

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF LOUISIANA
SHREVEPORT DIVISION

THE CITY OF SHREVEPORT

CIVIL ACTION NO. _____

VERSUS

FRANK A. REICHL, GENERAL
CHEMICAL CORPORATION,
GENERAL CHEMICAL PERFORMANCE
PRODUCTS LLC, GENTEK INC.,
CHEMTRADE LOGISTICS INCOME
FUND, CHEMTRADE LOGISTICS INC.,
CHEMTRADE CHEMICALS CORPORATION,
CHEMTRADE CHEMICALS US LLC,
VINCENT J. OPALEWSKI, BRIAN C.
STEPPIG, GEO SPECIALTY CHEMICALS
INC., AND JOHN DOES 1-10

DISTRICT JUDGE _____

MAGISTRATE JUDGE _____

ORIGINAL COMPLAINT

Plaintiff, THE CITY OF SHREVEPORT (hereinafter "Plaintiff"), files its Original Complaint against Frank A. Reichl, General Chemical Corporation, General Chemical Performance Products LLC, GenTek Inc., Chemtrade Logistics Income Fund, Chemtrade Logistics Inc., Chemtrade Chemicals Corporation, Chemtrade Chemicals US, LLC, Vincent J. Opalewski, Brian C. Steppig, GEO Specialty Chemicals Inc., and John Does 1 through 10 (hereinafter "Defendants"), and for its causes of action would respectfully show the Court the following:

I. INTRODUCTION

1. Plaintiff brings this action to recover damages incurred due to Defendants' violation of Section 1 of the Sherman Act, 15 U.S.C. § 1, and the Louisiana Monopolies Act, La. Rev. Stat. §§ 51:122-137: (i) engaging in a price-fixing conspiracy and colluding to restrain trade by circumventing competitive bidding and independent pricing for liquid aluminum sulfate contracts over a period of at least thirteen years; and (ii) conspiring to raise prices by submitting artificially inflated bids to Plaintiff for the sale of liquid aluminum sulfate.
2. Liquid aluminum sulfate (hereinafter referred to as "Alum"), is a water treatment chemical used in both municipal and industrial applications. Alum can function as a coagulant, flocculant, precipitant, and emulsion breaker. Alum removes turbidity, suspended solids, total organic carbon, and biochemical oxygen demand. Alum is widely used by municipalities to treat drinking and wastewater.
3. Defendants are manufacturers and distributors of Alum used by municipalities to treat potable water and wastewater. Defendants have engaged in an overarching conspiracy to eliminate competition by fixing prices, rigging bids, and allocating customers for liquid aluminum sulfate in the United States in violation of Section 1 of the Sherman Act and the Louisiana Monopolies Act.
4. From January 1, 1997, to at least February 28, 2011 (or until the end of the anti-competitive effects of Defendants' conduct), Defendants conspired, combined, and contracted to fix, raise, maintain, and stabilize prices at which Alum would be sold. As detailed more fully below, Defendant Frank Reichl, a former senior executive at Defendant

General Chemical Corporation, has already pleaded guilty to participating in this conspiracy. After Defendant Reichl pleaded guilty, indictments were issued against another former senior executive of General Chemical Corporation, Defendant Vincent J. Opalewski, as well as Defendant Brian C. Steppig, an executive of Defendant GEO Specialty Chemicals Inc., for their participation in the same price-fixing conspiracy. General Chemical Corporation has been granted conditional amnesty by the United States Department of Justice for its conduct relating to the Alum conspiracy, which required that General Chemical admit to engaging in criminal anti-competitive conduct with its competitors. On June 16, 2016, Defendant GEO Specialty Chemicals Inc. pleaded guilty for its role in the conspiracy. Defendant GEO Specialty Chemicals Inc. admitted to conspiring to fix prices, rig bids, and allocate customers involving contracts for liquid aluminum sulfate.

5. The City of Shreveport uses Alum for water treatment purposes and has purchased Alum from one or more of the Defendants named herein. As a result of Defendants' anti-competitive conduct, Plaintiff paid more for Alum than it otherwise would have paid if, in the absence of Defendants' unlawful conduct, a competitive market had determined Alum prices. Thus, Plaintiff sustained damages as a result of Defendants' and their co-conspirators' anti-competitive conduct as alleged herein.

II. JURISDICTION AND VENUE

6. This Court has jurisdiction over the subject matter of this action as it arises under Section 1 of the Sherman Act, 15 U.S.C. § 1, and Sections 4 and 16 of the Clayton Act, 15

U.S.C. §§ 15, 26. Further, this Court has jurisdiction under 28 U.S.C. §§ 1331 and 1337, and supplemental jurisdiction pursuant to 28 U.S.C. § 1367 over Plaintiff's state law claim for violation of the Louisiana Monopolies Act.

7. Venue is proper in this District pursuant to 15 U.S.C. §§ 15 and 22 and 28 U.S.C. § 1391(b) and (c) because the Defendants transacted business in, were found in, and/or had agents in this District and a substantial part of the events or omissions giving rise to the claim occurred in this District.

8. This Court has personal jurisdiction over each Defendant because, *inter alia*, each Defendant: (a) transacted business throughout the U.S., including in this District; (b) participated in the manufacturing and distribution of Alum throughout the U.S., including in this District; (c) had substantial contacts with this District; and/or (d) was engaged in an illegal scheme and competition-elimination conspiracy that was directed at and had the intended effect of causing injury to persons residing in, located in, or doing business throughout the U.S., including in this District.

