Lead Plaintiff, Eugene Boccardo ("plaintiff"), by and through Lead Counsel, alleges the following upon information and belief, except as to those allegations concerning plaintiff, which are alleged upon personal knowledge. Plaintiff's information and belief is based upon, among other things, Lead Counsel's investigation, which includes without limitation: (a) review and analysis of regulatory filings made by defendant Rentech Inc. ("Rentech" or the "Company") with the United States Securities and Exchange Commission (the "SEC"); (b) review and analysis of press releases, media reports and other
information issued and disseminated by or concerning Rentech; and (c) consultation with an accounting expert.

I. NATURE OF THE ACTION

This is a class action on behalf of all persons or entities who purchased or otherwise acquired the securities of Rentech between May 9, 2008 and December 14, 2009, inclusive (the "Class Period"), against Rentech and certain of its officers and directors for violations of the Securities Exchange Act of 1934 (the "Exchange Act").

1. Rentech, a start-up company in the alternative fuels industry, since not later than in or about 2006, recorded millions of dollars in current assets to which it admitted the Company did not have title; nor had the risk of loss been transferred to Rentech, thus, knowingly or recklessly violating SEC regulations and Generally Accepted Accounting Principles ("GAAP"). In addition, Rentech recorded millions of dollars of "deferred revenues" to which it was not entitled, also knowingly or recklessly violating GAAP and SEC regulations.

2. Notwithstanding, defendants issued no less than a dozen statements during the Class Period claiming that the Company’s financial statements were prepared in accordance with SEC rules and/or GAAP. SEC regulations expressly state that financial statements not prepared in accordance with GAAP are presumed misleading. Further, violations of GAAP threw Rentech into default of certain of its credit agreements. Defendants admitted as much at the end of the Class Period.

3. Indeed, the Rentech Defendants (defined further below) had strong motive to inflate both current assets and deferred revenues.

4. As a cash-starved start-up company, Rentech required hoards of cash and used almost every financial means of obtaining it. Rentech’s financing included publicly issued convertible debt, preferred and common stock, as well as brokerage margin accounts, project financing, and short-term lines of credit.

CONSOLIDATED AMENDED CLASS ACTION COMPLAINT
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2
The collateral for much of the financing was the reported value of the Company’s assets.

5. Throughout most of the Class Period, the Company’s assets were overstated by orders of magnitude. For example, as of September 30, 2008, the “audited” Accounts Receivable and Inventory balances together were reported as $100.1 million. The restated and true value of these assets was less than half that amount, or $48.2 million. At the same time, Rentech had outstanding $53 million in term loans, the full limit on the credit line, purportedly secured primarily by those assets.

6. Further, defendants required a high stock price because Rentech used its stock to acquire other companies, which it did during the Class Period, and to issue common stock at inflated prices to obtain lower-cost financing. As described in more detail below, the Company conducted both private and public placement of its stock at inflated prices during the Class Period.

7. Not only did the false assets inflate the Company’s stock price, but so did the overvalued “deferred revenue” balance. On September 30, 2008, the Company reported $120.7 million in deferred revenues, when the true and restated figure was approximately half, or $62.8 million. Deferred revenue is a critical metric to the market. Indeed, one analyst (specified below) entitled his article “Deferred Revenue and Customer Deposits: The Fortune Tellers of the Balance Sheet,” because “customer deposits and deferred revenues can be used as proxies for a backlog report and as revenue forecasting tools.”

8. If that were not enough, defendants also distorted income for 2008 and 2009 by over $6 million each year by improperly including collateral deposits made to natural gas suppliers in the Company’s inventory and cost of sales valuations. Defendants attempt to downplay the significance of this “error” by reporting that it resulted in a “wash” because the 2008 earnings were understated by that amount and 2009 income was overstated by same. However,
the false inventory valuation adjustments resulted in overstatements of the
Company’s 2008 loss by greater than 10% and the overstatement of Rentech’s
fiscal 2009 first nine month’s income by almost 40%.

9. As explained further below, defendants violated fundamental GAAP
provisions, but at the same time touted in various SEC filings their expertise in
financial reporting and accounting. Accordingly, it is telling that in the
approximate year and one-half long Class Period, the Company went through
three Chief Financial Officers, two Chief Accounting Officers, and two public
accounting firms.

10. Such turnover is a “red flag,” and is indicia of accounting fraud.

Misstatements Arising From Fraudulent Financial Reporting.”

11. Notwithstanding the foregoing, only after Rentech’s new auditors
were retained in or about June 2009, was it eventually revealed that since at least
in or about April 2006, the Company was overstating its assets and deferred
revenues by millions of dollars and violating its debt covenants as a result.

12. On December 14, 2009, the Company issued a press release filed on
Form 8-K entitled “Non-Reliance on Previously Issued Financial Statements or a
Related Audit Report or Completed Interim Review” which reported, inter alia,
that the market should no longer rely on the audited and interim financial
statements for all of 2008 and the first three quarters of 2009 because they were
materially misstated.

13. On the following day, December 15, 2009, certain Rentech
Defendants conducted a conference call, where defendants blamed the improper

\[1\] Originally reported income was $15,270,000 for the nine months ended June
30, 2009 and the restatement adjustment, net, for improperly recording deposits
as inventory and performing lower of cost or market valuation adjustments
thereto was $5,889,000.

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accounting and reporting on Rentech's former auditors which "at the time approved these accounting treatments and we carried them forward."

14. Notwithstanding the foregoing, Rentech and certain other defendants admitted to, *inter alia*, "not maintain[ing] effective controls over the selection and application of GAAP."

15. During the Class Period, the Company's stock was inflated and traded as high as $2.75 per share (August 7, 2008). Between December 14 and 16, 2009, when the Company announced the massive restatement and serial violations of the Sarbanes-Oxley Act of 2002 ("SOX"), Rentech's common stock price fell to $1.47 per share on December 16, 2009 from its opening on December 14, 2009 of $1.70 per share of combined trading volume from December 14, 15, and 16 of 14.5 million shares.

II. JURISDICTION

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

17. This Court has jurisdiction over the subject matter of this action pursuant to § 27 of the Exchange Act, 15 U.S.C. § 78aa; 28 U.S.C. § 1331.

18. Venue is proper in this District pursuant to § 27 of the Exchange Act and 28 U.S.C. § 1391(b), because defendants maintain offices in this District and many of the acts and practices complained of herein occurred in substantial part in this District.

