

FILED

2009 DEC 29 AM 11:20
U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIF.
LOS ANGELES

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

[REDACTED] on behalf
of himself and all others similarly
situated,

Plaintiff,

v.

RENTECH, INC.; D. HUNT
RAMSBOTTOM; MERRICK KERR;
DOUGLAS M. MILLER; DAN J.
COHRS; DENNIS L. YAKOBSON;
MICHAEL S. BURKE; MICHAEL F.
RAY; EDWARD M. STERN;
RONALD M. SEGA; HALBERT S.
WASHBURN; RICHARD T.
PENNING

Defendants.

Case No. **CV 09-9495** GHK/PJK

COMPLAINT FOR VIOLATION
OF THE FEDERAL SECURITIES
LAWS

JURY TRIAL DEMANDED

[REDACTED] ("Plaintiff"), by his undersigned attorneys,
alleges the following based upon personal knowledge as to his own acts, and

1 information and belief as to all other matters, based upon, among other things, the
2 investigation conducted by and through his attorneys, which included, among other
3 things, a review of the public documents and announcements made by the
4 Defendants, Securities and Exchange Commission (“SEC”) filings, press releases,
5 news articles, and analyst reports regarding Rentech, Inc. (“Rentech” or the
6 “Company”). Plaintiff believes that substantial evidentiary support will exist for
7 the allegations set forth herein after a reasonable opportunity for discovery.
8
9

10 **NATURE OF ACTION**

11 1. This is a securities class action brought on behalf of all persons who
12 purchased the publicly traded securities of Rentech, Inc. during the period between
13 February 8, 2008 to December 15, 2009, inclusive (the “Class Period”) against
14 Rentech and certain of its officers and directors for violations of the Securities
15 Exchange Act of 1934 (“Exchange Act”).
16
17

18 2. Defendant Rentech markets itself as a provider of “clean energy
19 solutions” and develops projects that produce synthetic fuels and electric power
20 from carbon-containing materials such as biomass, waste and fossil resources.
21

22 3. During the Class Period, Defendants issued materially false and
23 misleading statements regarding the Company’s financial results and compliance
24 with Generally Accepted Accounting Principles (“GAAP”). Specifically, during
25 the Class Period, the Company improperly reported certain deposit payments
26
27
28

1 associated with natural gas purchase contracts as inventory, which resulted in
2 artificially inflated prices during the Class Period for Rentech shares.

3
4 4. On December 14, 2009 and December 15, 2009, Rentech revealed that
5 the Company would have to restate previously issued financial statements from
6 2008 and 2009 due to accounting errors related to the treatment of forward gas
7 purchase contracts and inventory valuation.
8

9 5. As a result of Defendants' false statements and omissions, Rentech
10 stock traded at artificially inflated prices during the Class Period. After the
11 Company revealed its accounting issues to the market, Rentech shares plunged to a
12 low of \$1.27 a share on December 18, 2009, representing a 25% drop from the
13 stock's opening price on December 14, 2009 and a 46% drop from the stock's high
14 trading price during the Class Period.
15
16

17 **JURISDICTION AND VENUE**

18 6. This action arises under Section 10(b) and 20(a) of the Exchange Act
19 of 1934, as amended, 15 U.S.C. §§ 78j(b), 78(n) and 78t(a), and Securities and
20 Exchange Commission ("SEC") Rule 10b-5, 17 C.F.R. § 240.10b-5, promulgated
21 thereunder. This Court has jurisdiction over this subject matter pursuant to 28
22 U.S.C. §§ 1331, and Section 27 of the Exchange Act, 15 U.S.C. § 78aa.
23
24

25 7. Venue is proper in this district pursuant to Section 27 of the Exchange
26 Act and 28 U.S.C. § 1391(b) because substantial acts in furtherance of the alleged
27 fraud or the effect of the fraud occurred in this District. In addition, many of the
28

1 acts and practices made in furtherance of Defendants' scheme and complained of
2 herein occurred in substantial part and/or had an effect in this District. Further,
3 Defendants were, during the Class Period, located in, or conducted substantial
4 business within this District.
5

6 8. In connection with the acts alleged in this complaint, the Defendants,
7 directly or indirectly, used means and instrumentalities of interstate commerce,
8 including but not limited to the mails, interstate telephone and Internet
9 communications.
10

11 **PARTIES**

12 9. Plaintiff purchased shares of Rentech during the Class Period at
13 artificially inflated prices and was damaged thereby, as reflected in the certification
14 filed herewith.
15

16 10. Defendant Rentech is a Colorado corporation with its principal
17 executive offices located at 10877 Wilshire Boulevard, Suite 710, Los Angeles,
18 California 90024.
19

20 11. Defendant D. Hunt Ramsbottom has been the Chief Executive Officer,
21 President and a Director of Rentech at all relevant times.
22

23 12. Defendant Merrick Kerr was the Chief Executive Officer Executive
24 Vice President and Chief Financial Officer of Rentech until his resignation in July
25 18, 2008.
26
27
28

1 13. Defendant Douglas M. Miller has been the Executive Vice President
2 for Renewable Energy Businesses for Rentech since January 2009.

3
4 14. Defendant Dan J. Cohrs has been the Chief Financial Officer and
5 Executive Vice President of Rentech since October 2008.

6 15. Defendant Dennis L. Yakobson has served as a Director of Rentech
7 and Chairman of the Board at all relevant times. Yakobson is one of the
8 Company's founders.

9
10 16. Defendant Michael S. Burke has served as a Director of Rentech at all
11 relevant times.

12
13 17. Defendant Michael F. Ray has served as a Director of Rentech at all
14 relevant times.

15
16 18. Defendant Edward M. Stern has served as a Director of Rentech at all
17 relevant times.

18
19 19. Defendant Ronald M. Sega has served as a Director of Rentech at all
20 relevant times.

21 20. Defendant Halbert S. Washburn has served as a Director of Rentech at
22 all relevant times.

23
24 21. Defendant Richard T. Penning has served as the Executive Vice
25 President of Technology and Commercial Affairs for Rentech at all relevant times.