III. THE PARTIES

9. Plaintiff, the City of Shreveport, Louisiana (hereinafter "Plaintiff" or "the City"), is a municipal corporation of the State of Louisiana with its principal place of business at 505 Travis Street, Shreveport, Louisiana 71101. The City operates and maintains the City's water supply reservoir, its water treatment plants, its water storage tanks, its water distribution systems, its wastewater sewer systems and treatment plants, and its outfall systems at their optimum state of efficiency and reliability, all as allowed by budget

allocations. The City's Water and Sewerage Department is committed to providing safe, cost-effective, and timely delivery of products and services to all users of the systems. The City is pledged to protecting the health, safety, and welfare of both its citizens and its employees. The City is dedicated to protecting and maintaining the environmental integrity of air, ground, water, and forestry resources, and to keeping Shreveport healthy.

10. Defendant Frank A. Reichl (hereinafter "Reichl"), an individual, is a citizen and domiciliary of Flanders, New Jersey. At all relevant times, Reichl actively conspired with Defendants and co-conspirators in their unlawful price-fixing and bid-rigging conspiracy. At all relevant times except for the period from approximately July 2005 to approximately December 2006, Reichl held high-level executive positions with Defendant General Chemical. On October 27, 2015, Reichl pleaded guilty for his role in the conspiracy as described herein. The United States Government Bill of Information and Plea Agreement in the matter of *United States of America v. Frank A. Reichl*, No. 2:15-CR-00554-JLL (D.N.J) are attached hereto as Exhibit A.

11. Upon information and belief, Defendant General Chemical Corporation was a corporation incorporated under the laws of Delaware, with its principal place of business at 90 East Halsey Road, Parsippany, New Jersey. Defendants General Chemical Corporation and General Chemical Performance Products, LLC, are referred to collectively herein as "General Chemical." General Chemical maintained a distribution facility in Pine Bluff, Arkansas. As a leading manufacturer and supplier of water treatment chemicals, including Alum, General Chemical sold Alum in large quantities to Plaintiff and other

direct purchasers. At all relevant times except for the period from approximately July 2005 to approximately December 2006, Reichl held high-level executive positions with General Chemical, and his active participation in the price-fixing and bid-rigging conspiracy was fully authorized and/or ordered by General Chemical. General Chemical Corporation has been granted conditional amnesty by the United States Department of Justice for its conduct relating to the Alum conspiracy, which required that General Chemical admit to engaging in criminal anti-competitive conduct with its competitors. Defendant General Chemical Corporation was owned by the General Chemical Group, Inc., until April 30, 1999, when the business of General Chemical Group, Inc., was acquired by a holding company known as GenTek, Inc. On January 23, 2014, Defendant Chemtrade Logistics Income Fund, a Canadian entity, acquired all of the business of General Chemical and its subsidiaries, including all of General Chemical's assets and liabilities. General Chemical Corporation, now renamed Chemtrade Chemicals Corporation, and now generally known in the industry as General Chemical USA, is still headquartered at 90 East Halsey Road, Parsippany, New Jersey 07054, with its corporate offices located at 155 Gordon Baker Road, Suite 300, Toronto, Ontario M2H 3N5, and its Technical Service for water treatment and pulp and paper headquarters located at Syracuse Technical Center, 1421 Willis Avenue, Syracuse, NY 13204. General Chemical USA operates over 40 facilities across the United States, which sell products for a wide range of uses, including municipal water treatment, general industrial production, pulp and paper, food and beverage, agriculture and pharmaceuticals.

12. Upon information and belief, Defendant General Chemical Performance Products LLC, was a limited liability company existing under the laws of Delaware, with its principal place of business at 90 East Halsey Road, Parsippany, New Jersey. Directly or through its subsidiaries and affiliates, General Chemical Performance Products sold Alum throughout the United States. General Chemical Performance Products was sold as part of Chemtrade's acquisition of General Chemical. Defendant General Chemical Performance Products LLC was renamed Chemtrade Chemicals US LLC on June 4, 2014. Defendant General Chemical Performance Products, now Chemtrade Chemicals US LLC, is still based at 90 East Halsey Road, Parsippany, New Jersey 07054, with its corporate offices located at 155 Gordon Baker Road, Suite 300, Toronto, Ontario M2H 3N5, and its Technical Service for water treatment and pulp and paper headquarters located at Syracuse Technical Center, 1421 Willis Avenue, Syracuse, NY 13204. General Chemical Performance Products operates over 40 facilities across the United States, which sell products for a wide range of uses, including municipal water treatment, general industrial production, pulp and paper, food and beverage, agriculture and pharmaceuticals.

13. Upon information and belief, Defendant GenTek Inc. (hereinafter "GenTek"), a publicly traded company, is a corporation existing under the laws of Delaware, with its principal place of business at 90 East Halsey Road, Parsippany, New Jersey. General Chemical was a wholly owned and controlled subsidiary by GenTek from approximately 1999 to approximately October 2009. At all relevant times, as General Chemical's parent company, GenTek was fully aware of General Chemical's role and participation in its

unlawful price-fixing and bid-rigging conspiracy as described herein. During the existence of the conspiracy, from January 1, 1997, to at least February 28, 2011, GenTek sold Alum throughout the United States, directly or through its subsidiaries and affiliates.