19. In connection with the acts alleged in this Complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications and the facilities of the national securities markets.
III. PARTIES

A. Lead Plaintiff

20. Lead Plaintiff, Eugene Boccardo ("plaintiff") purchased the common stock of the Rentech at inflated prices during the Class Period, as described in his Certificate of Named Plaintiff, previously filed with this Court and incorporated herein by reference. (Dkt. No. 15-2).

B. Defendants

21. Defendant D. Hunt Ramsbottom (defendant "Ramsbottom"), was the Chief Executive Officer, President, and a Director of Rentech during the Class Period. Defendant Ramsbottom had been serving as a consultant to Rentech since August 2005 under the terms of a Management Consulting Agreement Rentech entered into with Management Resource Center, Inc. Ramsbottom holds a Bachelor of Science degree from Plymouth State College. During the Class Period, Ramsbottom signed false and misleading SEC filings, and, among other things, made false and misleading statements in press releases and at conference calls, as particularized below.

22. Defendant Dan J. Cohrs (defendant "Cohrs"), was the Chief Financial Officer and Executive Vice President since October 2008. Cohrs was also Treasurer of Rentech from October 2008 until November 2009. Defendant Cohrs served as Executive Vice President and Chief Financial Officer of Global Crossing Ltd. from May 1998 through June 2003. Since June 2003, Rentech’s SEC filings reported that Cohrs had approximately five different positions with various business, consulting and educational entities. [Jan. 28, 2010, 10-K/A at 5]. During the Class Period, Cohrs signed false and misleading SEC filings, and, among other things, made false and misleading statements in press releases and at conference calls, as particularized below.

23. Defendant Douglas M. Miller (defendant "Miller"), was the Company’s Executive Vice President and Chief Operating Officer of Rentech
from January 2006 through December 2008. In addition, Miller was also
"interim chief financial officer" of the Company from July 2008 until October
2008. The June 30, 2008 8-K announcing the appointment of Miller stated that
he has "significant financial experience, including supervising accounting,
finance and budgeting functions of various energy organizations." In January
2009, defendant Miller was appointed to the position of Executive Vice
President for Renewable Energy Businesses. Prior to his employment at
Rentech, Miller was employed by Unocal Corporation from 1991 through its
acquisition by Chevron Corporation in October 2005. Defendant Miller received
a Bachelors of Earth Sciences from the University of California, Berkeley, and
holds an MBA from UCLA. During the Class Period, Cohrs signed false and
misleading SEC filings, and, among other things, made false and misleading
statements in press releases and at conference calls, as particularized below.

24. Defendant Merrick Kerr (defendant "Kerr"), was the Chief
Financial Officer, Executive Vice President and Treasurer of the Company from
May of 2006 until his "resignation" effective July 18, 2008 "to pursue other
opportunities." Prior to his employment at the Company, Kerr was employed by
Scottish Power PLC from 1992 through October 2005. Kerr has a bachelor's
degree in accountancy and economics from the University of Edinburgh and is a
member of the Institute of Chartered Accountants of Scotland.

25. Defendant Michael S. Burke ("Burke") was appointed as a member
of the board of directors in March 2007 and has been the Chairman of the Audit
Committee of Rentech's board since in or about 2007. From 2005 Burke has
been an executive officer of AECOM Technology Corp. From 1990 through
2005, Burke was with the accounting firm of KPMG LLP ("KPMG"). Prior to
joining KPMG, Burke was with Arthur Andersen & Co. from 1986 to 1990.

(a) The Audit Committee of the Board of Directors:
has been delegated responsibility for reviewing with the independent auditors the plans and results of the audit engagement; reviewing the adequacy, scope and results of the internal accounting controls and procedures; reviewing the degree of independence of the auditors; reviewing auditors’ fees; and recommending the engagement of the auditors to the full Board of Directors.

* * *

[T]he Board of Directors has determined that Mr. Burke, the Chairman of the Audit Committee, qualifies as an “audit committee financial expert” as defined by the rules of the Securities and Exchange Commission.

[2008 10-K/A at 6-7]

(b) Section 7265(b) of the Sarbanes-Oxley Act of 2002 (“SOX”) requires an “audit committee financial expert” to have:

1. an understanding of generally accepted accounting principles and financial statements;
2. experience in –
   (A) the preparation or auditing of financial statements of generally comparable issuers; and
   (B) the application of such principles in connection with the accounting for estimates, accruals and reserves;
3. experience with internal accounting controls; and
4. an understanding of audit committee functions.


(c) The Audit Committee Charter as adopted by the Board on July 11, 2003 is available at the Company’s website and was in effect during the Class Period. The Charter requires, *inter alia*, that each member of the Audit Committee be “financially literate” in addition to being “directly responsible” for the “appointment, compensation, retention and oversight of the work of the independent auditor.” The Audit Committee also must “review and discuss with the Company’s management and independent auditor the . . . Company’s audited
financial statements” and “consider whether it will recommend to the Board of Directors that the Company’s audited financial statements be included in the Company’s Annual Report on Form 10-K.” The Audit Committee also directs the independent auditor to “discuss promptly with the Audit Committee and Chief Financial Officer any matters identified in connection with the auditor’s review of interim financial information . . .” Finally, the Audit Committee shall coordinate the Board of Directors’ oversight of the Company’s internal accounting controls . . .”

(d) Defendant Burke signed the false and misleading 2008 10-K as well as other SEC filings such as registration statements, both before and during the Class Period.

26. Defendant Rentech was incorporated in 1981 and is a Colorado corporation with its headquarters in Los Angeles, California. Rentech states in its SEC filings that its “vision” is to be a global provider of clean energy solutions.

27. Defendants Ramsbottom, Cohrs, Miller, Kerr and Burke are at times referred to herein as the “Individual Defendants.” The Individual Defendants together with defendant Rentech are at times collectively referred to as the “Rentech Defendants.”

28. Non-Defendant Ehrhardt Keefe Steiner & Hottman PC (“EKSH”), was the Company’s “Independent Registered Public Accounting Firm” since at least 2006 until it was replaced by non-defendant PricewaterhouseCoopers LLP (“PwC”) on June 8, 2009.

29. During the Class Period, each of the Individual Defendants, as Senior Executives and/or Directors of Rentech, were privy to non-public information concerning its business, finances, products, markets and present and future business prospects via access to internal corporate documents, conversations and connections with other corporate officers and employees,
attendance at management and Board of Directors meetings and committees thereof and via reports and other information provided to them in connection therewith. Because of their possession of such information, these Individual Defendants had knowledge of, or were deliberately reckless regarding, the adverse facts specified herein, that had not been disclosed to, and were being concealed from, the investing public.

