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MagCorp Trustee Proposes \$47 Million Payout to Bondholders

Proposed distribution follows \$215 million judgment against billionaire industrialist Ira Rennert

By Andrew Scurria

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The bankruptcy trustee winding down Magnesium Corp. of America's affairs is proposing to pay out \$47 million to its bondholders, their first distribution since the Ira Rennert-owned company filed for bankruptcy in 2001.

Chapter 7 trustee Lee Buchwald proposed ending the 16-year wait for MagCorp's creditors to receive distributions, finalizing the settlement terms reached with its creditors in November, according to papers filed Tuesday in U.S. Bankruptcy Court in Manhattan.

The payment to bondholders represents roughly half of the cash held by the trustee, who spent more than a decade suing billionaire investor Mr. Rennert and his private-equity firm, Renco Group, over MagCorp's collapse.

A federal jury held Mr. Rennert liable in 2015 for pushing MagCorp into bankruptcy, hitting him and Renco with a \$215 million judgment over dividends they took from the company. After an \$88 million contingency fee for the trustee's lawyers and a \$25 million payment to litigation financier Burford Capital Ltd., the trustee now has \$94.5 million in cash on hand, he said in Tuesday's filing.

MagCorp, which produced magnesium from brine dredged from the Great Salt Lake, filed for bankruptcy owing \$170 million on bonds that were sold when magnesium prices were expected to stay at record levels. Instead, prices dropped as a result of an influx of cheaper magnesium from Asia, stretching MagCorp's finances past the breaking point.

Mr. Rennert blamed the bankruptcy on a weak economy following the Sept. 11, 2001, terrorist attacks and illegal dumping from Chinese magnesium exporters. But a jury disagreed, and the appeals court refused to let Mr. Rennert off the hook for the demise of MagCorp.

Negotiations over how to split up the payment have pitted Renco against federal and state environmental regulators that filed hundreds of millions of dollars of claims for pollution liabilities at MagCorp facilities, according to the trustee.

But the trustee said those disagreements don't affect the anticipated payout to bondholders, which he said had been delayed long enough. He also proposed paying \$774,000 to satisfy other administrative claims and \$1.2 million to trade creditors.

The papers he filed don't specify how Renco would split the remaining money with the government authorities should they resolve their disputes.

Mr. Rennert's Renco last year filed, and then dropped, a malpractice lawsuit against the law firm that defended him, blaming it for losing the trustee's lawsuit.

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