26
27 22. The Defendants referenced in ¶¶ 11-21 are referred to herein as the
28 "Individual Defendants." The Individual Defendants, because of their positions

1 with the Company, possessed the power and authority to control the contents of the
2 Company's reports to the SEC, press releases and presentations to securities
3 analysts, money and portfolio managers and institutional investors, *i.e.*, the market.
4 Each Individual Defendant was provided with copies of the Company's reports and
5 press releases alleged herein to be misleading prior to, or shortly after, their
6 issuance and had the ability and opportunity to prevent their issuance or cause
7 them to be corrected. Because of their positions and access to material non-public
8 information available to them, each of the Individual Defendants knew that the
9 adverse facts specified herein had not been disclosed to, and were being concealed
10 from, the public, and that the positive representations which were being made were
11 then materially false and misleading. The Individual Defendants are liable for the
12 false statements pleaded herein, as those statements were each "group-published"
13 information, the result of the collective actions of the Individual Defendants.
14
15
16
17

18 **SUBSTANTIVE ALLEGATIONS**

19 **BACKGROUND**

20
21 23. Defendant Rentech is a provider of "clean energy solutions" and
22 developer of projects that produce synthetic fuels and electric power from carbon-
23 containing materials such as biomass, waste and fossil resources.
24

25 //

26 //

27
28

1 **DEFENDANTS' MATERIALLY FALSE AND MISLEADING**
2 **STATEMENTS ISSUED DURING THE CLASS PERIOD**

3 24. On February 8, 2008, Rentech issued a press release announcing its
4 results for its fiscal 2008 first quarter ended December 31, 2007. The press release
5 stated, in relevant part:
6

7 Rentech reported revenue of \$47.5 million for the first quarter of fiscal 2008,
8 compared to \$35.4 million for the comparative quarter in fiscal 2007.
9 Rentech reported a net loss applicable to common shareholders of \$23.4
10 million or (\$0.14) per share for the quarter ended December 31, 2007,
11 compared to a net loss applicable to common shareholders of \$8.7 million or
12 (\$0.06) per share for the quarter ended December 31, 2006. The increase in
13 revenue during the quarter was due to strong demand and a substantial
14 increase in market prices for Rentech Energy Midwest Corporation's
15 ("REMC") fertilizer products.

16 Selling, general and administrative ("SG&A") expenses were \$8.8 million
17 for the fiscal quarter ended December 31, 2007, compared to \$6.7 million
18 for the comparable period in fiscal 2007. The change in SG&A expenses
19 was primarily due to costs associated with increased personnel and
20 information technology enhancements. Research and development ("R&D")
21 expenses for the fiscal quarter ended December 31, 2007 were \$16.0 million
22 as compared to \$8.4 million for the comparable period in fiscal 2007. Much
23 of the R&D increase was attributable to expenses incurred for the design of,
24 procurement of equipment for and construction of the Company's Product
25 Demonstration Unit, a fully integrated synthetic fuels demonstration facility
26 in Commerce City, Colorado. Also included in the increase for the current
27 period were expenses incurred for work on advanced catalysts, catalyst
28 separation from crude wax, process optimization and product upgrading.
Operating expenses for the quarter included an impairment charge of \$8.7
million or (\$0.05) per share impact arising from the deferral of the REMC
conversion project.

As of December 31, 2007, Rentech had cash and cash equivalents and
marketable securities of \$57.8 million.

Commenting on the financial results for the first quarter of fiscal 2008, D.
Hunt Ramsbottom, President and CEO of Rentech stated, "We are pleased
with the continued strong performance of REMC. We expect pricing and

1 demand for REMC products to remain strong for the remainder of the fiscal
2 year.” Mr. Ramsbottom continued, “REMC continues to provide significant
3 cash flows to support Rentech’s synthetic fuels commercialization efforts.”

4 Results from continuing operations for the first quarter of fiscal 2007
5 exclude those of Petroleum Mud Logging, LLC (“PML”). Rentech sold
6 PML on November 15, 2006 and thus classified it as a discontinued
7 operation for the period.

8 25. On the same day, Rentech filed a Form 10Q with the SEC for fiscal
9 2008 first quarter ended December 31, 2007. This Form 10-Q was signed by
10 Defendants Ramsbottom and Kerr reaffirmed the Company’s financial results
11 announced on the same day.

12 26. On May 9, 2008, Rentech issued a press release announcing its
13 results for its fiscal 2008 second quarter ended March 31, 2008. The press release
14 stated, in relevant part:
15

16
17 Rentech reported revenue of \$28.5 million for the second quarter of fiscal
18 2008, compared to \$16.9 million for the comparative quarter in fiscal 2007.
19 Rentech reported a net loss applicable to common shareholders of \$22.8
20 million or (\$0.14) per share for the quarter ended March 31, 2008, compared
21 to a net loss applicable to common shareholders of \$17.2 million or (\$0.12)
22 per share for the quarter ended March 31, 2007. The increase in revenue
23 during the quarter was the result of strong demand and pricing for nitrogen
24 fertilizer products produced at Rentech Energy Midwest Corporation
25 (“REMC”).

26 Selling, general and administrative (“SG&A”) expenses were \$9.0 million
27 for the fiscal quarter ended March 31, 2008, compared to \$6.9 million for the
28 comparable period in fiscal 2007. The change in SG&A expenses was
primarily due to costs associated with increased personnel, information
technology enhancements and professional fees. Research and development
 (“R&D”) expenses for the fiscal quarter ended March 31, 2008 were \$22.1
 million as compared to \$11.0 million for the comparable period in fiscal

1 2007. Much of the R&D increase was attributable to expenses incurred for
2 the design of, procurement of equipment for and construction of the
3 Company's Product Demonstration Unit ("PDU"), a fully integrated
4 synthetic fuels plant in Commerce City, Colorado. Also included in the
5 increase for the current period were expenses incurred for work on advanced
6 catalysts, catalyst separation from crude wax, process optimization and
7 product upgrading.

8 For the six months ended March 31, 2008, Rentech reported revenue of
9 \$76.0 million compared to \$52.3 million for the comparative period in fiscal
10 2007. Rentech recorded a net loss applicable to common stockholders of
11 \$46.2 million or (\$0.28) per share for the six months ended March 31, 2008,
12 compared to a net loss applicable to common stockholders of \$25.9 million
13 or (\$0.18) per share for the comparative period in fiscal 2007.

14 SG&A expenses were \$17.8 million for the six months ended March 31,
15 2008, compared to \$13.6 million for the comparable period in fiscal 2007.
16 R&D expenses for the six months ended March 31, 2008 were \$38.1 million
17 as compared to \$19.4 million for the comparable period in fiscal 2007,
18 primarily due to expenses related to the PDU. Operating expenses for the
19 fiscal year 2008 included an impairment charge of \$9.1 million or (\$0.06)
20 per share impact arising from the winding down of the REMC conversion
21 project.

22 As of March 31, 2008, Rentech had cash and cash equivalents of \$23.3
23 million and available for sale securities of \$8.3 million.

24 Commenting on the financial results for the second quarter of fiscal 2008, D.
25 Hunt Ramsbottom, President and CEO of Rentech stated, "REMC continues
26 to perform well, driven by strong demand for biofuels. As a result, we are
27 evaluating opportunities to increase the efficiency of the facility. In addition,
28 we are currently engaged in a company-wide cost review and reduction
program that will take corporate spending to a level that can be supported by
the free cash flow at REMC."