30. As alleged herein, as officers, directors and/or controlling persons of a publicly-held company whose securities were and are registered with the SEC pursuant to the Exchange Act, and were traded on the NYSE-AMEX ("AMEX") and governed by the provisions of the federal securities laws, the Individual Defendants each had a duty to disseminate accurate and truthful information promptly with respect to the Company's financial condition and performance, growth, operations, financial statements, business, markets, management, earnings and present and future business prospects, and to correct any previously-issued statements that had become materially misleading or untrue, so that the market price of the Company's publicly-traded securities would be based upon truthful and accurate information. The Individual Defendants' misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

31. Each of the defendants is liable as a participant in a fraudulent course of conduct that operated as a fraud or deceit on purchasers of Rentech securities by disseminating materially false and misleading statements and/or concealing material adverse facts. Defendants (i) deceived the investing public regarding Rentech's business, operations, management and the intrinsic value of Rentech securities; and (ii) caused Plaintiff and other members of the Class to purchase Rentech securities at artificially inflated prices, only to be injured when the stock's price plummeted upon the revelation of the true facts.
IV. SUBSTANTIVE ALLEGATIONS

A. Background

1. The Company’s Business and Increased Financing Needs

32. The Company was incorporated in 1981 to develop and market processes referred to as the Rentech Process, using Fischer-Tropsch, or FT, technology for the conversion of synthetic gas derived from low-value, carbon-bearing solids or gases into high-value hydrocarbons, including high-grade diesel fuel, naphthas, and waxes. As of December 1, 2008, the Company employed 155 non-unionized and salaried employees, and approximately 91 unionized employees. The executive offices of the Company are in Los Angeles California, and Rentech maintains another “principal office,” which houses its development and testing laboratory, in Denver, Colorado.

33. During 2004, the Company decided to directly deploy its technology in select domestic projects in order to demonstrate the commercial operation of the Rentech Process. Rentech began to implement this strategy by purchasing Royster-Clark Nitrogen, Inc., or “RCN” on April 26, 2006 for approximately $70 million. RCN owns and operates a natural gas-fed nitrogen fertilizer production facility in East Dubuque, Illinois. Rentech operates the RCN East Dubuque facility under a new name: “Rentech Energy Midwest Corporation” or “REMC.”

34. The Company also pursued through “partners” the development of other fuel projects, including one in Natchez, Mississippi. In April 2006, the State of Mississippi enacted a state funding initiative providing for site improvements at the location of Rentech’s Natchez Project. The funding is subject to Rentech meeting certain financial, employment and other criteria. Upon meeting the criteria, Mississippi would provide Rentech with an improved site and port facilities necessary to meet the plant’s needs.
35. In addition, until recently, Rentech rarely operated at a profit. Indeed, from the Company’s inception through September 30, 2007, Rentech incurred losses in excess of $192.4 million.

36. The Company’s September 30, 2007 Form 10-K (the “2007 10-K”) reported that “[u]ltimately, our ability to remain in business will depend upon earning a profit from commercialization of the Rentech Process... Moreover, REMC’s business is extremely seasonal, with the result that working capital requirements in its off season are substantial. If we are not able to operate the East Dubuque Plant at a profit, or if we are not able to access a sufficient amount of financing for working capital, our business, financial condition and results of operations would be materially adversely affected.”

37. Concurrent with the acquisition of REMC (formerly known as RCN) in April 2006 the Company entered into a revolving credit facility with The CIT Group/Business Credit, Inc. to support working capital needs of the East Dubuque Plant, which, at the time, had a maximum availability of $30 million. The revolving credit facility was secured by a lien on substantially all of REMC’s current assets and imposed various other restrictions and covenants on the Company. [2007 10-K at 24] The Company also employed its current assets as collateral to obtain other loans prior to the Class Period. E.g., 2007 10-K at F-31 (an installment loan with the Bank of Denver outstanding for over three years was collateralized “by all inventory, accounts receivable and equipment of Rentech”).

38. In addition to the East Dubuque, Illinois or REMC projects and the Natchez Project, the Company also was finalizing the construction and operation of Rentech’s “Product Demonstration Unit” or “PDU” located outside of Denver, Colorado. The PDU is designed for small scale production of ultra-clean diesel and aviation fuels and other related products, demonstrations of the commercial viability and efficiency of the Rentech Process, and to deliver
sample products to potential customers for testing purposes. This project, as well as the immediately preceding described ones and others, required substantial additional financing. For example, at September 30, 2007, the estimated cost of construction of the PDU was $61 million. [2007 10-K at 18]. Also reported in the 2007 10-K was that “[t]he engineering, design, procurement of materials, and construction necessary to build Phase I of the Natchez Project is currently estimated to cost $450 million and be completed by 2011 or earlier. The engineering, design, procurement of materials and construction to build Phase 2 is currently estimated to cost approximately $4.0 to $4.5 billion.” [Id., at 21].

39. As the Company stated immediately prior to the beginning of the Class Period:

Our liquidity and capital resources are limited. At September 30, 2007, we had working capital (current assets in excess of current liabilities) of $37,961,000, compared to working capital of $65,316,000 at September 30, 2006. We must raise substantial additional capital, not only to execute our business plan of commercializing and licensing the Rentech Process, constructing Phase 1 and Phase 2 of the Natchez Project facility and developing other plants, but also to continue our operations after existing funds are exhausted. The level of corporate activity required to pursue our business opportunities and objectives has resulted in a materially increased cash burn rate. We believe that our currently available cash, cash flows from operations, funds from the potential sale of assets and other plans, which could include additional debt or equity financing, will be sufficient to meet our cash operating needs through the fiscal year ending September 30, 2008. In order to fund our working capital requirements and to fund our other plans, we expect to issue additional shares of common stock, we may issue shares of convertible preferred stock or other securities convertible into or exercisable or exchangeable for common stock or we may enter into additional debt instruments.
2. **Forward Contracts for Purchases of Natural Gas**

40. "A forward contract is an agreement to sell a commodity at a fixed future date but at a price set at the time the contract is written." *In re Gold Coast Seed Co.*, 751 F.2d 1118, 1119 (9th Cir. 1985).

