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11 UNITED STATES DISTRICT COURT
12 NORTHERN DISTRICT OF CALIFORNIA

13 ALBERT PARAGAMIAN, On Behalf of
14 Himself and All Others Similarly Situated,
15 Plaintiff,

16 vs.

17 CROMPTON CORPORATION, VINCENT A.
18 CALARCO and PETER BARNA,
19 Defendants.

) Case No.

) CLASS ACTION

) COMPLAINT FOR VIOLATION OF THE
FEDERAL SECURITIES LAWS

) DEMAND FOR JURY TRIAL

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1 **INTRODUCTION**

2 1. This is an action on behalf of purchasers of Crompton Corporation ("Crompton" or
3 the "Company") publicly traded securities, including former Crompton & Knowles and Witco
4 shareholders who exchanged their shares of stock for CK Witco stock pursuant to the merger,
5 seeking to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act") and
6 the Securities Act of 1933 (the "Securities Act") during the period from October 26, 1998 to October
7 8, 2002 (the "Class Period"). Crompton manufactures and markets a wide variety of polymer and
8 specialty products.

9 2. During the Class Period, defendants caused Crompton's shares to trade at artificially
10 inflated levels through the issuance of false and misleading financial statements by:

11 (a) agreeing to charge prices at certain levels and otherwise to fix, increase,
12 maintain or stabilize prices of rubber chemicals sold in the United States;

13 (b) selling rubber chemicals at the agreed upon prices; and

14 (c) inflating their profits via the above acts.

15 3. As a result, the Company's shares traded at inflated prices enabling the Company to
16 refinance the Company's debt and consummate a major acquisition using the Company's inflated
17 securities as currency.

18 **JURISDICTION AND VENUE**

19 4. The claims asserted herein arise under and pursuant to §§10(b) and 20(a) of the
20 Exchange Act (15 U.S.C. §§78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC
21 (17 C.F.R. §240.10b-5) and pursuant to §§11 and 15 of the Securities Act (15 U.S.C. §§77k and
22 77o).

23 5. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C.
24 §§1331 and 1337, and §27 of the Exchange Act (15 U.S.C. §78aa) and §22 of the Securities Act (15
25 U.S.C. §77v).

26 6. Venue is proper in this District pursuant to §22 of the Securities Act and §27 of the
27 Exchange Act and 28 U.S.C. §1391(b). Many of the acts charged herein, including the Department
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1 of Justice investigation of the Company, occurred and/or are occurring in substantial part in this
2 District and Crompton conducts business in this District.

3 7. In connection with the acts alleged in this complaint, defendants, directly or
4 indirectly, used the means and instrumentalities of interstate commerce, including, but not limited
5 to, the mails, interstate telephone communications and the facilities of the national securities
6 markets.

7 **THE PARTIES**

8 8. Plaintiff Albert Paragamian purchased Crompton publicly traded securities as detailed
9 in the attached Certification and was damaged thereby.

10 9. Defendant Crompton manufactures and markets a wide variety of polymer and
11 specialty products.

12 10. Defendant Vincent A. Calarco ("Calarco") is the Chairman, President and CEO of
13 the Company.

14 11. Defendant Peter Barna ("Barna") is CFO and a director of the Company. Barna
15 signed the Company's 10-Qs incorporating its false financial statements.

16 12. Defendants Calarco and Barna are the "Individual Defendants." They are liable for
17 the false statements pleaded in ¶¶27-43, as those statements were "group-published" information.

18 **BACKGROUND**

19 13. The rubber chemicals market is dominated by three group – Akzo/Flexsys,
20 Bayer/Rhein Chemie and Crompton/Uniroyal. Together, these three groups control 80% of the
21 rubber chemicals market. Rubber chemicals are used to process rubber into marketable substances.
22 Rubber chemicals are involved in the "cooking" of natural rubber, known as vulcanizing. Rubber
23 chemicals are used to aid in the process of vulcanizing and to add a quality to the rubber itself.

24 14. Chemicals that are used to process rubber are classified into three categories:
25 accelerators, antidegradants, and miscellaneous chemicals. Accelerators are chemicals that
26 accelerate the process of "vulcanization." They are used in production for curing natural and
27 synthetic rubber and also give many physical properties to rubber. This segment includes
28 accelerators, secondary accelerators, retardants, activators and vulcanizing agents. Accelerator

1 chemical families include sulfonamide, other thiazoles, dithiocarbamates, thiurams, xanthate and
2 sulfides, aldehyde amines and guanidines. The accelerators group represent about 39% of the world
3 market of all rubber chemicals.

4 15. Antidegradants are chemicals used in production that protect against deterioration
5 from wear, atmospheric elements (ultraviolet radiation, oxygen, cold) and chemical change over
6 time. Antioxidants, antiozonants and waxes are subcategories. Antioxidants add qualities to the
7 rubber, such as flexibility. Antidegradants represent about 48% of the world market of all rubber
8 chemicals.

9 16. Several categories make up the segment of miscellaneous rubber chemicals, including
10 blowing agents, retarders, polymerization regulators, shortstops, peptizing agents (disulfides and
11 hydrocarbon mixtures) and vulcanizing agents (metal/organic oxides). The miscellaneous category
12 represents about 13% of the world market of all rubber chemicals.

13 17. Tires and tire producers are the largest consumers of rubber chemicals. Rubber
14 chemicals are also used to manufacture outdoor furniture, hoses, seals and belting, weatherseal,
15 sponges, pipe, insulation, wire insulation and jacketing, shoe soles, pharmaceutical stoppers,
16 sporting goods, healthcare products and numerous other molded and extruded rubber goods.