- a) Around October 11, 2002, GenTek filed a voluntary Chapter 11 petition in the United States Bankruptcy Court for the District of Delaware, including bankruptcy filings on behalf of its subsidiaries, including General Chemical Corporation. Effective October 7, 2003, GenTek and General Chemical Corporation were discharged from bankruptcy under a plan of reorganization. GenTek and General Chemical Corporation participated in the conspiracy alleged herein through the actions of many of GenTek's and General Chemical's senior executives throughout the existence of the conspiracy, from January 1, 1997, to at least February 28, 2011.
- b) After its discharge from bankruptcy, GenTek and General Chemical reaffirmed their participation in the conspiracy, in part by continuing to engage in the conduct described herein with respect to Alum. Specific post-discharge actions taken by GenTek and General Chemical in furtherance of the conspiracy are alleged below and are consistent with the actions taken by all of the Defendants, GenTek, and General Chemical throughout the existence of the conspiracy, from January 1, 1997, to at least February 28, 2011.
- c) Regardless of the period during which GenTek and General Chemical participated in the conspiracy, this complaint seeks to recover damages from GenTek and General Chemical only for their post-discharge conduct, except to the extent that it

was not discharged according to U.S. bankruptcy law, and in no way seeks to violate any orders of the Bankruptcy Court. However, the damages arising from GenTek's and General Chemical's post-discharge conduct include damages incurred by Plaintiff throughout the existence of the conspiracy, and this complaint seeks to recover damages from the remaining Defendants for GenTek's and General Chemical's pre-discharge conspiratorial conduct.

14. Defendant Chemtrade Logistics Income Fund ("CLIF") is a limited purpose trust established on July 11, 2001, under the laws of Ontario, Canada, with its principal place of business at Suite 300, 155 Gordon Baker Road, Toronto, Ontario M2H 3N5. As noted above, in 2014, CLIF finalized the Chemtrade acquisition and thereby acquired the assets and liabilities of General Chemical and its subsidiaries. As a result, it bears financial responsibility for the pre-acquisition conduct described herein. Upon information and belief, GenTek has agreed to indemnify CLIF, at least in part.

15. Upon information and belief, Defendant Chemtrade Logistics Inc. ("Chemtrade"), a publicly traded corporation, is incorporated under the laws of Canada. Chemtrade has its principal places of business at 90 East Halsey Road, Parsippany, New Jersey, and Ontario, Canada. General Chemical was absorbed into Chemtrade through an acquisition in January 2014, with the latter assuming all rights and obligations of General Chemical. As the legal successor in interest to General Chemical, Chemtrade assumes the liability of damages caused by General Chemical's participation in the conspiracy to fix prices and rig bids.

16. Defendant, Chemtrade Chemicals Corporation, is a Delaware corporation and wholly owned subsidiary of Defendant Chemtrade Logistics Inc., with its principal place of business at 90 East Halsey Road, Parsippany, New Jersey. Chemtrade Chemicals Corporation is the new corporate name for Defendant General Chemical Corporation after its acquisition by Chemtrade. During the relevant period, Chemtrade Chemicals Corporation sold alum directly to purchasers in the United States.

17. Defendant, Chemtrade Chemicals US, LLC, is a Delaware limited liability company and wholly owned subsidiary of Defendant Chemtrade Logistics Inc., with its principal place of business at 90 East Halsey Road, Parsippany, New Jersey. During the relevant period, Chemtrade Chemicals US, LLC, sold alum directly to purchasers in the United States. Chemtrade Chemicals US, LLC, is the new corporate name for General Chemical Performance Products, LLC, after its acquisition by Chemtrade.

18. Defendant Vincent J. Opalewski (hereinafter "Opalewski"), an individual, is a citizen and domiciliary of New Jersey. From at least as early as 2005 and continuing until approximately February of 2011, Opalewski actively conspired with Defendants and co-conspirators in their unlawful price-fixing and bid-rigging conspiracy. During the conspiracy, Opalewski was employed by Defendant General Chemical and held the following positions in which he was responsible for the sale and marketing of water treatment chemicals, including liquid aluminum sulfate: from approximately 2005 to 2006, Opalewski was vice president of sales and marketing; from approximately 2006 to 2009, Opalewski was vice president and general manager; and from approximately 2009 to 2011,

Opalewski was president. On February 17, 2016, Opalewski was indicted for his role in the conspiracy as described herein. The United States Indictment in the matter of *United States of America v. Vincent J. Opalewski and Brian C. Steppig*, No. 2:16-CR-00065-JLL (D.N.J) is attached hereto as Exhibit B and are incorporated herein.

19. Defendant Brian C. Steppig (hereinafter "Steppig"), an individual, is a citizen and domiciliary of Little Rock, Arkansas. From at least as early as 1998 and continuing until approximately February of 2011, Steppig actively conspired with Defendants and co-conspirators in their unlawful price-fixing and bid-rigging conspiracy. During the conspiracy, Steppig was employed by GEO Specialty Chemicals Inc. and held the following positions in which he was responsible for the sale and marketing of water treatment chemicals, including liquid aluminum sulfate: from approximately 1997 to 2006, Steppig was manager of pulp and paper for water treatment chemicals; and from approximately 2006 to at least 2011, Steppig was director of sales and marketing for water treatment chemicals. On February 17, 2016, Steppig was indicted for his role in the conspiracy as described herein. The United States Indictment in the matter of *United States of America v. Vincent J. Opalewski and Brian C. Steppig*, No. 2:16-CR-00065-JLL (D.N.J) is attached hereto as Exhibit B and are incorporated herein.

20. Defendant GEO Specialty Chemicals, Inc. (hereinafter "GEO Specialty"), is a privately held corporation incorporated under the laws of Ohio with its principal place of business at 401 South Earl Avenue, Suite 3A, P.O. Box 4747, Lafayette, Indiana 47903-4747. GEO Specialty manufactures, markets, and supplies specialty chemicals, including water

treatment chemicals, for customers in the United States and internationally. GEO Specialty has water treatment chemical production facilities in Alabama, Arkansas, Georgia, Louisiana, Maryland, Mississippi, North Carolina, South Carolina, Tennessee, and Texas. During the period of time relevant to the conspiracy, directly or through its subsidiaries and affiliates, GEO Specialty sold alum throughout the United States. At all relevant times, GEO Specialty fully authorized or ordered Defendant Steppig's participation in the conspiracy alleged in this complaint. On June 16, 2016, Defendant GEO Specialty pleaded guilty for its role in the conspiracy. Defendant GEO Specialty admitted to conspiring to fix prices, rig bids, and allocate customers involving contracts for liquid aluminum sulfate.