41. Rentech enters into forward contracts for the purchase of natural gas, which is used as a component in products sold to the Company’s customers. Forward contracts are considered executory contracts and specific GAAP pronouncements govern the accounting and reporting of such contracts:

In the normal course of business, companies that consume or produce commodities often enter contracts to physically deliver nonfinancial assets such as electricity, natural gas, oil . . . [T]hese physical contracts are typically settled by the delivery of the commodity . . . Historically, the accounting principles for executory contracts applied to physical contracts.


42. An executory contract is a “contract that has not as of yet been fully completed or performed.” *BLACK’S LAW DICTIONARY* at 570 (West 6th ed. 1990); *See also id.* (“Executory contract to sell [is a] contract under which something remains to be done by either party before delivery and passing of title.”).

43. Certain of the Company’s forward contract counterparties (i.e., natural gas producers) required collateral in the form of “deposits” of Rentech:

Forward contracts are customized to the needs of specific clients . . . Forwards are not guaranteed by a clearinghouse and so may involve substantial credit risk . . . Increasingly, derivative dealers require their
counterparties to post collateral in forward contracts . . . in an amount that reflects their current value.


44. The accounting for, and reporting of, collateral or advance deposits made to suppliers for purchase commitments for natural gas are straightforward.

Deposits may be [paid] as guarantees to cover payment of obligations that may arise in the future or to guarantee performance of a contract or service. For example, when an order is taken, a company may require an advance payment to cover losses that would be incurred should the order be cancelled.

* * *

Deposits should be reported as current or long-term [assets] depending upon the time involved between the date of the deposit and expected termination of the relationships.

Welsch, Zlatkovich & White, INTERMEDIATE ACCOUNTING at 454 (Irwin 4th ed. 1976); see also ARB No. 43, SFAS No. 138.2

45. Indeed, after the Restatement, Rentech reported deposits made to natural gas suppliers as “Deposits on gas contracts” as current assets in its statements of financial condition.

46. However, prior to the Restatement, Rentech accounted for the natural gas underlying forward contracts it had entered into as inventory to the

2 Cf. George Georgiades, CPA, MILLER GAAP FINANCIAL STATEMENT DISCLOSURES MANUAL at §41.03 (Aspen Law & Business 2002 ed.) (“Example 41-2: Deposits. . . ‘At December 31, 2001, the Company has deposits with vendors totaling $100,000 for the purchase of machinery and equipment.’”) (citing ARB 43, APB 10, & APB 12).
extent of collateral deposits made by the Company to the forward contract
counterparties, which were natural gas producers and suppliers.

47. At the end of the Class Period, defendants admitted that because the
forward contracts by nature were executory and because the Company did not
have title to the natural gas and the risk of loss had not passed to Rentech from
its natural gas suppliers, there was no basis to include in inventory the amount of
“cash margin” deposits made to the natural gas suppliers.

3. Misrepresentations of Inventory and Cost of Sales Figures

48. Before the Restatement and for most of the Class Period, it was
impossible to determine from the Company’s financial statements that a
substantial portion of Rentech’s reported “raw materials” inventory was not
under the Company’s possession or control. Indeed, as admitted upon the
Restatement, neither the title nor risk of loss had passed to Rentech. Defendants
compounded this error by performing “lower of cost or market” (“LCM”)
calculations on such non-existent inventory. In so doing, defendants also
misrepresented cost of sales, gross profits, operating income or loss, and net
income or loss throughout the Class Period.

49. Following are summary restatements for fiscal 2008, and the line
item impacts of the misleading inventory-deposit LCM accounting on the
Company’s interim results of operations for fiscal 2008 and 2009, as contained
in the restated financials filed on Form 10-K on December 14, 2009.

(a) Summary Fiscal Year-End 2008 Restatement Adjustments

50. The Company explained: “The following tables (in thousands,
except per share data) set forth the effects of the restatement on selected line
items within our previously reported consolidated financial statements for the
fiscal year ended September 30, 2008. The following tables provide only a
summary of the effects of the restatement, do not include all line items that have
been impacted by the restatement and should be read in conjunction with the
restated consolidated financial statements contained in Part II, Item 8 of this report.”

Fiscal Year Ended September 30, 2008

(in thousands of dollars)

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

<table>
<thead>
<tr>
<th></th>
<th>As Previously</th>
<th>Restatement Adjustments</th>
<th>As Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventories</td>
<td>$29,491</td>
<td>($12,362)</td>
<td>$17,129</td>
</tr>
<tr>
<td>Deposits on gas contracts</td>
<td>—</td>
<td>18,368</td>
<td>18,368</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>(255,260)</td>
<td>6,005</td>
<td>(249,255)</td>
</tr>
<tr>
<td>Total stockholders' deficit</td>
<td>(13,089)</td>
<td>6,005</td>
<td>(7,084)</td>
</tr>
</tbody>
</table>

(b) Quarterly impacts on Fiscal 2008 and 2009 interim financials of LCM Restatement Adjustments:

51. The Company further explained that: “In 2009, as a result of the restatement adjustments and as discussed in further detail below, cost of sales was increased and net income was decreased as the cost of natural gas purchased under forward contracts was recognized at contracted prices as the gas flowed through production, into finished goods inventory, and then into cost of goods sold as the product was shipped. In 2008, as a result of the restatement adjustments and as discussed in further detail below, cost of sales and net loss were reduced. The following tables (in thousands, except per share data) and subsequent sections discuss the effect of the restatement on quarterly total cost of sales, gross profit, write down of inventory to market, loss from continuing operations before income taxes, net loss and net loss per common share for the quarters presented below.”
### (i) Fiscal Year End 2009 Interim Impacts:

<table>
<thead>
<tr>
<th></th>
<th>First Quarter</th>
<th>Second Quarter</th>
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<tbody>
<tr>
<td></td>
<td>December 31, 2008</td>
<td>March 31, 2009</td>
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<tr>
<td><strong>As Previously Reported</strong></td>
<td><strong>Restatement Adjustments</strong></td>
<td><strong>As Restated</strong></td>
</tr>
<tr>
<td><strong>Total cost of sales</strong></td>
<td>$40,416</td>
<td>$(4,061)</td>
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<tr>
<td><strong>Gross profit (loss)</strong></td>
<td>$9,661</td>
<td>$4,061</td>
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<tr>
<td><strong>Write down of inventory to market</strong></td>
<td>$10,115</td>
<td>$(10,115)</td>
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<tr>
<td><strong>Income (loss) from continuing operations before income taxes</strong></td>
<td>$(4,320)</td>
<td>$4,061</td>
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<tr>
<td><strong>Net income (loss)</strong></td>
<td>$(4,323)</td>
<td>$4,061</td>
</tr>
<tr>
<td><strong>EPS — Basic</strong></td>
<td>$(0.03)</td>
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<tr>
<td><strong>EPS — Diluted</strong></td>
<td>$(0.03)</td>
<td>0.03</td>
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</tbody>
</table>