27 27. On the same day, Rentech filed a Form 10Q with the SEC for for its
28 fiscal 2008 second quarter ended March 31, 2008. This Form 10Q was signed by

1 Defendants Ramsbottom and Kerr and reaffirmed the Company's financial results
2 announced that same day.

3
4 28. On August 11, 2008, Rentech issued a press release announcing its
5 results for its fiscal 2008 third quarter ended June 30, 2008. The press release
6 stated, in relevant part:

7
8 Rentech reported revenue of \$60.4 million for the third quarter of fiscal
9 2008, compared to \$50.4 million for the comparative quarter in fiscal 2007.
10 Rentech reported a net loss applicable to common shareholders of \$7.8
11 million or (\$0.05) per share for the quarter ended June 30, 2008, compared
12 to a net loss applicable to common shareholders of \$6.9 million or (\$0.04)
13 per share for the quarter ended June 30, 2007. The increase in revenue
14 during the quarter was the result of strong demand and pricing for nitrogen
15 fertilizer products produced at the Company's wholly-owned subsidiary,
16 Rentech Energy Midwest Corporation ("REMC").

17
18 The Company is raising its guidance for fiscal year 2008 EBITDA at REMC
19 to \$50 million or greater from its previous projection of over \$40 million. In
20 addition, the Company is projecting fiscal year 2009 EBITDA at REMC to
21 exceed fiscal 2008 levels.

22
23 Selling, general and administrative ("SG&A") expenses were \$8.3 million
24 for the fiscal quarter ended June 30, 2008, compared to \$8.2 million for the
25 comparable period in fiscal 2007. The change in SG&A expenses was
26 primarily due to costs associated with increased personnel and consulting
27 and professional fees. Research and development ("R&D") expenses for the
28 fiscal quarter ended June 30, 2008 were \$15.8 million as compared to \$7.8
million for the comparable period in fiscal 2007. Much of the R&D increase
was attributable to expenses incurred for the design of, procurement of
equipment for and construction of the Company's Product Demonstration
Unit ("PDU"), a fully integrated synthetic fuels plant in Commerce City,
Colorado. Construction of the PDU was completed in the quarter and these
expenses are not expected to be incurred going forward. Also included in the
increase for the current period R&D expenses were costs incurred for work
on advanced catalysts, catalyst separation from crude wax, process
optimization and product upgrading.

1 For the nine months ended June 30, 2008, Rentech reported revenue of
2 \$136.4 million compared to \$102.7 million for the comparative period in
3 fiscal 2007. Rentech recorded a net loss applicable to common stockholders
4 of \$54.0 million or (\$0.33) per share for the nine months ended June 30,
5 2008, compared to a net loss applicable to common stockholders of \$32.8
6 million or (\$0.22) per share for the comparative period in fiscal 2007.

7 SG&A expenses were \$26.1 million for the nine months ended June 30,
8 2008, compared to \$21.8 million for the comparable period in fiscal 2007.
9 R&D expenses for the nine months ended June 30, 2008 were \$53.9 million
10 as compared to \$27.2 million for the comparable period in fiscal 2007,
11 primarily due to expenses related to the PDU. Operating expenses for the
12 fiscal year 2008 included an impairment charge of \$9.3 million or (\$0.06)
13 per share impact arising from the winding down of the REMC conversion
14 project.

15 Commenting on the financial results for the third quarter of fiscal 2008, D.
16 Hunt Ramsbottom, President and CEO of Rentech stated, "We are pleased
17 with the continued robust performance at REMC, which has exceeded our
18 expectations. In fiscal 2009 we expect increased EBITDA performance at
19 REMC and reductions in spending now that construction of our Product
20 Demonstration Unit is complete. We also expect corporate overhead
21 reductions as a result of our company-wide cost review program."

22 29. On the same day, Rentech filed a Form 10Q with the SEC for its fiscal
23 2008 third quarter ended June 30, 2008. This Form 10Q was signed by Defendants
24 Ramsbottom and Miller and reaffirmed the Company's financial results announced
25 on the same day.

26 30. On December 15, 2008, Rentech issued a press release announcing its
27 results for its fiscal 2008 fourth quarter and fiscal year ended September 30, 2008..
28 The press release stated, in relevant part:

For the fourth quarter of fiscal year 2008, Rentech reported revenue of \$74.6 million, compared to \$29.6 million for the comparable quarter in the prior year. Rentech reported a net loss applicable to common shareholders of \$8.9

1 million or \$0.05 per share for the quarter ended September 30, 2008, which
2 included \$0.02 per share of non-cash impairment charges. This compares to
3 a net loss applicable to common shareholders of \$58.9 million or \$0.36 per
4 share for the comparable period in fiscal year 2007, which included \$0.23
per share of non-cash impairment charges.

5 Rentech is currently projecting consolidated EBITDA to be positive in fiscal
6 year 2009. This is a result of the Company's continued confidence based on
7 current market conditions that EBITDA at the Company's wholly-owned
8 fertilizer facility, Rentech Energy Midwest Corporation (REMC), will be
9 well in excess of \$50 million in fiscal year 2009. The Company's projected
10 consolidated EBITDA also takes into consideration the cost saving steps it
11 has implemented at the corporate level and at its Product Demonstration Unit
12 (PDU) in Colorado, as well as the fact that construction of the PDU has been
completed. EBITDA is a non-GAAP measure. Further explanation of this
non-GAAP measure and a computation of REMC's EBITDA has been
included below in this press release.

13 For the fiscal year ended September 30, 2008, Rentech reported revenue of
14 \$211.0 million compared to \$132.3 million for the prior fiscal year. Rentech
15 reported a net loss applicable to common shareholders of \$62.9 million or
16 \$0.38 per share for the fiscal year ended September 30, 2008, which
17 included \$0.08 per share of non-cash impairment charges. This compares to
18 a net loss applicable to common shareholders of \$91.7 million or \$0.61 per
share for the comparable period in fiscal year 2007, which included \$0.26
per share of non-cash impairment charges.

19 Selling, general and administrative expenses were \$33.4 million for the
20 fiscal year ended September 30, 2008, compared to \$28.1 million for the
21 prior year. Research and development ("R&D") expenses for the fiscal year
22 ended September 30, 2008 were \$64.5 million as compared to \$43.1 million
23 in fiscal year 2007. Much of the R&D increase was attributable to expenses
24 incurred for the design and procurement of equipment for and construction
25 of the Company's Product Demonstration Unit. With the completion of its
26 construction in fiscal year 2008, PDU-related R&D expenses going forward
27 are expected to be significantly reduced, as they will be mostly limited to the
28 operations of the PDU. Also included in the increase for the current period
were expenses incurred for work on advanced catalysts, catalyst separation
from crude wax, process optimization, and product upgrading.

1 As of September 30, 2008, Rentech had cash and cash equivalents of \$63.7
2 million on a consolidated basis compared to \$33.7 million at September 30,
3 2007.

