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9 **UNITED STATES DISTRICT COURT**  
10 **CENTRAL DISTRICT OF CALIFORNIA**

11 \_\_\_\_\_, Individually and on behalf of  
12 all others similarly situated,

13 Plaintiff,

14 v.

15 RENTECH, INC., JEFFREY R. SPAIN,  
16 and KEITH B. FORMAN,

17 Defendants.  
18

Case No.

19 **CLASS ACTION COMPLAINT FOR**  
20 **VIOLATION OF THE FEDERAL**  
21 **SECURITIES LAWS**

22 **JURY TRIAL DEMANDED**

23 Plaintiff \_\_\_\_\_, (“Plaintiff”), individually and on behalf of all other  
24 persons similarly situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s  
25 complaint against Defendants (defined below), alleges the following based upon  
26 personal knowledge as to Plaintiff and Plaintiff’s own acts, and information and  
27 belief as to all other matters, based upon, inter alia, the investigation conducted by  
28 and through Plaintiff’s attorneys, which included, among other things, a review of  
the defendants’ public documents, conference calls and announcements made by  
defendants, United States Securities and Exchange Commission (“SEC”) filings,  
wire and press releases published by and regarding Rentech, Inc. (“Rentech” or the

1 “Company”), analysts’ reports and advisories about the Company, and information  
2 readily obtainable on the Internet. Plaintiff believes that substantial evidentiary  
3 support will exist for the allegations set forth herein after a reasonable opportunity  
4 for discovery.

5 **NATURE OF THE ACTION**

6 1. This is a federal securities class action on behalf of a class consisting of  
7 all persons and entities, other than Defendants, who purchased or otherwise acquired  
8 the publicly traded securities of Rentech between November 10, 2016 and February  
9 20, 2017, both dates inclusive (the “Class Period”). Plaintiff seeks to recover  
10 compensable damages caused by Defendants’ violations of the federal securities laws  
11 and to pursue remedies under Sections 10(b) and 20(a) of the Securities Exchange  
12 Act of 1934 (the “Exchange Act”) and Rule 10b-5 promulgated thereunder.

13 **JURISDICTION AND VENUE**

14 2. The claims asserted herein arise under and pursuant to §§10(b) and 20(a)  
15 of the Exchange Act (15 U.S.C. §§78j(b) and §78t(a)) and Rule 10b-5 promulgated  
16 thereunder by the SEC (17 C.F.R. §240.10b-5).

17 3. This Court has jurisdiction over the subject matter of this action under  
18 28 U.S.C. §1331 and §27 of the Exchange Act.

19 4. Venue is proper in this District pursuant to §27 of the Exchange Act (15  
20 U.S.C. §78aa) and 28 U.S.C. §1391(b) as Defendants conduct business, maintain  
21 offices in this District, and a significant portion of the Defendants’ actions, and the  
22 subsequent damages, took place within this District.

23 5. In connection with the acts, conduct and other wrongs alleged in this  
24 Complaint, Defendants, directly or indirectly, used the means and instrumentalities of  
25 interstate commerce, including but not limited to, the United States mail, interstate  
26 telephone communications and the facilities of the national securities exchange.

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1 **PARTIES**

2 6. Plaintiff, as set forth in the accompanying Certification, purchased  
3 Rentech securities at artificially inflated prices during the Class Period and was  
4 damaged upon the revelation of the alleged corrective disclosure.

5 7. Defendant Rentech, through its subsidiaries, provides wood fiber  
6 processing services, wood chips, and wood pellets. The Company is incorporated in  
7 Colorado and its principal executive offices are located at 2000 Potomac Street NW,  
8 5th Floor, Washington, DC. Rentech also maintains offices at 10880 Wilshire  
9 Boulevard, Suite 1101, Los Angeles, CA 90024. The Company’s common stock is  
10 traded on NASDAQ under the ticker symbol “RTK.”