#### Third Quarter June 30, 2009

<table>
<thead>
<tr>
<th></th>
<th>Originally Reported</th>
<th>Restatement Adjustments</th>
<th>Restated Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total cost of sales</strong></td>
<td>$38,850</td>
<td>1,819</td>
<td>$40,669</td>
</tr>
<tr>
<td><strong>Gross profit (loss)</strong></td>
<td>$52,567</td>
<td>1,819</td>
<td>$50,748</td>
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<tr>
<td><strong>Write down of inventory to market</strong></td>
<td>116</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>Income (loss) from continuing operations before income taxes</strong></td>
<td>$36,133</td>
<td>1,819</td>
<td>$34,314</td>
</tr>
<tr>
<td><strong>Net income (loss)</strong></td>
<td>$36,132</td>
<td>1,819</td>
<td>$34,313</td>
</tr>
<tr>
<td><strong>EPS — Basic</strong></td>
<td>0.22</td>
<td>0.01</td>
<td>0.21</td>
</tr>
<tr>
<td><strong>EPS — Diluted</strong></td>
<td>0.22</td>
<td>0.02</td>
<td>0.20</td>
</tr>
</tbody>
</table>

### (ii) Fiscal Year End 2008 Interim Impacts:

<table>
<thead>
<tr>
<th></th>
<th>First Quarter</th>
<th>Second Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December 31, 2007</td>
<td>March 31, 2008</td>
</tr>
<tr>
<td><strong>As Previously Reported</strong></td>
<td><strong>Restatement Adjustments</strong></td>
<td><strong>As Restated</strong></td>
</tr>
<tr>
<td><strong>Total cost of sales</strong></td>
<td>$37,182</td>
<td>$(82)</td>
</tr>
<tr>
<td><strong>Gross profit (loss)</strong></td>
<td>$20,616</td>
<td>$82</td>
</tr>
</tbody>
</table>

CONSOLIDATED AMENDED CLASS ACTION COMPLAINT
FOR VIOLATION OF THE FEDERAL SECURITIES LAWS
52. The Company reported no LCM restatement adjustments for the second fiscal quarter of 2008, but the following for 2008 fiscal fourth quarter.

Year Ended September 30, 2008

<table>
<thead>
<tr>
<th></th>
<th>As Previously Reported</th>
<th>Restatement Adjustments</th>
<th>As Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fourth Quarter</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>September 30, 2008</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total cost of sales</td>
<td>$9,820</td>
<td>$6,005</td>
<td>$53,815</td>
</tr>
<tr>
<td>Gross profit</td>
<td>14,784</td>
<td>6,005</td>
<td>20,789</td>
</tr>
<tr>
<td>Write down of inventory to market</td>
<td>8,568</td>
<td>(8,568)</td>
<td>0</td>
</tr>
<tr>
<td>Loss from continuing operations before income taxes</td>
<td>(8,928)</td>
<td>6,005</td>
<td>(2,923)</td>
</tr>
<tr>
<td>Net loss</td>
<td>(8,905)</td>
<td>6,005</td>
<td>(2,900)</td>
</tr>
<tr>
<td>EPS — Basic</td>
<td>(0.05)</td>
<td>0.04</td>
<td>(0.01)</td>
</tr>
<tr>
<td>EPS — Diluted</td>
<td>(0.05)</td>
<td>0.04</td>
<td>(0.01)</td>
</tr>
</tbody>
</table>

53. The Company also admitted that: "For the first three quarters of 2009, the Company previously reported a write down of inventory to market of $16,092,000 and net income of $15,270,000. The restatement adjustments eliminated the write down of inventory to market, reversed the resulting reductions in cost of goods sold during the fiscal 2009 quarters, and resulted in a reduction to net income of $5,889,000. The reversal of inventory impairments recorded in the year ended September 30, 2008 also increased cost of goods sold for product shipped in fiscal year 2009, as the cost of those products included the cost of gas inventory that had been written down during fiscal 2008."

(c) Summary Fiscal 2008 and 2009 Quarterly Income Statement Impact of LCM Restatements

