Alcoa Offering Alba at Least $45M to Settle Suit

JOE MANDAK,Associated Press

PITTSBURGH (AP) — Alcoa Inc. has offered a Bahrain-controlled company at least $45 million to settle a federal lawsuit that alleges Alcoa-related firms paid millions in bribes that resulted in the other company overpaying for raw materials.

Attorneys for Aluminum Bahrain BSC, also known as Alba, did not immediately return calls and emails for comment Tuesday on the settlement offer disclosed in Alcoa's latest earnings report on Monday.

"We continue to maintain that the facts do not support the claims brought by Alba. ... However, we are open to settlement to avoid the time and expense of complex litigation," Alcoa spokeswoman Libby Archell said in a statement.

Alba's attorneys did not immediately respond to calls and emails seeking comment on Alcoa's settlement offer.

Alcoa, in the earnings release, said it has also offered the Bahrain firm a long-term alumina supply contract and could charge up to $75 million more against Alcoa's future earnings to settle the lawsuit, not to mention additional unspecified costs to settle related investigations by the U.S. Department of Justice and the Securities and Exchange Commission.

Alba's federal lawsuit, filed in Pittsburgh in November, contends Alcoa affiliates controlled by billionaire businessman Victor Dahdaleh paid $9.5 million in bribes to Bahrain officials and Alba executives that resulted in Alba overpaying $420 million for raw materials, including alumina, from 1997 to 2009. Alba was seeking $1 billion in damages.

Alba originally sued in June 2008, but a federal judge in Pittsburgh kept the litigation on hold for more than three years at the request of the Justice Department, which expressed concerns that its related criminal investigation would be harmed if Alba's more specific allegations were made public or if discovery — a pre-trial exchange of evidence — were allowed to proceed in the lawsuit.

Alcoa attorneys said the company was cooperating with the government investigation when they asked U.S. District Judge Donetta Ambrose to let the case proceed last fall, so Alcoa could be confronted with the specific allegations and then seek to have the lawsuit dismissed.

Ambrose allowed Alba to spell out its allegations in a new complaint in November, which provided details lacking in the original lawsuit.

Alba's updated complaint contends Dahdaleh earned at least $13.5 million in illegal commissions for alumina deals he brokered. A dual citizen of Canada and Britain,

Dahdaleh has denied wrongdoing since he was arrested in October by Britain's Serious Fraud Office on bribery charges related to some Australian alumina shipments between 2001 and 2005.

Alcoa has called Alba's complaint a "patchwork of claims" derived from vague allegations, guesses and inferences.

On Monday, Dahdaleh's attorney filed a motion asking Ambrose to exempt him from discovery in the lawsuit, saying any documents and evidence he might turn over could unfairly hamper his defense against the British charges. Ambrose did not immediately rule on that motion, but other recent developments suggest the U.S. criminal case is also winding down.

Among other things, the Justice Department last month told Ambrose that discovery can proceed in Alba's lawsuit against Alcoa and Dahdaleh without harming the related criminal investigation.

Justice Department officials declined to comment Tuesday on the criminal probe.

Dahdaleh's trial in Britain is set for April, and he continues to maintain he did nothing illegal, according to the most recent federal court documents filed on his behalf. Dahdaleh's attorneys did not immediately respond to a call and email for comment.

Dahdaleh, 68, is chairman and owner of the chemical and metals firm Dadco and a trustee of the charitable foundation established by former President Bill Clinton. He remains free pending trial and has issued a statement on his website denying the criminal charges he faces in Britain and calling the investigation "flawed."

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