's efforts to accomplish divestiture.

IV.

It is further ordered, That Respondent shall, no later than the date on which it accomplishes the divestiture, extend the Nielsen Ratings Data License Agreement, attached hereto as Confidential Appendix II, for a minimum period of five (5) years commencing on the date CMR is divested, and shall not terminate or suspend the Nielsen Ratings License Agreement, or suspend performance under that Agreement, for any reason prior to the expiration of the five (5) year minimum period. The Nielsen Ratings data referred to in the Nielsen Ratings Data License Agreement shall include all Nielsen Ratings data provided to any third party licensed to process and redistribute Nielsen Ratings data. Provided, however, that Respondent may only charge CMR the annual license fee specified in paragraphs V.A.1(a)(ii), V.A.1(b)(ii) and V.A.1(c)(ii) of the Nielsen Ratings Data License Agreement, and may not charge any license fees that are based on CMR's revenues. It is further ordered that Respondent shall not receive any Material Confidential Information from CMR pursuant to the Nielsen Ratings Data License Agreement.

V.

It is further ordered, That:

A. Within thirty (30) days after the date this order becomes final and every thirty (30) days thereafter until Respondent has fully complied with the provisions of paragraphs II. and III. of this order,

Respondent shall submit to the Commission a verified written report setting forth in detail the manner and form in which it intends to comply, is complying, and has complied with paragraphs II. and III. of this order and with the Order to Hold Separate. Respondent shall include in its compliance reports, among other things that are required from time to time, a full description of the efforts being made to comply with paragraphs II. and III. of the order, including a description of all substantive contacts or negotiations for the divestiture and the identity of all parties contacted. Respondent shall include in its compliance reports copies of all written communications to and from such parties, all internal memoranda, and all reports and recommendations concerning divestiture. The final compliance report required by this paragraph V.A. shall include a statement that the divestiture has been accomplished in the manner approved by the Commission and shall include the date the divestiture was accomplished.

B. One year from the date of divestiture of CMR and annually thereafter until the order terminates, Respondent shall file a verified written report to the Commission setting forth in detail the manner in which it has complied and is complying with this order.

VI.

It is further ordered, That Respondent shall notify the Commission at least thirty (30) days prior to any proposed change in the corporate Respondent such as dissolution, assignment, sale resulting in the emergence of a successor corporation, or the creation or dissolution of subsidiaries or any other change in the corporation that may affect compliance obligations arising out of this order.

VII.

It is further ordered, That for the purposes of determining or securing compliance with this order, and subject to any legally recognized privilege, and upon written request with reasonable notice to Respondent made to its principal United States office, Respondent shall permit any duly authorized representatives of the Commission:

A. Access, during office hours of Respondent and in the presence of counsel, to all facilities, and access to inspect and copy all books, ledgers, accounts, correspondence, memoranda, and all other records and documents in the possession or under the control of the Respondent relating to compliance with this order; and

B. Upon five (5) days' notice to Respondent and without restraint or interference from Respondent, to interview officers, directors, or employees of Respondent, who may have counsel present, regarding such matters.

VIII.

It is further ordered, That this order shall terminate five (5) years after the divestiture required in paragraph II.A. of this order has been accomplished.

Commissioner Leary not participating.

[CONFIDENTIAL APPENDICES I, II, AND III
REDACTED FROM PUBLIC VERSION]

IN THE MATTER OF

THE WIRE WORKS, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT

Docket C-3908. Complaint, Dec. 6, 1999--Decision, Dec. 6, 1999

This consent order, among other things, prohibits the two Connecticut-based companies, that manufacture, advertise and distribute wire electrodes, from misrepresenting the extent to which any such product is made in the United States.

Participants

For the Commission: *Kent Howerton, Laura Koss, Elaine Kolish, and Keith Anderson.*

For the respondents: *Gene Winter, St. Onge, Steward, Johnson & Reens, Stamford, CT.*

COMPLAINT

The Federal Trade Commission, having reason to believe that The Wire Works, Inc., and Electrodes, Inc., corporations ("respondents"), have violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent The Wire Works, Inc. is a Connecticut corporation with its principal office or place of business at 252 Depot Road, Milford, Connecticut.

2. Respondent Electrodes, Inc. is a Connecticut corporation with its principal office or place of business at 252 Depot Road, Milford, Connecticut. Electrodes, Inc. is the exclusive distributor for The Wire Works, Inc.

3. Respondents have manufactured, advertised, labeled, offered for sale, sold, and/or distributed products to the public, including drawn brass wire sold as electrical discharge machining ("EDM") wire electrodes.

4. The acts and practices of respondents alleged in this complaint have been in or affecting commerce, as "commerce" is defined in Section 4 of the Federal Trade Commission Act.

5. Respondents have disseminated or have caused to be disseminated advertisements and labels for their EDM wire electrodes

product, including but not necessarily limited to the attached Exhibits A and B. These advertisements and labels contain the following statements:

- A. "[M]anufactured right here in the USA" (Exhibit A); and
- B. "Made in USA" (Exhibit B).

6. Through the means described in paragraph five, respondents have represented, expressly or by implication, that their EDM wire electrodes product is made in the United States, *i.e.*, that all, or virtually all, of the components of their EDM wire electrodes product are of U.S. origin, and that all, or virtually all, of the labor in manufacturing their EDM wire electrodes product is performed in the United States.

7. In truth and in fact, a substantial portion of the components in their EDM wire electrodes product is, or has been, of foreign origin, and a substantial amount of the labor in manufacturing the EDM wire electrodes product is, or has been, performed in Mexico. Therefore, the representations set forth in paragraph six were, and are, false or misleading.

8. The acts and practices of respondents as alleged in this complaint constitute unfair or deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act.

Commission Leary not participating.

Complaint

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EXHIBIT A

Supply Centers • FLORIDA (813) 585-9545 • NORTH CAROLINA (704) 588-4444 •

INDIANA (317) 786-9268 • WISCONSIN (414) 547-2040 • PENNSYLVANIA (215) 396-1899 • MASSACHUSETTS (508) 757-2295 • MICHIGAN (313) 261-5990

CONNECTICUT (203) 878-7400 • CALIFORNIA (310) 945-7573 • NEW YORK (716) 234-4550 • ILLINOIS (708) 916-6645 • TENNESSEE (615) 889-0550

MINNESOTA (612) 425-1313 • CANADA (905) 890-8868 • OHIO (216) 942-2340 •


GOOD AS GOLD.



• Ask about our environmentally friendly used spool recycling program
FOR MORE INFORMATION, CIRCLE 222
ELECTRODES, INC.

EXHIBIT A



Quality. It's synonymous with Gold. Just like our new **BRASS** wire, it's the original, old world excellence, but it's manufactured right here in the **USA**.



...right
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...and
...by
...ively by
ELECTRODES, INC.

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Complaint

EXHIBIT B

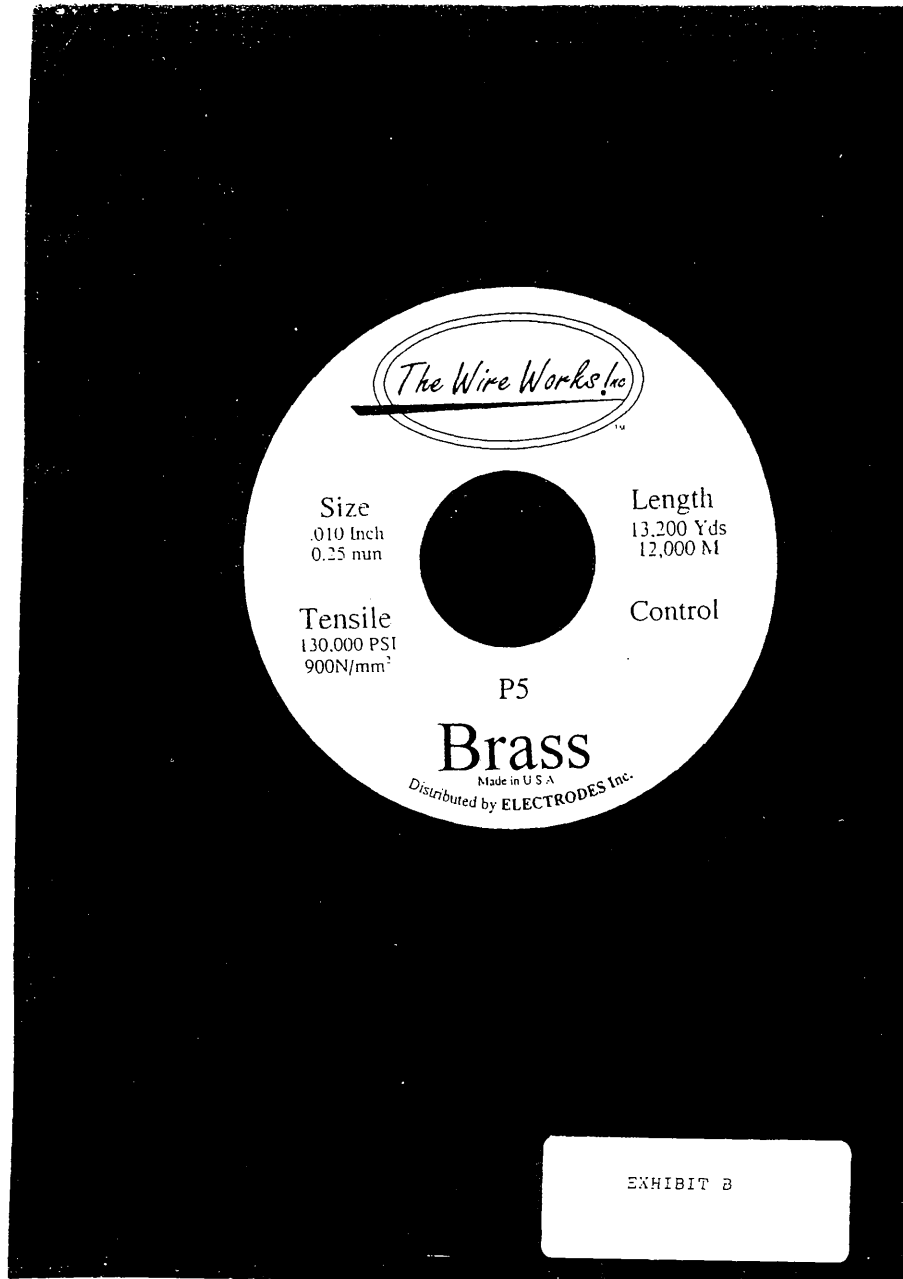


EXHIBIT B

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondents named in the caption hereof, and the respondents having been furnished thereafter with a copy of a draft complaint which the Bureau of Consumer Protection proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondents with violations of the Federal Trade Commission Act; and

The respondents and counsel for the Commission having thereafter executed an agreement containing a consent order, and admission by the respondents of all the jurisdictional facts set forth in the draft complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondents that the law has been violated as alleged in such complaint, or that the facts as alleged in such complaint, other than jurisdictional facts, are true, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondents violated the said Act, and that a complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent The Wire Works, Inc., is a Connecticut corporation with its principal office or place of business at 252 Depot Road, Milford, Connecticut.

2. Respondent Electrodes, Inc. is a Connecticut corporation with its principal office or place of business at 252 Depot Road, Milford, Connecticut. Electrodes, Inc. is the sole distributor for The Wire Works, Inc.

3. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent, and the proceeding is in the public interest.

ORDER

I.

It is ordered, That respondents The Wire Works, Inc., and Electrodes, Inc., their successors and assigns, and their officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the manufacturing, labeling, advertising, promotion, offering for sale, sale, or distribution of electrical discharge machining ("EDM") wire electrodes, in or affecting commerce, as "commerce" is defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. 44, shall not misrepresent, in any manner, directly or by implication, the extent to which any such product is made in the United States.

Provided, however, that a representation that any such product is made in the United States will not be in violation of this order so long as all, or virtually all, of the components of the product are of U.S. origin or are made in the United States and all, or virtually all, of the labor in manufacturing the product is performed in the United States. Provided, further, that nothing in this order shall prohibit respondents from making a representation regarding the U.S. origin or the U.S. content of such product as permitted in regulations, guides, or enforcement policy statements promulgated by the Commission.