11 8. Defendant Keith B. Forman (“Forman”) has been the Chief Executive  
12 Officer (“CEO”) and President of Rentech since December 10, 2014.

13 9. Defendant Jeffrey R. Spain (“Spain”) has been the Chief Financial  
14 Officer (“CFO”) of Rentech since December 7, 2015.

15 10. Defendants Forman and Spain are sometimes referred to herein as the  
16 “Individual Defendants.”

17 11. Each of the Individual Defendants:

- 18 (a) directly participated in the management of the Company;
- 19 (b) was directly involved in the day-to-day operations of the Company at the  
20 highest levels;
- 21 (c) was privy to confidential proprietary information concerning the  
22 Company and its business and operations;
- 23 (d) was directly or indirectly involved in drafting, producing, reviewing  
24 and/or disseminating the false and misleading statements and  
25 information alleged herein;
- 26 (e) was directly or indirectly involved in the oversight or implementation of  
27 the Company’s internal controls;
- 28

1 (f) was aware of or recklessly disregarded the fact that the false and  
2 misleading statements were being issued concerning the Company;  
3 and/or

4 (g) approved or ratified these statements in violation of the federal securities  
5 laws.

6 12. The Company is liable for the acts of the Individual Defendants and its  
7 employees under the doctrine of *respondeat superior* and common law principles of  
8 agency because all of the wrongful acts complained of herein were carried out within  
9 the scope of their employment.

10 13. The scienter of the Individual Defendants and other employees and  
11 agents of the Company is similarly imputed to the Company under *respondeat*  
12 *superior* and agency principles.

13 14. The Company and the Individual Defendants are referred to herein,  
14 collectively, as the “Defendants.”

15 **SUBSTANTIVE ALLEGATIONS**

16 **Materially False and Misleading Statements**

17 15. On November 9, 2016, during aftermarket hours, the Company filed a  
18 Form 10-Q for the quarter ended September 30, 2016 (the “3Q 2016 10-Q”) with the  
19 SEC, which provided the Company’s third quarter 2016 financial results and position.  
20 The 3Q 2016 10-Q was signed by Defendants Forman and Spain. The 3Q 2016 10-Q  
21 contained signed certifications pursuant to the Sarbanes-Oxley Act of 2002 (“SOX”)  
22 by Defendants Forman and Spain attesting to the accuracy of financial reporting, the  
23 disclosure of any material changes to the Company’s internal controls over financial  
24 reporting, and the disclosure of all fraud.

25 16. The 3Q 2016 10-Q touted the production capability of Rentech’s wood  
26 pellet facility in Wawa, Ontario, Canada (the “Wawa Facility”), stating in pertinent  
27 part:

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The Company’s wood pellet facility in Wawa, Ontario, Canada (the “Wawa Facility”) is expected to be able to produce between 400,000 and 450,000 metric tons of wood pellets annually. During the ramp-up of the Wawa Facility, the Company discovered the need to modify or replace a significant portion of the plant’s conveyance systems. The first phase of modifications of the plant’s conveyance systems was completed in late 2015. A second group of conveyors was replaced during the first quarter of 2016. The remaining work to the conveyance systems was completed in the third quarter of 2016, during which time the facility was down for approximately five and a half weeks to replace the conveyors and to perform other maintenance work and repairs. As the Wawa Facility ramps up out of the latest shutdown, the Company will continue to investigate whether there are potential design and equipment shortcomings and the potential impact, if any, on achievable uptime and operating efficiency rates that will ultimately determine the exact capacity of the facility. The Company’s discussions with other pellet producers and engineering firms over the past year have shown that there is a wide disparity of these rates across established industrial pellet manufacturing plants in North America. If the Company applies a range of assumed operating efficiencies typical for the industry, the plant’s annual production capacity would be in a range between 400,000 and 450,000 metric tons. We have also observed that historically within the wood pellet industry that ramping up to full design capacity takes considerable time, several years in most cases. Coming out of the recent shutdown the conveyance systems appear to be operating as expected, but we have experienced other challenges in ramping up production. The Wawa Facility is averaging weekly operating rates that annualize to produce approximately 150,000 metric tons of wood pellets and the Company is working to resolve the remaining equipment and operating challenges to incrementally increase production over the next several quarters. The Company does not expect the Wawa Facility to reach the annual production capacity range described above until late 2017. At a production capacity of 400,000 metric tons, the Company believes it would be able to fulfill the annual obligations under its contract with Drax Power Limited (“Drax”) and to generate positive cash flow. However, operating costs at the Wawa Facility have been higher than originally expected, and may continue to be so going forward, which negatively impacts profitability under the

