

Judge Won't Pause MagCorp Trustee's \$26.5M Stake Sale

By Martin O'Sullivan

Law360, New York (September 8, 2016, 4:18 PM ET) -- A New York federal district judge has declined to freeze the sale of a stake held by Magnesium Corp. of America's court-appointed trustee in a \$213 million judgment against [Renco Group Inc.](#) and its owner over allegations that they drove the magnesium producer into bankruptcy in 2001.

U.S. District Judge Denise Cote on Wednesday denied an emergency motion by a group of Renco noteholders seeking to stay [an August order](#) by U.S. Bankruptcy Judge Mary Kay Vyskocil approving the \$26.5 million sale of MagCorp Chapter 7 trustee Lee Buchwald's stake to a subsidiary of risk management firm [Gerchen Keller Capital LLC](#). Buchwald had sought to sell a slice of the net proceeds from a 2015 jury verdict against Renco and owner Ira Rennert, which is currently being appealed.

Nicholas F. Kajon, an attorney representing Buchwald, told Law360 on Thursday that he and his client believed the stay bid had been a "litigation ploy" to thwart the sale.

"My client and I are very pleased with District Judge Cote's ruling at yesterday's hearing, and we are happy to report that we closed the sale this morning," Kajon said Thursday.

Counsel for the Renco noteholders declined to comment on Thursday.

Rennert and Renco in 2015 [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.

During the 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 At the time, MagCorp desperately needed to replace outdated technology and come into compliance with new environmental regulations but allegedly diverted its investment capital to Renco instead.

Buchwald [in June said](#) that the sale of the judgment stake would give him the ability to pay "long-suffering" MagCorp unsecured creditors regardless of how the appeal turns out and provide cash on hand to continue litigating in the event the judgment is overturned.

In their stay bid, the Renco noteholders said that creditors would be "permanently harmed if the sale is permitted to close, by placing creditors a further \$25 million away from any recovery on the judgment."

The Renco noteholders are represented by Jeffrey L. Jonas and Brian T. Rice of [Brown Rudnick LLP](#).

The Chapter 7 trustee Lee E. Buchwald is represented by Nicholas F. Kajon of [Stevens & Lee PC](#).

The district court case is *Ad Hoc Consortium of Renco Metals, Inc. Noteholders v. Lee E. Buchwald*, case number [1:16-cv-06844](#), in the U.S. District Court for the Southern District of New York.

The bankruptcy case is *In re: Magnesium Corp. of America et al.*, case number 1:01-bk-14312, in the U.S. Bankruptcy Court for the Southern District of New York.