17 **THE RUBBER CHEMICALS CARTEL INVESTIGATION**

18 18. On or about October 8, 2002, Crompton announced that it was being investigated by
19 the United States Department of Justice ("DOJ") and European Union authorities for price fixing
20 and other collusive dealings in the U.S. and European rubber chemicals industry. The DOJ
21 investigation is based in San Francisco, California. Grand Jury subpoenas have been issued in
22 connection with the DOJ investigation. The European Commission antitrust regulators announced
23 that the purpose of inspections was to investigate a cartel agreement and related illegal practices
24 concerning price fixing of rubber chemicals.

25 19. On March 20, 2003, Crompton filed its annual report with the SEC on Form 10-K.
26 The Form 10-K stated, in relevant part:

27 Antitrust Investigations – The Corporation and certain of its subsidiaries, together
28 with other domestic and foreign companies, are currently the subject of coordinated
criminal investigations being conducted by the United States Department of Justice

1 (the "DOJ") and the Canadian Competition Bureau (the "CCB") and a coordinated
2 civil investigation being conducted by the European Commission (together with the
3 DOJ and the CCB, the "Governmental Authorities") with respect to possible antitrust
4 violations relating to the sale and marketing of certain rubber processing chemicals
5 The investigations concern possible anticompetitive practices, including price
6 fixing and customer or market allocations, undertaken by the Corporation and such
7 subsidiaries and certain of their officers and employees.... The Corporation is
8 actively cooperating with the Governmental Authorities regarding such
9 investigations. Since inception of the investigations, the Corporation has been
10 conducting its own internal investigation with the assistance of special counsel.
11 Neither the Corporation, any of its subsidiaries, nor any individual has, to date, been
12 charged in connection with the investigations.

13
14 It is the Corporation's understanding that the investigations by the
15 Governmental Authorities are, as previously stated, focused on rubber processing
16 chemicals, including accelerators, antioxidants and antiozonants (with 2002 sales of
17 \$206 million)

18 With respect to rubber chemicals, the Corporation has held preliminary
19 discussions with the DOJ regarding a possible plea to violations of antitrust laws.
20 At this time, the Corporation cannot predict the outcome of those discussions,
21 including the timing or the terms of any agreement with the DOJ or the amount of
22 any fines that may be imposed. Moreover, at this time, the Corporation cannot
23 determine the extent to which criminal or civil fines or other sanctions might be
24 imposed by the other Governmental Authorities. The Corporation has met and is
25 continuing to meet with the Governmental Authorities in an attempt to resolve all
26 matters relating to the investigations.

27 * * *

28 As previously stated, the Corporation is conducting a continuing internal
investigation of the matters under investigation by the Governmental Authorities,
including a review as to any improper or criminal conduct by current and former
officers and employees of the Corporation and its affected subsidiaries. Further, the
Corporation and its special counsel assisting in the investigation are reviewing all
other areas of the Corporation's business and products to determine compliance with
applicable antitrust law and with the Corporation's antitrust guidelines and policies.
In connection with the investigations, a senior officer of the Corporation has been
placed on paid administrative leave.

The resolution of any possible antitrust violations against the Corporation and
certain of its subsidiaries and the resolution of any civil claims now pending or
hereafter asserted against them may have a material adverse effect on the
Corporation's financial condition, results of operations and prospects. No assurances
can be given regarding the outcome or timing of these matters. Through December
31, 2002, the Corporation has incurred \$6.3 million (pre-tax) of antitrust
investigation costs, and expects to continue to incur substantial costs until all
antitrust investigations are concluded.

The Corporation has named a compliance officer who will report to the Chief
Executive Officer and the Chairman of the Audit Committee. The primary duties of
the compliance officer will be to administer the Corporation's compliance program
in accordance with policies and procedures adopted by the Board of Directors of the
Corporation.

1 **ILLEGAL ANTITRUST ACTIVITIES**

2 20. Beginning at least as early as 1995, and continuing until at least October 8, 2002, the
3 defendants engaged in a continuing agreement, understanding and conspiracy in restraint of trade
4 to artificially raise, fix, maintain or stabilize prices for rubber chemicals in the United States in
5 violation of §1 of the Sherman Act, 15 U.S.C. §1.

6 21. The defendants sought to and did fix, raise and maintain, or stabilize prices for rubber
7 chemicals in the United States.

8 22. In formulating and effectuating the aforesaid contract, combination or conspiracy,
9 defendants did those things that they combined and conspired to do, including, among other things:

10 (a) agreeing to charge prices at certain levels and otherwise to fix, increase,
11 maintain or stabilize prices of rubber chemicals sold in the United States;

12 (b) selling rubber chemicals at the agreed upon prices; and

13 (c) inflating their profits via the above acts.

14 23. The activities described above have been engaged in by defendants for the purpose
15 of effectuating the unlawful arrangements to fix, maintain, raise and/or stabilize prices of rubber
16 chemicals.

17 24. Throughout the Class Period, defendants affirmatively and fraudulently concealed
18 their unlawful conduct from plaintiff and the Class.

19 25. Only on or about October 8, 2002, when news services announced that antitrust
20 investigators were probing allegations of price-fixing in rubber chemicals, was the existence of the
21 conspiracy disclosed to the public.

22 26. Defendants engaged in a successful, illegal price-fixing conspiracy with respect to
23 rubber chemicals, which they affirmatively concealed, in at least the following respects:

24 (a) By meeting secretly to discuss the prices of rubber chemicals sold in the U.S.
25 and elsewhere;

26 (b) By agreeing among themselves at meetings and in communications not to
27 discuss publicly, or otherwise reveal, the nature and substance of the acts and communications in
28 furtherance of their illegal scheme; and

1 (c) By giving false and pretextual reasons for the pricing of rubber chemicals sold
2 by them during the Class Period and by describing such pricing falsely as being the result of
3 competitive factors rather than collusion.