4 Commenting on the fiscal year 2008 financial results, D. Hunt Ramsbottom,
5 President and CEO of Rentech, stated, "We are extremely pleased with
6 REMC's results, as the plant continues to perform exceptionally well.
7 REMC achieved record production volumes and we were able to capture the
8 record prices found in the market." Mr. Ramsbottom continued, "We
9 presently believe our recent corporate cost reductions, in conjunction with
10 the expected continued strong performance of REMC, will enable Rentech to
11 achieve positive consolidated EBITDA for fiscal year 2009. This is a
12 significant milestone as it marks the first time in our Company's history that
13 we have projected positive consolidated EBITDA performance."

14 Mr. Ramsbottom added, "We are fortunate that we have a profitable
15 operating asset and are able to forecast improved financial results even in
16 this difficult macro-economic environment. We believe that these attributes,
17 in addition to operating the only synthetic transportation fuels facility in the
18 U.S., positions us well within the alternative energy sector." Mr.
19 Ramsbottom continued, "In the short time that we have operated the PDU,
20 we have not only sent samples of our products to potential customers, but
21 through 20% greater catalyst productivity and improved catalyst
22 composition, we have identified opportunities to enhance the economic
23 returns of facilities utilizing the Rentech Process by reducing capital
24 requirements and operating costs."

25 31. On the same day, Rentech filed a Form 10K with the SEC for its fiscal
26 2008 fourth quarter and fiscal year ended September 30, 2008. This Form 10K
27 was signed by Defendants Ramsbottom, Cohrs, Yakobson, Burke, Ray, Stern,
28 Segal, Washburn, and reaffirmed the Company's financial results announced on the
same day.

32. On February 9, 2009, Rentech issued a press release announcing its
results for its fiscal 2009 first quarter. The press release stated, in relevant part:

1 For the first quarter of fiscal year 2009, Rentech reported revenue of \$50.1
2 million, compared to \$47.5 million for the comparable quarter in the prior
3 year. Rentech reported a net loss applicable to common shareholders of \$4.3
4 million or \$0.03 per share for the quarter ended December 31, 2008, which
5 included a \$0.06 per share write-down of inventory to market. This
6 compares to a net loss applicable to common shareholders of \$23.4 million
or \$0.14 per share for the comparable period in fiscal year 2008, which
included \$0.05 per share of non-cash impairment charges.

7 Rentech continues to project consolidated EBITDA to be positive in fiscal
8 year 2009 and that the Company's consolidated business plan for fiscal year
9 2009 can be funded internally by cash generated at its wholly-owned
10 nitrogen fertilizer facility, Rentech Energy Midwest Corporation (REMC).
11 This is a result of Rentech's continued expectation that EBITDA at REMC
12 will be well in excess of \$50 million in fiscal year 2009 due to anticipated
13 strong spring pricing and demand for nitrogen fertilizer products in the
14 Midwest as well as the fact that a significant portion of REMC's fiscal year's
15 production has already been presold. The Company's projected consolidated
16 EBITDA also takes into consideration the effect of cost savings
17 implemented at the corporate level and at the Company's Product
18 Demonstration Unit (PDU), as well as the fact that construction of the PDU
19 has been completed. EBITDA is a non-GAAP measure. Further explanation
20 of this non-GAAP measure and a computation of REMC's EBITDA has
21 been included below in this press release.

22 Revenue for the first quarter of fiscal 2009 was affected by weather and the
23 timing of seasonal fertilizer applications and is not expected to be
24 representative of revenue for the remaining quarters of fiscal 2009. The
25 Company believes that fundamental factors such as forecast corn acreage
26 and pent-up demand for nitrogen fertilizer due to the weather-interrupted fall
27 applications indicate strong demand for nitrogen fertilizer products in the
28 spring 2009 planting season.

29 Selling, general and administrative (SG&A) expenses were \$6.0 million for
30 the first quarter of fiscal year 2009, compared to \$8.8 million for the prior
31 year. Research and development (R&D) expenses for the first quarter of
32 fiscal year 2009 were \$5.4 million as compared to \$16.0 million for the prior
33 year. The decrease was primarily due to the completion of the construction
34 of the PDU in the prior fiscal year. Current period R&D expenses were
35 attributable to costs associated with operating the facility in addition to

1 expenses incurred for work on advanced catalysts, catalyst separation from
2 crude wax, process optimization, and product upgrading.

3 As of December 31, 2008 Rentech had cash and cash equivalents of \$28.9
4 million on a consolidated basis.

5 Commenting on the first quarter results for fiscal year 2009, D. Hunt
6 Ramsbottom, President and CEO of Rentech, stated, "We are pleased to
7 already see the benefits of our recent cost reductions. This quarter, SG&A
8 and R&D expenses declined by over 50% from the same quarter the
9 previous year. With this lower level of spending expected to continue in
10 future quarters as well as strong performance from REMC, we believe that
11 our business plan for fiscal year 2009 may be funded by cash generated at
12 REMC." Mr. Ramsbottom continued, "At a time when most alternative
13 energy companies are in need of liquidity, we are fortunate that we can
14 continue to execute our business plan without the need to access the capital
15 markets."

16 33. On the same day, Rentech filed a Form 10Q with the SEC for its fiscal
17 2009 first quarter. This Form 10Q was signed by Defendants Ramsbottom and
18 Cohrs and reaffirmed the Company's financial results announced the same day.

19 34. On May 12, 2009, Rentech issued a press release announcing its
20 results for its fiscal 2009 second quarter. The press release, which reaffirmed the
21 results from the Company's May 11, 2009 Form 10Q signed by Defendants
22 Ramsbottom and Cohrs, stated, in relevant part:

23 For the second quarter of fiscal year 2009 ended March 31, Rentech reported
24 a net loss applicable to common shareholders of \$16.5 million, or \$0.10 per
25 share. The loss included a \$0.04 per share write-down of inventories of
26 natural gas due to continued declines in the price of this key input to the
27 Company's fertilizer products. This compares to a net loss applicable to
28 common shareholders of \$22.8 million, or \$0.14 per share, for the
comparable period in fiscal year 2008.

1 Results for the quarter reflected the effect of delayed shipments of fertilizer
2 in the key markets of the Company's wholly-owned nitrogen fertilizer
3 business, Rentech Energy Midwest Corporation (REMC), due to weather
4 conditions which improved significantly during April. Results of operations
5 are typically seasonal due to the planting, growing and harvesting cycles of
6 farmers. The timing of fertilizer applications, and therefore of shipments
7 from REMC, can vary due to weather conditions. Revenue is recognized as
8 products are shipped.

7 The write-down of natural gas inventories reflects the Company's policy of
8 accounting for advanced purchases of gas as inventories. The Company's
9 practice is to purchase gas at fixed prices when fertilizer products are pre-
10 sold at predetermined prices, in order to lock in margins on the pre-sold
11 products. When gas prices decline, as in the first six months of fiscal year
12 2009, the value of gas contracts is marked to market, leading to the inventory
13 adjustments. In periods after the inventory write-down, as product is
14 delivered, cost of goods sold is recognized at the lower prices to which the
15 gas inventory was written down, which would tend to result in higher
16 margins.