- a) Around March 18, 2004, GEO Specialty filed a voluntary Chapter 11 petition in the United States Bankruptcy Court for the District of New Jersey. Effective December 20, 2004, GEO Specialty was discharged from bankruptcy under a plan of reorganization. GEO Specialty participated in the conspiracy alleged herein throughout the existence of the conspiracy, from at least as early as 1997 and continuing until at least February of 2011, through the actions of many of GEO Specialty's senior executives.
- b) After its discharge from bankruptcy, GEO Specialty reaffirmed its participation in the conspiracy, in part by continuing to engage in the conduct described herein with respect to the sale of Alum. Specific postdischarge actions taken by GEO Specialty in furtherance of the conspiracy are alleged below and are consistent with the actions taken by all of the Defendants and GEO Specialty throughout the

conspiracy.

- c) Regardless of the period during which GEO Specialty participated in the conspiracy, this complaint seeks to recover damages from GEO Specialty only for its post-discharge conduct, except to the extent that it was not discharged according to U.S. bankruptcy law, and in no way seeks to violate any orders of the Bankruptcy Court. However, the damages arising from GEO Specialty's post-discharge conduct include damages incurred by Plaintiff throughout conspiracy, and this complaint seeks to recover damages from the remaining Defendants for GEO Specialty's pre-discharge conspiratorial conduct.

21. Upon information and belief, Defendants John Does 1 through 10 are corporations and/or entities whose true names and capacities, or otherwise, are unknown to Plaintiff. Therefore, Plaintiff sues such John Does 1 through 10 by such fictitious names. Further, upon information and belief, Plaintiff alleges that each of the fictitiously named Defendants is in some manner responsible for the events alleged herein and that Plaintiff's damages were proximately caused by such John Doe Defendants.

22. Defendants have engaged in the conduct alleged in this Complaint, and/or the Defendants' officers, agents, employees, or representatives have engaged in the alleged conduct while actively involved in the management of Defendants' business and affairs.

23. Various other persons, firms, entities and corporations, not named as Defendants in this Complaint, have participated as co-conspirators with Defendants in the violations alleged herein, and aided, abetted and performed acts and made statements in furtherance

of the conspiracy.

24. The true names and capacities of these co-conspirators, whether individual, corporate, associate, or representative, are unknown to Plaintiff at this time. Plaintiff may amend this Complaint, as necessary, to allege the true names and capacities of additional co-conspirators as their identities become known through discovery.

IV. FACTUAL ALLEGATIONS

A. BACKGROUND REGARDING THE ALUM INDUSTRY

25. Aluminum sulfate ("Alum") is a chemical compound with the chemical formula $\text{Al}_2(\text{SO}_4)_3$. Alum is manufactured by combining aluminium trihydrate and sulfuric acid.

26. Alum is a water treatment chemical that removes impurities and other substances from water. Alum essentially acts as a coagulant that aggregates small particles into larger particles that fall to the bottom of a vessel for removal.

27. Alum is important in the treatment of municipal wastewater. Alum helps municipalities comply with environmental regulations concerning total organic carbon (TOC), turbidity, and phosphorous effluent discharge levels.

28. One of the reasons that Alum has become widely accepted as a water treatment chemical is because of its chemical efficiency and stability. Compared to its alternatives, such as anhydrous or aqueous ammonia that are hazardous and require pressurized storage tanks and special handling and safety procedures, the storage and handling of Alum is significantly easier and safer. Because of the efficient and safe characteristics of Alum, municipalities and pulp and paper companies have been its principal customers.

29. Alum is sold by the ton and transported to customers by rail or truck, usually from the Alum supplier's closest manufacturing plant. The cost of freight is a significant component of the price of liquid aluminum sulfate charged to municipal customers and pulp and paper manufacturers. One factor Alum suppliers consider in deciding whether to bid or quote on a contract is whether the business is "freight logical," that is, whether the liquid aluminum sulfate supplier can make a profit on the business taking into account the distance from the supplier's plant to the customer and the corresponding cost of freight.

30. During the conspiracy, from January 1, 1997, to at least February 28, 2011, Defendants and their co-conspirators manufactured, among other things, performance chemicals utilized for water treatment and chemical processing.

31. Municipalities, including the City of Shreveport, routinely purchase Alum to treat potable water and wastewater. Municipalities acquire Alum through a publicly-advertised bidding process, and municipal contracts for Alum are typically one year in duration with options to renew for a certain period of time. The awards of such municipal contracts are typically made public.

32. Pulp and paper manufacturers typically acquire Alum by issuing requests for price to manufacturers, including Defendants. Supply contracts are then negotiated, often with terms of a year or more. Unlike the municipal bidding process, results of the negotiations between Alum suppliers and pulp and paper manufacturers are usually not disclosed to the public.

33. Water treatment service providers purchase large quantities of Alum to reduce

phosphorous, and resulting algae, that can accumulate in lakes due to surface runoff. With increasing environmental regulations allowing lower levels of phosphorous in surface water, reduction of phosphorous levels in lakes through use of Alum is increasingly necessary.

34. On information and belief, sales of Alum by Defendants and their co-conspirators in the United States during the conspiracy, from January 1, 1997, to at least February 28, 2011, totaled hundreds of millions of dollars.

B. THE DEPARTMENT OF JUSTICE INVESTIGATION, GUILTY PLEA, AND INDICTMENTS

35. On October 27, 2015, the Antitrust Division of the Department of Justice ("DOJ") announced that Frank A. Reichl had agreed to plead guilty to participating in a conspiracy to eliminate competition by fixing prices, rigging bids and allocating customers for Alum.