<table>
<thead>
<tr>
<th>Quarter ended</th>
<th>Gross Profit (Loss)</th>
<th>Operating Income (Loss)</th>
<th>Income (Loss) from Continuing Operations</th>
<th>Net Income (Loss)</th>
<th>Basic Income (Loss) per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2009</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As previously reported</td>
<td>$52,567</td>
<td>$39,026</td>
<td>$36,130</td>
<td>$36,132</td>
<td>$0.22</td>
</tr>
<tr>
<td>Restatement adjustments</td>
<td>(1,819)</td>
<td>(1,819)</td>
<td>(1,819)</td>
<td>(1,819)</td>
<td>(0.01)</td>
</tr>
<tr>
<td>As restated</td>
<td>$50,748</td>
<td>$37,207</td>
<td>$34,311</td>
<td>$34,313</td>
<td>$0.21</td>
</tr>
<tr>
<td>March 31, 2009</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As previously reported</td>
<td>($3,004)</td>
<td>($13,946)</td>
<td>($16,592)</td>
<td>($16,539)</td>
<td>($0.10)</td>
</tr>
<tr>
<td>Restatement adjustments</td>
<td>(8,131)</td>
<td>(8,131)</td>
<td>(8,131)</td>
<td>(8,131)</td>
<td>(0.05)</td>
</tr>
<tr>
<td>As restated</td>
<td>($11,135)</td>
<td>($22,077)</td>
<td>($24,723)</td>
<td>($24,670)</td>
<td>($0.15)</td>
</tr>
<tr>
<td>December 31, 2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As previously reported</td>
<td>$9,661</td>
<td>($2,099)</td>
<td>($4,334)</td>
<td>($4,323)</td>
<td>($0.03)</td>
</tr>
<tr>
<td>Restatement adjustments</td>
<td>4,061</td>
<td>4,061</td>
<td>4,061</td>
<td>4,061</td>
<td>0.03</td>
</tr>
<tr>
<td>As restated</td>
<td>$13,722</td>
<td>$1,962</td>
<td>($273)</td>
<td>($262)</td>
<td>0.00</td>
</tr>
<tr>
<td>September 30, 2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As previously reported</td>
<td>$14,784</td>
<td>($3,593)</td>
<td>($8,935)</td>
<td>($8,905)</td>
<td>($0.05)</td>
</tr>
<tr>
<td>Restatement adjustments</td>
<td>6,005</td>
<td>6,005</td>
<td>6,005</td>
<td>6,005</td>
<td>0.04</td>
</tr>
<tr>
<td>As restated</td>
<td>$20,789</td>
<td>$2,412</td>
<td>($2,930)</td>
<td>($2,900)</td>
<td>($0.01)</td>
</tr>
<tr>
<td>June 30, 2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As previously reported</td>
<td>$17,567</td>
<td>($6,977)</td>
<td>($7,794)</td>
<td>($7,772)</td>
<td>($0.05)</td>
</tr>
<tr>
<td>Restatement adjustments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As restated</td>
<td>$17,567</td>
<td>($6,977)</td>
<td>($7,794)</td>
<td>($7,772)</td>
<td>($0.05)</td>
</tr>
<tr>
<td>March 31, 2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As previously reported</td>
<td>$7,917</td>
<td>($22,480)</td>
<td>($22,812)</td>
<td>($22,796)</td>
<td>($0.14)</td>
</tr>
<tr>
<td>Restatement adjustments</td>
<td>(82)</td>
<td>(82)</td>
<td>(82)</td>
<td>(82)</td>
<td></td>
</tr>
<tr>
<td>As restated</td>
<td>$7,835</td>
<td>($22,562)</td>
<td>($22,894)</td>
<td>($22,878)</td>
<td>($0.14)</td>
</tr>
<tr>
<td>December 31, 2007</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As previously reported</td>
<td>$10,278</td>
<td>($23,427)</td>
<td>($23,437)</td>
<td>($23,414)</td>
<td>($0.14)</td>
</tr>
<tr>
<td>Restatement adjustments</td>
<td>82</td>
<td>82</td>
<td>82</td>
<td>82</td>
<td></td>
</tr>
<tr>
<td>As restated</td>
<td>$10,360</td>
<td>($23,345)</td>
<td>($23,355)</td>
<td>($23,332)</td>
<td>($0.14)</td>
</tr>
</tbody>
</table>

4. Deferred Revenue Reporting of Customer Deposits

55. “Deposits and prepayments received for goods or services to be provided – ‘unearned revenues,’ . . . qualify as liabilities under the definition

CONSOLIDATED AMENDED CLASS ACTION COMPLAINT
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20
because an entity is required to provide goods or services to those who have paid in advance.” FASCON 6, ¶196.

When a business collects all or part of a sale prior to that product or service being delivered, the accounting method used will determine how the company records that transaction. In accrual-based accounting, revenue can be recognized only when earned, regardless of when cash is collected. **As a result, when sales proceeds are received in advance of revenue being earned, the business must recognize that collection of cash as deferred revenue.**


56. Finally, “accounts receivable [are] receivables for which no written statement acknowledging the obligation has been received from the obligor. . . Accounts receivable are first classified by the situation giving rise to the receivable. The most frequent situation is the delivery of goods.” D.R. Carmichael et al., ACCOUNTANT’S HANDBOOK, vol. 1 at 19.1-19.2 (Eleventh ed. 2007, Wiley) [hereinafter ACCOUNTANT’S HANDBOOK].

57. Here, the Company’s accounting policies as stated in its financial statements reported that revenue (and thus customer obligations or receivables) was not recognized until products were shipped. Indeed, other disclosures left the impression that accounts receivable were not recorded in full until shipments were made:

Accounts receivable increased by $6,712,000 during fiscal 2007, as compared to an increase of $5,075,000 in fiscal 2006. **The increase during fiscal 2007 was primarily due to** demand and pricing in our nitrogen products manufacturing segment combined with **the timing of product shipments** and the receipt of customer payments.
[2007 10-K at 53 (Emphasis added)]. Substantially similar statements were made in SEC filings during the Class Period.

58. Notwithstanding the foregoing accounting principles and defendants’ stated accounting policies, once Rentech executed a “product prepayment contract,” with a customer prior to shipping the product (regardless of the amounts deposited by the customer, if any), the Company recorded the full amount of the sales price as a receivable from the customer and also improperly credited same as “deferred revenue.” Thus, defendants inflated both current assets and liabilities on the Company’s balance sheet and misled the market as to the Company’s financial condition, short-term liquidity and future prospects.

59. Indeed, deferred revenues are used by analysts and other market participants to gauge revenue trends and cash flow:

When customer deposits or deferred revenue exist, they tell us how much cash the business has collected from its customers for orders already placed. These are orders that will be converted to sales in the near future. Thus, in the absence of a backlog report, these two accounts can point to how much pending revenue has been received by the business. If we know that a company’s practice is to always collect 10% of the sale up front, we then divide the amount of the customer deposit by 10% to arrive at the amount of revenue that will be earned at the start of the next reporting period.

*     *     *

It is more common for deferred revenues to be applied consistently over time and uniformly to all customers. As a result, deferred revenues often constitute a substantial percentage of a company’s total capital. Therefore, when present, deferred revenues and their trend can be reliable indicators of future revenues in almost all cases.

*     *     *

[Thus], customer deposits and deferred liabilities can be used as proxies for a backlog report and as revenue forecasting tools. But
these two balance sheet accounts have even greater usefulness to us when we attempt to analyze a business's financial health and the respectability of management.

RMA J., at 70-71.

60. As regards the overstatements of accounts receivable and inventory, which are considered "current assets:"

Current assets are assets that are expected to become cash, sold, or consumed in the near future (Accounting Research Bulletin (ARB) No. 43, Ch. 3, par. 4). These assets are considered 'liquid' in that they represent cash or near-cash resources from which the company can satisfy obligations as they become due.

ACCOUNTANT'S HANDBOOK, at 10.3(a).