4 **FALSE AND MISLEADING STATEMENTS**
5 **DURING THE CLASS PERIOD**

6 27. On October 26, 1998, the Company issued a press release entitled, "Crompton &
7 Knowles' Third Quarter Earnings Before Extraordinary Items Increase 23 Percent." The press
8 release stated in part:

9 Crompton & Knowles Corporation reported today that third quarter earnings before
10 extraordinary losses on early extinguishment of debt increased 23 percent to \$30.6
11 million, or 40 cents per share diluted (41 cents basic), from \$24.8 million, or 32 cents
12 per share diluted (33 cents basic), in the third quarter of 1997. The extraordinary
13 losses on early extinguishment of debt were \$5.7 million, or seven cents per share,
14 in the 1998 quarter and \$1.9 million, or two cents per share, in the 1997 quarter. Net
15 earnings after the extraordinary losses were \$24.9 million, or 33 cents per share
16 diluted (34 cents basic), in the 1998 period compared with \$22.9 million, or 30 cents
17 per share diluted (31 cents basic), in the comparable 1997 quarter. Net sales in the
18 third quarter declined three percent to \$442.8 million from \$455.1 million in the third
19 quarter of 1997.

20 *"We are pleased to report another quarter of significant improvement in*
21 *our earnings before extraordinary items,"* said Vincent A. Calarco, the company's
22 chairman, president and chief executive officer. *"In addition, we continue to*
23 *strengthen our balance sheet as we refinanced \$85 million of the 9% and 10.5%*
24 *debt and reduced debt by another \$12 million, bringing total debt reduction to \$75*
25 *million for 1998 and \$241 million for the last two years.* Our average cost of debt
26 is now below 8 percent and our quarterly interest expense declined by 30 percent to
27 below \$18 million from over \$25 million in last year's third quarter," he said.

28 28. On January 27, 1999, the Company issued a press release entitled, "Crompton &
Knowles Fourth Quarter Earnings Increase 68 Percent Before Special Items." The press release
stated in part:

Crompton & Knowles Corporation reported today that fourth quarter earnings
increased 68 percent before special items to \$14.9 million, or 21 cents per share
basic and diluted, from \$8.9 million, or 12 cents per basic share and diluted, in the
1997 fourth quarter. Special items in the fourth quarter of 1998 include a non-
recurring gain, facility closure costs and an accounting change as described in the
notes to the statements of earnings and in 1997 consist of an extraordinary loss on
early extinguishment of debt. Net earnings for the fourth quarter were \$80.9 million,
or \$1.11 per share diluted (\$1.13 basic), compared with \$6.7 million, or nine cents
per share basic and diluted, in the fourth quarter of 1997. Net sales in the fourth
quarter were \$401.8 million, down six percent from 1997 fourth quarter sales of
\$428.1 million.

1 The deconsolidation of the Gustafson seed treatment business in December
2 accounted for about two percent of the decline.

3 "***We are pleased to report another quarter of significant improvement in***
4 ***our earnings performance***" said Vincent A. Calarco, the company's chairman,
5 president and chief executive officer. "In addition, we continue to strengthen our
6 balance sheet as we reduced debt by another \$159 million in the fourth quarter,
7 bringing total debt reduction to \$234 million in 1998 and \$400 million in the last two
8 years. Our fourth quarter interest expense of \$16.5 million declined by 32 percent
9 from the same period last year."

10 29. On April 27, 1999, the Company issued a press release entitled, "Crompton &
11 Knowles Earnings Per Share Increase 12 Percent Before Special Items." The press release stated
12 in part:

13 Crompton & Knowles Corporation reported today that first quarter diluted earnings
14 per share before special terms increased 12 percent to 47 cents per share (\$32.4
15 million) from 42 cents per share (\$31.9 million) in last year's first quarter. Special
16 items included an after-tax gain of 39 cents per share diluted (\$26.8 million) relating
17 to the sale of the specialty ingredients business in 1999 and an extraordinary loss on
18 early extinguishment of debt of three cents per share diluted (\$2.0 million) in 1998.
19 Net earnings per diluted share in the first quarter of 1999 more than doubled to 86
20 cents per share (\$59.2 million) from 39 cents per share (\$30.0 million) in the first
21 quarter of 1998. Earnings per share benefitted by the company's stock buyback
22 program as weighted average shares outstanding decreased 69.2 million diluted from
23 76.4 million in the first quarter of 1998.

24 Net sales for the first quarter of 1999 were down one percent to \$396.3
25 million from \$402.2 million in the first quarter of 1998 as adjusted to exclude \$75
26 million resulting from deconsolidated joint ventures and the sale of the specialty
27 ingredients business. The sales decline was primarily attributable to lower first
28 quarter sales in the Colors business.

29 "***We are pleased to report another quarter of double-digit earnings per***
30 ***share growth***," said Vincent A. Calarco, the company's chairman, president and chief
31 executive officer."

32 30. On June 1, 1999, the Company issued a press release entitled, "Crompton & Knowles
33 and Witco to Merge, Creating \$3.2 Billion Speciality Chemical Company." The press release stated
34 in part:

35 Crompton & Knowles Corporation and Witco Corporation, two of the world's
36 leading producers of specialty chemicals, today announced that their boards of
37 directors have approved a definitive agreement for a tax-free stock-for-stock merger
38 of equals.

39 The combined company, to be named C&K Witco Corporation, will be one
40 of the world's largest specialty chemical companies with a total capitalization of
41 approximately \$3.9 billion. Headquartered in Connecticut, C&K Witco will have
42 approximately 10,000 employees and hold global market leadership positions in
43 additives, polymers and processing equipment, and specialty chemicals.

1 Under the agreement each share of Compton & Knowles common stock will
2 be converted into one share of C&K Witco and each share of Witco common stock
3 will be exchanged for 0.9242 shares of common stock of the new company. The
4 combined company will be owned (on a fully diluted basis) approximately 55% by
current shareholders of Crompton & Knowles and approximately 45% by current
shareholders of Witco. The combination will be treated as a purchase for accounting
purposes.