Provided, further, that a representation that describes the specific processing that is performed on such product in the United States, e.g., that such product is "Drawn in U.S.A.," "Annealed in U.S.A.," "Coldworked in U.S.A.," or "Strengthened in U.S.A.," will not be in violation of this order so long as the claim is truthful and substantiated. Provided, however, that, if such product is not last substantially transformed in the United States, respondents must comply with regulations and rulings issued by the U.S. Customs Service under section 304 of the Tariff Act, 19 U.S.C.1304.

II.

It is further ordered, That respondents The Wire Works, Inc., and Electrodes, Inc., and their successors and assigns, shall, for five (5) years after the last date of dissemination of any representation covered by this order, maintain and upon request make available to the Federal Trade Commission for inspection and copying:

A. All markings, labels, advertisements and promotional materials containing the representation;

B. All materials that were relied upon in disseminating the representation; and

C. All tests, reports, studies, surveys, demonstrations, or other evidence in their possession or control that contradict, qualify, or call into question the representation, or the basis relied upon for the representation, including complaints and other communications with consumers or with governmental or consumer protection organizations.

III.

It is further ordered, That respondents The Wire Works, Inc., and Electrodes, Inc., and their successors and assigns, shall deliver a copy of this order to all current and future principals, officers, directors, and managers, and to all current and future employees, agents, and representatives having compliance responsibilities with respect to the subject matter of this order, and shall secure from each such person a signed and dated statement acknowledging receipt of the order. Respondents shall deliver this order to such current personnel within thirty (30) days after the date of service of this order, and to future personnel within thirty (30) days after the person assumes such position or responsibilities.

IV.

It is further ordered, That respondents The Wire Works, Inc., and Electrodes, Inc., and their successors and assigns, shall notify the Commission at least thirty (30) days prior to any change in the corporation(s) that may affect compliance obligations arising under this order, including but not limited to a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor corporation; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this order; the proposed filing of a bankruptcy petition; or a change in the corporate name or address. Provided, however, that, with respect to any proposed change in the corporation about which respondents learn less than thirty (30) days prior to the date such action is to take place, respondents shall notify the Commission as soon as is practicable after obtaining such knowledge. All notices required by this Part shall be sent by certified mail to the Associate Director,

Division of Enforcement, Bureau of Consumer Protection, Federal Trade Commission, Washington, D.C. 20580.

V.

It is further ordered, That respondents The Wire Works, Inc., and Electrodes, Inc., and their successors and assigns, shall, within sixty (60) days after the date of service of this order, and at such other times as the Federal Trade Commission may require, file with the Commission a report, in writing, setting forth in detail the manner and form in which they have complied with this order.

VI.

This order will terminate on December 6, 2019, or twenty (20) years from the most recent date that the United States or the Federal Trade Commission files a complaint (with or without an accompanying consent decree) in federal court alleging any violation of the order, whichever comes later; provided, however, that the filing of such a complaint will not affect the duration of:

A. This order's application to any respondent that is not named as a defendant in such complaint; and

B. This order if such complaint is filed after the order has terminated pursuant to this Part.

Provided, further, that if such complaint is dismissed or a federal court rules that the respondent(s) did not violate any provision of the order, and the dismissal or ruling is either not appealed or upheld on appeal, then the order will terminate according to this Part as though the complaint had never been filed, except that the order will not terminate between the date such complaint is filed and the later of the deadline for appealing such dismissal or ruling and the date such dismissal or ruling is upheld on appeal.

Commissioner Leary not participating.

IN THE MATTER OF

DOMINION RESOURCES, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SEC. 7 OF THE CLAYTON ACT AND SEC. 5 OF THE
FEDERAL TRADE COMMISSION ACT

Docket C-3901. Complaint, Nov. 4, 1999--Decision, Dec. 9, 1999

This consent order, among other things, requires Dominion Resources, Inc., to divest Consolidated Natural Gas Company's subsidiary, Virginia Natural Gas, Inc., to a Commission-approved acquirer.

Participants

For the Commission: *Michael Moiseyev, Norman Armstrong, Ann Malester, Richard Parker, Jeremy Bulow and Roger Boner.*

For the respondents: *Howard Feller, McGuire, Woods, Battle & Boothe, Richmond, VA. and Stephen Paul Mahinka, Morgan, Lewis & Bockius, Washington, D.C.*

COMPLAINT

The Federal Trade Commission ("Commission"), having reason to believe that respondent, Dominion Resources, Inc. ("Dominion"), a corporation subject to the jurisdiction of the Commission, has agreed to acquire all the voting stock of respondent, Consolidated Natural Gas Company ("CNG"), a corporation subject to the jurisdiction of the Commission, in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. 45, and it appearing to the Commission that a proceeding in respect thereof would be in the public interest, hereby issues its complaint, stating its charges as follows:

I. DEFINITIONS

1. "*Generation of electric power*" means the process by which electricity is generated through the use of fuel such as natural gas.
2. "*Virginia Natural Gas*" or "*VNG*" means Virginia Natural Gas, Inc., the subsidiary of CNG that provides local gas distribution service within the Commonwealth of Virginia.

3. "*Merger Agreement*" means the Agreement and Plan of Merger between Dominion and CNG, dated March 31, 1999, and amended May 11, 1999.

4. "*Respondents*" means Dominion and CNG, individually and collectively.

II. RESPONDENTS

5. Respondent Dominion is a corporation organized, existing and doing business under and by virtue of the laws of Virginia, with its office and principal place of business located at 120 Tredegar Street, Richmond, Virginia. Respondent Dominion, among other things, is engaged in the generation of electric power.

6. Respondent CNG is a corporation organized, existing, and doing business under and by virtue of the laws of Delaware, with its principal place of business located at 625 Liberty Avenue, CNG Tower, Pittsburgh, Pennsylvania. Respondent CNG, among other things, is engaged in the transportation of natural gas used in the generation of electric power.

7. Pursuant to the Merger Agreement, Dominion will acquire 100 percent of the outstanding voting securities of CNG.

8. Respondents are, and at all times relevant herein have been, engaged in commerce, as "commerce" is defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. 12, and are corporations whose businesses are in or affect commerce, as "commerce" is defined in Section 4 of the Federal Trade Commission Act, as amended, 15 U.S.C. 44.

III. THE ACQUISITION

9. On March 31, 1999, respondents entered into an Agreement and Plan of Merger which was amended on May 11, 1999, under which Dominion is to acquire 100 percent of the voting securities of CNG valued at approximately \$5.3 billion ("Acquisition").

IV. THE RELEVANT MARKETS

10. For the purposes of this complaint, the relevant lines of commerce in which to analyze the effects of the Acquisition are the generation of electric power and the distribution of natural gas.

11. For the purposes of this complaint, the southeastern area of Virginia is the relevant geographic area in which to analyze the effects of the Acquisition in the relevant lines of commerce.

V. THE STRUCTURE OF THE MARKETS

12. The markets for the generation of electrical power and the distribution of natural gas in southeastern Virginia are highly concentrated. Dominion, through its subsidiary, Virginia Power, accounts for more than 70 percent of the electric power generation capacity in the Commonwealth of Virginia. CNG, through its subsidiary, VNG, is the primary distributor of natural gas in southeastern Virginia. Natural gas is one of a limited number of fuels used in the generation of electricity. The proposed acquisition would provide Dominion with control of the available source of firm natural gas transportation capacity in the VNG service territory, thereby enhancing its control over the generation of electrical power in that area.

VI. BARRIERS TO ENTRY

13. The market for the generation of electrical power in the relevant area is characterized by high barriers to entry. Entry into the electrical power generation market in the relevant geographic area by construction of plants that use fuels other than natural gas is unlikely to occur due to environmental restrictions. With the acquisition of CNG by Dominion, entry into the electrical power generation market in the relevant geographic area by construction of plants that use natural gas may be deterred because of Dominion's control over VNG, the primary distributor of natural gas in southeastern Virginia. Dominion's control over VNG would likely deter or disadvantage entry by independent electrical power generation companies because Dominion may be able to raise the costs of entry and/or production to new entrants.

14. Entry into the market for the transportation and distribution of natural gas in the relevant geographic area is unlikely to occur in a timely manner to deter or counteract the adverse competitive effects described in paragraph 15. Construction of natural gas pipelines to serve the southeastern Virginia area would be costly and time consuming, and is not likely to occur due to the existence of substantial excess capacity on the VNG pipeline.

VII. EFFECTS OF THE ACQUISITION

15. The effects of the Acquisition, if consummated, may be substantially to lessen competition and to tend to create a monopoly in the electric power generation market in the relevant area in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. 18, and Section 5 of the FTC act, as amended, 15 U.S.C. 45, in the following ways, among others:

- a. By increasing barriers to entry by independent producers; and
- b. By increasing the likelihood that customers will be forced to pay higher prices.

VIII. VIOLATIONS CHARGED

16. The Acquisition agreement described in paragraph 9 constitutes a violation of Section 5 of the FTC Act, as amended, 15 U.S.C. 45.

17. The Acquisition described in paragraph 9, if consummated, would constitute a violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. 45.

ORDER TO HOLD SEPARATE

The Federal Trade Commission having initiated an investigation of the proposed acquisition by Respondent Dominion Resources, Inc. ("Dominion"), of 100 percent of the voting securities of Respondent Consolidated Natural Gas Company ("CNG"), and Respondents having been furnished thereafter with a copy of a draft of Complaint that the Bureau of Competition presented to the Commission for its consideration and which, if issued by the Commission, would charge Respondents with violations of Section 7 of the Clayton Act, as amended, 15 U.S.C. 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. 45; and

Respondents, their attorneys, and counsel for the Commission having thereafter executed an Agreement Containing Consent Orders ("Consent Agreement"), containing an admission by Respondents of all the jurisdictional facts set forth in the aforesaid draft of Complaint, a statement that the signing of said Agreement is for settlement purposes only and does not constitute an admission by Respondents that the law has been violated as alleged in such Complaint, or that

the facts as alleged in such Complaint, other than jurisdictional facts, are true, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that Respondents have violated the said Acts, and that a Complaint should issue stating its charges in that respect, and having determined to accept the executed Consent Agreement and to place such Consent Agreement on the public record for a period of thirty (30) days, the Commission hereby issues its Complaint, makes the following jurisdictional findings and issues this Order to Hold Separate:

1. Respondent Dominion is a corporation organized, existing and doing business under and by virtue of the laws of Virginia, with its office and principal place of business located at 120 Tredegar Street, Richmond, Virginia.

2. Respondent CNG is a corporation organized, existing and doing business under and by virtue of the laws of Delaware, with its office and principal place of business located at 625 Liberty Avenue, CNG Tower, Pittsburgh, Pennsylvania.

3. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of Respondents, and the proceeding is in the public interest.

ORDER

I.

It is ordered, That, as used in this Order to Hold Separate, the following definitions shall apply:

A. "*Dominion*" means Dominion Resources, Inc., its directors, officers, employees, agents, representatives, successors, and assigns; its subsidiaries, divisions, groups, and affiliates controlled by Dominion, and the respective directors, officers, employees, agents, representatives, successors, and assigns of each.

B. "*CNG*" means Consolidated Natural Gas Company its directors, officers, employees, agents, representatives, successors, and assigns; its subsidiaries, divisions, groups, and affiliates controlled by CNG, and the respective directors, officers, employees, agents, representatives, successors, and assigns of each.

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Order to Hold Separate

C. "*Respondents*" means Dominion and CNG, individually and collectively.

D. "*Commission*" means the Federal Trade Commission.

E. "*Virginia Natural Gas*" or "*VNG*" means Virginia Natural Gas, Inc., the subsidiary of CNG that provides local gas distribution service within the Commonwealth of Virginia, including, but not limited to, the following assets used in any of VNG's businesses:

1. All assets, properties, business and goodwill, tangible and intangible, including the intrastate pipeline that connects VNG's service facility to the interstate pipeline facilities of CNG;

2. Machinery, fixtures, equipment, vehicles, transportation facilities, furniture, tools and other tangible personal property;

3. All customer lists, vendor lists, catalogs, sales promotion literature, advertising materials, research materials, technical information, management information systems, software, inventions, trade secrets, intellectual property, patents, technology, know-how, specifications, designs, drawings, processes and quality control data;

4. Inventory and storage capacity;

5. All rights, titles and interests in and to owned or leased real property, together with appurtenances, licenses and permits;

6. All rights, titles and interests in and to the contracts entered into in the ordinary course of business with customers (together with associated bid and performance bonds), suppliers, sales representatives, distributors, agents, personal property lessors, personal property lessees, licensors, licensees, consignors and consignees;

7. All rights under warranties and guarantees, express or implied;

8. All books, records, and files; and

9. All items of prepaid expense.

F. "*Acquisition*" means the proposed acquisition of 100 percent of the voting securities of Consolidated Natural Gas Company by Dominion pursuant to the Agreement and Plan of Merger dated March 31, 1999, as amended May 11, 1999.

