

In re OM Group, Inc. Securities Litigation

COURT: United States District Court for the Northern District of Ohio
CASE NUMBER: 1:02 CV 2163
CASE LEADERS: Hannah Ross

Securities fraud class action filed on behalf of purchasers of the common stock of OM Group, Inc. ("OMG" or "The Company") during the period January 27, 2000 through and including October 30, 2002.

On March 28, 2003, the Court appointed the Police and Fire Retirement System of the City of Detroit ("Detroit P&F") as Lead Plaintiff in the class action. BLB&G, Detroit P&F's counsel, was appointed as Co-Lead Counsel for the Class and on April 4, 2003, filed a Consolidated Amended Class Action Complaint on behalf of the Class.

OM Group Settles For \$82.5 Million

On March 24, 2005, BLB&G and Detroit P&F announced that OMG and certain of its former officers have agreed to settle all claims against them. Under the settlement, OMG will pay \$82.5 million, \$74 million of which will be paid in cash and \$8.5 million of which will be paid in unrestricted stock. "Our client and we are very pleased that we were able to obtain this very substantial recovery for injured shareholders, after a long, hard fight. We look forward to recovering additional monies from OMG's auditors," Ernst & Young LLP ("E&Y"), said former BLB&G partner Chad Johnson, lead trial attorney for the Class.

Ernst & Young Settles For \$9.9 Million

On June 17, 2005, BLB&G and Lead Plaintiff Detroit P&F reached a settlement agreement of \$9.9 million in cash, with the remaining defendant E&Y, who were OMG's outside auditors during the Class Period. On September 8, 2005, the Court approved the settlement with OMG and the settlement with E&Y. In order to have been eligible to share in the benefits of the settlement, class members must have submitted a completed and signed Proof of Claim form postmarked no later than October 31, 2005.

The claims administration process has concluded and the net settlement fund has been fully disbursed. This matter is considered closed.

BACKGROUND

OMG is a self-described "international producer and marketer of value-added, metal-based specialty chemicals" and has been "the global cobalt leader for more than 50 years." OMG refines, manufactures and sells the metals in the Company's inventory. As such, its metals inventory is critical to the Company's business. In particular, cobalt is one of the principal metals used in OMG's products and is therefore an important component of the Company's inventory.

The Complaint alleges that Defendants engaged in extensive inventory fraud, which permeated all aspects of OMG's inventory accounting and resulted in material overstatements in both the Company's inventory balances and financial statements. Specifically, the Complaint alleges that Defendants, in violation of Generally Accepted Accounting Principles and the federal securities laws, manipulated OMG's inventory accounting by, among other things, (1) evading a lower of cost or market write-down by using a future selling price that was significantly higher than cobalt's actual market price; (2) overstating the Company's work in process inventory balances during periods

of time when certain OMG facilities were closed for holidays or repair; (3) inflating the Company's direct costs and overhead at OMG's Finnish facilities; (4) overstating the value of recoverable cobalt from the Company's inventory sludge ponds; and (5) double-counting the Company's full-absorption costs.

On October 29, 2002, the Company disclosed that it would take a \$108 million charge in the quarter-ended September 30, 2002 in order to write-down the value of its cobalt inventory. Following the Company's October 29, 2002 press release, OMG's shares fell 71% from \$30.90 per share to \$8.95 per share. More recently, the Company publicly confirmed the existence of pervasive "accounting irregularities" at OMG and, as a result, stated that the Company would need to restate its financial statements from 1999 through 2003. On February 28, 2005, the Company announced that OMG has until March 31, 2005 to complete the filing of its restated financial statements, or risk being unlisted by the New York Stock Exchange.

Case Documents

- June 24, 2005 - Notice of Pendency of Class Action
- April 4, 2003 - Consolidated Amended Class Action Complaint