

Renco Penalty In MagCorp Bankruptcy Row Rises To \$213M

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Law360, Los Angeles (March 16, 2015, 11:50 PM ET) -- Ira Rennert and his company, Renco Corp., will have to pay a total of roughly \$213 million for allegedly taking shareholder dividends from bankrupt Magnesium Corp. of America, sources told Law360 on Monday, after a New York federal judge added interest to a jury's previous award to Magnesium's trustee.

U.S. District Judge Alison J. Nathan ordered the defendants to make up for missed interest payments on MagCorp debt by paying 6 percent interest per annum from August 2001 — when MagCorp and its parent, Renco Metal, filed for bankruptcy — to March 2015. The interest applies to the \$101 million that a jury said Renco must return after [deciding](#) last month that the dividends were fraudulent conveyances.

Plaintiffs had argued for the New York statutory rate of 9 percent, while defendants contended that — if prejudgment interest had to be applied — it should be fixed at a federal post-judgment interest rate that would amount to roughly .25 percent. Judge Nathan replied Monday that a 9 percent rate would have been unlikely during the financial crisis that occurred during the time frame at issue.

Instead, she held that a 6 percent rate of return would be equitable, saying it strikes a balance between the need to compensate continued noteholders without providing an unfair windfall for entities who bought the notes at a bankruptcy-related discount. That would amount to just under \$96 million, if judgment is entered this week, sources told Law360.

“This rate exceeds the rate of inflation, and therefore serves to ensure plaintiffs’ damages award does not lose absolute value because of the intervening period between the bankruptcy and the judgment, and provides a modest but reasonable rate of return on any investment of the funds,” her decision said.

The case has put a spotlight on Rennert, an industrial magnate who built Renco into a powerhouse conglomerate with holdings from the Rust Belt to South America by buying and selling distressed businesses, often in bankruptcy. Perhaps best known for erecting a lavish and controversial 67,000-square-foot mansion in the Hamptons, Rennert made a rare public appearance on the stand to defend his stewardship of MagCorp, which operated from a Rowley, Utah, facility that wrung magnesium out of brine dredged from the Great Salt Lake.

The verdict, reached at the conclusion of a four-week trial, delivered a resounding win to Chapter 7 trustee Lee Buchwald in a tortured, 12-year legal saga and a windfall to the asset management firms now holding MagCorp's defaulted bonds. Renco owned the Utah-based magnesium producer and allegedly extracted handsome dividends from 1996 and 1998 when the company was already beset with massive pollution liabilities and brutal overseas competition. The extractions allegedly left MagCorp too weak to survive.

Bondholders were left unpaid when MagCorp entered bankruptcy amid a glut of cheaper magnesium from Asia and a \$900 million pollution lawsuit from the U.S. [Environmental Protection Agency](#). Rennert's lawyers denied wrongdoing and blamed MagCorp's collapse on the economic recession and vicissitudes in the global magnesium market.

After a day and a half of deliberations, the jury on Friday found dividends that Renco allegedly extracted from MagCorp to be fraudulent conveyances and ordered the return of \$101 million from Renco and \$17.2 million from Rennert. The jury also leveled \$1 million in punitive damages against Renco.

Earlier this month, Judge Nathan [said](#) she refused the defendants' request for a mistrial because they had failed to make their argument on the grounds of a “dramatic inconsistency in the verdict” before the jury was dismissed.

A Renco spokesman told Law360 on Monday that they are disappointed by Judge Nathan's interest-rate ruling, and fighting to have the jury verdict and damages award vacated.

“The jury verdict, which found that Renco Metals was solvent according to each test under the law and that Mr. Rennert acted in good faith, remains fundamentally irreconcilable,” the spokesman said.

Buchwald and his attorneys didn't immediately respond to requests for comment late Monday.

The trustee is represented by Leo R. Beus, Scot C. Stirling, Malcolm Loeb and Robert O. Stirling of Beus

Gilbert PLLC.

Renco is represented by H. Peter Haveles Jr. and Jeffrey A. Fuisz of [Kaye Scholer LLP](#) and Tai H. Park and Steven C. Bennett of Park Jensen Bennett LLP.

The case is Magnesium Corp. of America et al. v. [Renco Group Inc.](#) et al., case number [1:13-cv-07948](#), in the U.S. District Court for the Southern District of New York.

--Editing by Kelly Duncan.