

## BANKRUPTCY

# Court of Appeals Upholds \$213 Million Judgment Against Renco

Three-judge panel affirmed September 2015 decision by U.S. District Court in New York, upholding ruling that trial by jury was appropriate as were jury's findings

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The Second U.S. Circuit Court of Appeals on Wednesday upheld a more than \$213 million judgment against billionaire Ira Rennert and his Renco Group, stemming from a bankruptcy case that began more than 15 years ago.

With this decision, creditors of a bankrupt Renco Group subsidiary owed more than \$200 million— many of whom have been waiting for repayment since the late 1990s— could begin to see some recoveries soon.

In a summary order Wednesday, a panel of three judges affirmed the September 2015 decision by the U.S. District Court in New York, upholding a ruling that a trial by jury was appropriate as were the jury's findings.

In response to the decision, a representative for the chapter 7 trustee, who in 2003 began unwinding the subsidiary, known as MagCorp, said his team was “very pleased” and added that “we look forward to making a distribution to long-suffering creditors.”

A representative for Renco Group didn't provide comment on the decision Wednesday.

The case stems from the bankruptcy filing of Magnesium Corp., or MagCorp, a magnesium-mining subsidiary of Renco Group that shed \$150 million in bond debt through the process before it was repurchased by Renco more than a decade ago. The district court lawsuit sought up to \$600 million on behalf of MagCorp creditors related to \$118 million in dividend payments that Renco Group took from MagCorp between 1995 and 1998.

Before the chapter 7 trustee, Lee Buchwald, can begin distributing funds to creditors, a few steps remain.

Mr. Buchwald needs to first, of course, collect the judgment from Renco and Mr. Rennert, who's personally liable for \$29.5 million. Creditor claims need also to be analyzed to determine who's entitled to a distribution, a process Mr. Buchwald has already begun, according to his representative. Also, the U.S. Environmental Protection Agency and other environmental agencies must file their claims before distributions can be made. The deadline for those agencies is March 15.

However, a piece of the judgment has already been monetized.

Last year, the trustee held a bankruptcy auction for a \$50 million chunk of the judgment, as the trustee's resources dwindled to \$670,000. In September 2016, Gerchen Keller Capital LLC purchased that \$50 million judgment for \$26.2 million in cash, providing funds to the estate to fund the litigation and be distributed to creditors.

MagCorp filed for bankruptcy in 2001. Renco and Mr. Rennert have argued that the company's financial troubles were caused by a poor economy following Sept. 11 and a drop in magnesium prices caused by the Chinese sale of magnesium in the U.S. for less than the cost of production, an illegal practice known as dumping.

But the trustee argued that Mr. Rennert and Renco drained MagCorp of resources, spent the money on personal benefits, and then put MagCorp into bankruptcy to shirk responsibilities to bondholders and walk away from the pollution caused on the MagCorp magnesium processing site, which the U.S. Environmental Protection Agency has named a Superfund site.

At the trial, the trustee's lawyer tried to draw a line between the timing of the largest dividend payment—\$75 million in July 1996—and the \$11 million purchase in January 1997 of the land where Mr. Rennert built his palatial 29-bedroom estate in the Hamptons, which is owned by Renco Group.

A jury sided with the trustee in February 2015 awarding nearly \$215 million for distribution to creditors, a number that ultimately wound up at the \$213.2 million that was upheld Wednesday.

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