14 Rentech reported revenue of \$16.8 million for the second quarter of fiscal
15 year 2009, down from \$28.5 million for the comparable quarter in the prior
16 year. The reduction was due to delays in fertilizer shipments during the
17 second quarter of fiscal 2009, caused by poor spring weather. These
18 shipment delays had the effect of delaying the realization of revenue on
19 significant volumes until April. Improved weather in April led to record
20 shipments, revenue, and profits for REMC in that month. For fiscal year
21 2009 through April, unaudited revenue was \$120.3 million, up from \$89.1
22 million in the comparable period in fiscal 2008, representing a 35% increase.
23 Due to seasonality, the significant pre-sales of fertilizer products and the
24 strong April results, the Company does not expect the weak second quarter
25 results to be indicative of results for the full fiscal year 2009.

24 35. On August 10, 2009, Rentech issued a press release announcing its
25 results for its third quarter of fiscal year 2009. The press release stated, in relevant
26 part:
27
28

1 For the third quarter of fiscal year 2009 ended June 30, Rentech reported net
2 income applicable to common shareholders of \$36.1 million, or \$0.22 per
3 share. This compares to a net loss applicable to common shareholders of
4 \$7.8 million, or \$0.05 per share, for the comparable period in fiscal year
5 2008.

6 Rentech reported revenue of \$91.4 million for the third quarter of fiscal year
7 2009, up from \$60.4 million for the comparable quarter in the prior year.
8 The increase resulted from higher product pricing and record shipments
9 during the quarter as favorable weather conditions allowed the realization of
10 revenue on significant volumes shipped. Shipments during the second fiscal
11 quarter had been delayed by bad weather.

12 Rentech projects that its earnings per share will be positive for fiscal year
13 2009. Rentech is increasing its consolidated EBITDA guidance for fiscal
14 year 2009 to greater than \$25 million compared to previous guidance of
15 \$15 million. The Company has also increased fiscal year 2009 EBITDA
16 guidance for its wholly-owned nitrogen fertilizer business, Rentech Energy
17 Midwest Corporation (REMC), to greater than \$65 million from previous
18 guidance of \$65 million. In addition to the strong results for the quarter,
19 factors that the Company considered in increasing guidance included:
20 significant pre-sales of fertilizer products for the remainder of the fiscal year;
21 natural gas prices that are forecasted to remain at lower than budgeted levels;
22 and demand for nitrogen products driven by continued strong prospects for
23 planted corn acreage. EBITDA is a non-GAAP measure. Further explanation
24 of this non-GAAP measure and a computation of consolidated EBITDA and
25 EBITDA at REMC have been included below in this press release.

26 36. On the same day, Rentech filed a Form 10Q with the SEC for its third
27 quarter of fiscal year 2009. This Form 10Q was signed by Defendants
28 Ramsbottom and Cohrs and reaffirmed the Company's financial results announced
on the same day.

37. The above statements in ¶¶ 24-36 were materially false and
misleading because Defendants misrepresented or failed to disclose that: (a) certain

1 deposit payments associated with the Company's forward contracts for natural gas
2 purchases were incorrectly reported on Rentech's balance sheets as inventory
3 rather than deposits; (b) as a result, the Company's financial results were
4 overstated during the Class Period; (c) the Company had failed to properly
5 recognize deposits on its balance sheets in violation of GAAP; (d) the Company
6 lacked adequate internal and financial controls; and (e) as a result of the above, the
7 Company's financial statements during the Class Period were materially false and
8 misleading at all relevant times.
9
10

11 THE TRUTH COMES TO LIGHT

12 38. On December 14, 2009, Rentech filed a Form 8K with the SEC and
13 revealed that the Company had improperly reported certain deposit payments as
14 inventory. As the 8K stated in relevant part:
15
16

17 On December 12, 2009, the Audit Committee of the Board of Directors of
18 the Company concluded that the Company's consolidated financial
19 statements for the fiscal year ended September 30, 2008 and for the quarters
20 ended June 30, 2009, March 31, 2009, December 31, 2008, September 30,
21 2008, June 30, 2008, March 31, 2008 and December 31, 2007 should no
longer be relied upon for the reasons described below.

22 On December 14, 2009, the Company is filing its annual report on Form 10-
23 K for the fiscal year ended September 30, 2009, which includes re-stated
24 financial statements for the periods described above. These restatements
25 reported in the Form 10-K are due to a correction in the accounting treatment
26 of forward gas purchase contracts and inventory valuation as described
further herein.

27 The Company enters into forward contracts with fixed delivery prices to
28 purchase portions of the natural gas required to produce fertilizer for the
Company's nitrogen fertilizer business. Some of the forward contracts

1 require the Company to pay a deposit for the natural gas at the time of
2 contract signing, and all of the contracts require deposits in the event that the
3 market price for natural gas falls after the date of the contract to a price
4 below the fixed price in the contracts.

5 The Company previously recorded these deposits incorrectly as inventory
6 and performed a lower of cost or market ("LCM") analysis on this
7 component of inventory on a monthly basis. In certain periods, the LCM
8 analysis resulted in impairments of the component of inventory represented
9 by the gas contract deposits, and those impairments were recognized in cost
10 of goods sold as write-downs of inventory in those periods. As product
11 produced from the gas associated with the impaired deposits was shipped in
12 periods after the write-downs, the cost of gas recognized in cost of goods
13 sold at the time of sale was lower than the cost that would have been
14 calculated using the contracted prices, in an amount equal to the previous
15 inventory write-downs. This prior treatment affected the timing, but not the
16 total amount, of expense recognized in conjunction with gas purchased
17 under forward contracts. The correction in accounting treatment had no
18 effect on cash flows.

19 The Company has now determined that these deposits should have been
20 classified on the balance sheet as deposits, rather than as inventory, because
21 neither title nor risk of loss passed to the Company when it paid the deposits
22 for the natural gas. The Company has also determined that the LCM
23 adjustments related to these contract deposits were not calculated in a
24 manner consistent with generally accepted accounting principles. In future
25 periods, the cost of natural gas purchased under forward contracts will be
26 recognized at contracted prices as the gas flows through production, into
27 finished goods inventory, and then into cost of goods sold as the product is
28 shipped, or directly into cost of goods sold in the case of a sale of the gas.
The LCM analysis will be performed by examining the projected margin on
the sale of finished goods, not by examining the market price relative to the
contract price for the natural gas component of inventory.