G. "*VSCC Stipulation*" means the Stipulation entered into by and between the staff of the State Corporation Commission of the Commonwealth of Virginia, Dominion, and CNG in State Corporation Case No. PUA990020, attached hereto as Appendix I.

H. "*Material Confidential Information*" means competitively sensitive or proprietary information not independently known to an

entity from sources other than the entity to which the information pertains, and includes, but is not limited to, all customer lists, marketing methods, technologies, processes, or other trade secrets.

I. "*Hold Separate Period*" means the time period during which the Order to Hold Separate is in effect.

J. "*Service Company Agreement*" means the agreement pursuant to which CNG provides services to VNG, attached hereto as Appendix II.

II.

It is further ordered, That:

A. Respondents shall hold VNG as a separate and independent business, except to the extent that Respondents must exercise direction and control over VNG to assure compliance with this Order to Hold Separate or with the Consent Agreement, or to assure compliance with the Virginia State Corporation Commission, Securities and Exchange Commission, and/or Federal Energy Regulatory Commission regulations and orders, and except as otherwise provided in this Order to Hold Separate, and shall vest VNG with all powers and authorities necessary to conduct its business. The purpose of this Order is to: (i) preserve VNG as a viable, competitive, and ongoing business, independent of Respondents, until divestiture is achieved; (ii) assure that no Material Confidential Information is exchanged between Respondents and VNG; and (iii) prevent interim harm to competition pending divestiture and other relief.

B. Respondents shall hold VNG separate and independent on the following terms and conditions:

1. The Commission at any time may appoint an Independent Auditor to monitor Respondents' compliance with paragraph II. of this Order to Hold Separate, and Respondents shall give the Independent Auditor, if one is appointed, all powers and authority necessary to effectuate his/her responsibilities pursuant to this Order to Hold Separate.

2. If an Independent Auditor is appointed by the Commission, Respondents shall consent to the following procedures:

a. The Commission shall select the Independent Auditor, subject to the consent of Respondents, which consent shall not be

unreasonably withheld. The Independent Auditor shall be a person with experience necessary to perform his or her duties. If Respondents have not opposed, in writing, including the reasons for opposing, the selection of any proposed Independent Auditor within ten (10) days after notice by the staff of the Commission to Respondents of the identity of any proposed Independent Auditor, Respondents shall be deemed to have consented to the selection of the proposed Independent Auditor.

b. Within ten (10) days after appointment of the Independent Auditor, Respondents shall execute an Independent Auditor agreement that, subject to the prior approval of the Commission, transfers to the Independent Auditor all rights and powers necessary to permit the Independent Auditor to perform his/her duties.

c. The Independent Auditor shall have full and complete access to all personnel, books, records, documents and facilities of VNG and Respondents or to any other relevant information, as the Independent Auditor may reasonably request, including but not limited to all documents and records kept in the normal course of business that relate to VNG. Respondents shall develop such financial or other information as the Independent Auditor may request and shall cooperate with the Independent Auditor. Respondents shall take no action to interfere with or impede the Independent Auditor's ability to perform his/her responsibilities consistent with the terms of this Order to Hold Separate or to monitor Respondents' compliance with this Order to Hold Separate and the Consent Agreement.

d. The Independent Auditor shall have the authority to employ, at the cost and expense of Respondents, such consultants, accountants, attorneys, and other representatives and assistants as are necessary to carry out the Independent Auditor's duties and responsibilities.

e. Respondents may require the Independent Auditor to sign a confidentiality agreement prohibiting the disclosure of any material information gained as a result of his or her role as Independent Auditor to anyone other than the Commission.

3. Respondents shall appoint, subject to the approval of the Independent Auditor, if one is appointed, three (3) individuals from among the current employees of VNG or Respondents involved in the management, sales, marketing, or financial operations of VNG to manage and maintain VNG ("The Management Team"). The

Management Team, in its capacity as such, shall report directly and exclusively to the Independent Auditor, and shall manage VNG independently of the management of Respondents. The Management Team shall not be involved in any way in the operations of the businesses of Respondent, other than the VNG business, during the Hold Separate Period.

4. Respondents shall not change the composition of the management of VNG, except that the Management Team shall be permitted to remove management employees for cause subject to approval of the Independent Auditor. The Independent Auditor, if one is appointed, shall have the power to remove members of the Management Team for cause and to require Respondents to appoint replacement members to the Management Team in the same manner as provided in subparagraph II.B.3. of this Order to Hold Separate.

5. The Independent Auditor, if one is appointed, shall have responsibility, through the Management Team, for managing VNG consistent with the terms of this Order to Hold Separate; for maintaining the independence of VNG consistent with the terms of this Order to Hold Separate and the Consent Agreement; and for assuring Respondents' compliance with their obligations pursuant to this Order to Hold Separate.

6. VNG shall be staffed with sufficient employees to maintain the viability and competitiveness of VNG. The VNG employees shall include: (i) all personnel employed by VNG as of the date the Commission accepts the Consent Agreement for public comment; and (ii) those persons hired from other sources. The Management Team, with the approval of the Independent Auditor, if one is appointed, shall have the authority to replace employees who have otherwise left their positions with VNG since January 1, 1999. To the extent that VNG employees leave VNG prior to the divestiture of VNG, the Management Team, with the approval of the Independent Auditor, may replace the departing VNG employees with persons who have similar experience and expertise.

7. Respondents shall cause the Independent Auditor, each member of the Management Team, and each VNG employee involved in the management, sales, marketing, gas supply acquisition, and financial operations, to submit to the Commission a signed statement that the individual will maintain the confidentiality required by the terms and conditions of this Order to Hold Separate. These individuals must retain and maintain all Material Confidential Information relating to

the held separate business on a confidential basis and, except as is permitted by this Order to Hold Separate, including services provided pursuant to the Service Company Agreement, such persons shall be prohibited from providing, discussing, exchanging, circulating, or otherwise furnishing any such Material Confidential Information to or with any other person whose employment involves any of Respondents' businesses other than the VNG business. These persons shall not be involved in any way in the management, sales, marketing, and financial operations of the competing products of Respondents.

8. Respondents shall establish written procedures to be approved by the Independent Auditor, if one is appointed, covering the management, maintenance, and independence of VNG consistent with the provisions of this Order to Hold Separate.

9. Respondents shall circulate to VNG employees and to Respondents' employees who are responsible for the operation or marketing of the VNG business, a notice of this Order to Hold Separate and Consent Agreement, in the form attached as Attachment A.

10. The Independent Auditor, if one is appointed, and the Management Team shall serve, without bond or other security, at the cost and expense of Respondents, on reasonable and customary terms commensurate with each person's experience and responsibilities. Respondents shall indemnify the Independent Auditor and the Management Team, and hold the Independent Auditor and the Management Team harmless against any losses, claims, damages, liabilities, or expenses arising out of, or in connection with, the performance of the Independent Auditor's or the Management Team's duties, including all reasonable fees of counsel and other expenses incurred in connection with the preparation for or defense of any claim, whether or not resulting in any liability, except to the extent that such liabilities, losses, damages, claims, or expenses result from misfeasance, gross negligence, willful or wanton acts, or bad faith by the Independent Auditor or the Management Team.

11. Respondents shall provide VNG with sufficient working capital to operate VNG at least at current rates of operation, to meet all capital calls in respect of VNG, and to carry on, at least at their scheduled pace, all capital projects for VNG that are ongoing, planned, or approved as of January 1, 1999, plus any additional expenditures authorized since that date. During the period this Order to Hold Separate is effective, Respondents shall make available for

use by VNG funds sufficient to perform all necessary routine maintenance to, and replacements of, VNG's assets. Respondents shall provide VNG with such funds as are necessary to maintain the viability, competitiveness, and marketability of VNG until the date the divestiture is completed.

12. Respondents shall continue to provide the same support services to VNG as are being provided to VNG by Respondents pursuant to the Service Company Agreement, attached hereto as Appendix II. Respondents may charge VNG the same fees, if any, charged by Respondents for such support services under the Service Company Agreement. Respondents shall assure that personnel providing support services retain and maintain all Material Confidential Information of VNG on a confidential basis, and, except as is permitted by this Order to Hold Separate, shall prohibit such persons from providing, discussing, exchanging, circulating, or otherwise furnishing any such information to or with any person whose employment involves any of Respondents' businesses other than VNG. Such personnel shall also execute confidentiality agreements prohibiting the disclosure of any Material Confidential Information of VNG.

13. Except as provided in this Order to Hold Separate, Respondents shall not employ or make offers of employment to VNG employees during the Hold Separate Period. The acquirer of VNG shall have the option of offering employment to the VNG employees. After the Hold Separate Period, Respondents may offer employment to VNG employees who have not accepted employment with or whose employment has been terminated by the acquirer of VNG. Respondents shall not interfere with the employment of VNG employees by the acquirer of VNG; shall not offer any incentive to VNG employees to decline employment with the acquirer of VNG or accept other employment with the Respondents; shall remove any impediments that may deter VNG employees from accepting employment with the acquirer of VNG, including, but not limited to, any non-compete or confidentiality provisions of employment or other contracts with VNG or Respondents that would affect the ability of VNG employees to be employed by the acquirer of VNG; and shall continue the payment of all accrued bonuses, pensions and other accrued benefits to which VNG employees would otherwise have been entitled had they remained in the employment of the Respondents.

14. Notwithstanding subparagraph II.B.13., Respondents may offer a bonus or severance to those VNG employees that continue their employment with VNG until the date that VNG is divested.

15. Respondents shall not exercise direction or control over, or influence directly or indirectly, VNG, the Independent Auditor, the Management Team, or any of their operations; provided, however, that Respondents may exercise only such direction and control over VNG as is necessary to assure compliance with this Order to Hold Separate or the Consent Agreement, or with all applicable laws, rules or regulations.

16. Except for the Management Team and except to the extent provided in subparagraphs II.B.12 and II.B.15., Respondents shall not permit any non-VNG employees, officers, or directors to be involved in the operations of VNG.

17. Respondents shall maintain the viability, competitiveness, and marketability of VNG; shall not sell, transfer, or encumber VNG's assets (other than in the normal course of business); and shall not cause or permit the destruction, removal, wasting, or deterioration, or otherwise impair the viability, competitiveness, or marketability of VNG.

18. If the Independent Auditor ceases to act or fails to act diligently and consistent with the purposes of this Order to Hold Separate, the Commission may appoint a substitute Independent Auditor in the same manner as provided in paragraph II.B.1. of this Order to Hold Separate.

19. Until the divestiture of VNG is accomplished, Respondents shall ensure that VNG employees continue to be paid their salaries, all accrued bonuses, pensions and other accrued benefits to which the VNG employees would otherwise have been entitled had they remained in the employment of Respondents during the Hold Separate Period.

20. Except as required by law, and except to the extent that necessary information is exchanged in the course of consummating the Acquisition, defending investigations, defending or prosecuting litigation, obtaining legal advice, negotiating agreements to divest assets pursuant to the Consent Agreement, or complying with this Order to Hold Separate or the Consent Agreement, Respondents shall not receive or have access to, or use or continue to use, any Material Confidential Information, not in the public domain, about VNG.

Respondents may receive, on a regular basis, aggregate financial information relating to VNG necessary to allow Respondents to prepare United States consolidated financial reports and tax returns. Any such information that is obtained pursuant to this subparagraph shall be used only for the purposes set forth in this subparagraph.

21. Within thirty (30) days after the date Respondents sign the Consent Agreement and every thirty (30) days thereafter until the Order to Hold Separate terminates, the Independent Auditor or the Management Team shall report in writing to the Commission concerning the efforts to accomplish the purposes of this Order to Hold Separate. Included within that report shall be the Independent Auditor's or the Management Team's assessment of the extent to which VNG is meeting (or exceeding) its projected goals as are reflected in operating plans, budgets, projections or any other regularly prepared financial statements.