5 31. On July 30, 1999, the Company issued a press release entitled, "Crompton &
6 Knowles Second Quarter Earnings Per Share Increases 10 Percent Before Extraordinary Items." The
7 press release stated in part:

8 Crompton & Knowles Corporation announced today that second quarter diluted
9 earnings per share before extraordinary items increased to 57 cents per share (\$38.0
million) from 52 cents per share (\$39.8 million) in last year's second quarter.

10 Extraordinary items were losses on early extinguishment of debt of two cents
11 per share (\$1.1 million) in the second quarter of 1999 and 18 cents per share (\$13.8
million) in last year's second quarter. Net earnings per diluted share in the second
12 quarter of 1999 of 55 cents per share (\$36.9 million) increased 62 percent from 34
cents per share (\$26.0 million) in the prior year. Earnings per share benefitted by the
13 company's stock buyback program as weighted average shares outstanding decreased
to 66.6 million diluted from 76.8 million diluted in the second quarter of 1998.

14 Net sales of the second quarter of 1999 were down two percent to \$409.2
15 million from \$417.7 million in the second quarter of 1998 as adjusted to exclude
\$56.7 million resulting from deconsolidated joint ventures and the sale of the
16 speciality ingredients business. The sales decline was primarily attributable to lower
second quarter sales in the Colors business.

17 ***"With our continuing emphasis on building shareholder value, we are
18 pleased to report another quarter of strong earnings per share growth,"*** said
Vincent A. Calarco, chairman, president and chief executive officer. "We will
19 continue our focus on shareholder value as we move forward with the creation of CK
Witco. Upon approval of C&K and Witco shareholders on or about September 1, the
20 new company will provide excellent opportunities for revenue growth, market
expansion and improving results."

21 32. On April 26, 2000, the Company filed an S-4 Prospectus/Registration Statement used
22 to acquire CK Witco in a stock-for-stock acquisition.

23 33. On July 28, 2000, the Company issued a press release entitled, "Crompton Meets
24 Expectations With Second Quarter Earnings of 36 Cents Per Share." The press release stated in part:

25 Crompton Corporation today reported second quarter net earnings of \$41.5 million,
26 or 36 cents per share, meeting street expectations.

27 Second quarter net sales of \$802.9 million declined one percent from adjusted
28 sales of \$808.6 million in the second quarter of 1999. However, after adjustment for
foreign currency impact, sales increased by one percent in the second quarter of
2000. Operating profit of \$97.8 million was \$5.2 million or five percent less than

1 adjusted 1999, with increased raw material and energy costs (\$13 million) and
2 unfavorable foreign currency impact (\$3 million) contributing to the decline.

3 ***"We are pleased to report another successful quarter of solid results," said***
4 ***Vincent A. Calarco, chairman, president and chief executive officer. "We are***
5 ***pleased by the success of the merger integration and are confident in our ability***
6 ***to grow our core businesses. With respect to divestiture activity, we expect to close***
7 ***on both the Refined Products and Industrial Specialties businesses before the end***
8 ***of the year."***

9 34. On October 25, 2000, the Company issued a press release entitled, "Crompton
10 Corporation Reports Third Quarter Earnings Per Share of 19 Cents Equal to Expectations." The
11 press release stated in part:

12 Crompton Corporation today reported third quarter net earnings of \$21.6 million, or
13 19 cents per share, equal to street expectations.

14 Third quarter net sales of \$738.5 million declined one percent from adjusted
15 sales of \$745.6 million in the third quarter of 1999, primarily due to the impact of a
16 weaker Euro. Excluding the impact of foreign currency translation, sales for the
17 quarter increased two percent. Operating profit of \$65.2 million was 30 percent
18 greater than adjusted 1999 operating profit of \$50.3 million despite the continuing
19 impact of higher raw material and energy costs (\$15 million) and unfavorable foreign
20 currency impact (\$5 million). The improvement in operating profit was primarily
21 due to increased unit volume and lower operating costs including a \$4.8 million
22 credit attributable to the reversal of performance based compensation costs recorded
23 in prior quarters.

24 ***"We are pleased to report third quarter earnings per share that are equal***
25 ***to street expectations," said Vincent A. Calarco, chairman, president and chief***
26 ***executive officer. "The concerns that we expressed at the end of the second***
27 ***quarter regarding a potential slowing of the U.S. economy and continued high***
28 ***level of raw material and energy costs have become a reality affecting the entire***
29 ***chemicals industry. These external factors and the continued deterioration of the***
30 ***Euro will make for a challenging fourth quarter. Nevertheless, we estimate***
31 ***earnings per share for the fourth quarter to be 25 to 50 percent above last year's***
32 ***fourth quarter of \$.08 per share before special items."***

33 35. On February 1, 2001, the Company issued a press release entitled, "Crompton
34 Corporation Reports 25 Percent Increase in Fourth Quarter Earnings Per Share Before Special
35 Items." The press release stated in part:

36 Crompton Corporation today reported that fourth quarter earnings per share before
37 special items increased 25% to 10 cents per share, or \$11.5 million in net earnings.
38 The fourth quarter, including an after-tax charge of \$15 million for the closure of the
39 company's Freeport, Bahamas manufacturing facility announced in November,
40 resulted in a net loss of \$3.5 million, or three cents per share, as compared to a net
41 loss of \$91 million, or 77 cents per share, in the fourth quarter of 1999. Special
42 items recorded in the fourth quarter of 1999 included an after-tax charge of \$65.5
43 million on the sale of the textile colors business, an after-tax charge of \$20.6 million

1 for merger and related costs, and a \$14.4 million after-tax extraordinary loss on early
2 extinguishment of debt.