On December 14, 2009, the Company is filing its Annual Report on Form
10-K for the fiscal year ended September 30, 2009. In the Form 10-K, the
Company has restated its consolidated balance sheet at September 30, 2008,
and the consolidated statements of operations, changes in stockholders'
equity (deficit), and comprehensive loss for the fiscal year ended
September 30, 2008. The Form 10-K also presents restated selected quarterly
financial data for the quarters ended June 30, 2009, March 31, 2009,
December 31, 2008, September 30, 2008, June 30, 2008, March 31, 2008

1 and December 31, 2007. The restatements correct the errors described above
2 by reclassifying amounts from inventory to deposits, and reversing the
3 effects of the LCM adjustments in the statements of operations, changes in
4 stockholders' equity (deficit), and comprehensive loss. These corrections
5 materially change the timing, but not the total amount, of the recognition of
6 expenses for purchases of natural gas. In periods in which inventory
7 impairments are being reversed, the cost of gas recognized will be lower
8 than under the previous treatment. In periods following inventory
9 impairments, the cost of goods sold will now be higher than the cost
10 recognized under the previous treatment.

11 Management has assessed the effect of the restatement on the Company's
12 internal control over financial reporting and its disclosure controls and
13 procedures and has reflected its conclusions regarding these matters under
14 Item 9A in the Company's Annual Report on Form 10-K for the fiscal year
15 ended September 30, 2009.

16 39. On the same day, the Company issued its Form 10K for its fiscal 2009
17 fourth quarter and fiscal year ended September 30, 2009 (12/14/09 Form 10K),
18 which revealed further detail regarding the improper accounting in Rentech's
19 previously issued financial statements. As the 12/14/09 Form 10K stated, in
20 relevant part:

21 The Company has restated its consolidated balance sheet at
22 September 30, 2008, and the consolidated statements of operations, changes
23 in stockholders' equity (deficit), and comprehensive loss for the fiscal year
24 ended September 30, 2008, to correct these errors by reclassifying the
25 deposits from inventory to deposits on gas contracts, and to reverse the
26 effects of the LCM adjustments in the statements of operations, changes in
27 stockholders' equity (deficit), and comprehensive loss. These corrections
28 materially change the timing, but not the total amount, of the recognition of
expenses for purchases of natural gas. In periods in which inventory
impairments are being reversed, the cost of gas recognized will be lower
than under the previous treatment. In periods following inventory
impairments, the cost of goods sold will now be higher than the cost
recognized under the previous treatment. In fiscal year 2008, the cost of
goods sold is now reported as approximately \$6.0 million less than the

1 amount previously reported. Results of operations reported herein for fiscal
 2 year 2009 would have been materially different had the prior treatment of
 3 forward natural gas contracts and of inventory impairment been applied (see
 4 Note 21 for a discussion of the restatement's impact on the three quarterly
 periods of fiscal year 2009 previously reported).

5 The following table presents the effects of the restatement adjustments
 6 on the Company's previously reported consolidated statement of operations
 7 for the years ended September 30, 2008 (in thousands, except per share
 data):

	As Previously Reported	Restatement Adjustments	As Restated
Total cost of sales	\$ 160,425	\$ (6,005)	\$ 154,420
Gross profit	50,546	6,005	56,551
Write down of inventory to market	8,650	(8,650)	0
Loss from continuing operations before income taxes	(62,965)	6,005	(56,960)
Net loss	(62,887)	6,005	(56,882)
EPS — Basic	(0.38)	0.04	(0.34)
EPS — Diluted	(0.38)	0.04	(0.34)

14 The following table presents the effect of the restatement on the
 15 Company's consolidated balance sheet as of September 30, 2008 (in
 16 thousands):

	As Previously Reported	Restatement Adjustments	As Restated
Inventories	\$ 29,491	\$ (12,362)	\$ 17,129
Deposits on gas contracts	—	18,368	18,368
Accumulated deficit	(255,260)	6,005	(249,255)
Total stockholders' deficit	(13,089)	6,005	(7,084)

21 40. The 12/14/09 Form 10K also revealed the significant effect the
 22 Company's improper accounting would have on the previously issued financial
 23 statements for the quarters ended June 30, 2009, March 31, 2009, December 31,
 24 2008, September 30, 2008, June 30, 2008, March 31, 2008 and December 31,
 25 2007. The 12/14/09 Form 10K contained the following table, which indicated the
 26
 27
 28

1 effect this improper accounting would have on the Company's 2008 and 2009
 2 balance sheets (in thousands, except per share data):
 3

	Gross Profit (Loss)	Operating Income (Loss)	Income (Loss) from Continuing Operations	Net Income (Loss)	Basic Income (Loss) per Share	Diluted Income (Loss) per Share
Quarter ended June 30, 2009						
As previously reported	\$ 52,567	\$ 39,026	\$ 36,130	\$ 36,132	0.22	0.22
Restatement adjustments	(1,819)	(1,819)	(1,819)	(1,819)	(0.01)	(0.02)
As restated	\$ 50,748	\$ 37,207	\$ 34,311	\$ 34,313	0.21	0.20
Quarter ended March 31, 2009						
As previously reported	\$ (3,004)	\$ (13,946)	\$ (16,592)	\$ (16,539)	(0.10)	(0.10)
Restatement adjustments	(8,131)	(8,131)	(8,131)	(8,131)	(0.05)	(0.05)
As restated	\$ (11,135)	\$ (22,077)	\$ (24,723)	\$ (24,670)	(0.15)	(0.15)
Quarter ended December 31, 2008						
As previously reported	\$ 9,661	\$ (2,099)	\$ (4,334)	\$ (4,323)	(0.03)	(0.03)
Restatement adjustments	4,061	4,061	4,061	4,061	0.03	0.03
As restated	\$ 13,722	\$ 1,962	\$ (273)	\$ (262)	0.00	0.00
Quarter ended September 30, 2008						
As previously reported	\$ 14,784	\$ (3,593)	\$ (8,935)	\$ (8,905)	(0.05)	(0.05)
Restatement adjustments	6,005	6,005	6,005	6,005	0.04	0.04
As restated	\$ 20,789	\$ 2,412	\$ (2,930)	\$ (2,900)	(0.01)	(0.01)
Quarter ended June 30, 2008						
As previously reported	\$ 17,567	\$ (6,977)	\$ (7,794)	\$ (7,772)	(0.05)	(0.05)
Restatement adjustments	—	—	—	—	—	—
As restated	\$ 17,567	\$ (6,977)	\$ (7,794)	\$ (7,772)	(0.05)	(0.05)

1								
2	Quarter							
3	ended							
4	March 31,							
5	2008							
6	As previously							
7	reported	\$ 7,917	\$ (22,480)	\$ (22,812)	\$ (22,796)	\$ (0.14)	\$ (0.14)	
8	Restatement							
9	adjustments	(82)	(82)	(82)	(82)	—	—	
10	As restated	\$ 7,835	\$ (22,562)	\$ (22,894)	\$ (22,878)	\$ (0.14)	\$ (0.14)	
11								
12	Quarter							
13	ended							
14	December 3							
15	1, 2007							
16	As previously							
17	reported	\$ 10,278	\$ (23,427)	\$ (23,437)	\$ (23,414)	\$ (0.14)	\$ (0.14)	
18	Restatement							
19	adjustments	82	82	82	82	—	—	
20	As restated	\$ 10,360	\$ (23,345)	\$ (23,355)	\$ (23,332)	\$ (0.14)	\$ (0.14)	