III.

It is further ordered, That Respondents shall notify the Commission at least thirty (30) days prior to any proposed change in the corporate Respondents such as dissolution, assignment, sale resulting in the emergence of a successor corporation, or the creation or dissolution of subsidiaries or any other change in the corporations that may affect compliance obligations arising out of this Order to Hold Separate.

IV.

It is further ordered, That for the purposes of determining or securing compliance with this Order to Hold Separate, and subject to any legally recognized privilege, and upon written request with reasonable notice to Respondents made to their principal office, Respondents shall permit any duly authorized representatives of the Commission:

A. Access, during office hours of Respondents and in the presence of counsel, to all facilities, and access to inspect and copy all books, ledgers, accounts, correspondence, memoranda, and all other records and documents in the possession or under the control of the Respondents relating to compliance with this Order to Hold Separate; and

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Order to Hold Separate

B. Upon five (5) days' notice to Respondents and without restraint or interference from Respondents, to interview officers, directors, or employees of Respondents, who may have counsel present, regarding such matters.

V.

It is further ordered, That this Order to Hold Separate shall terminate on the earlier of:

A. Three (3) business days after the Commission withdraws its acceptance of the Consent Agreement pursuant to the provisions of Commission Rule 2.34, 16 CFR 2.34; or

B. The day after the divestiture of VNG, as required by the Decision & Order contained in the Consent Agreement, is completed.

ATTACHMENT A

**NOTICE OF DIVESTITURE AND REQUIREMENT
FOR CONFIDENTIALITY**

Dominion Resources, Inc. ("Dominion") and Consolidated Natural Gas Company ("CNG") have entered into an Agreement Containing Consent Orders ("Consent Agreement") with the Federal Trade Commission relating to the divestiture of certain assets.

As used herein, the term "VNG" means CNG's subsidiary that provides local gas distribution service within the Commonwealth of Virginia, as defined in Paragraph I.E. of the Decision & Order. Under the terms of the Consent Agreement, Dominion must divest VNG within the time period set forth in Paragraphs 1 and 3 of the VSCC Stipulation, as defined in Paragraph I.G. of the Decision & Order.

The term "Acquisition" means the acquisition of CNG by Dominion.

VNG must be managed and maintained as a separate, ongoing business, independent of all other Dominion and CNG businesses, until it is divested. All competitive information relating to VNG must be retained and maintained by the persons involved in the operation of VNG on a confidential basis, and such persons shall be prohibited from providing, discussing, exchanging, circulating, or otherwise furnishing any such information to or with any other person whose employment involves any other Dominion or CNG business. Similarly, persons involved in similar activities in Dominion or CNG shall be prohibited from providing, discussing, exchanging, circulating, or otherwise furnishing any similar information to or with any other person whose employment involves VNG. The obligations and prohibitions of this paragraph are subject to and modified by the provisions of the Order to Hold Separate, and do not affect VNG's ability to provide information to CNG to the extent necessary to obtain services under the Service Company Agreement, attached as Appendix II of the Order to Hold Separate.

Any violation of the Consent Agreement may subject Dominion to civil penalties and other relief as provided by law.

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of the proposed acquisition by respondent Dominion Resources, Inc. ("Dominion") of 100 percent of the voting securities of respondent Consolidated Natural Gas Company ("CNG"), and respondents having been furnished thereafter with a copy of a draft of complaint that the Bureau of Competition presented to the Commission for its consideration and which, if issued by the Commission, would charge respondents with violations of Section 7 of the Clayton Act, as amended, 15 U.S.C. 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. 45; and

Respondents, their attorneys, and counsel for the Commission having thereafter executed an Agreement Containing Consent Orders ("Consent Agreement"), containing an admission by respondents of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said Consent Agreement is for settlement purposes only and does not constitute an admission by respondents that the law has been violated as alleged in such complaint, or that the facts as alleged in such complaint, other than jurisdictional facts, are true, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that respondents have violated the said Acts, and that a complaint should issue stating its charges in that respect, and having thereupon issued its complaint and an Order to Hold Separate, and having accepted the executed Consent Agreement and placed such Consent Agreement on the public record for a period of thirty (30) days for the receipt and consideration of public comments, now in further conformity with the procedure described in Commission Rule 2.34, 16 CFR 2.34, the Commission hereby makes the following jurisdictional findings and issues the following order:

1. Respondent Dominion is a corporation organized, existing and doing business under and by virtue of the laws of Virginia, with its office and principal place of business located at 120 Tredegar Street, Richmond, Virginia.

2. Respondent CNG is a corporation organized, existing and doing business under and by virtue of the laws of Delaware, with its

office and principal place of business located at 625 Liberty Avenue, CNG Tower, Pittsburgh, Pennsylvania.

3. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of respondents, and the proceeding is in the public interest.

ORDER

I.

It is ordered, That, as used in this order, the following definitions shall apply:

A. "*Dominion*" means Dominion Resources, Inc., its directors, officers, employees, agents, representatives, successors, and assigns; its subsidiaries, divisions, groups, and affiliates controlled by Dominion, and the respective directors, officers, employees, agents, representatives, successors, and assigns of each.

B. "*CNG*" means Consolidated Natural Gas Company its directors, officers, employees, agents, representatives, successors, and assigns; its subsidiaries, divisions, groups, and affiliates controlled by CNG, and the respective directors, officers, employees, agents, representatives, successors, and assigns of each.

C. "*Respondents*" means Dominion and CNG, individually and collectively.

D. "*Commission*" means the Federal Trade Commission.

E. "*Virginia Natural Gas*" or "*VNG*" means Virginia Natural Gas, Inc., the subsidiary of CNG that provides local gas distribution service within the Commonwealth of Virginia, including, but not limited to, the following assets used in any of VNG's businesses:

1. All assets, properties, business and goodwill, tangible and intangible, including the intrastate pipeline that connects VNG's service facility to the interstate pipeline facility of CNG;

2. Machinery, fixtures, equipment, vehicles, transportation facilities, furniture, tools and other tangible personal property;

3. All customer lists, vendor lists, catalogs, sales promotion literature, advertising materials, research materials, technical information, management information systems, software, inventions, trade secrets, intellectual property, patents, technology, know-how, specifications, designs, drawings, processes and quality control data;

4. Inventory and storage capacity;

5. All rights, titles and interests in and to owned or leased real property, together with appurtenances, licenses and permits;

6. All rights, titles and interests in and to the contracts entered into in the ordinary course of business with customers (together with associated bid and performance bonds), suppliers, sales representatives, distributors, agents, personal property lessors, personal property lessees, licensors, licensees, consignors and consignees;

7. All rights under warranties and guarantees, express or implied;

8. All books, records, and files; and

9. All items of prepaid expense.

F. "*Acquisition*" means the proposed acquisition of 100 percent of the voting securities of Consolidated Natural Gas Company by Dominion pursuant to the Agreement and Plan of Merger dated March 31, 1999, as amended May 11, 1999.

G. "*VSCC Stipulation*" means the Stipulation entered into by and between the staff of the State Corporation Commission of the Commonwealth of Virginia, Dominion, and CNG in State Corporation Case No. PUA990020, attached hereto as Appendix I.

H. "*Material Confidential Information*" means competitively sensitive or proprietary information not independently known to an entity from sources other than the entity to which the information pertains, and includes, but is not limited to, all customer lists, marketing methods, technologies, processes, or other trade secrets.

I. "*Hold Separate Period*" means the time period during which the Order to Hold Separate is in effect.

II.

It is further ordered, That:

A. Respondents shall divest VNG at no minimum price, absolutely and in good faith, within the time period set forth in paragraphs 1 and 3 of the VSCC Stipulation; provided, however, that if respondents divest VNG pursuant to paragraph 3 of the VSCC Stipulation, no holder of Dominion stock shall be permitted to acquire five percent (5%) or more of the voting stock of VNG.

B. If respondents divest VNG pursuant to paragraph 1 of the VSCC Stipulation, respondents shall divest VNG only to an acquirer that receives the prior approval of the Commission and only in a manner that receives the prior approval of the Commission. The purpose of the divestiture of VNG is to ensure the continued use of

VNG in the same business in which VNG is engaged at the time of the Acquisition, and to remedy the lessening of competition resulting from the Acquisition as alleged in the Commission's complaint.

C. Pending divestiture of VNG, respondents shall take such actions as are necessary to maintain the viability and marketability of VNG and to prevent the destruction, removal, wasting, deterioration, or impairment of any of VNG's assets, except for ordinary wear and tear.

D. No later than the time of the execution of a purchase agreement between respondents and a proposed acquirer of VNG, respondents shall provide the proposed acquirer with a complete list of all non-clerical, salaried employees of VNG at any time from January 1, 1999 until the date of the purchase agreement.

E. Respondents shall provide the proposed acquirer with an opportunity to inspect the personnel files and other documentation relating to individuals identified in paragraph II.D. of this order to the extent permissible under applicable laws, at the request of the proposed acquirer any time after the execution of the purchase agreement.

F. Respondents shall provide to all VNG employees during the Hold Separate Period a continuation of all employee benefits currently offered to such employees.

III.

It is further ordered, That within thirty (30) days after the date this order becomes final and every thirty (30) days thereafter until respondents have fully complied with the provisions of paragraph II. of this order, respondents shall submit to the Commission a verified written report setting forth in detail the manner and form in which they intend to comply, are complying, and have complied with paragraph II. of this order and with the Order to Hold Separate. Respondents shall include in their compliance reports, among other things that are required from time to time, a full description of the efforts being made to comply with paragraph II. of the order, including a description of all substantive contacts or negotiations for the divestiture and the identity of all parties contacted. Respondents shall include in their compliance reports copies of all written communications to and from such parties, all internal memoranda, and all reports and recommendations concerning divestiture. The final

compliance report required by this paragraph III. shall include a statement that the divestiture has been accomplished in the manner approved by the Commission and shall include the date the divestiture was accomplished.

IV.

It is further ordered, That respondents shall notify the Commission at least thirty (30) days prior to any proposed change in the corporate respondents such as dissolution, assignment, sale resulting in the emergence of a successor corporation, or the creation or dissolution of subsidiaries or any other change in the corporations that may affect compliance obligations arising out of this order.

V.

It is further ordered, That for the purposes of determining or securing compliance with this order, and subject to any legally recognized privilege, and upon written request with reasonable notice to respondents made to their principal office, respondents shall permit any duly authorized representatives of the Commission:

A. Access, during office hours of respondents and in the presence of counsel, to all facilities, and access to inspect and copy all books, ledgers, accounts, correspondence, memoranda, and all other records and documents in the possession or under the control of the respondents relating to compliance with this order; and

B. Upon five (5) days' notice to respondents and without restraint or interference from respondent, to interview officers, directors, or employees of respondents, who may have counsel present, regarding such matters.

VI.

It is further ordered, That this order shall terminate after the divestiture required in paragraph II.A. of this order has been accomplished.

Commissioner Leary not participating.

APPENDIX I

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P.002

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

Joint Petition of

Dominion Resources, Inc.
and
Consolidated Natural Gas Company

CASE NO. PUA990020

For approval of agreement and
plan of merger under Chapter 5
of Title 56 of the Code of VirginiaMOTION FOR CONSIDERATION OF STIPULATION

The Staff of the State Corporation Commission ("Staff"), together with Dominion Resources, Inc. ("DRI") Consolidated Natural Gas Company ("CNG") (collectively, "Petitioners"), Virginia Electric and Power Company ("Virginia Power") and Virginia Natural Gas Company ("VNG") have entered into a stipulation to resolve the issues pending in this proceeding. The stipulation is attached hereto as Exhibit A.

The Staff and the parties to the stipulation agree that the provisions contained therein, if approved by the Commission, represent an efficient and expeditious resolution of the issues presented by the joint petition, protect the public interest, and comply with the standard established for approval of utility merger petitions, as set forth in § 56-90 of the Code of Virginia.

This joint petition was filed under the provisions of Chapter 5 of Title 56 of the Code of Virginia, and must be acted upon by the Commission, or be deemed approved, on or before

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November 17, 1999. The Staff therefore moves the Commission to establish immediately a period in which to receive comments, or requests for hearing, or both, upon the Stipulation and thereafter to give its immediate consideration to the approval of the Stipulation. In view of the time limitation for consideration of the joint petition, Staff does not request suspension of the existing procedural schedule.

