

Magcorp Trustee OKed To Sell Stake In \$213M Judgment

By **Jonathan Randles**

Law360, New York (August 24, 2016, 7:27 PM ET) -- A New York judge on Wednesday approved a request by Magnesium Corporation of America's court-appointed trustee to sell a portion of its stake in a \$213 million judgment against businessman Ira Rennert and his Renco Group Inc. over allegations that they drove the magnesium producer into bankruptcy in 2001.

U.S. Bankruptcy Judge Mary Kay Vyskocil approved the sale of a stake in the judgment to a subsidiary of risk management firm Gerchen Keller Capital LLC for \$26.5 million. MagCorp Chapter 7 trustee Lee Buchwald sold an interest in the judgment to hedge against an ongoing appeal by Renco.

Last year, Rennert and Renco were found liable for allegedly looting MagCorp by extracting handsome dividends from the magnesium company from 1995 to 1998 when the business was beset with significant pollution liabilities and facing fierce competition from China.

In 2003 Buchwald initiated litigation over the dividends on behalf of the debtors' creditors. By that time, Renco said, nearly 60 percent of the bonds had been acquired by so-called vulture funds that "had purchased the bonds for pennies on the dollar after the debtors went bankrupt."

The final sale of the stake in the judgment improved upon the terms provided in Gerchen Keller's stalking horse bid. The final sale reduced the consideration the MagCorp estates will have to pay the firm from \$53.75 million to \$50 million, according to Wednesday's order.

An attorney representing Buchwald declined to comment. A message sent to Renco after business hours was not immediately returned.

During last year's trial, the jury heard evidence that Rennert seized on a short spike in magnesium prices to justify raising \$150 million in bond debt that left the company overleveraged and undercapitalized. At the time, MagCorp desperately needed to replace outdated technology and come into compliance with new environmental regulations but allegedly diverted its investment capital to Renco instead.

Rennert's lawyers have denied wrongdoing and blamed MagCorp's collapse on the economic recession and vicissitudes in the global magnesium market. Renco filed an objection to the trustee's sale earlier this month.

Renco is represented by David M. Friedman, Alycia Regan Benanti and Shai Schmidt of Kasowitz Benson Torres & Friedman LLP.

The Chapter 7 trustee Lee E. Buchwald is represented by Nicholas F. Kajon of Stevens & Lee PC.

The bankruptcy case is In re: Magnesium Corp. of America et al., case number 01-14312, in the U.S. Bankruptcy Court for the Southern District of New York.

--Editing by Patricia K. Cole.