



## II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, and the findings contained in Section 3 below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Rule 102(e) of the Commission’s Rules of Practice, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

## III.

On the basis of this Order and Respondent’s Offer, the Commission finds that:

1. Materna, age 62, is and has been a certified public accountant licensed to practice in the State of Ohio. He served as Chief Financial Officer of OM Group, Inc. (“OMG”) from July 1992 until his retirement in May 2002. His CPA license went inactive thereafter.
2. OMG was, at all relevant times, a Delaware corporation with its principal place of business in Cleveland, Ohio. OMG was engaged in the production and marketing of value-added, metal based specialty chemicals and related materials produced from cobalt and nickel. At all relevant times, OMG’s common stock was registered with the Commission pursuant to Section 12(g) of the Securities Exchange Act of 1934 (“Exchange Act”), and traded on the New York Stock Exchange under the symbol “OMG.”
3. On July 18, 2007, the Commission filed a complaint against Materna in SEC v. James M. Materna, John R. Holtzhauser, and Paul R. Venesky, 07-CV-01274 (D.D.C.). On September 11, 2007, the court entered an order permanently enjoining Materna, by consent, from future violations of Section 17(a) of the Securities Act of 1933 (“Securities Act”) and Sections 10(b) and 13(b)(5) of the Exchange Act and Rules 10b-5, 13b2-1 and 13b2-2 thereunder, and aiding and abetting violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11, and 13a-13 thereunder. Materna was also ordered to pay a \$100,000 civil money penalty.
4. The Commission’s complaint alleges, among other things, that Materna engaged in fraudulent accounting practices in May 2002 and prior, which resulted in OMG filing materially false and misleading financial statements in the company’s annual report on Form 10-K for the fiscal year ended December 31, 2001 and, in part, the fiscal year ended December 31, 2002, and in the company’s quarterly report on Form 10-Q for the first quarter of 2002. The complaint alleges that OMG issued a restatement in March 2005 reducing its retained earnings by \$64 million as a result of fraudulent conduct. According to the complaint, Materna recorded and directed numerous erroneous and unsupported accounting entries, estimates, and top side adjustments to OMG’s books and records that materially increased OMG’s annual and quarterly

net income in a departure from generally accepted accounting principles. These accounting practices allegedly included, among other things, overcapitalizing overhead costs, improperly recording supplier receivables, recording inflated inventory recovery yields, recording inaccurate inventory estimates, and duplicating entries made at the operating unit level. In addition, the complaint alleges that Materna, in part, failed to provide sufficient information to OMG's independent auditor about the accounting entries, estimates, and top side adjustments.

#### IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanction agreed to in Respondent Materna's Offer.

Accordingly, it is hereby ORDERED, effective immediately, that:

A. Materna is suspended from appearing or practicing before the Commission as an accountant.

B. After five (5) years from the date of this order, Respondent may request that the Commission consider his reinstatement by submitting an application (attention: Office of the Chief Accountant) to resume appearing or practicing before the Commission as:

1. a preparer or reviewer, or a person responsible for the preparation or review, of any public company's financial statements that are filed with the Commission. Such an application must satisfy the Commission that Respondent's work in his practice before the Commission will be reviewed either by the independent audit committee of the public company for which he works or in some other acceptable manner, as long as he practices before the Commission in this capacity; and/or

2. an independent accountant. Such an application must satisfy the Commission that:

(a) Respondent, or the public accounting firm with which he is associated, is registered with the Public Company Accounting Oversight Board ("Board") in accordance with the Sarbanes-Oxley Act of 2002, and such registration continues to be effective;

(b) Respondent, or the registered public accounting firm with which he is associated, has been inspected by the Board and that inspection did not identify any criticisms of or potential defects in the Respondent's or the firm's quality control system that would indicate that the Respondent will not receive appropriate supervision;

(c) Respondent has resolved all disciplinary issues with the Board, and has complied with all terms and conditions of any sanctions imposed by the Board (other than reinstatement by the Commission); and

(d) Respondent acknowledges his responsibility, as long as Respondent appears or practices before the Commission as an independent accountant, to

comply with all requirements of the Commission and the Board, including, but not limited to, all requirements relating to registration, inspections, concurring partner reviews and quality control standards.

C. The Commission will consider an application by Respondent to resume appearing or practicing before the Commission provided that his state CPA license is current and he has resolved all other disciplinary issues with the applicable state boards of accountancy. However, if state licensure is dependent on reinstatement by the Commission, the Commission will consider an application on its other merits. The Commission's review may include consideration of, in addition to the matters referenced above, any other matters relating to Respondent's character, integrity, professional conduct, or qualifications to appear or practice before the Commission.

By the Commission.

Nancy M. Morris  
Secretary