WHEREFORE, the Staff of the State Corporation Commission moves the Commission to provide interested parties the opportunity to comment, or request hearing, or both, upon the attached Stipulation and to give its immediate consideration to approval of the stipulation.

Respectfully submitted,

The Staff of the
State Corporation Commission

By: 
Counsel

William H. Chambliss
Deputy General Counsel

Marta B. Curtis
Attorney

C. Meade Browder, Jr.
Attorney

State Corporation Commission
Office of General Counsel
P.O. Box 1197
Richmond, Virginia 23218
(804) 371-9671

August 9, 1999

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TEL: 804 371 9376

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing "Motion for Consideration of Stipulation" was mailed first-class mail, postage prepaid, this 9th day of August, 1999, to each of the following: Edward L. Flippen, Esquire, Stephen H. Watts, II, Esquire, and Kedwo Chartey-Tagos, Esquire, McGuire, Woods, Battle & Boothe, L.L.P., 1 James Center, 901 East Cary Street, Richmond, Virginia 23219-4030; William P. Boswell, Esquire, Consolidated Natural Gas Company, 625 Liberty Avenue, Floor 21, Pittsburgh, Pennsylvania 15222-3197; Donald A. Pickensocher, Vice President, General Counsel and Corporate Secretary, Virginia Natural Gas, Inc., 5200 East Virginia Beach Boulevard, Norfolk, Virginia 23502-3488; James F. Stutts, Esquire, Dominion Resources, Inc., P.O. Box 26532, Richmond, Virginia 23261; James C. Roberts, Esquire, Mays & Valentine, P.O. Box 1122, Richmond, Virginia 23218-1122; John F. Dudley, Senior Assistant Attorney General, Division of Consumer Counsel, Office of Attorney General, 900 East Main Street, Second Floor, Richmond, Virginia 23219; Edward L. Petriol, Esquire, Christian & Barton, 909 East Main Street, Suite 1200, Richmond, Virginia 23219-3095; Edgar M. Roach, Jr., Chief Executive Officer, Virginia Electric and Power Company, P.O. Box 26666, Richmond, Virginia 23261; and Stephen E. Williams, Senior Vice President and General Counsel, Consolidated Natural Gas Company and Virginia Natural Gas

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Company, Inc., 625 Liberty Avenue, Floor 21, Pittsburgh,
Pennsylvania 15222-3197.

A handwritten signature in black ink, appearing to read "William H. ...", is written over a horizontal line.

APPENDIX I

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P. 006

EXHIBIT A
COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

Joint Petition of)	
Dominion Resources, Inc.)	CASE NO. PUA990020
and)	
Consolidated Natural Gas Company)	
For approval of agreement and plan)	
of merger under Chapter 5 of Title 56)	
of the Code of Virginia)	

STIPULATION

This Stipulation, made and entered into as of the ~~9th~~ day of August, 1999, sets forth an agreement among Dominion Resources, Inc. ("DRI") and Consolidated Natural Gas Company ("CNG") (collectively, the "Petitioners"), Virginia Natural Gas Company ("VNG"),¹ Virginia Electric and Power Company ("Virginia Power")² and the Staff of the State Corporation Commission ("Staff") as to a proposed resolution of the application in the above-captioned case. The application is a joint petition requesting approval under Chapter 5, Title 56, of the Code of Virginia (§ 56-88 et seq.) of a proposed Merger that would result in CNG becoming a wholly owned subsidiary of DRI ("Proposed Merger"). The Staff, VNG, Virginia Power and Petitioners believe that this Stipulation will efficiently and expeditiously resolve the issues raised by the joint petition, will assure that the statutory standard of § 56-90 of the Code of Virginia is met and will otherwise protect the public interest.

The signatories to this Stipulation will, as soon as possible after execution of the Stipulation, file it with the Virginia State Corporation Commission ("Commission"), together with a motion by the Staff requesting that the Commission enter an order prescribing appropriate

¹ VNG is a subsidiary and affiliate of petitioner CNG that provides regulated local gas distribution service within the Commonwealth.
² Virginia Power is a subsidiary and affiliate of petitioner DRI that provides regulated electric utility services within the Commonwealth.

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procedures for other parties to comment upon the issues presented in the Stipulation and, thereafter, for the Commission to enter an order approving the Stipulation and ordering such other actions and imposing such conditions as necessary to conclude this proceeding.

The Stipulated agreements are as follows:

1. Within twelve months following completion of the Proposed Merger, DRI, CNG, or both, will sell and dispose of VNG and all of its assets, including the interstate pipeline that connects VNG's service territory to the interstate pipeline facilities of CNG, to a purchaser which is not affiliated with the Petitioners, Virginia Power, or VNG. DRI, CNG, or both may seek a reasonable extension of such time limit from the Commission upon a showing of good cause. The Petitioners, VNG and Virginia Power acknowledge and agree that the approval of the Commission under Chapter 5 of Title 56 of the Code of Virginia is necessary for the sale of VNG contemplated herein, and further acknowledge and agree that the acceptance or approval by the Commission of this Stipulation shall not constitute and grant of approval.
2. The Petitioners, VNG and Virginia Power shall furnish such information to the Staff as Staff deems necessary from time to time to monitor the said parties' compliance with the provisions of this Stipulation. The said parties will promptly advise the Staff should the details of the Proposed Merger change in any material fashion at any time.
3. If DRI, CNG, or both, have not sold VNG within the time period specified in Paragraph No. 1, including any extensions thereof, DRI will, within three months of the expiration of the time period specified in Paragraph No. 1, including any extensions thereof, appoint a Board of Directors for VNG, none of whom shall be

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officers or directors of DRI, CNG, Virginia Power or any of their affiliates, and none of whom shall have substantial business dealings with DRI, CNG, Virginia Power or any of their affiliates and, contemporaneously, will effect a distribution of all shares of VNG common stock by delivering all such shares of VNG common stock to a duly authorized distribution agent, for distribution to the holders of DRI common stock. The distribution will be made on a basis determined by the board of directors of DRI, but no holder of DRI common stock will be required (1) to pay any cash or other consideration for the shares of VNG common stock received in such distribution or (2) to surrender or exchange shares of DRI common stock received in order to receive VNG common stock. DRI shall, to the extent practicable, take such steps as are necessary to ensure that such distribution of VNG common stock will qualify as a tax-free distribution under the Internal Revenue Code. DRI, CNG, or both may seek a reasonable extension of said three month time limit from the Commission upon a showing of good cause.

4. VNG and Virginia Power waive their right to seek recovery of any costs directly or indirectly related to the Proposed Merger, the sale of VNG required in Paragraph No. 1, or the disposition of VNG required in Paragraph No. 3, from their Virginia jurisdictional customers.
5. VNG further acknowledges that approval of this Stipulation neither obligates nor otherwise binds the Commission to allow recovery of an acquisition adjustment in VNG's cost of service. Further, the Petitioners and VNG shall inform any potential purchaser of VNG of the provisions of Paragraph Nos. 4 and 5 of this Stipulation.

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6. Petitioners and VNG agree that, during the period prior to the sale or other disposition of VNG, pursuant to Paragraph Nos. 1 or 3, VNG will not seek an increase in its currently approved base rates, and that VNG's purchased gas adjustment clause shall continue in effect during this period, provided, however, that nothing in this Stipulation is intended to limit the Staff in the performance of its duties and responsibilities or to impair the Commission's ability to exercise its lawful jurisdiction or to carry out its lawful responsibilities with respect to its regulation of VNG.
7. Petitioners, Virginia Power and VNG agree that any changes in existing affiliate agreements, and any proposed affiliate agreements, between and among the Petitioners, VNG and Virginia Power will require Commission approval under Chapter 4, Title 56, of the Code of Virginia (§ 56-76 et seq.) and that nothing contained herein is intended to void the need for such approval or to seek such approval in this docket. For a period of twelve months following the sale of VNG required in Paragraph No. 1, or the disposition of VNG required in Paragraph No. 3, DRJ, Virginia Power and CNG shall inform the Staff in writing of any services being provided by any of those companies to VNG, or its successor in interest.
8. The Staff, Petitioners, VNG and Virginia Power acknowledge that, prior to completion of the Proposed Merger, the Petitioners may file one or more applications with the Securities and Exchange Commission ("SEC") under the Public Utility Holding Company Act of 1935 ("1935 Act") to, among other things, register Petitioners, or either of them, as holding companies under the 1935 Act. Copies of all such filings will be provided to the Staff. The Petitioners, VNG and Virginia Power stipulate that the SEC has no jurisdiction

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over the rates and services of VNG and Virginia Power under the 1935 Act, and that VNG and Virginia Power will continue to be subject to the authority of the Commission regarding such rates and services. It is intended that, after the Proposed Merger, the Commission will have the same ratemaking and regulatory authority to regulate the rates and services of VNG and Virginia Power as it did before the Proposed Merger.

9. The Petitioners, Virginia Power and VNG and their affiliates shall bear the full risk of any preemptive effects of the 1935 Act. The Petitioners, Virginia Power and VNG and their affiliates shall take all such actions as the Commission finds are necessary and appropriate to hold Virginia ratepayers harmless from rate increases, or foregone opportunities for rate decreases. Such actions may include, but are not limited to, filing with and obtaining approval from the SEC for such commitments as the Commission deems reasonably necessary to prevent such preemptive effects.
10. The Petitioners, VNG, Virginia Power and Staff represent and acknowledge that this Stipulation, if approved by the Commission, would result in full and fair resolution of the issues raised in Case No. PUA990020. This Stipulation reflects a balancing of many important interests put forward in these proceedings by, or affecting, the Petitioners, VNG, Virginia Power and Staff. If the Commission does not intend to approve all aspects of this Stipulation, then the Petitioners, VNG, Virginia Power and Staff respectfully request that the Commission (a) notify them of such intention and the basis thereof and (b) allow them three days to attempt to reach a modified stipulation that addresses the Commission's concerns. If no such time period is permitted by the Commission, or if no such

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modified stipulation is reached within three days, then the Petitioners, VNG, Virginia Power and Staff, or any of them, may withdraw their support of this Stipulation and request to be heard on any issues raised in this proceeding.

11. The Petitioners, VNG and Virginia Power agree that their failure to observe or carry out any of the provisions of this Stipulation shall be deemed a non-compliance with this Stipulation, and each of such parties will promptly notify the Staff should any of them not be in compliance with, or be unable to carry out and observe, any provisions of this Stipulation.
12. After reasonable notice and opportunity to be heard afforded to the party or parties affected, and after such inquiry as it finds appropriate, the Commission may make a determination whether such parties are in compliance with the provisions of this Stipulation or whether such non-compliance is imminent or likely. Pending such determination, the Commission may issue such temporary injunctions or orders as it finds necessary in order to prohibit any entity from taking an action or failing to take an action that would constitute non-compliance with this Stipulation, or in order to preserve the status quo ante pending a final determination. If, after such inquiry, the Commission determines that any such party is not presently in compliance with this Stipulation, or that such non-compliance is imminent or likely, either of which situation is hereafter referred to as a "violation," it may issue orders, including the imposition of injunctive relief, to remedy the violations. The Commission may also impose upon any entity found in violation of any provisions of this Stipulation such fines and other penalties as it may deem proper and as may be authorized under any applicable provision of law. The Commission may also impose fines upon any entity which

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fails or refuses to obey an order or injunction issued by the Commission under this Paragraph, and each day's continuance of such violation shall be deemed a separate offense, to the extent permitted by law. The Petitioners, VNG and Virginia Power agree that the Commission has full authority under the law to take the actions contemplated in this Stipulation, and, in particular, to enforce this Stipulation against them in the manner described herein. The Petitioners, VNG and Virginia Power agree not to challenge or defend against, in any forum, any Commission authority set forth or referred to in this Stipulation. Should any other entity make such challenge or defense, the Petitioners, Virginia Power and VNG will oppose such efforts. The Petitioners, VNG and Virginia Power agree to support affirmatively in all respects the provisions of this Stipulation.

IN WITNESS WHEREOF, the following corporations have caused this Stipulation to be executed, acknowledged and delivered on their behalfs by their respective officers identified below, who have been duly authorized to take such actions in accordance with valid resolutions of their respective boards of directors, which resolutions are in full force and effect:

Dominion Resources, Inc.	Thomas F. Farrell, II
Consolidated Natural Gas Company	Stephen E. Williams
Virginia Electric and Power Company	Edgar M. Roach, Jr.
Virginia Natural Gas Company	Stephen E. Williams

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Respectfully submitted,

STAFF OF THE VIRGINIA
STATE CORPORATION COMMISSION

By: *Thomas G. G...*

DOMINION RESOURCES, INC.