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contract with Drax. In addition, oil prices, which drive indexation of prices in our Drax contract, have declined more than Canadian diesel prices, a material component of our fibre supply costs, which is negatively impacting margins on deliveries to Drax.

At September 30, 2016, remaining cash expenditures to complete the modifications to the Atikokan and Wawa Facilities are expected to be approximately \$14.5 million, which includes approximately \$5.0 million for potential additional conveyor replacements at the Atikokan Facility and other potential improvements that are on hold by the Company. Of the \$14.5 million, \$6.6 million is recorded in accounts payable and accrued liabilities as of September 30, 2016. The Company expects that cash on hand will be sufficient to fund the Atikokan and Wawa Facilities until they begin to generate positive cash flow on a combined basis.

17. On November 10, 2016, Rentech held a conference call with investors and analysts to discuss the Company’s third quarter 2016 financial results and position (the “Q3 2016 Conference Call”). On the Q3 2016 Conference Call, Defendant Forman touted the production capability of the Wawa facility and Rentech’s ability to overcome any operating challenges at the Wawa facility, stating in pertinent part:

With respect to Wawa, we completed startup and commissioning of the new conveyors at the facility last month, following an approximately 5.5 week shutdown that also included performing maintenance and repair work. The plant is currently achieving operating rates that annualized to approximately 150,000 metric tons of production, which is essentially the level achieved prior to the conveyor project.

The new conveyors are functioning as expected, but we are working to resolve other equipment and operating challenges that have manifested themselves post turnaround. Throughout the ramp-up we are focused on ensuring that Wawa is able to sustain incrementally higher production rates with all of the new conveyors and equipment.

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The plant personnel gain experience operating at higher rates in an orderly progression and the feedstock suppliers can ramp up their harvesting and delivering activities in order to meet our higher fiber feedstock needs. While we expect Wawa to achieve consistent improvements in operating efficiency, we continue to be vigilant in monitoring the plant's various processes to identify any potential bottlenecks in a timely manner and address them prior to any bottleneck having a significant impact on production.

**We expect the plant to reach approximately 60% of production capacity within the next couple quarters and anticipate reaching full capacity in the range of 400,000 to 450,000 metric tons late in the year.**

At an annual production rate capacity of 400,000 metric tons, we would be able to fulfill our yearly obligations under the Drax contract and generate positive cash flow at Wawa based on today's economic variables. We are currently evaluating our stabilized EBITDA outlook as Wawa continues ramping up production given that operating costs of Wawa have been higher than expected and may continue to be so going forward, which will negatively impact profitability under our contract with Drax.

\* \* \*

**We have identified and deployed additional engineering, technical and operating resources for Wawa, we believe will be able to help us overcome any operating challenges and remaining bottleneck at the plant that may arise as we ramp up to full capacity.**

[Emphasis added]

18. The statements referenced in ¶¶ 15-17 above were materially false and/or misleading because they misrepresented and failed to disclose the following adverse facts pertaining to the Company's business, operational and financial results, which were known to Defendants or recklessly disregarded by them. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (1)

1 Rentech’s Wawa facility was continuing to experience equipment and operating  
2 challenges; (2) consequently, the Wawa facility would not reach approximately 60%  
3 of production capacity within the next couple quarters and achieve full capacity in the  
4 range of 400,000 to 450,000 metric tons late in the year; (3) Rentech’s resources were  
5 not sufficient to overcome any operating challenges and remaining bottleneck at the  
6 Wawa facility; and (4) as a result, Defendants’ statements about the Company’s  
7 business, operations and prospects were materially false and misleading and/or lacked  
8 a reasonable bases at all relevant times.