41. Indeed, the Company even revealed in the Form 10K that it had failed to maintain adequate internal and financial controls during the Class Period. As the Form 10K stated in relevant part:

The Company did not maintain effective controls over the selection and application of GAAP. Specifically, the members of the Company's management with the requisite level of accounting knowledge, experience and training commensurate with the Company's financial reporting requirements did not analyze certain accounting issues at the level of detail required to ensure the proper application of GAAP in certain circumstances. This material weakness resulted in a restatement of the Company's financial statements for fiscal year 2008 and each of the first three interim periods during fiscal year 2009 related to the appropriate accounting for the valuation of the Company's natural gas inventory. The restatement resulted in a decrease of cost of goods sold of approximately \$6 million, a decrease in inventory of approximately \$12 million and an increase of deposits on gas contracts of approximately \$18 million for the fiscal year ended September 30, 2008. This material weakness also resulted in the identification of additional audit adjustments that have been reflected in the Company's 2009 financial statements. Additionally, this material weakness could result in misstatements of the Company's account balances or disclosures that would result in a material misstatement to the Company's

1 annual or interim consolidated financial statements that would not be
2 prevented or detected.

3 42. On December 15, 2009, the Company filed a Form 8K attaching a
4 press release Rentech issued on December 14, 2009 revealing the effect of the
5 restatement. As the Form 8K stated in relevant part:
6

7 The restatements had the effect of increasing operating earnings and
8 EBITDA in fiscal 2008 by approximately \$6 million, and caused a reduction
9 in reported operating earnings and EBITDA in fiscal 2009 of approximately
10 \$6 million due to changes in the timing of expense recognition. The
11 guidance that the Company had previously provided regarding expected full
12 year fiscal 2009 results did not give effect to this accounting change or the
13 related downward adjustment in reported fiscal 2009 results caused by the
14 restatement.

15 43. On December 15, 2009, after Rentech fully revealed the Company's
16 previous financial statements could not be relied upon, trading in Rentech stock
17 was extraordinarily heavy, with an increased trading volume of 195% compared to
18 the average trading volume of the previous week. Rentech shares would
19 eventually fall to a low of \$1.27 a share on December 18, 2009, representing a
20 25% drop from the stock's opening price on December 14, 2009 (when the
21 restatement was announced), and a 46% drop from the stock's high trading price
22 during the Class Period of \$2.36 on August 29, 2008.
23

24 **DEFENDANTS' FAILURES TO DISCLOSE THE TRUTH**

25 44. Rentech's statements and filings during the Class Period were
26 materially false and misleading because they misrepresented or failed to disclose
27 that: (a) certain deposit payments associated with the Company's forward contracts
28

1 for natural gas purchases were incorrectly reported on Rentech's balance sheets as
2 inventory rather than deposits; (b) as a result, the Company's financial results were
3 overstated during the Class Period; (c) the Company had failed to properly
4 recognize deposits on its balance sheets in violation of GAAP; (d) the Company
5 lacked adequate internal and financial controls; and (e) as a result of the above, the
6 Company's financial statements during the Class Period were materially false and
7 misleading at all relevant times.

10 45. The market for Rentech securities was an open, well-developed and
11 efficient market at all relevant times. As a result of the materially false and
12 misleading statements and failures to disclose described herein, Rentech securities
13 traded at artificially inflated prices during the Class Period. Plaintiff and the other
14 members of the Class purchased or otherwise acquired Rentech securities relying
15 upon the integrity of the market price of Rentech securities and market information
16 related to Rentech, and have been damaged thereby.

19 46. During the Class Period, Defendants materially misled the investing
20 public, thereby inflating the price of Rentech securities, by publicly issuing false
21 and misleading statements and omitting to disclose material facts necessary to
22 make Defendants' statements, as set forth herein, not false and misleading. Such
23 statements and omissions were materially false and misleading in that they failed
24 to disclose material adverse nonpublic information and misrepresented the truth
25 about the Company, its business and operations, as alleged herein.

1 47. At all relevant times, the material misrepresentations and omissions
2 particularized herein directly or proximately caused or were a substantial
3 contributing cause of the damages sustained by Plaintiff and the other members of
4 the Class. As described herein, during the Class Period, Defendants made or
5 caused to be made a series of materially false and misleading statements about
6 Rentech's business, prospects and operations.
7
8

9 48. These material misstatements and omissions had the cause and effect
10 of creating in the market an unrealistically positive assessment of Rentech and its
11 business, prospects and operations, thus causing the Company's securities to be
12 overvalued and artificially inflated at all relevant times. Defendants' false and
13 misleading statements during the Class Period resulted in Plaintiff and other
14 members of the Class purchasing the Company's securities at artificially inflated
15 prices, thus causing the damages complained of herein.
16
17

18 49. As alleged herein, Defendants acted with scienter in that Defendants
19 knew that the public documents and statements issued or disseminated in the name
20 of the Company during the Class Period were materially false and misleading;
21 knew that such statements or documents would be issued or disseminated to the
22 investing public; and knowingly and substantially participated or acquiesced in the
23 issuance or dissemination of such statements or documents as primary violations of
24 the federal securities laws.
25
26
27
28

1 were traded publicly during the Class Period on AMEX and as of July 31, 2009,
2 Rentech had 192,918,180 shares of common stock outstanding.

3
4 54. Plaintiff will fairly and adequately protect the interests of the members
5 of the Class. Plaintiff has no interests which are contrary to, or in conflict with, the
6 interests of the Class members that he seeks to represent. Plaintiff has retained
7 competent counsel, experienced in class action litigation under the federal
8 securities laws to ensure such protection, and intends to prosecute this action
9 vigorously.
10

11
12 55. A class action is superior to all other available methods for the fair and
13 efficient adjudication of this controversy since joinder of all members is
14 impracticable. Furthermore, as the damages suffered by individual members of the
15 Class may be relatively small, the expense and burden of individual litigation make
16 it impossible for the members of the Class to individually seek redress for the
17 wrongs done to them. There will be no difficulty in the management of this action
18 as a class action.
19

20
21 56. Questions of law and fact common to the members of the Class
22 predominate over any questions that may affect only individual members in that
23 Defendants have acted on grounds generally applicable to the entire Class. Among
24 the questions of law and fact common to the Class are:
25

- 26 • whether the federal securities laws were violated by Defendants' acts
27 as alleged herein;
28

1 and substantially participated or acquiesced in the issuance of dissemination of
 2 such statements or documents as primary violations of the federal securities laws.
 3
 4 As set forth elsewhere herein, defendants, by virtue of their receipt of information
 5 reflecting the true facts regarding Rentech, their control over, and/or receipt and/or
 6 modification of, Rentech's materially misleading misstatements and omissions
 7 and/or their associations with the Company which made them privy to confidential
 8 proprietary information concerning Rentech, participated in the fraudulent scheme
 9 alleged herein.
 10