3 36. On April 24, 2001, the Company issued a press release entitled, "Crompton
4 Corporation Meets First Quarter Street Expectations of 14 Cents Per Share." The press release
5 stated in part:

6 Crompton Corporation today reported first quarter net earnings of \$15.8 million, or
7 14 cents per share, equal to street expectations.

8 First quarter net sales of \$738 million declined four percent from the first
9 quarter of 2000. One-half of the decline was due to lower foreign currency
10 translation and the remainder was due primarily to the slowing domestic economy.
11 Net earnings of \$15.8 million, or 14 cents per share, declined from \$29.7 million, or
12 26 cents per share, reported in the first quarter of 2000. The decline was primarily
13 attributable to the impact of lower sales, the continuing impact of higher raw material
14 and energy costs (\$20 million), unfavorable foreign currency impact (\$4 million)
15 offset in part by a pension curtailment gain (\$4.7 million) and our continuing efforts
16 to achieve efficiencies and reduce costs.

17 "In this difficult economic environment, we are pleased to report first quarter
18 earnings per share that are equal to street expectations," said Vincent A. Calarco,
19 chairman, president and chief executive officer. "We are also pleased to report a
20 reduction in total debt of \$61 million during the quarter.

21 "The slowing domestic economy, the continued unprecedented level of raw
22 material and energy costs and the strong U.S. dollar continue to impact the entire
23 industry. Although these forces will likely continue in varying degrees throughout
24 2001, many economists expect business activity to improve in the second half of the
25 year. Also, the year-over-year quarterly comparisons for raw material, energy and
26 foreign exchange costs should be less onerous as the year progresses. *Current street
27 estimates for the second quarter range from 22 cents to 28 cents per share, while
28 the consensus for all of 2001 is 80 cents per share. We are comfortable with the
consensus estimate for the year, but believe that we could be near or slightly below
the lower end of the estimate range for the second quarter due primarily to the
economic slowdown in the U.S.*

*"With respect to divestiture activity, work is continuing on both the Refined
Products and Industrial Specialties businesses. Despite a difficult economic
environment, we currently anticipate that our efforts will be successful in the
second quarter of 2001."*

37. On July 25, 2001, the Company issued a press release entitled, "Crompton
Corporation Reports Second Quarter Earnings of 12 Cents Per Share." The press release stated in
part:

Crompton Corporation today reported second quarter net earnings of \$13.9 million,
or 12 cents per share, at the higher end of the range projected by the Company on
July 2nd.

1 Second quarter net sales of \$724.0 million declined 10 percent from the
2 second quarter of 2000. Two percent of the decline was due to the impact of lower
3 foreign currency translation and the remainder (including lower pricing of one
4 percent) was primarily due to the weak domestic economy. Specifically, the
5 Company has been affected by persistent softness in domestic auto production, the
6 dramatic drop in industrial production representing the longest period of decline in
7 key industrial indices since the 1982 recession, and significant weakness in capital
8 spending for production machinery.

9
10 Second quarter net earnings of \$13.9 million, or 12 cents per share, declined
11 from \$41.5 million, or 36 cents per share, in the second quarter of 2000. The decline
12 was primarily attributable to the impact of lower sales, higher raw material and
13 energy costs (\$15 million), unfavorable foreign currency impact (\$3 million), offset
14 in part by reversal of certain environmental remediation reserves no longer deemed
15 necessary (\$5.9 million), and our continuing efforts to achieve efficiencies and
16 reduce costs.

17
18 "As the economy improves, we are confident that Crompton is well
19 positioned and leveraged to take full advantage of an increase in demand and to
20 translate that into accelerated profit improvement," said Vincent A. Calarco,
21 chairman, president and chief executive officer. "As indicated on July 2nd, we plan
22 to lower our operating costs by approximately \$60 million by the end of 2002
23 through a program of facility consolidation and workforce reduction, together with
24 improvements in procurement and working capital control. The program is in
25 addition to the \$60 million in merger-related savings achieved in 2000.

26
27 "Current street estimates for the third quarter range from zero to 16 cents per
28 share with a consensus of 11 cents per share for the quarter and 46 cents per share
for the year. We are comfortable with the consensus for 2001 and believe that we
will be in the range of 8 to 12 cents per share for the third quarter."

Calarco noted that the Company anticipates a pretax charge of approximately
\$90 to \$110 million relating to the restructuring program. The charge will be
recorded in the third quarter and beyond as events trigger recognition under generally
accepted accounting principles. Approximately 50% of the charge relates to
non-cash items.

The Company also reported that it has obtained ninety-day waivers from its
lenders regarding the debt to EBITDA covenant contained in its Five-Year and
364-Day Credit Agreements.

38. On September 19, 2001, the Company issued a press release entitled, "Crompton
Details \$60 Million Restructuring Initiative." The press release stated in part:

Crompton Corporation today announced the closing of six plants, workforce
reductions at numerous other facilities and efficiency improvements as major
components of a restructuring plan expected to yield \$60 million in cost
improvements by the end of 2002.

The company expects to take a pretax charge of \$90 to \$110 million as a
result of the restructuring, primarily in the third quarter. Less than 50 percent of the
charge will be cash and is expected to be disbursed over the next few years.

* * *

1 Crompton has announced the companywide expansion of its Six Sigma
2 program, which focuses on improved efficiencies and cost savings and is
3 streamlining various business processes, including transportation and logistics. The
4 combination of these efforts is expected to yield significant cost improvements in
5 2002, as part of the \$60 million program.

6 "We are taking the types of decisive actions needed to reduce our cost base
7 and enhance our competitive position for the future," said Vincent A. Calarco,
8 chairman, president and chief executive officer of Crompton Corporation. "Our
9 objective is to achieve the lowest cost position in each of our businesses while
10 maintaining the highest standards of customer service. We have focused our efforts
11 on areas where we can reap significant savings while ensuring an uninterrupted
12 supply of products and services to customers."