9 **The Truth Emerges**

10 19. On February 21, 2017, before market hours, Rentech issued a press  
11 release entitled “Rentech Idles Wawa Facility; Exploring Strategic Alternatives,”  
12 announcing that it would idle its Wawa facility due to equipment and operational  
13 issues and that it is exploring strategic alternatives for both the Wawa facility and  
14 Rentech as a whole, stating in pertinent part:

15  
16 **Rentech Idles Wawa Facility; Exploring Strategic Alternatives**

17 **Provides Updates on Business Units**

- 18  
19
- 20 • *Wawa facility continues to experience equipment and*  
21 *operating challenges; plant is being idled to reduce near-*  
22 *term cash needs in Canada and preserve liquidity for*  
23 *Rentech (the Company)*
  - 24 • *Atikokan facility production being reduced to levels required*  
25 *to fulfill OPG off-take contract*
  - 26 • *Pellet sales at NEWP continue to be sluggish*
  - 27 • *Customer plans to exercise purchase option for two of*  
28 *Fulghum’s U.S. mills*
  - *Exploring strategic alternatives for Wawa facility and the*  
*Company as a whole*

February 21, 2017 06:30 AM Eastern Standard Time

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WASHINGTON--(BUSINESS WIRE)--Rentech, Inc. (NASDAQ: RTK) announced today that its **board has decided to idle the Wawa facility due to equipment and operational issues that would require additional unbudgeted capital investment.** Today’s decision also results from continued uncertainty around profitability on pellets produced at the facility, making additional investment in the facility uneconomic for Rentech at this time. Idling the plant will allow Rentech to conserve liquidity as it formally explores strategic alternatives for the plant including ongoing discussions with third parties. In conjunction with the strategic review of the Wawa facility, Rentech is also exploring strategic alternatives for the Company as a whole. In addition to these announcements, Rentech is providing updates on its other operating businesses.

**Wawa Facility**

As noted in prior communications, the Wawa facility experienced equipment and operating challenges subsequent to the replacement of problematic conveyors last fall. These issues have persisted.

On February 16, 2017, our board made the decision to suspend operations at the facility. This decision is based in part on our review of the work by a third-party engineering firm to identify necessary capital improvements. While we believe that the issues we have been experiencing at the facility can be resolved with additional capital investments, we have concluded that it is not economical to pursue those investments or to continue to operate the facility at this time. Rentech’s other businesses, including its Atikokan facility, continue to operate without interruption.

As a result of this decision, the Wawa operations team will immediately begin a safe and orderly idling of the facility, which the Company expects to complete in approximately two weeks. When the facility is successfully idled, a small workforce will remain in place to maintain the plant so that it can resume operations with minimal cost and time if there is interest from a third party to invest in or purchase the facility. The remainder of the workforce will be placed on a temporary layoff while options for the facility are explored.

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Rentech expects to incur a significant asset impairment charge relating to the Wawa and Atikokan facilities in its fourth quarter 2016 results.

\* \* \*

**Strategic Alternatives Review Process**

**Rentech intends to explore strategic alternatives for the Wawa facility and for the Company as a whole.** In conjunction with this process and to address potential future liquidity needs, Rentech is considering strategic alternatives that may include, but are not limited to, a sale of the Company, a merger or other business combination, a sale of all or a material portion of the Company’s assets or a recapitalization.

Rentech has retained Wells Fargo Securities, LLC to assist in the strategic alternatives review process. The Company does not intend to disclose developments with respect to this review until either the Company’s board has approved a definitive transaction, it is required to do so by law, or if such disclosure is deemed appropriate. The Company cautions that there is no guarantee that the strategic review will result in a transaction or if a transaction is undertaken, as to its terms or timing.