By: *Thomas Gault*

CONSOLIDATED NATURAL GAS COMPANY

By: _____

VIRGINIA NATURAL GAS COMPANY

By: _____

VIRGINIA ELECTRIC AND POWER COMPANY

By: _____

[Appendix II Redacted]
[Pages 667 - 675 Reserved]

IN THE MATTER OF

PHYSICIANS FORMULA COSMETICS, INC.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT

Docket C-3909. Complaint, Dec. 10, 1999--Decision, Dec. 10, 1999

This consent order, among other things, prohibits Physicians Formula Cosmetics, Inc., the California-based seller and distributor of cosmetics and skin-care products, from misrepresenting the extent to which any of its products are made in the United States.

Participants

For the Commission: *Kent Howerton, Laura Koss, Elaine Kolish,*
and *Keith Anderson.*

For the respondent: *Tammy Berry, Pierre Fabre, Azusa, CA.*

COMPLAINT

The Federal Trade Commission, having reason to believe that Physicians Formula Cosmetics, Inc., a corporation ("respondent"), has violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent Physicians Formula Cosmetics, Inc. is a Delaware corporation with its principal office or place of business at 1055 W. Eighth Street, Azusa, California.

2. Respondent has labeled, offered for sale, sold, and distributed products to the public, including cosmetics, cosmetics brushes, and skin-care products.

3. The acts and practices of respondent alleged in this complaint have been in or affecting commerce, as "commerce" is defined in Section 4 of the Federal Trade Commission Act.

4. Respondent has disseminated or has caused to be disseminated packaging and labeling for its cosmetics, cosmetics brushes, and skin-care products, including but not necessarily limited to the attached Exhibits A through G. The packaging and labeling contain the following statements:

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Complaint

A. Exhibit A, product card for Pull-Up Powder Brush

“MADE IN USA”

B. Exhibit B, product card for Eyebrightener Liner Brightening Liquid Eyeliner

“Made in USA”

C. Exhibit C, product card for Deluxe Cosmetic Brush

“MADE IN USA”

D. Exhibit D, product card for AquaWear Conditioning Mascara

“Made in USA”

E. Exhibit E, product packaging for Translucent Loose Powder

“Made in USA”

F. Exhibit F, product packaging for Translucent Pressed Powder

“MADE IN USA”

G. Exhibit G, product label for Shine Away Acne Control Primer

“MADE IN USA”

5. Through the means described in paragraph four, respondent has represented, expressly or by implication, that certain of its cosmetics, cosmetics brushes, and skin-care products are made in the United States, *i.e.*, that all, or virtually all, of the component parts of such products are made in the United States, and that all, or virtually all, of the labor in manufacturing such products is performed in the United States.

6. In truth and in fact, a significant portion of the components of certain of respondent's cosmetics, cosmetic brushes, and skin-care products is, or has been, of foreign origin. Therefore, the representations set forth in paragraph five were, and are, false or misleading.

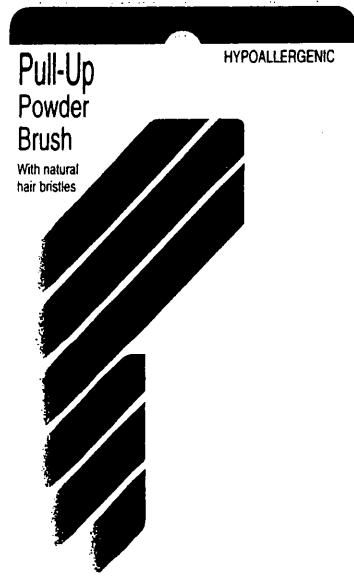
7. The acts and practices of respondent as alleged in this complaint constitute unfair or deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act.

Commissioner Leary not participating.

Complaint

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EXHIBIT A



**PHYSICIANS
FORMULA**

Contents:
One Brush

(front)

**PHYSICIANS
FORMULA**

**Pull-Up
Powder Brush**

Pull-Up Powder Brush has natural hair bristles and a full shape to make it ideal for use with loose powder. The brush's pull-up design allows you to re-cap the brush without damaging the natural hair bristles. Clean and convenient for home, purse, or travel.

Hypoallergenic. Purify sealed.

DIRECTIONS. Dip brush in powder and tap off excess. Dot on face and blend, using large sweeping strokes. Can also be used to dust off excess powder after using a powder puff to pat powder on face.

TO OPEN. Remove cap. Push down protective sleeve.

TO CLOSE. Pull up protective sleeve, re-cap, and push down.

TO CLEAN. Wash gently in soap and warm water. Blot, then air-dry thoroughly.

Important: Dermatologists recommend brushes and all other cosmetic applicators be cleaned frequently to avoid skin irritation or problems.



Physicians Formula and the P
design are registered trademarks.

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AZUSA, CA 91702
SINCE 1937, 1-800-227-0333. MADE IN USA.
Division of Pierre Fabre Dermatology, France.



(back)

EXHIBIT A

Complaint

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EXHIBIT C



(front)

**PHYSICIANS
FORMULA**

**Deluxe
Cosmetic Brush**

Plush natural hair bristles give this brush a feather-soft touch. Won't streak.

TO USE WITH BLUSHER: Start on the upper part of your cheek bones and sweep outwards and upwards in one stroke. Move down the cheek with sweeping outward strokes. Apply in several, thin layers for a more natural look. Sweep lightly over temple, hairline for added color.

TO USE WITH LOOSE POWDER: Dip brush in powder and dot on forehead, nose, cheeks, chin. Then blend over foundation, using outward and upward strokes.

TO CLEAN BRUSH: Wash gently in soap and warm water. Blot, then air-dry thoroughly. Store with bristles up. To help prevent skin problems, Physicians Formula® recommends that you clean your brushes and all other cosmetic applicators frequently.



Physicians Formula® and the "P" design are registered trademarks.

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IRVINDALE, CA 91706
SINCE 1937, 1-800-227-0333 MADE IN USA
Division of Pierre Fabre Cosmétique, Paris, France 183998

(back)

EXHIBIT C

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Complaint

EXHIBIT D



(front)

MIDNIGHT BLACK

PHYSICIANS FORMULA

AquaWear Conditioning Mascara extends and thickens even the finest lashes without smearing, smudging or running. The unique "Teddy Bear" brush separates lashes to prevent flaking and clumping for a smooth, even application. This advanced waterproof formula is ideal for active lifestyles and safe for sensitive eyes and contact lens wearers. Contains soy protein to moisturize and prevent lashes from becoming dry and brittle.

Hypoallergenic. Fragrance free. Dermatologist approved.

DIRECTIONS: Apply 1-2 coats as desired on bottom of upper lashes. For added thickness, apply final coat on top of upper lashes. For bottom lashes, glide the tip of the brush from inner to outer corner.

TO REMOVE: Can be easily washed off with soap and water or removed with Physicians Formula Eye Makeup Remover Pads or Lotion.

Physicians Formula mascaras are tested for purity. Do not add anything to this mascara. Close cap tightly after use. Never lend or borrow mascara. Do not transfer applicators between mascaras. Do not use if eyes are already irritated.

INGREDIENTS: C11-12 ISOPARAFIN, WATER, CANDELILLA WAX, AMMONIUM LAMOLATE, CARNAUBA, BEESWAX, AMMONIUM ACRYLATE, COPOLYMER, PROPYLENE GLYCOL, POTASSIUM OCTOXYL-12 PHOSPHATE, NONYLNOL-10 SULFATE, HYDROLYZED SOY PROTEIN, PEG-20 SORBIFAT, BEESWAX, TETRASODIUM EDTA, DIAZOLINYL UREA, METHYLPARABEN, PROPYLPARABEN, BUTYLPARABEN, PHENETHYL ALCOHOL. MAY CONTAIN: IRON OXIDES, TITANIUM DIOXIDE, TALC, ULTRAMARINES.

Physicians Formula and the "P" design are registered trademarks. ©1997 PHYSICIANS FORMULA COSMETICS, INC. ALHAMBRA, CA 91702. Since 1937, 1-800-277-0283. Made in USA. Division of Pierre Fabre Dermatology, France.

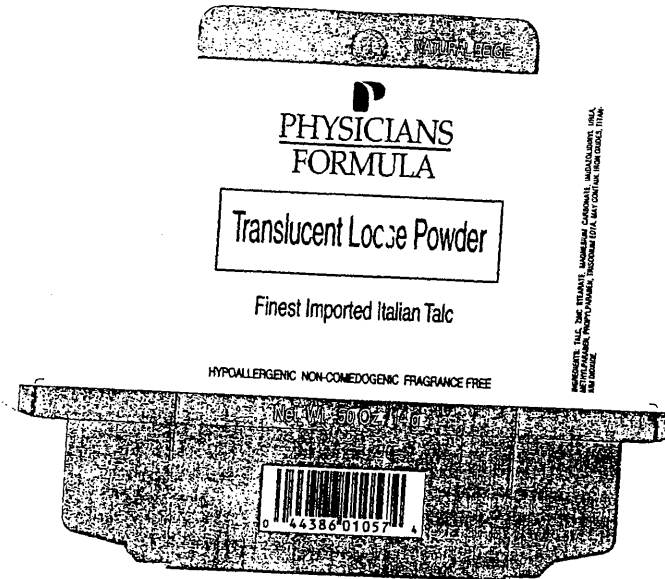


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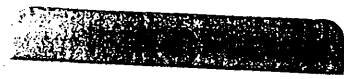
Complaint

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EXHIBIT E



(front)



Translucent Loose Powder

Translucent Loose Powder contains the finest imported Italian talc for a beautiful, soft look and feel for your face. This package contains an extra fine mesh sifter and velvet powder puff for a finer and more controlled application. This virtually colorless powder is recommended as a finishing powder to set cream or liquid makeup for longer lasting wear.

Hypoallergenic. Non-comedogenic. Fragrance free. Dermatologist approved.
DIRECTIONS: To Set Makeup, rub the puff into the powder. Pat onto face. Use Physicians Formula Put-Up Powder Brush to dust off any excess powder. Loose Powder should be applied after all cream and liquid products (i.e. foundations, concealers, and cream blushes) have been used and prior to products such as powder blush and eye shadow.

As a finish up, blend makeup out of any facial creases and pat on powder (do not rub). This will absorb the excess oil and restore a fresh matte finish. Translucent Loose Powder can be used to dilute any colored powder to soften the intensity of color. Just dip applicator into Loose Powder before brushing on the color product. Loose Powder can also be used as a finishing touch to soften and blend by lightly brushing it over your face.

For information in the USA 1-800-227-4333 www.PhysiciansFormula.com
 Physicians Formula, Inc./Physicians Formula, Inc.
 Azusa, CA 91702
 France: Division of Physi's France, France.
 REV 11/98
 PZ3148C
 1057



(back)

EXHIBIT E

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EXHIBIT G

Shine Away™ Acne Control Primer is a medicated facial lotion clinically proven to help regulate oil production and prevent and clear blemishes.

Hypoallergenic. Oil free. Non-comedogenic.

DIRECTIONS: Apply daily to acne-prone areas and let dry.

WARNING: For external use only. Avoid contact with eyes. Using other topical acne medications at the same time may increase dryness or irritation of the skin. If this occurs, only one medication should be used. Keep out of reach of children.

ACTIVE INGREDIENT: SALICYLIC ACID. OTHER INGREDIENTS: WATER, POLYACRYLAMIDE (AND) C13-14 ISOPARAFFIN (AND) LAURETH-7, CAPRYLIC/CAPRIC TRIGLYCERIDE, C12-15 ALKYL BENZOATE, ACETAMIDE MEA, ZINC PCA, POLYMETHYLMETHACRYLATE, BHT, SAW PALMETTO EXTRACT, TETRASODIUM EDTA, TRIETHANOLAMINE, ISOPROPYLPARABEN (AND) ISOBUTYLPARABEN (AND) BUTYLPARABEN, DIAZOLIDINYL UREA, PHENOXYETHANOL. Physicians Formula and the "P" design are registered trademarks. ©1996 PHYSICIANS FORMULA COSMETICS, INC., AZUSA, CA 91702. SINCE 1937. 1-800-227-0333. MADE IN USA. Division of Pierre Fabre Dermo-Cosmétique, Paris, France.