36. Based upon information and belief, Reichl was the Vice President of Sales and Marketing for General Chemical between 2006 and 2010. Prior to that time, he also served as General Manager of Water Chemicals for General Chemical. In both positions, Reichl's responsibilities included oversight of the sale and marketing of water treatment chemicals, including Alum. Reichl was responsible for pricing, strategy, analyzing and approving bid and pricing proposals, and supervising General Chemical's sales and marketing employees.

37. During the relevant period, Reichl was responsible for the sale and marketing of water treatment chemicals, including liquid aluminum sulfate, except for the period from approximately July 2005 to approximately December 2006, when he was employed in other

components of General Chemical that were not engaged in the sale and marketing of water treatment chemicals. Prior to July 2005, Reichl was General Manager of Water Chemicals. After approximately December 2006 until the termination of his employment with General Chemical in 2010, Reichl was Vice President of Sales and Marketing. As both General Manager and Vice President, Reichl oversaw the sale and marketing of water treatment chemicals, including Alum, and was responsible for pricing and strategy, analyzing proposals, determining prices, approving bid and price proposals, and supervising other sales and marketing employees of General Chemical.

38. According to the October 27, 2015, criminal information filed against Mr. Reichl in *United States v. Frank A. Reichl*, No. 2:15-CR-00554 (D.N.J. Oct. 27, 2015), Mr. Reichl and his co-conspirators “entered into and engaged in a combination and conspiracy to suppress and eliminate competition in the sale of marketing of [Alum] by agreeing to rig bids and allocate customers for, and to fix, stabilize, and maintain the price of [Alum] sold to municipalities and pulp and paper companies in the United States,” which conspiracy constituted a “continuing agreement, understanding, and concert of action among Reichl and his co-conspirators.”

39. In a press release issued by the Department of Justice on October 27, 2015, Special Agent Richard M. Frankel of the FBI’s Newark Division stated: “Reichl and his co-conspirators colluded to circumvent competitive bidding and independent pricing for liquid aluminum sulfate contracts, and conspired to raise prices by submitting artificially inflated bids to their customers. They also allocated customers in furtherance of their

collusive scheme. By agreeing to violate both the spirit and the letter of the competitive process, Reichl and others defrauded municipalities as well as pulp and paper companies out of millions of dollars.”

40. As a result, by agreeing to violate and actually violating both the spirit and the letter of the competitive process, direct purchasers of Alum were overcharged by Defendants by millions of dollars.

41. Further according to the criminal information, while he was employed by General Chemical, Reichl and his co-conspirators carried out the conspiracy by, *inter alia*:

- a) participating in meetings and/or conversations to discuss each other’s Alum business and the price of Alum in the United States;
- b) agreeing during those meetings and conversations not to pursue Alum business with each other’s “historical” customers;
- c) tracking bid and pricing histories in order to determine if a customer was the “historical” customer of another co-conspirator in order to determine whether or not to pursue that potential customer’s business or submit intentionally losing, “throw-away” bids or price quotes;
- d) submitting intentionally losing, “throw-away” bids or price quotes to each other’s “historical” customers;
- e) discussing prices to be quoted to customers by the intended winner of the customers’ business in order to determine the amount of the intended losers’

- intentionally losing, “throw-away” bids or price quotes;
- f) withdrawing inadvertently winning bids submitted to each other’s “historical” customers;
- g) intentionally bidding to lose the business of one of their own “historical” customers if an inadvertently winning bid to one of its co-conspirator’s “historical” customers could not be withdrawn; and
- h) instructing employees how to determine whether and how to bid or price quote potential business in order to comply with the agreement not to compete.

42. As of October 28, 2015, Reichl is the first conspirator to plead guilty to Sherman Act violations as part of a 13-year antitrust scheme involving Alum.

43. However, on February 17, 2016, Defendants Opalewski and Steppig were indicted for their role in the conspiracy. As noted above, the United States Indictment in the matter of *United States of America v. Vincent J. Opalewski and Brian C. Steppig*, No. 2:16-CR-00065-JLL (D.N.J) is attached hereto as Exhibit B and are incorporated herein. Opalewski was vice president of sales and marketing for General Chemical from approximately 2005 to 2006, vice president and general manager from approximately 2006 to 2009, and president from approximately 2009 to 2011. Steppig was manager of pulp and paper from approximately 1997 to 2006, and director of sales and marketing for water treatment chemicals from approximately 2006 to at least 2011. As alleged in the indictment, both Opalewski and Steppig knowingly entered into and participated in the conspiracy described above. In a press release issued by the Department of Justice on June 16, 2016, the Department of

Justice announced that Defendant GEO Specialty Chemicals Inc. pleaded guilty for its role in the conspiracy. Defendant GEO Specialty Chemicals Inc. admitted to conspiring to fix prices, rig bids, and allocate customers involving contracts for liquid aluminum sulfate.

C. The Collusive Nature of the Alum Market in the United States

44. Due to the commodity characteristics of Alum, a highly saturated market and high barriers to market entry, the Alum market is conducive to anti-competitive collusion by competitors.

45. Defendant General Chemical was, upon information and belief, North America's largest manufacturer of inorganic coagulants used in the water treatment process, producing products such as liquid aluminum sulfate, iron salts, alkali and disinfectant sulphuric acid.

46. Defendants are the major water treatment chemicals manufacturers in North America, including the U.S., and altogether they control and share a majority of the market for Alum.

47. High barriers to entry exist in the Alum market with respect to technical knowledge, costly establishment of plants, manufacturing expertise involved in making efficient and safe Alum, and access to distribution channels.