If an appropriate strategic alternative is not achieved on a timely basis, and if the Company were otherwise unable to secure additional sources of funds to address potential future liquidity needs, there could be a material adverse effect on the Company’s business, results of operations, and financial condition. The Company had cash of approximately \$20 million as of February 17, 2017 (excluding cash held by its operating subsidiaries in Canada and South America). In addition, the Company expects NEWP and Fulghum to generate positive cash flow and be self-sufficient from a liquidity perspective in 2017.

[Emphasis added].



1           25. Plaintiff will fairly and adequately protect the interests of the members  
2 of the Class and has retained counsel competent and experienced in class and  
3 securities litigation. Plaintiff has no interests antagonistic to or in conflict with those  
4 of the Class.

5           26. Common questions of law and fact exist as to all members of the Class  
6 and predominate over any questions solely affecting individual members of the Class.

7 Among the questions of law and fact common to the Class are:

- 8           a. whether the federal securities laws were violated by Defendants' acts as  
9           alleged herein;
- 10           b. whether statements made by Defendants to the investing public during  
11           the Class Period misrepresented material facts about the financial  
12           condition, business, operations, and management of the Company;
- 13           c. whether Defendants' public statements to the investing public during the  
14           Class Period omitted material facts necessary to make the statements  
15           made, in light of the circumstances under which they were made, not  
16           misleading;
- 17           d. whether the Individual Defendants caused the Company to issue false  
18           and misleading SEC filings and public statements during the Class  
19           Period;
- 20           e. whether Defendants acted knowingly or recklessly in issuing false and  
21           misleading SEC filings and public statements during the Class Period;
- 22           f. whether the prices of Rentech securities during the Class Period were  
23           artificially inflated because of the Defendants' conduct complained of  
24           herein; and
- 25           g. whether the members of the Class have sustained damages and, if so,  
26           what is the proper measure of damages.

27           27. A class action is superior to all other available methods for the fair and  
28 efficient adjudication of this controversy since joinder of all members is

1 impracticable. Furthermore, as the damages suffered by individual Class members  
2 may be relatively small, the expense and burden of individual litigation make it  
3 impossible for members of the Class to individually redress the wrongs done to them.  
4 There will be no difficulty in the management of this action as a class action.

5 28. Plaintiff will rely, in part, upon the presumption of reliance established  
6 by the fraud-on-the-market doctrine in that:

- 7 a. Defendants made public misrepresentations or failed to disclose material  
8 facts during the Class Period;
- 9 b. the omissions and misrepresentations were material;
- 10 c. Rentech securities are traded in efficient markets;
- 11 d. the Company's securities were liquid and traded with moderate to heavy  
12 volume during the Class Period;
- 13 e. the Company traded on NASDAQ, and was covered by multiple  
14 analysts;
- 15 f. the misrepresentations and omissions alleged would tend to induce a  
16 reasonable investor to misjudge the value of the Company's securities;  
17 and
- 18 g. Plaintiff and members of the Class purchased and/or sold Rentech  
19 securities between the time the Defendants failed to disclose or  
20 misrepresented material facts and the time the true facts were disclosed,  
21 without knowledge of the omitted or misrepresented facts.

22 29. Based upon the foregoing, Plaintiff and the members of the Class are  
23 entitled to a presumption of reliance upon the integrity of the market.

24 30. Alternatively, Plaintiff and the members of the Class are entitled to the  
25 presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of*  
26 *the State of Utah v. United States*, 406 U.S. 128, 92 S. Ct. 2430 (1972), as Defendants  
27 omitted material information in their Class Period statements in violation of a duty to  
28 disclose such information, as detailed above.