61. Because Rentech's accounts receivable and inventories were inflated, the Company's current assets were inflated by orders of magnitude. Likewise, defendants inflated deferred revenues as well. For example, for the fiscal year ended September 30, 2008, alone, defendants misrepresented current assets and deferred revenue as follows:

<table>
<thead>
<tr>
<th>September 30, 2008</th>
<th>Restated</th>
<th>Originally Reported</th>
<th>over (under)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Receivable:</td>
<td>$12,713</td>
<td>$70,614</td>
<td>$57,901</td>
</tr>
<tr>
<td>Deposits on gas contracts:</td>
<td>18,368</td>
<td>-0-</td>
<td>(18,368)</td>
</tr>
<tr>
<td>Inventory</td>
<td>17,129</td>
<td>29,491</td>
<td>12,362</td>
</tr>
<tr>
<td>Totals</td>
<td>$48,210</td>
<td>$100,105</td>
<td>$51,895</td>
</tr>
<tr>
<td>Deferred Revenue</td>
<td>$62,808</td>
<td>$120,709</td>
<td>$57,901</td>
</tr>
</tbody>
</table>
Thus, for fiscal 2008, Rentech reported inflated assets of almost $52 million and inflated deferred revenue of almost $58 million. The impacts on quarterly reported balance sheet figures also are significant and are further particularized below.

Finally, although the Company downplayed the significance of the restatement on the results of operations, the effects were quite material. Loss for fiscal 2008 was now $6 million less than originally reported and income for fiscal 2009 was now $6 million less than originally reported. Thus, defendants' original required "Management Discussion & Analysis" of the results of operations, and financial condition (17 C.F.R. §229.303) as contained in the Company's interim and annual SEC filings, as well as any discussion concerning comparative figures in conference calls, were necessarily false and misleading as well.

B. False and Misleading Statements Made During the Class Period

On May 9, 2008, the Company made the following public communications for the second 2008 fiscal quarter ended March 31, 2008: (a) it filed on Form 10-Q Rentech's quarterly financial report; (b) attached to Form 8-K an earnings release reporting on the Company's results of operations; and (c) conducted a conference call with analysts.

The May 9, 2008 8-K attaching the 2008 second fiscal quarter earnings release was signed by defendant Kerr. The earnings release reported, among other things that gross profit, operating income, and net loss were $7,917,000, $22,480,000, and $22,796,000, respectively.

As admitted by Rentech, the preceding figures were false and misleading when made for at least the following reasons: gross profit and operating income were overstated by at least $82,000 for (a) improperly including in inventory margin deposits made to natural gas forward contract
counterparties, and; (b) reducing such non-existent inventory values to lower of cost or market.

67. The release also quoted defendant Ramsbottom, who stated, *inter alia*: “This week Rentech received Mississippi Governor Haley Barbour’s approval of its request for an allocation of $175 million in tax exempt GO ZONE bonds for the Company’s proposed synthetic fuels and chemicals facility near Natchez, Mississippi. . . The selection process was very competitive . . . The award is an important step in our capital raising efforts for the project.”

68. Although some financing was now secured for the Natchez project, the Company reported that such projects “will require substantial amounts of capital that we do not now have to fund our long-term liquidity requirements.” The Company expects “these projects to be funded by various combinations of project debt and equity, corporate debt and equity, equity from strategic partners and suppliers, and various forms of government support.” [2007 10-K at 46].

69. On the same day, May 9, 2008, Rentech filed the 2008 2Q-10Q with the SEC (the “2008 2Q-10Q”). The 2008 2Q-10Q was signed by defendants Kerr and Ramsbottom and was false and misleading in several respects as later admitted by defendants on December 14, 2009, as explained further in the immediately following paragraphs.

70. First, the statements made in the 2008 2Q-10Q concerning “Accounts Receivable” and “Deferred Revenue” were false and misleading when made because: (a) in violation of GAAP, defendants reported the entire amount due on products not yet manufactured and shipped of $16,397,000 where risk of loss and title had not passed to the customer in “Accounts Receivable;” (b) defendants also improperly reported the same amount as “Deferred Revenue” in violation of GAAP as admitted on December 14, 2009; (c) defendants also inflated inventory by including collateral deposits made with natural gas forward contract counterparties as inventory, and; (d) in connection with such improper
"deposit" accounting, Rentech performed LCM adjustments, which, *inter alia*, inflated gross profits, and deflated operating and net loss by at least $84,000 for the quarter ended March 31, 2008, as admitted on December 14, 2009.

71. Thus, Rentech’s “Consolidated Balance Sheet” as of March 31, 2008 contained in the 2008 2Q-10Q was false and misleading when made for at least the following reasons, as admitted by defendants on December 14, 2009:

As of March 31, 2008
(in thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>Original Figure</th>
<th>Adjustments</th>
<th>Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Receivable:</td>
<td>$25,519</td>
<td>($16,397)*</td>
<td>$9,122*</td>
</tr>
<tr>
<td>Deposits on gas contracts:</td>
<td>-0-</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Inventory</td>
<td>31,228</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Totals</td>
<td>$56,747</td>
<td>($16,397)*</td>
<td>$40,350*</td>
</tr>
<tr>
<td>Deferred Revenue</td>
<td>$65,739</td>
<td>($16,397)*</td>
<td>$49,342*</td>
</tr>
<tr>
<td>Shareholders’ (Deficit)</td>
<td>(947)</td>
<td>(82)</td>
<td>(1,029)</td>
</tr>
<tr>
<td>Totals</td>
<td>$64,792</td>
<td>($16,479)</td>
<td>$48,313*</td>
</tr>
</tbody>
</table>

* = Restatement adjustments and restated amounts are not reflected at all or in their entirety, as defendants, although admitting to the falsity of such figures, did not provide interim restated amounts required for “Deposits on gas contracts” to and from suppliers and customers, respectively, which would adjust further Accounts Receivable, Inventory and Deferred Revenues.

72. Further, the 2008 2Q-10Q was false and misleading when made by overstating gross profit, and understating operating loss and net loss by at least
$82,000 for improper LCM adjustments on natural gas forward contracts’ deposits, as further explained at supra, ¶¶40-54.

73. In addition, the 2008 2Q-10Q contained the following statements:

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments, consisting only of normal recurring accruals, considered necessary for a fair presentation have been included.

74. The preceding statements were false and misleading when made for at least the following reasons: (a) The financial statements were not prepared in accordance with the instructions to Form 10-Q, as such instructions require, inter alia, that under Regulation S-X (17 C.F.R. §§ 210.1-01(a)(2), 210.10), interim financial statements are to be prepared in accordance with GAAP, which they were not for the reasons stated at infra, ¶¶229-243; and (b) “all adjustments, consisting only of normal recurring accruals, considered necessary for a fair presentation” were not made and/or reflected for the reasons stated at Id.