13 39. On October 24, 2001, the Company issued a press release entitled, "Crompton
14 Corporation Reports Third Quarter Results; Restructuring Program on Track to Achieve \$60 Million
15 in Cost Savings by End of 2002." The press release stated in part:

16 Crompton Corporation reported today that third quarter earnings per share before
17 special items were at breakeven as projected by the Company on October 9th.

18 After the special charge for severance, plant closures and related costs
19 pertaining to the Company's cost reduction initiative announced earlier in the quarter,
20 the Company reported a net loss of \$68.2 million, or 60 cents per share.

21 Third quarter sales of \$651.9 million were below the prior year by \$86.5
22 million or 12 percent, as lower selling prices and foreign currency translation
23 accounted for two percent of the decline. Polymer processing equipment accounted
24 for approximately one-half of the total shortfall due to severe cutbacks in domestic
25 capital spending. Positive sales comparisons in crop protection and petroleum
26 additives were more than offset by negative comparisons in other businesses.

27 40. On January 7, 2002, the Company issued a press release entitled, "Crompton Reports
28 Sales and Total Debt/Announces Fourth Quarter Conference Call." The press release stated in part:

Crompton Corporation today reported that sales for the fourth quarter of 2001 were
approximately \$600 million, down sequentially from \$652 million in the third
quarter of 2001. Sales were impacted by continued weak demand and year-end
customer inventory adjustments. The company did not provide an earnings estimate
but did indicate that the gross margin percentage for the fourth quarter will be
weaker than the third quarter due to the seasonal impact of the crop protection
business and lower plant throughput.

The company continues to place strong emphasis on cash flow and reported
that total debt at year-end was approximately \$1.42 billion, down approximately \$50
million from the end of the third quarter and down approximately \$80 million from
the end of 2000.

41. On January 31, 2002, the Company issued a press release entitled, "Crompton
Corporation Reports Fourth Quarter and Annual Results." The press release stated in part:

1 Crompton Corporation reported today a fourth quarter loss before special items of
2 \$13.8 million or \$.12 per share compared to earnings before special items of \$11.5
million or \$.10 per share in the fourth quarter of 2000.

3 Special items in this year's fourth quarter included after-tax charges (85
4 percent non-cash) for facility closures, severance and related costs (\$6.7 million),
5 impairment of long-lived assets relating to the rubber chemicals and trilene product
6 lines (\$50.8 million) and loss on the sale of the industrial colors and nitrile rubber
businesses (\$14.1 million). Including special items, the loss was \$85.4 million or
\$.76 per share compared to a loss of \$3.5 million or \$.03 per share in the fourth
quarter of 2000.

7 Fourth quarter sales of \$604.9 million were below the prior year by 17
8 percent primarily due to continued weak demand as U.S. industrial production was
9 down for the last five quarters and average capacity utilization slipped to nearly a
20-year low. In addition, year-end customer inventory adjustments increased over
the prior year level.

10 According to Crompton chairman, president and CEO, Vincent A. Calarco,
11 ***"Despite lower operating results, total debt decreased \$84 million in 2001 as we
made good progress in our working capital reduction program and realized
12 divestiture proceeds of \$35 million."***

13 ***"We believe that the fourth quarter represented trough results for the
company and barring anything catastrophic in 2002, we expect improved results
14 as the economy emerges from recession."***

15 42. On April 30, 2002, the Company issued a press release entitled, "Crompton's First
16 Quarter Earnings Exceed Expectations/Announces \$50 Million Tax Refund." The press release
17 stated in part:

18 Crompton Corporation today reported first quarter net earnings of \$6.8 million, or
6 cents per share, versus the First Call consensus of 5 cents per share.

19 Compared to the prior year, earnings per share were 8 cents lower than the
20 first quarter of 2001, but were 18 cents higher than the fourth quarter of 2001 before
special items. First quarter net sales of \$644.8 million were 13 percent below last
21 year's first quarter, but were seven percent above the fourth quarter of 2001.

22 According to company chairman, president and chief executive officer,
Vincent A. Calarco, "As indicated in January, we believe that the fourth quarter
23 represented trough results for the company. Furthermore, we believe that first
quarter results reflect the gradual improvement to be expected as the economy
24 emerges from recession. Although we are not yet in a position to provide definitive
quarterly earnings guidance, we continue to believe that full-year 2002 will be in the
25 range of 45 to 65 cents per share.

26 ***"While total debt during the first quarter increased modestly, we are
pleased to announce the April receipt of \$50 million resulting from recent tax
27 legislation extending the net operating loss carryback period to five years for
domestic losses incurred in 2001."***

1 43. On July 23, 2002, the Company issued a press release entitled, "Crompton's Second
2 Quarter Earnings Before Special Items Exceed Expectations." The press release stated in part:

3 Crompton Corporation reported today second quarter earnings before special items
4 of \$20.7 million, or 18 cents per share, 50% better than the 12 cents per share in the
5 second quarter of 2001 and 20% better than the First Call consensus of 15 cents per
6 share.

7 Versus 2001, a reconciliation schedule of sales and earnings per share before
8 special items has been included in the accompanying statement of operations.
9 Special items for the quarter included an after-tax loss of \$21.1 million, or 19 cents
10 per share, on the sale of the company's industrial specialties business and an after-tax
11 charge of \$5.9 million, or 5 cents per share, for facility closures, severance and
12 related costs. Including special items, the company reported a second quarter loss
13 of \$6.3 million, or 6 cents per share.

14 Second quarter sales of \$689.7 million were \$34.3 million or five percent
15 below the prior year. The shortfall was primarily due to last year's fourth quarter sale
16 of the company's industrial colors business (\$9.8 million), lower polymer processing
17 equipment sales (\$13.5 million) and lower sales for the divested industrial specialties
18 business (\$9.5 million). Compared to the first quarter of 2002, sales for the second
19 quarter were seven percent higher, reflecting improved business conditions across
20 most businesses.