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**COUNT I**

**Violation of Section 10(b) of The Exchange Act and Rule 10b-5  
Against All Defendants**

31. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

32. This Count is asserted against the Company and the Individual Defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

33. During the Class Period, the Company and the Individual Defendants, individually and in concert, directly or indirectly, disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

34. The Company and the Individual Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they: employed devices, schemes and artifices to defraud; made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or engaged in acts, practices and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of Rentech securities during the Class Period.

35. The Company and the Individual Defendants acted with scienter in that they knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated, or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the securities laws. These defendants by virtue of their receipt of information reflecting the true

1 facts of the Company, their control over, and/or receipt and/or modification of the  
2 Company's allegedly materially misleading statements, and/or their associations with  
3 the Company which made them privy to confidential proprietary information  
4 concerning the Company, participated in the fraudulent scheme alleged herein.

5 36. Individual Defendants, who are the senior officers and/or directors of  
6 the Company, had actual knowledge of the material omissions and/or the falsity of  
7 the material statements set forth above, and intended to deceive Plaintiff and the other  
8 members of the Class, or, in the alternative, acted with reckless disregard for the truth  
9 when they failed to ascertain and disclose the true facts in the statements made by  
10 them or other personnel of the Company to members of the investing public,  
11 including Plaintiff and the Class.

12 37. As a result of the foregoing, the market price of Rentech securities were  
13 artificially inflated during the Class Period. In ignorance of the falsity of the  
14 Company's and the Individual Defendants' statements, Plaintiff and the other  
15 members of the Class relied on the statements described above and/or the integrity of  
16 the market price of Rentech securities during the Class Period in purchasing Rentech  
17 securities at prices that were artificially inflated as a result of the Company's and the  
18 Individual Defendants' false and misleading statements.

19 38. Had Plaintiff and the other members of the Class been aware that the  
20 market price of Rentech securities had been artificially and falsely inflated by the  
21 Company's and the Individual Defendants' misleading statements and by the material  
22 adverse information which the Company's and the Individual Defendants did not  
23 disclose, they would not have purchased Rentech securities at the artificially inflated  
24 prices that they did, or at all.

25 39. As a result of the wrongful conduct alleged herein, Plaintiff and other  
26 members of the Class have suffered damages in an amount to be established at trial.

27 40. By reason of the foregoing, the Company and the Individual Defendants  
28 have violated Section 10(b) of the 1934 Act and Rule 10b-5 promulgated thereunder

1 and are liable to the Plaintiff and the other members of the Class for substantial  
2 damages which they suffered in connection with their purchases of Rentech securities  
3 during the Class Period.

4 **COUNT II**

5 **Violation of Section 20(a) of The Exchange Act**  
6 **Against The Individual Defendants**

7 41. Plaintiff repeats and realleges each and every allegation contained in the  
8 foregoing paragraphs as if fully set forth herein.

9 42. During the Class Period, the Individual Defendants participated in the  
10 operation and management of the Company, and conducted and participated, directly  
11 and indirectly, in the conduct of the Company's business affairs. Because of their  
12 senior positions, they knew the adverse non-public information regarding the  
13 Company's business practices.

14 43. As officers and/or directors of a publicly owned company, the Individual  
15 Defendants had a duty to disseminate accurate and truthful information with respect  
16 to the Company's financial condition and results of operations, and to correct  
17 promptly any public statements issued by the Company which had become materially  
18 false or misleading.

19 44. Because of their positions of control and authority as senior officers, the  
20 Individual Defendants were able to, and did, control the contents of the various  
21 reports, press releases and public filings which the Company disseminated in the  
22 marketplace during the Class Period. Throughout the Class Period, the Individual  
23 Defendants exercised their power and authority to cause the Company to engage in  
24 the wrongful acts complained of herein. The Individual Defendants therefore, were  
25 "controlling persons" of the Company within the meaning of Section 20(a) of the  
26 Exchange Act. In this capacity, they participated in the unlawful conduct alleged  
27 which artificially inflated the market price of Rentech securities.

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