48. Publicly available data on the Alum industry demonstrates that it is susceptible to anti-competitive collusion by the Defendants and their co-conspirators. Factors that made the Alum market susceptible to collusion during the conspiracy, from January 1, 1997, to at least February 28, 2011, include: (1) a standardized product for which competition was

principally on the basis of price; (2) stable or declining input costs for much of the relevant time period; (3) weak demand in a mature market; (4) the lack of available economic substitutes; (5) high barriers to entry; (6) price increase announcements following opportunities to collude; (7) industry concentration and consolidation; and (8) a history of collusive conduct in the Water Treatment Chemicals Market.

1. *Alum Is A Commodity Product With A High Degree Of Interchangeability.*

49. Alum is a commodity product with specific specifications for iron content, specific gravity, density, and color. Typically, when a product is characterized as a commodity, market participants compete principally on the basis of price rather than other attributes such as product quality. When competition occurs principally on the basis of price it is easier to implement and monitor a cartel because price is more often objectively measurable and observable than non-price factors. Research conducted by industry analysts and leading manufacturers indicates that Alum is a commodity product and competition in the market is driven principally by price.

2. *Input Costs For Alum Were Stable Or Declining For Much Of The Conspiracy.*

50. Rising input costs for Alum cannot explain the significant price increases Defendants charged their customers between 1997 and 2011.

51. Alum is manufactured by combining sulphuric acid with aluminum trihydrate (aka alumina or ATH). Aluminum trihydrate is purified from bauxite by dissolving the bauxite ore in strong caustic soda to form sodium aluminate, which is then precipitated by neutralization to form aluminum trihydrate.

52. Upon information and belief, the prices of bauxite and sulphuric acid were either stable or declining during the relevant time period.

53. Between 1997 and 2011, General Chemical, GEOSpecialty, and other co-conspirators announced numerous price increases for Alum in both its liquid and dry forms. A 2009 survey of municipalities regarding Alum prices in 2008 showed that, on average, the price the municipalities paid for Alum increased by 53 percent during a single year, with maximum increases as high as 168 percent in that single year. Raw material cost increases were cited as the major cause of these increases. However, as explained above, the price of raw materials used in the manufacture of Alum was largely stagnant or declining during this period.

54. Defendant GenTek reported in its 2009 Form 10-K filed for the year 2008 that price increases on products such as Alum contributed significantly to the profits earned by GenTek in the water treatment market: “[s]ales into the water treatment market increased by \$67 million driven by \$59 million resulting from increases in selling prices[.]” Upon information and belief, GenTek’s increased profits in 2008 were due to Defendants’ conspiracy to artificially increase the price of Alum in the United States.

3. There Are No Apparent Economic Substitutes For Alum.

55. The lack of available substitutes for a product facilitates collusion among producers, because customers are not able to avoid supra-competitive prices for Alum by switching to another type of inorganic coagulant.

56. There are several substitutes for Alum such as aluminum chloride, polyaluminum

chloride (PAC), aluminum chlorohydrate, ferric sulfate, and ferric chloride. However, while these goods can be functional substitutes for Alum, they are not economic substitutes for Alum because Alum is less expensive and more efficient.

57. A further reason that other chemicals are not true substitutes for Alum at water treatment facilities is because each chemical is dosed and applied differently at water treatment facilities. Therefore, there are substantial infrastructure and other costs associated with switching the treatment chemical used by any particular water treatment facility.

58. Given the quality and cost differences discussed above, there do not appear to be any economic substitutes for liquid aluminum sulfate.

4. There Are Significant Barriers to Entry in the Alum Market.

59. Supra-competitive pricing in a market normally attracts additional competitors who want to avail themselves of the available high levels of profitability. However, significant barriers to entry makes new competition more difficult and facilitates the operation of a price-fixing conspiracy.

60. The barriers to entry include production, manufacturing, and transportation costs, as well as satisfaction of regulatory requirements. High barriers to entry also exist because only a determined competitor with specialized technical knowledge, the capital necessary to build costly manufacturing facilities, and access to distribution channels could have competed in this market.

61. Upon information and belief, the Alum market had no new entrants between 1997

and 2011.

5. *Opportunities to Collude Facilitated Defendants' Conspiracy.*

62. As noted in the indictments of Opalewski and Steppig, and the Criminal Information against Reichl, there were countless opportunities for Defendants to communicate and conspire with each other and their co-conspirators. Defendants and their co-conspirators regularly met and discussed each other's business, entered into agreements not to compete, allocated customers and submitted artificially inflated bids. See Criminal Information ¶ 13, United States v. Frank A. Reichl, 2:15-cr-00554 (D.N.J.); Indictment ¶ 16, United States v. Vincent J. Opalewski and Brian C. Steppig, No. 2:16-CR-00065 (D.N.J.).

63. Representatives of Defendants, including Reichl from General Chemical frequently attended national and local industry conferences where they had the opportunity to meet with co-Defendants and collude. Defendants' attendance at industry conferences and trade associations facilitated coordinated price increase announcements by Defendants.

6. *The Alum Industry Is Highly Concentrated And Has Experienced Heavy Consolidation.*

64. The Alum industry is highly concentrated, dominated by a small number of national or global companies, with a larger number of small regional Alum producers.

65. The Alum industry experienced heavy consolidation in the period leading up to and including 1997. Defendant GEO Specialty made several acquisitions between 1993 and 1997. In June 1993, GEO Specialty acquired the Gulf Coast Alum business and customer list of Rhone Poulenc, a large French chemical company that exited the United States market with the sale. In December 1996, GEO Specialty acquired Cytec's Alum business,

which included seven Alum plants in the Southeast. GEO Specialty's purchase of Cytec made it a major national supplier of Alum immediately before the start of the conspiracy. In March 1997, GEO Specialty announced that it was acquiring the U.S. and Canadian paper chemicals business of Henkel Corporation. In September 1998, Denny Grandle, GEO Specialty VP and General Manager, Aluminum Products Division, commented that "[t]he consolidation has helped capacity," noting that GEO Specialty had recently closed an Alum plant in Spring Hill, Louisiana.