11
 12 59. The Individual Defendants were motivated to commit the fraudulent
 13 scheme in order to reap significant personal profits. A number of the Individual
 14 Defendants sold substantial amounts of their shareholdings during the Class
 15 Period, while the Company's accounting issues were concealed and Rentech's
 16 earnings were inflated, as evidenced in the following table:
 17

<u>Date</u>	<u>Director/Officer</u>	<u>Shares Sold</u>	<u>Price Per Share</u>	<u>Proceeds</u>
10 Mar 2008	YAKOBSON	30,000	\$1.03	\$30,900
14 May 2008	KERR	39,366	\$1.39	\$54,719
9 Jul 2008	YAKOBSON	21,000	\$1.48	\$31,080
8 Sep 2008	YAKOBSON	31,000	\$1.93	\$59,830
9 Sep 2008	YAKOBSON	18,000	\$1.83	\$32,940
10 Nov 2008	YAKOBSON	20,000	\$0.69	\$13,800
10 Nov 2008	YAKOBSON	17,000	\$0.68	\$11,560
10 Nov 2008	YAKOBSON	10,000	\$0.67	\$6,700
10 Nov 2008	YAKOBSON	3,000	\$0.70	\$2,100
14 Dec 2008	RAMSBOTTOM	35,786	\$0.64	\$22,903
11 Jan 2009	YAKOBSON	40,000	\$0.80	\$32,000
14 Jan 2009	PENNING	19,732	\$0.68	\$13,418
19 Jan 2009	MILLER	59,892	\$0.70	\$41,924

1	9 Mar 2009	YAKOBSON	20,000	\$0.56	\$11,200
2	9 Mar 2009	YAKOBSON	20,000	\$0.56	\$11,200
3	9 Mar 2009	YAKOBSON	20,000	\$0.56	\$11,200
4	10 May 2009	YAKOBSON	46,000	\$0.70	\$32,200
5	21 Oct 2009	COHRS	38,729	\$1.60	\$61,966

6 Source:<http://www.reuters.com/finance/stocks/insiderTrading?symbol=RTK&name=&pn=1&sortDir=ASC>
7 &sortBy=d

8 60. Each of these Defendants sold his stock while in possession of
9 material adverse non-public information concerning Rentech, namely, the
10 Company's improper accounting that inflated the price of Rentech stock.
11 Accordingly, the facts alleged herein compel a strong inference, that is cogent and
12 at least as compelling as any opposing inference of nonfraudulent intent, that
13 Defendants made materially false and misleading statements to the investing public
14 with scienter.
15

16
17 **NO SAFE HARBOR**

18 61. The statutory safe harbor provided for forward-looking statements
19 under certain circumstances does not apply to any of the allegedly false statements
20 pleaded in this complaint. Many of the specific statements pleaded herein were not
21 identified as "forward-looking statements" when made. To the extent there were
22 any forward-looking statements, there were no meaningful cautionary statements
23 identifying important factors that could cause actual results to differ materially
24 from those in the purportedly forward-looking statements. Alternatively, to the
25 extent that the statutory safe harbor does apply to any forward-looking statements
26
27
28

1 pleaded herein, Defendants are liable for those false forward-looking statements
2 because at the time each of those forward-looking statements was made, the
3 particular speaker knew that the particular forward-looking statement was false,
4 and/or the forward-looking statement was authorized and/or approved by an
5 executive officer of Rentech who knew that those statements were false when
6 made.
7
8

9 **LOSS CAUSATION**

10 62. Defendants' wrongful conduct, as alleged herein, directly and
11 proximately caused the economic loss suffered by Plaintiff and the Class.
12

13 63. During the Class Period, Plaintiff and the Class purchased Rentech
14 securities at artificially inflated prices and were damaged thereby. The price of
15 Rentech securities significantly declined when the misrepresentations made it to
16 the market, and/or the information alleged herein to have been concealed from the
17 market, and/or the effects thereof, were revealed, causing investors' losses.
18
19

20 **RELIANCE ALLEGATIONS**
21 **FRAUD ON THE MARKET DOCTRINE**

22 64. At all relevant times, the market for Rentech securities was on an
23 efficient market for the following reasons, among others:

- 24 i. At all relevant times during the Class Period, shares of Rentech
25 were listed and actively traded on AMEX, a highly efficient national
26 market exchange.
27
28

1 misleading in that they contained misrepresentations and failed to disclose material
2 facts necessary in order to make the statements made, in light of the circumstance
3 under which they were made, not misleading.
4

5 68. Defendants violated §10(b) of the Exchange Act and Rule 10b-5 in
6 that they:

- 7
- 8 i. employed devices, schemes and artifices to defraud;
 - 9 ii. made untrue statements of material facts or omitted to state
10 material facts necessary in order to make the statements made, in light
11 of the circumstances under which they were made, not misleading; or
 - 12 iii. engaged in acts, practices and a course of business that operated
13 as a fraud or deceit upon Plaintiff and others similarly situated in
14 connection with their purchases of shares in Rentech during the Class
15 Period.
16
17

18 69. Plaintiff and the Class have suffered damages in that, in reliance on
19 the integrity of the market, they paid artificially inflated prices for shares of
20 Rentech. Plaintiff and the Class would not have purchased Rentech at the prices
21 they paid, or at all, if they had been aware that the market prices had been
22 artificially and falsely inflated by Defendants' misleading statements.
23
24

25 70. As a direct and proximate result of Defendants' wrongful conduct,
26 Plaintiff and the other members of the Class suffered damages in connection with
27 their purchases of Rentech securities during the Class Period.
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

COUNT II

**VIOLATIONS OF SECTION 20(A) OF THE EXCHANGE ACT
AGAINST THE INDIVIDUAL DEFENDANTS**

71. Plaintiff incorporates by reference and realleges all preceding paragraphs as though fully set forth herein.

72. During the Class Period, the Individual Defendants acted as controlling persons of Rentech within the meaning of Section 20(a) of the Exchange Act. By reason of their positions with the Company, their business expertise, their participation and/or awareness of the Company's operations, and their ownership of Rentech securities, the Individual Defendants had the power and authority to cause Rentech to engage in the wrongful conduct complained of herein. By reason of such conduct, the Individual Defendants and Rentech are liable pursuant to §20(a) of the Exchange Act.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for judgment as follows:

- A. Declaring this action to be a proper class action, certifying Plaintiff as a Class representative pursuant to Fed. R. Civ. P. 23, and certifying his counsel as Class counsel;
- B. Awarding Plaintiff and the members of the Class damages, interest and costs;
- C. Awarding Plaintiff reasonable costs and attorneys' fees; and

1 D. Awarding such equitable/injunctive or other relief as the Court may
2 deem just and proper.

3
4 **JURY TRIAL DEMANDED**

5 Plaintiff hereby demands a trial by jury.

6
7 Dated: December 29, 2009

8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28