21 ***"After almost two years of very difficult operating conditions, we are
22 pleased to report our second consecutive quarter of improved operating results and
23 significant progress in achieving our divestiture and debt reduction objectives,"
24 said Vincent A. Calarco, chairman, president and chief executive officer. "We
25 completed the sale of our industrial specialties business at the end of June and
26 used those proceeds, coupled with other funds, to reduce debt by \$167 million
27 during the quarter."***

28 44. On October 8, 2002, the Company issued a press release entitled, "Crompton
Cooperating With Antitrust Authorities." The press release stated in part:

 Crompton Corporation today announced that it has been contacted by the U.S. and
European Union authorities concerning an investigation into allegations of collusive
dealings in the rubber chemicals industry.

 The company and several of its employees have been issued grand jury
subpoenas in connection with that investigation, which is still in its early stages.
Neither Crompton nor any of its employees has been charged with any wrongdoing.
The company is cooperating fully with the authorities and is conducting its own
internal investigation to determine all relevant facts.

 The company's rubber chemicals business, which had global sales of \$206
million in 2001, was part of Uniroyal Chemical Company, which became part of the
company in 1996.

1 **CROMPTON'S FALSE FINANCIAL**
2 **REPORTING DURING THE CLASS PERIOD**

3 45. In order to inflate the price of Crompton's stock and make its refinancing of debt and
4 acquisition possible, defendants caused the Company to falsely report its results during fiscal 1998-
5 2002 through its illegal and collusive dealings with other companies in violation of U.S. law.

6 46. The fiscal 1998-2002 results were included in Form 10-Qs/10-Ks filed with the SEC.
7 The results were also included in press releases.

8 47. Crompton improperly accounted for inflated earnings associated with its rubber
9 chemical sales in the 1998-2002 financial statements, such that its 1998-2002 financial statements
10 were not a fair presentation of Crompton's results and were presented in violation of Generally
11 Accepted Accounting Principles ("GAAP") and SEC rules.

12 48. GAAP are those principles recognized by the accounting profession as the
13 conventions, rules and procedures necessary to define accepted accounting practice at a particular
14 time. SEC Regulation S-X (17 C.F.R. §210.4-01(a)(1)) states that financial statements filed with
15 the SEC which are not prepared in compliance with GAAP are presumed to be misleading and
16 inaccurate, despite footnote or other disclosure. Regulation S-X requires that interim financial
17 statements must also comply with GAAP, with the exception that interim financial statements need
18 not include disclosure which would be duplicative of disclosures accompanying annual financial
19 statements. 17 C.F.R. §210.10-01(a).

20 49. During the Class Period, Crompton inflated its earnings by engaging in the price
21 fixing scheme causing its earnings and assets to be artificially inflated.

22 50. Due to these accounting improprieties, the Company presented its financial results
23 and statements in a manner which violated GAAP, including the following fundamental accounting
24 principles:

25 (a) The principle that interim financial reporting should be based upon the same
26 accounting principles and practices used to prepare annual financial statements was violated (APB
27 No. 28, ¶10);
28

1 (b) The principle that financial reporting should provide information that is useful
2 to present and potential investors and creditors and other users in making rational investment, credit
3 and similar decisions was violated (FASB Statement of Concepts No. 1, ¶34);

4 (c) The principle that financial reporting should provide information about the
5 economic resources of an enterprise, the claims to those resources, and effects of transactions, events
6 and circumstances that change resources and claims to those resources was violated (FASB
7 Statement of Concepts No. 1, ¶40);

8 (d) The principle that financial reporting should provide information about how
9 management of an enterprise has discharged its stewardship responsibility to owners (stockholders)
10 for the use of enterprise resources entrusted to it was violated. To the extent that management offers
11 securities of the enterprise to the public, it voluntarily accepts wider responsibilities for
12 accountability to prospective investors and to the public in general (FASB Statement of Concepts
13 No. 1, ¶50);

14 (e) The principle that financial reporting should provide information about an
15 enterprise's financial performance during a period was violated. Investors and creditors often use
16 information about the past to help in assessing the prospects of an enterprise. Thus, although
17 investment and credit decisions reflect investors' expectations about future enterprise performance,
18 those expectations are commonly based at least partly on evaluations of past enterprise performance
19 (FASB Statement of Concepts No. 1, ¶42);

20 (f) The principle that financial reporting should be reliable in that it represents
21 what it purports to represent was violated. That information should be reliable as well as relevant
22 is a notion that is central to accounting (FASB Statement of Concepts No. 2, ¶¶58-59);

23 (g) The principle of completeness, which means that nothing is left out of the
24 information that may be necessary to insure that it validly represents underlying events and
25 conditions was violated (FASB Statement of Concepts No. 2, ¶79); and

26 (h) The principle that conservatism be used as a prudent reaction to uncertainty
27 to try to ensure that uncertainties and risks inherent in business situations are adequately considered
28

1 was violated. The best way to avoid injury to investors is to try to ensure that what is reported
2 represents what it purports to represent (FASB Statement of Concepts No. 2, ¶¶95, 97).

3 51. Further, the undisclosed adverse information concealed by defendants during the
4 Class Period is the type of information which, because of SEC regulations, regulations of the
5 national stock exchanges and customary business practice, is expected by investors and securities
6 analysts to be disclosed and is known by corporate officials and their legal and financial advisors
7 to be the type of information which is expected to be and must be disclosed.

8 **FIRST CLAIM FOR RELIEF**

9 **For Violation of §10(b) of the Exchange Act
10 and Rule 10b-5 Against All Defendants**

11 52. Plaintiff incorporates ¶¶1-51 by reference.