66. In June 1997, General Chemical purchased Augusta Georgia-based Peridot, a producer of sulfuric acid, Alum, and oleum.

67. General Chemical and GEO Specialty's acquisitions left them with the largest Alum market shares by 1998.

68. According to an October 1999 article from the Chemical Market Reporter, "[p]rior to 1998, the alum industry went through a period of stiff competition that triggered a downturn in its major markets." However, according to the same article, around 1998 Alum prices started shifting upwards.

69. The acquisitions continued, and in February 2007, General Chemical acquired Chalum, Inc., an Arizona-based aluminum sulfate producer.

70. The concentration of the Alum industry is also enhanced by agreements among Defendants to distribute one another's products. Such swaps, trades, and selling and distribution agreements among competitors in a consolidated market such as Alum in the United States also facilitates the formation of collusion among ostensible competitors.

7. *There Is A History Of Collusion In The Water Treatment Chemicals Market.*

71. The water treatment chemicals market has a history of collusion.

72. In the 1980s, manufacturers of chlorine allegedly conspired to rig bids submitted to municipal water facilities, including by submitting non-competitive bids to municipalities for customers they had agreed to allow their competitors to have in the Southeast.

73. Similarly, two other chemicals used by water treatment facilities and paper companies – hydrogen peroxide and sodium chlorate – were the subjects of alleged antitrust conspiracies. First, from 1994 to 2005, producers of hydrogen peroxide were sued for price-fixing; these claims were resolved prior to trial. Second, in 2008, a Finnish chemical company was fined EUR 10.15 million for antitrust activity in its sodium chlorate business from 1994 to 2000.

V. ANTITRUST INJURY

74. The effect of Defendants' and co-conspirators' anti-competitive conduct as alleged herein has been to artificially inflate the prices of Alum in the United States. By engaging in a price-fixing and bid-rigging conspiracy, prices have been supported at artificially high levels throughout the U.S., and as a result, direct purchasers of Alum have paid supra-competitive prices.

75. According to Department of Justice's press release, Defendants and their co-conspirators would agree to not compete for contracts; meet and agree to fix prices, rig bids and allocate customers; discuss and agree to submit bids intended to lose and withdraw bids that were accidentally successful in order to insure that the chosen contractor

won. Further, Defendants and their co-conspirators also colluded regarding the prices and bids provided to customers. They would submit artificially inflated bids in order to drive up prices so that customers would pay more.

76. As a result of the Defendants' anti-competitive conduct, Plaintiff paid more for Alum than it would have and thus suffered substantial damages.

77. Defendants' conspiracy and agreement to fix, raise, inflate, maintain or stabilize prices of alum in the United States took place within and substantially affected the flow of interstate commerce and had a direct, substantial and reasonably foreseeable effect upon commerce throughout the United States.

VI. FRAUDULENT CONCEALMENT

78. Throughout the conspiracy, Defendants and their co-conspirators affirmatively and fraudulently concealed their unlawful conduct. Plaintiff could not have discovered the Defendants' price-fixing and bid-rigging scheme any earlier than the DOJ's October 27, 2015 press release announcing Defendant Frank Reichl's guilty plea.

79. Accordingly, Plaintiff could not have discovered the violations alleged herein until shortly before filing this Complaint. Defendants secretly conducted their price-fixing and bid-rigging schemes, concealed the nature of their unlawful conducts and acts in furtherance thereof, and fraudulently concealed their activities through various other means and methods designed to avoid detection.

80. According to the DOJ's press release, Defendants and their co-conspirators would secretly meet to discuss each other's businesses, agree to submit bids intended to lose, and

withdraw bids that were accidentally successful in order to insure that the chosen contractor won.

81. Not only did Defendants conduct their conspiracy in secret, they affirmatively misled their customers as to the existence of their conspiracy and its effect in raising Alum prices. For instance, Defendants routinely submit “anti-collusion” affidavits or sign contracts with non-collusion provisions required by various states, representing that Defendants have not conspired with any competitors to fix the price and/or rig the bid being submitted for Alum. Such assurances, including under penalty of perjury, show the lengths to which Defendants went to maintain the secrecy of their illegal conspiracy.

82. Defendants also led Alum customers and the public to believe that their price increases were attributable to increasing demand resulting from tightening government regulations, while concealing the fact of their meetings, agreements and other conspiratorial conduct as alleged in this complaint.

83. Defendants and their co-conspirators also submitted intentionally losing, “throw-away” bids or price quotes to each other’s “historical” customers, as alleged above, while concealing from those customers the fact of their meetings, agreements and other conspiratorial conduct as alleged in this complaint.

84. As alleged above, Defendants and their co-conspirators on occasion withdrew successful bids, oftentimes with the pretextual justification that such winning bids were due to “clerical errors,” while concealing the fact of their meetings, agreements and other conspiratorial conduct as alleged in this complaint.

85. As a result of Defendants' affirmative and fraudulent concealment, all applicable statutes of limitations affecting the Plaintiff's claims have been tolled. Plaintiff did not discover, nor could they have discovered at an earlier date through reasonable diligence that Defendants conspired as alleged herein, because of the deceptive practices and techniques of secrecy employed by Defendants to avoid detection and affirmatively conceal such violations.

86. As a result of the Defendants' fraudulent concealment of their wrongful conduct, Plaintiff asserts the tolling of any applicable statute of limitations affecting the cause of action brought by Plaintiff.

87. As a result of the Defendants' fraudulent concealment of their wrongful conduct, Plaintiff asserts the doctrine of *contra non valentum* suspended the prescriptive period for Plaintiff's claims arising under Louisiana state law.