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(enlarged 55%)

EXHIBIT G

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondent named in the caption hereof, and the respondent having been furnished thereafter with a copy of a draft complaint which the Bureau of Consumer Protection proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondent with violations of the Federal Trade Commission Act; and

The respondent, its attorney, and counsel for the Commission having thereafter executed an agreement containing a consent order, and admission by the respondent of all the jurisdictional facts set forth in the draft complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondent that the law has been violated as alleged in such complaint, or that the facts as alleged in such complaint, other than jurisdictional facts, are true, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondent violated the said Act, and that a complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Physicians Formula Cosmetics, Inc. is a Delaware corporation with its principal office or place of business at 1055 W. Eighth Street, Azusa, California.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent, and the proceeding is in the public interest.

ORDER

I.

It is ordered, That respondent, Physicians Formula Cosmetics, Inc., a corporation, its successors and assigns, and its officers, agents, representatives, and employees, directly or through any corporation,

subsidiary, division, or other device, in connection with the manufacturing, marking, labeling, packaging, advertising, promotion, offering for sale, sale, or distribution of any product in or affecting commerce, as "commerce" is defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. 44, shall not misrepresent, in any manner, expressly or by implication, the extent to which any such product is made in the United States.

Provided, however, that a representation that any such product is made in the United States will not be in violation of this order so long as all, or virtually all, of the component parts of the product are made in the United States and all, or virtually all, of the labor in manufacturing the product is performed in the United States.

Provided, further, that nothing in this order shall prohibit respondent from depleting its inventory of products bearing a marking or labeling otherwise prohibited by this order and existing on the date this order is signed, in the normal course of business, provided that no such existing inventory is shipped later than 120 days after the date that this order becomes final.

II.

It is further ordered, That respondent Physicians Formula Cosmetics, Inc., and its successors and assigns, shall, for five (5) years after the last date of dissemination of any representation covered by this order, maintain and upon request make available to the Federal Trade Commission for inspection and copying:

A. All labeling, packaging, advertisements, and promotional materials containing the representation;

B. All materials that were relied upon in disseminating the representation; and

C. All tests, reports, studies, surveys, demonstrations, or other evidence in their possession or control that contradict, qualify, or call into question the representation, or the basis relied upon for the representation, including complaints and other communications with consumers or with governmental or consumer protection organizations.

III.

It is further ordered, That respondent Physicians Formula Cosmetics, Inc., and its successors and assigns, shall deliver a copy of this order to all current and future principals, officers, directors,

and managers, and to all current and future employees, agents, and representatives having responsibilities with respect to the subject matter of this order, and shall secure from each such person a signed and dated statement acknowledging receipt of the order. Respondent shall deliver this order to current personnel within thirty (30) days after the date of service of this order, and to future personnel within thirty (30) days after the person assumes such position or responsibilities.

IV.

It is further ordered, That respondent Physicians Formula Cosmetics, Inc., and its successors and assigns, shall notify the Commission at least thirty (30) days prior to any change in the corporation that may affect compliance obligations arising under this order, including but not limited to a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor corporation; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this order; the proposed filing of a bankruptcy petition; or a change in the corporate name or address. Provided, however, that, with respect to any proposed change in the corporation about which respondent learns less than thirty (30) days prior to the date such action is to take place, respondent shall notify the Commission as soon as is practicable after obtaining such knowledge. All notices required by this Part shall be sent by certified mail to the Associate Director, Division of Enforcement, Bureau of Consumer Protection, Federal Trade Commission, Washington, D.C. 20580.

V.

It is further ordered, That respondent Physicians Formula Cosmetics, Inc., and its successors and assigns, shall, within sixty (60) days after the date of service of this order, and at such other times as the Federal Trade Commission may require, file with the Commission a report, in writing, setting forth in detail the manner and form in which it has complied with this order.

VI.

This order will terminate on December 10, 2019, or twenty (20) years from the most recent date that the United States or the Federal Trade Commission files a complaint (with or without an accompanying consent decree) in federal court alleging any violation of the order, whichever comes later; provided, however, that the filing of such a complaint will not affect the duration of this order if such complaint is filed after the order has terminated pursuant to this Part. Provided, further, that if such complaint is dismissed or a federal court rules that the respondent did not violate any provision of the order, and the dismissal or ruling is either not appealed or upheld on appeal, then the order will terminate according to this Part as though the complaint had never been filed, except that the order will not terminate between the date such complaint is filed and the later of the deadline for appealing such dismissal or ruling and the date such dismissal or ruling is upheld on appeal.

Commissioner Leary not participating.

IN THE MATTER OF

CASTROL NORTH AMERICA INC.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT

Docket C-3910. Complaint, Dec. 13, 1999--Decision, Dec. 13, 1999

This consent order, among other things, prohibits Castrol North America Inc., a New Jersey-based advertiser and distributor of motor vehicle additive products and fuel system treatments, from making any representation regarding the performance, benefits, efficacy, attributes, superiority or use of such products, unless the respondent possesses and relies upon competent and reliable scientific evidence that substantiates the representation.

Participants

For the Commission: *Michael Dershowitz, Sydney Knight, Joel Winston, C. Lee Peeler, Lisa Daniel and Susan Braman.*

For the respondent: *Lewis Clayton, Paul, Weiss, Rifkind, Wharton & Garrison, New York, N.Y.*

COMPLAINT

The Federal Trade Commission, having reason to believe that Castrol North America Inc., a corporation ("respondent"), has violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent Castrol North America Inc. is a Delaware corporation with its principal office or place of business at 1500 Valley Road, Wayne, New Jersey.

2. Respondent has manufactured, advertised, labeled, offered for sale, sold, and distributed motor vehicle additive products to the public, including Castrol Syntec Power System, a fuel system treatment designed to be poured into an automobile's gas tank every 3,000 miles.

3. The acts and practices of respondent alleged in this complaint have been in or affecting commerce, as "commerce" is defined in Section 4 of the Federal Trade Commission Act.

4. Respondent has disseminated or have caused to be disseminated advertisements for Castrol Syntec Power System, including but not necessarily limited to the attached Exhibits A through C. These advertisements contain the following statements and depictions:

A. [Video: Depiction of a passenger car passing a light truck on a two-lane roadway. As the passenger car temporarily crosses over into the on-coming traffic lane to complete the passing maneuver, a tractor-trailer, with horns blowing, is shown a short distance away and moving quickly towards the passenger car. The passenger car accelerates and completes the passing maneuver just barely avoiding a head-on collision with the tractor-trailer.]

[Video: Depiction of a passenger car crossing a four-way intersection as a large bus also enters the intersection with horns blowing. The acceleration of the passenger car allows the car to cross the intersection a fraction of a second before it would have been involved in a collision with the bus that was entering the intersection to the right side of the car.]

Announcer: Now there's a fuel system treatment from Castrol that can improve acceleration when you need it most.

[Superscript: Applies only to vehicles with knock sensors.]

[Video: Depiction of a passenger car merging into highway traffic. The acceleration of the passenger car allows the car to successfully merge between two cars with enough speed to barely avoid an accident with the second car.]

Announcer: Introducing Castrol Syntec Power System with unique synthetic cleansers that reduce carbon deposits and can improve acceleration in today's advanced cars.
You never know when you'll need it next.

[Video: Graphical depiction of two cars traveling across the screen with one vehicle representing the Castrol Syntec Power System. The vehicle representing the Castrol Syntec Power System is shown advancing ahead of the other vehicle.]

Announcer: Castrol Syntec Power System.
Power when you need it.

Video Tagline: **POWER WHEN YOU NEED IT**

[Exhibit A: Television Advertisement]

B. You start to pass the car in front of you and this is what you see.

(Now's a good time to talk about the benefits of Castrol Syntec Power System.)

[Photograph: Depiction of a tractor-trailer truck with glaring headlights appearing to present a dangerous situation for the driver attempting to pass another vehicle where quick acceleration would be necessary to avoid a head-on collision with the tractor-trailer truck.]

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Complaint

Introducing a new kind of fuel system treatment that can improve your acceleration. We've all experienced it before. That moment of truth when you realize you need all the acceleration you've got. Well rather than just stepping on the accelerator and praying, now there's a better option. Introducing Castrol Syntec Power System - an entirely new kind of fuel system treatment. Power System's unique synthetic cleansers reduce carbon deposits and can improve acceleration in today's advanced cars. Just one dose in your fuel tank begins restoring power almost immediately. So try new Castrol Syntec Power System. After all, you might not think you need the added power and acceleration. But do you really want to wait to find out?
POWER WHEN YOU NEED IT.

Footnote: Applies only to vehicles with knock sensors.

[Exhibit B: Magazine Advertisement]

C. * * * *

Have you noticed that your car or truck doesn't have the pickup that it used to?

The Problem

Every time you drive, unburned gasoline decomposes in your fuel system leaving behind damaging carbon deposits. As deposits build up, today's high technology knock sensed engines actually de-tune themselves. This can result in hesitation, sluggishness, stalling and overall poor acceleration.

The Solution

Castrol SYNTEC POWER SYSTEM, the only fuel system treatment formulated with Syntec Molecular Components. These Unique Synthetic Cleansers are so powerful they remove deposits from your entire fuel system, and neutralize power robbing effects of combustion chamber deposits. In fact, **Castrol SYNTEC POWER SYSTEM is far more powerful than ordinary fuel treatments, and is *proven* to reverse "engine de-tune" and improve acceleration** in today's high technology engines.

[Depiction of a vehicle fuel system]

What are Unique Synthetic Cleansers?

They are exclusive, proprietary cleansers, chemically engineered to remove deposits from your entire fuel system. Castrol SYNTEC POWER SYSTEM's Unique Synthetic Cleansers:

Clean and prevent deposit buildup better than ordinary cleansers
Neutralize power robbing effects of combustion chamber deposits
Are more powerful than ordinary fuel treatments

Improve acceleration in today's high technology engines better than ordinary fuel treatments

No other fuel treatment has Syntec's Unique Synthetic Cleansers!

Acceleration Chart

[Depiction of acceleration chart.]

At bottom of chart is the following statement:

2 car lengths faster (15-70mph)

How does it work?

Castrol SYNTEC POWER SYSTEM works in two ways. First, the Unique Synthetic Cleansers remove deposits throughout your fuel system

Complaint

128 F.T.C.

Fuel Injectors**Carburetors****Intake Valves****Intake Manifolds****Fuel Intake Ports**

Second, the Unique Synthetic Cleansers chemically modify power robbing combustion chamber deposits, and can actually help improve acceleration. Laboratory tests prove that Castrol SYNTEC POWER SYSTEM improves acceleration better than ordinary fuel treatments.

So, use Castrol SYNTEC POWER SYSTEM every 3,000 miles, or with every oil change, to clean your entire fuel system, prevent engine de-tune, improve acceleration and ensure the ultimate in engine performance.

* * *

[Exhibit C: Product Label]

5. Through the means described in paragraph four, respondent has represented, expressly or by implication, that:

A. Castrol Syntec Power System fuel system treatment significantly improves engine power and acceleration in motor vehicles generally.

B. Castrol Syntec Power System is superior to other fuel system treatments in improving engine power and acceleration in motor vehicles generally.

6. Through the means described in paragraph four, respondent has represented, expressly or by implication, that it possessed and relied upon a reasonable basis that substantiated the representations set forth in paragraph five, at the time the representations were made.

7. In truth and in fact, respondent did not possess and rely upon a reasonable basis that substantiated the representations set forth in paragraph five, at the time the representations were made. Therefore, the representation set forth in paragraph six was, and is, false or misleading.

8. Through the means described in paragraph four, respondent has represented, expressly or by implication, that:

A. Laboratory tests prove that Castrol Syntec Power System fuel system treatment significantly improves engine power and acceleration in motor vehicles generally.

B. Laboratory tests prove that Castrol Syntec Power System fuel system treatment is superior to other fuel system treatments in improving engine power and acceleration in motor vehicles generally.

9. In truth and in fact:

A. Laboratory tests do not prove that Castrol Syntec Power System fuel system treatment significantly improves engine power and acceleration in motor vehicles generally.

