

2. Many of the improper accounting practices included, among other things, overcapitalizing overhead costs, inflated inventory recovery yields, improper supplier receivables and interest receivables, duplicating entries already made at the operating unit level, recording inaccurate inventory estimates, and recording expenses out of period. These practices materially increased OM Group's annual and quarterly net income in 2001 and prior years in a departure from generally accepted accounting principles ("GAAP").

3. Paul Venesky ("Venesky"), the former Controller of OMG Americas, a wholly owned subsidiary of OM Group, aided and abetted OM Group's violations by recording erroneous and unsupported accounting entries at the direction of Materna and Holtzhauser to OMG Americas' books and records.

4. During the relevant period, the company did not have an adequate system of internal controls that would detect and prevent the improper accounting practices. As a result, OM Group filed materially false and misleading financial statements in the company's annual report on Form 10-K for the fiscal years ended December 31, 2001 and December 31, 2002, and in the company's quarterly reports on Form 10-Q for the first three quarters of 2002 and the fourth quarter results on Form 10-K, and the first three quarters of 2003 filed on Form 10-Q. The materially false and misleading financial statements were included in the Form S-1, effective January 16, 2002, that was issued in OM Group's \$225.7 million equity offering.

5. In March 2005, after conducting an internal investigation into the accounting improprieties, OM Group issued a restatement reducing its retained earnings for the relevant period by \$64 million as a result of the fraudulent conduct.

6. Materna, Holtzhauser, and Venesky each failed to provide sufficient information to OM Group's independent outside auditor, Ernst & Young LLP ("E & Y"), and there was a concerted effort to hide the practices from E & Y.

JURISDICTION AND VENUE

7. This court has jurisdiction over this action under Section 22(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77v (a)], and Sections 21(d), 21(e), and 27 of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78u(d) and (e) and 78aa]. Defendants, directly or indirectly, made use of the means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange in connection with the transactions, acts, practices, and courses of business alleged in this Complaint.

8. Venue is appropriate in this Court under Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78aa] because OM Group, Inc. does business in this judicial district and certain acts or transactions constituting the violations by the defendants occurred in this district.

DEFENDANTS

9. James M. Materna, age 62, was Chief Financial Officer ("CFO") of OM Group, Inc. from July 1992 until his retirement in May 2002. Materna has been a certified public accountant licensed to practice in the State of Ohio since 1973. His CPA license went inactive after his retirement from OM Group.

10. John R. Holtzhauser, age 50, was Controller of OM Group, Inc. from 1991 until he left the company in August 2003 due to a company restructuring. Holtzhauser has been a certified public accountant licensed to practice in the State of Ohio since 1981.