VII. VIOLATION OF SECTION 1 OF THE SHERMAN ACT 15 U.S.C. § 1

88. Plaintiff incorporates and re-alleges, as though fully set forth herein, each of the paragraphs set forth above.

89. Through the conduct alleged in this complaint, Defendants and their co-conspirators violated Section 1 of the Sherman Act, 15 U.S.C. § 1, by conspiring to increase prices and otherwise restrain competition in the market for Alum sold to Plaintiff from January 1, 1997, to at least February of 2011.

90. Defendants are *per se* liable under Section 1 of the Sherman Act for the injuries and damages caused by their conspiracy in restraint of trade as alleged herein.

91. Defendants and their co-conspirators furthered and effectuated their conspiracy in the following ways, among others:

- a) Participating in secret communications, discussions, and meetings in the U.S. and elsewhere to exchange confidential and competitively sensitive information regarding each other's Alum business;
- b) Agreeing, during those conversations and meetings, to "stay away" from each other's "historical" customers by not pursuing the business of those customers;
- c) Tracking bid and pricing histories to determine which accounts were the "historical" customers of each co-conspirator or other supplier of Alum, so as to determine whether to pursue a particular contract or to submit an intentionally losing or "throw away" bid or price quotation;
- d) Submitting intentionally losing or "throw away" bids or price quotations to each other's "historic" Alum customers;
- e) From time to time, in the U.S. and elsewhere, discussing and agreeing during those conversations and meetings, to set a price floor to be quoted to a customer by the intended winner to determine the amount of the intended loser's intentionally losing or "throw away" bid or price quotation;
- f) Where a co-conspirator could not withdraw its inadvertently winning bid, bidding to lose on one of its own customers to compensate for the loss of that "historical" customer;
- g) Instructing new employees as to how to determine whether and how to bid on or

quote a price for the business of Alum customers so as to comport with the agreement not to compete between Defendants and co-conspirators;

- h) Selling Alum to customers at collusive and non-competitive prices in the U.S.;
- i) Defendants and their co-conspirators fixed, raised, stabilized and maintained at artificially high and supra-competitive levels the prices for Alum charged to Plaintiff;
- j) Defendants and their co-conspirators caused Plaintiff to pay more for Alum than they would have paid in the absence of a price-fixing conspiracy;
- k) Price competition in the sale of Alum in the U.S. was restrained, suppressed and eliminated; and
- l) As a direct and proximate result of the unlawful combination, contract or conspiracy, Plaintiff sustained damages to their business and property.

92. The conspiracy had its intended effect, as prices for Alum sold in the United States between January 1, 1997, and February 28, 2011, were higher than they would have been but for the wrongful conduct of Defendants and their co-conspirators as alleged in this complaint.

93. As a result of Defendants' unlawful conduct, Plaintiff has been injured in its business, services to citizens, and property in that they have paid more for Alum than they otherwise would have paid in the absence of Defendants' unlawful conduct. The full amount of such damages is presently unknown but will be determined after discovery and upon proof at trial.

94. Pursuant to 15 U.S.C. § 15(a), Plaintiff shall recover threefold the damages sustained by Plaintiff, and the cost of suit, including a reasonable attorney's fee.

VIII. VIOLATION OF LOUISIANA MONOPOLIES ACT, LA. REV. STAT. § 51:122

95. Plaintiff incorporates and re-alleges, as though fully set forth herein, each of the paragraphs set forth above.

96. Through the conduct alleged in this complaint, Defendants and their co-conspirators violated the Louisiana Monopolies Act, La. Rev. Stat. § 51:122, by conspiring to increase prices and otherwise restrain competition in the market for Alum sold to Plaintiff from January 1, 1997, to at least February of 2011.

97. As set forth in detail above, Defendants engaged in a conspiracy that restrained trade in the Alum market throughout the United States and, more specifically, in North Louisiana, including Caddo Parish.

98. As a result of Defendants' conspiracy to restrain trade in violation of La. Rev. Stat. § 51:122, Plaintiff was injured and sustained damages to its business and property.

99. Pursuant to La. Rev. Stat. § 51:137, Plaintiff shall recover threefold the damages sustained by Plaintiff, the cost of suit, and a reasonable attorney's fee.

IX. REQUEST FOR RELIEF

WHEREFORE, Plaintiff, THE CITY OF SHREVEPORT, prays that, after due proceedings be had, judgment be rendered herein in favor of the Plaintiffs, THE CITY OF SHREVEPORT, and against Defendants, Frank A. Reichl, General Chemical Corporation, General Chemical Performance Products LLC, GenTek Inc., Chemtrade Logistics Income

Fund, Chemtrade Logistics Inc., Chemtrade Chemicals Corporation, Chemtrade Chemicals US, LLC, Vincent J. Opalewski, Brian C. Steppig, GEO Specialty Chemicals Inc., and John Does 1 through 10, for a reasonable sum in dollars and for relief as set forth below:

- A. That acts alleged herein be adjudged and decreed to be unlawful restraints of trade in violation of the Sherman Act, 15 U.S.C. §§ 1 and 3;
- B. A judgment for the damages sustained by Plaintiff and for any additional damages, penalties and other monetary relief provided by applicable law, including treble damages under 15 U.S.C. § 15(a);
- C. For treble damages, attorneys' fees, and costs under La. Rev. Stat. § 51:137;
- D. An award of pre-judgment and post-judgment legal interest as provided by law, and that such interest be awarded at the highest legal rate from the date of judicial demand until paid;
- E. The costs of this suit, including reasonable attorney fees; and
- F. All appropriate and necessary general and equitable relief as the Court deems just and proper.

Respectfully submitted,

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