B. Laboratory tests do not prove that Castrol Syntec Power System fuel system treatment is superior to other fuel system treatments in improving engine power and acceleration in motor vehicles generally.

Therefore, the representations set forth in paragraph eight were, and are, false or misleading.

10. The acts and practices of respondent as alleged in this complaint constitute unfair or deceptive acts or practices in or affecting commerce in violation of Section 5 (a) of the Federal Trade Commission Act.

Commissioner Leary not participating.

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EXHIBIT A



VIDEO MONITORING SERVICES OF AMERICA, LP

330 W 42nd St, New York, NY 10036 (212) 736-2010

LaserBoard

PRODUCT Castrol Syntec
MARKET New York City
PROGRAM NBA On NBC
CODE # 9704-2415
TITLE Power System Improves Acceleration

LENGTH :30
STATION WNBC
DATE 04/12/97
TIME 5:39 PM

EXHIBIT A



(SFX: TRUCK ON HIGHWAY)



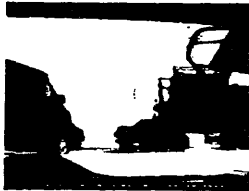
(SFX: CAR PASSING)



(SFX: BUS)



(SFX: BUS AND CAR HONKING AT INTERSECTION)



MALE ANNCR: Now there's a fuel system treatment from Castrol



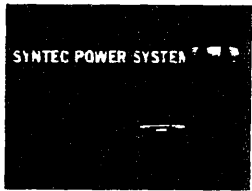
that can improve acceleration when you need it most.



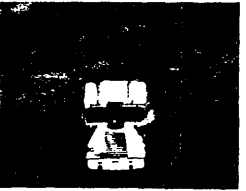
(MUSIC BEGINS) Introducing Castrol Syntec Power System with unique synthetic cleaners



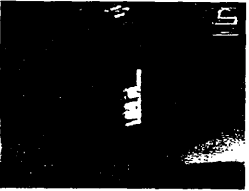
that reduce carbon deposits and can improve acceleration



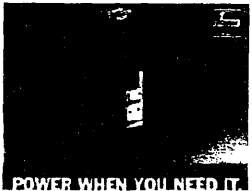
in today's advanced cars.



You never know when you'll need it next. (SFX: TRUCK)



Castrol Syntec Power System.



POWER WHEN YOU NEED IT. Power when you need it. (MUSIC ENDS)

ALSO AVAILABLE IN COLOR VIDEO CASSETTE

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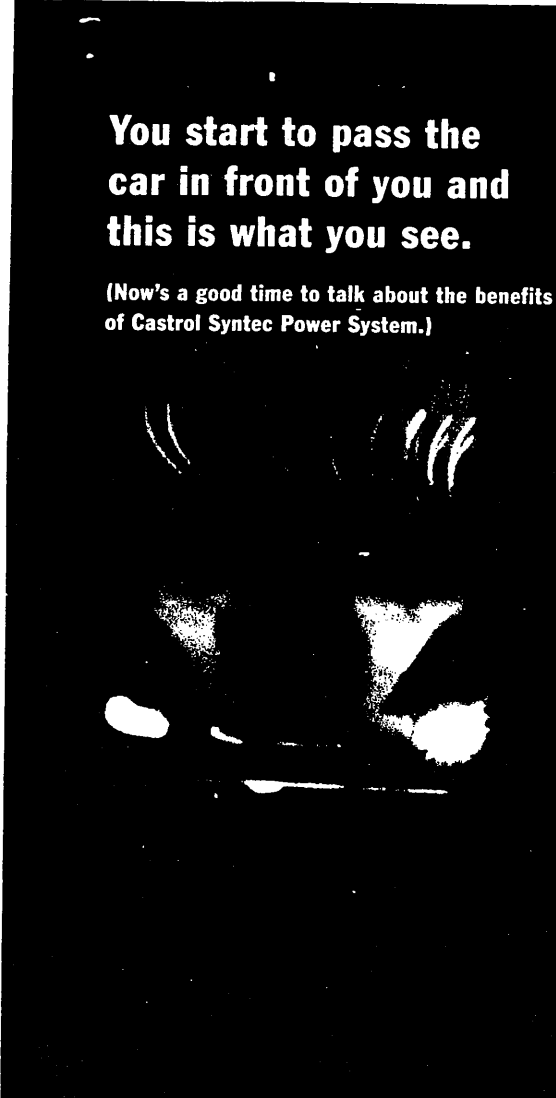
Complaint

EXHIBIT B

EXHIBIT B

**You start to pass the
car in front of you and
this is what you see.**

**(Now's a good time to talk about the benefits
of Castrol Syntec Power System.)**



Complaint

128 F.T.C.

EXHIBIT C

EXHIBIT C

Have you noticed that your car or truck doesn't have the pickup that it used to?

The Problem

Even the best refined gasoline decomposes in your fuel system leaving behind harmful carbon deposits. As deposits build up, today's high technology, finely-tuned engines actually de-tune themselves. The result is hesitation, sluggishness, stalling and a rough poor acceleration.

The Solution

Cashol SYNTEC POWER SYSTEM, the only fuel system treatment formulated with Syntec Molecular Components. These Unique Synthetic Cleaners do so by eliminating deposits from your engine fuel system and helping to correct harmful effects of combustion chamber deposits. In fact, Cashol SYNTEC POWER SYSTEM is far more powerful than ordinary fuel treatments, and is proven to reverse "engine de-tune" and improve acceleration in today's high technology engines.

Fuel System



What are Unique Synthetic Cleaners?

The new Unique Synthetic Cleaners chemically break down and remove deposits from your engine fuel system. Cashol SYNTEC POWER SYSTEM is the Unique Synthetic Cleaners.

Clean and prevent deposit buildup better than ordinary Cleaners.
 Reverse power robbing effects of combustion chamber deposits.
 Are more powerful than ordinary fuel treatments.
 Improve acceleration in today's high technology engines better than ordinary fuel treatments.

No other fuel treatment has Syntec's Unique Synthetic Cleaners!

Acceleration Chart



2 car lengths faster (15-20 mph) 70 miles

How does it work?

Cashol SYNTEC POWER SYSTEM works in 4 ways. First, the Unique Synthetic Cleaners remove deposits throughout your fuel system.

Fuel Injectors Carburetors Intake Valves
Intake Manifolds Fuel Intake Ports

Second, the Unique Synthetic Cleaners chemically correct power robbing combustion chamber deposits, which actually help improve acceleration. In other words, Cashol SYNTEC POWER SYSTEM improves acceleration more than ordinary fuel treatments.

Since Cashol SYNTEC POWER SYSTEM has 3000 miles of mileage to change to clean your engine fuel system, you can expect definite improved acceleration and overall engine performance.

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondent named in the caption hereof, and the respondent having been furnished thereafter with a copy of a draft of complaint which the Bureau of Consumer Protection proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondent with violation of the Federal Trade Commission Act; and

The respondent, its attorney, and counsel for Federal Trade Commission having thereafter executed an agreement containing a consent order, an admission by the respondent of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondent that the law has been violated as alleged in such complaint, or that the facts as alleged in such complaint, other than jurisdictional facts, are true and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondent has violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, and having duly considered the comments received, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings and enters the following order:

1. Respondent Castrol North America Inc. is a Delaware corporation with its principal office or place of business at 1500 Valley Road, Wayne, New Jersey.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent, and the proceeding is in the public interest.

ORDER

DEFINITIONS

For purposes of this order, the following definitions shall apply:

1. "*Competent and reliable scientific evidence*" shall mean tests, analyses, research, studies, or other evidence based upon the expertise of professionals in the relevant area, that has been conducted and evaluated in an objective manner by persons qualified to do so, using procedures generally accepted in the profession to yield accurate and reliable results.

2. "*Fuel additive product*" shall mean a product that is added to gasoline by a consumer, including but not limited to gasoline or fuel treatments, octane boosters, and octane treatments.

3. "*Engine oil additive product*" shall mean a product or treatment that is added to engine oil by a consumer.

4. Unless otherwise specified, "*respondent*" shall mean Castrol North America Inc. a corporation, its successors and assigns, and its officers, agents, representatives, and employees.

5. "*Commerce*" shall mean as defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. 44.

I.

It is ordered, That respondent, directly or through any corporation, subsidiary, division, or other device, in connection with the advertising, labeling, promotion, offering for sale, sale, or distribution of Castrol Syntec Power System fuel system treatment or any other fuel additive product or engine oil additive product in or affecting commerce, shall not make any representation, in any manner, expressly or by implication:

A. That such product will significantly improve engine power or acceleration in motor vehicles generally; or

B. That such product is superior to any other fuel additive product or engine oil additive product in improving engine power or acceleration in motor vehicles generally,

unless, at the time the representation is made, respondent possesses and relies upon competent and reliable scientific evidence that substantiates the representation.

II.

It is further ordered, That respondent, directly or through any corporation, subsidiary, division, or other device, in connection with the advertising, labeling, promotion, offering for sale, sale, or distribution of Castrol Syntec Power System fuel system treatment or any other fuel additive product in or affecting commerce, shall not make any representation, in any manner, expressly or by implication, regarding the performance, benefits, efficacy, attributes or use of such product, unless, at the time the representation is made, respondent possesses and relies upon competent and reliable scientific evidence that substantiates the representation.

III.

It is further ordered, That respondent, directly or through any corporation, subsidiary, division, or other device, in connection with the advertising, labeling, promotion, offering for sale, sale, or distribution of any fuel additive product in or affecting commerce, shall not misrepresent, in any manner, expressly or by implication, the existence, contents, validity, results, conclusions, or interpretations of any test, study, or research.

IV.

It is further ordered, That respondent, and its successors and assigns shall, for five (5) years after the last date of dissemination of any representation covered by this order, maintain and upon request make available to the Federal Trade Commission for inspection and copying:

A. All advertisements and promotional materials containing the representation;

B. All materials that were relied upon in disseminating the representation; and

C. All tests, reports, studies, surveys, demonstrations, or other evidence in their possession or control that contradict, qualify, or call into question the representation, or the basis relied upon for the representation, including complaints and other communications with consumers or with governmental or consumer protection organizations.

V.

It is further ordered, That respondent and its successors and assigns shall deliver a copy of this order to all current and future principals, officers, directors, and managers, and to all current and future employees, agents, and representatives who have responsibilities for the preparation, review or approval of any advertising within the scope of this order, and shall secure from each such person a signed and dated statement acknowledging receipt of the order. Respondent shall deliver this order to current personnel within thirty (30) days after the date of service of this order, and to future personnel within thirty (30) days after the person assumes such position or responsibilities.

VI.

It is further ordered, That respondent and its successors and assigns shall notify the Commission at least thirty (30) days prior to any change in the corporation that may affect compliance obligations arising under this order, including but not limited to a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor corporation; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this order; the proposed filing of a bankruptcy petition; or a change in the corporate name or address. Provided, however, that, with respect to any proposed change in the corporation about which respondent learns less than thirty (30) days prior to the date such action is to take place, respondent shall notify the Commission as soon as is practicable after obtaining such knowledge. All notices required by this Part shall be sent by certified mail to the Associate Director, Division of Enforcement, Bureau of Consumer Protection, Federal Trade Commission, Washington, D.C. 20580.

VII.

It is further ordered, That respondent and its successors and assigns shall, within sixty (60) days after the date of service of this order, and at such other times as the Federal Trade Commission may require, file with the Commission a report, in writing, setting forth in detail the manner and form in which it has complied with this order.

VIII.

This order will terminate on December 13, 2019, or twenty (20) years from the most recent date that the United States or the Federal Trade Commission files a complaint (with or without an accompanying consent decree) in federal court alleging any violation of the order, whichever comes later; provided, however, that the filing of such a complaint will not affect the duration of:

A. Any Part of this order that terminates in less than twenty (20) years;

B. This order's application to any respondent that is not named as a defendant in such complaint; and

C. This order if such complaint is filed after the order has terminated pursuant to this Part.

Provided, further, that if such complaint is dismissed or a federal court rules that the respondent did not violate any provision of the order, and the dismissal or ruling is either not appealed or upheld on appeal, then the order will terminate according to this Part as though the complaint had never been filed, except that the order will not terminate between the date such complaint is filed and the later of the deadline for appealing such dismissal or ruling and the date such dismissal or ruling is upheld on appeal.

Commissioner Leary not participating.