12 53. During the Class Period, defendants disseminated or approved the false statements
13 specified above, which they knew or recklessly disregarded were materially false and misleading
14 in that they contained material misrepresentations and failed to disclose material facts necessary in
15 order to make the statements made, in light of the circumstances under which they were made, not
16 misleading.

17 54. Defendants violated §10(b) of the Exchange Act and Rule 10b-5 in that they:

18 (a) Employed devices, schemes, and artifices to defraud;

19 (b) Made untrue statements of material facts or omitted to state material facts
20 necessary in order to make statements made, in light of the circumstances under which they were
21 made not misleading; or

22 (c) Engaged in acts, practices, and a course of business that operated as a fraud
23 or deceit upon plaintiff and others similarly situated in connection with their purchases of Crompton
24 publicly traded securities during the Class Period.

25 55. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of
26 the market, they paid artificially inflated prices for Crompton publicly traded securities. Plaintiff
27 and the Class would not have purchased Crompton publicly traded securities at the prices they paid,
28

1 or at all, if they had been aware that the market prices had been artificially and falsely inflated by
2 defendants' misleading statements.

3 56. As a direct and proximate result of these defendants' wrongful conduct, plaintiff and
4 the other members of the Class suffered damages in connection with their purchases of Crompton
5 publicly traded securities during the Class Period.

6 **SECOND CLAIM FOR RELIEF**

7 **For Violation of §20(a) of the Exchange Act**
8 **Against All Defendants**

9 57. Plaintiff incorporates ¶¶1-56 by reference.

10 58. The executive officers of Crompton prepared, or were responsible for preparing, the
11 Company's press releases and SEC filings. The Individual Defendants controlled other employees
12 of Crompton. Crompton controlled the Individual Defendants and each of its officers, executives
13 and all of its employees. By reason of such conduct, defendants are liable pursuant to §20(a) of the
14 Exchange Act.

15 **THIRD CLAIM FOR RELIEF**

16 **For Violation of §11 of the Securities Act**
17 **Against All Defendants**

18 59. Plaintiff incorporates ¶¶1-51 by reference.

19 60. This Count is brought pursuant to §11 of the Securities Act on behalf of the Class,
20 against all defendants and is based upon principles of strict liability, negligence and lack of due
21 diligence, but not fraud.

22 61. Plaintiff and members of the Class acquired Crompton common stock issued pursuant
23 to the Registration Statement filed by the Company with the SEC and declared effective by the SEC
24 on April 26, 2000. This Registration Statement was used to acquire CK Witco.

25 62. As alleged above, the Registration Statement was materially false and misleading,
26 contained untrue statements of material fact, omitted to state material facts necessary to make the
27 statements made in the Registration Statement, under the circumstances in which they were made,
28 not misleading and failed to disclose material facts.

1 63. Specifically, the Registration Statement described at ¶32 failed to disclose that the
2 Company was engaging in price fixing activities in violation of United States antitrust laws and that
3 the Company's income attributable to its price fixing activities would be subject to fines, penalties
4 and/or disgorgement.

5 64. The Company filed the Registration Statement as the issuer of the stock, as defined
6 in §11(a)(5) of the Securities Act. The defendants named herein were responsible for the contents
7 of the Registration Statement and caused its filing with the SEC.

8 65. Crompton is the issuer of the common stock sold via the Registration Statement. As
9 issuer, Crompton is liable to members of the Class for misstatements in, and omissions from, the
10 Registration Statement.

11 66. Defendants signed the Registration Statement and all defendants otherwise caused
12 it to be prepared, filed with the SEC and circulated to the public, including plaintiff and the other
13 members of the Class.

14 67. None of the defendants named herein made a reasonable investigation or possessed
15 reasonable grounds for the belief that the statements contained in the Registration Statement were
16 accurate and complete in all material respects.

17 68. At the time plaintiff acquired Crompton common stock in the Registration Statement,
18 he did not know nor did any member of the Class know, or by the reasonable exercise of care could
19 have known, of the facts concerning the inaccurate and misleading statements and omissions alleged
20 herein.

21 69. In connection with the Registration Statement used to acquire CK Witco, defendants,
22 directly or indirectly, used the means and instrumentalities of interstate commerce and the United
23 States mail.

24 70. This action was brought within the one year after the discovery of the untrue
25 statements and omissions and within three years after the common stock was issued to the public
26 pursuant to the Registration Statement.

1 the parties and the Court. During the Class Period, Crompton had more than 114 million shares of
2 stock outstanding, owned by thousands of persons.

3 78. There is a well-defined community of interest in the questions of law and fact
4 involved in this case. Questions of law and fact common to the members of the Class which
5 predominate over questions which may affect individual Class members include:

- 6 (a) Whether the Securities Act and Exchange Act were violated by defendants;
- 7 (b) Whether defendants omitted and/or misrepresented material facts;
- 8 (c) Whether defendants' statements omitted material facts necessary to make the
9 statements made, in light of the circumstances under which they were made, not misleading; and
- 10 (d) Whether defendants knew or recklessly disregarded that their statements were
11 false and misleading.

12 **PRAYER**

13 WHEREFORE, plaintiff prays for judgment as follows: declaring this action to be a proper
14 class action; awarding damages, including interest; and such equitable/injunctive or other relief as
15 the Court may deem proper.

16 **JURY DEMAND**

17 Plaintiff demands a trial by jury.

18 DATED: July 18, 2003

MILBERG WEISS BERSHAD
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PATRICK J. COUGHLIN

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Attorneys for Plaintiff

CERTIFICATION OF INTERESTED ENTITIES OR PERSONS

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Pursuant to Civil L.R. 3-16, the undersigned certifies that as of this date, other than the named parties, there is no such interest to report.

ATTORNEY OF RECORD FOR
PLAINTIFF ALBERT PARAGAMIAN