75. The 2008 2Q-10Q also attached as exhibits 31.1, 31.2, 32.1, 32.2 the Certifications of Chief Executive and Financial Officers pursuant to SOX and regulations promulgated thereunder (SEC Rule 15d-14(a) and 18 U.S.C. § 1350). Defendant Kerr signed exhibits 31.2 and 32.2 as Chief Financial Officer and defendant Ramsbottom signed exhibits 31.1 and 32.2 as Chief Executive Officer. The Certificates were dated May 9, 2008.

76. The following statements, among others, were contained in Exhibits 31.1 and 31.2:
[2.] Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

[3.] Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

77. The preceding statements were knowingly or recklessly false and misleading when made for the following reasons: (a) the 2008 2Q-10Q materially overstated accounts receivable, deferred revenue, and inventories for the reasons explained at supra ¶¶57-62; (b) the 2008 2Q-10Q materially understated cost of sales, operating loss and net loss for the reasons stated at supra ¶¶48-54; (c) the Company’s financial statements as contained in the 2008 2Q-10Q were not prepared in accordance with GAAP and thus, were not prepared in accordance with SEC regulations as falsely stated in the 2008 2Q-10Q. Defendants admitted the foregoing on December 14, 2009.

78. Exhibits 32.1 and 32.2 also contained the following statements:

[1] The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

[2] The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company as of the dates and for the periods expressed in the Report.
79. The immediately preceding statements were knowingly or recklessly false and misleading when made for the reasons: (a) stated in the immediately preceding paragraph, supra, ¶77 and (b) Rentech's 2008 2Q-10Q did not comply with Section 13(a) of the Exchange Act in that the “information contained in the Report” does not fairly present, in all material respects, the financial condition and results of operations of the Company as of and for the respective periods ending March 31, 2008 for the reasons further explained at infra ¶¶231-243. Defendants admitted the preceding on December 14, 2009.

80. Finally, on May 9, 2008, defendants Kerr and Ramsbottom conducted a conference call with analysts, where defendant Kerr repeated the false and misleading figures reported in the 2008 2Q-10Q and press release:

[Defendant] Kerr: Thank you Hunt. Good morning everyone. During the second quarter of fiscal 2008, we recognized revenues of $28.5 million and gross profit of 7.9 million, compared to revenues of 16.9 million and gross profit of 0.8 million in the corresponding period of fiscal 200[7]. We reported a net loss applicable to common shareholders of 22.8 million or a loss of $0.14 per share for the quarter compared to a net loss applicable to common shareholders of 17.2 million or a loss of $0.12 per share in the corresponding period of fiscal 2007.

81. The immediately preceding statements made by defendant Kerr and left uncorrected by defendant Ramsbottom, who had a duty to do so, were knowingly or recklessly false and misleading when made for at least the following reasons: (a) gross profit was overstated by $84,000 for improperly including in inventory cash deposits made with natural gas forward contract counterparties and performing LCM calculations thereon; and (b) net loss and net loss per share were understated by same, less income tax effects, for the
same reasons stated in subparagraph (a). Defendants admitted the foregoing on December 14, 2009.

82. The price of the Company's stock opened at $1.25 per share on May 9, 2008 and rose to $1.44 per share during the day, on unusually high trading volume of 2,183,000 shares, to settle at $1.24 or unchanged from its previous trading day's close.

83. On August 11, 2008, the Company made the following public communications for the third 2008 fiscal quarter ended June 30, 2008: (a) it filed on Form 10-Q Rentech's quarterly financial report; (b) attached to Form 8-K an earnings release reporting on the Company's results of operations; and (c) conducted a conference call with analysts.

84. The August 11, 2008 8-K attaching the 2008 second fiscal quarter earnings release was signed by non-defendant Colin M. Morris, Vice President and General Counsel. The earnings release reported, among other things that "The Company is raising its guidance for fiscal year 2008 EBITDA at REMC to $50 million or greater from its previous projection of over $40 million. In addition, the Company is projecting fiscal year 2009 EBITDA at REMC to exceed fiscal 2008 levels."

85. On the same day, August 11, 2008, Rentech filed the 2008 third quarter Form 10-Q with the SEC (the "2008 3Q-10Q"). The 2008 3Q-10Q reported at page 49 that Rentech experienced increased natural gas prices in 2008 and expected such increases to continue:

There has been a generally increasing trend in natural gas prices during the last three years with prices reaching record highs in 2005, reducing in 2006 and 2007, and rising again in 2008 due to various supply and demand factors, including the increasing overall demand for natural gas from industrial users . . .
86. The 2008 3Q-10Q was signed by defendants Miller and Ramsbottom and was knowingly or recklessly false and misleading in several respects as later admitted by defendants on December 14, 2009, and as explained further in the immediately following paragraphs.

87. First, the statements made in the 2008 3Q-10Q concerning “Accounts Receivable” and “Deferred Revenue” were false and misleading when made because: (a) in violation of GAAP, defendants reported the entire amount due on products not yet manufactured and shipped of $16,397,000 where risk of loss and title had not passed to the customer in “Accounts Receivable;” (b) defendants also improperly reported the same amount as “Deferred Revenue” in violation of GAAP as admitted on December 14, 2009; and (c) defendants also inflated inventory by including collateral deposits made with natural gas forward contract counterparties as inventory, as admitted on December 14, 2009.

88. Thus, Rentech’s “Consolidated Balance Sheet” as of June 30, 2008 contained in the 2008 3Q-10Q was false and misleading when made for at least the following reasons, as admitted by defendants on December 14, 2009:

As of June 30, 2008
(in thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>Original Figure</th>
<th>Adjustments</th>
<th>Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Receivable:</td>
<td>$ 79,122</td>
<td>($ 69,142)*</td>
<td>$ 9,980*</td>
</tr>
<tr>
<td>Deposits on gas contracts:</td>
<td>- 0 -</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Inventory</td>
<td>29,770</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Totals</td>
<td>$ 108,892</td>
<td>($ 69,142)*</td>
<td>$ 39,750*</td>
</tr>
<tr>
<td>Deferred Revenue</td>
<td>$ 111,006</td>
<td>($ 69,142)*</td>
<td>$ 41,864*</td>
</tr>
</tbody>
</table>
Restatement adjustments and restated amounts are not reflected at all or in their entirety, as defendants although admitting to the falsity of such figures, did not provide restated amounts required for “Deposits on gas contracts” to and from suppliers and customers, respectively, which would adjust further Accounts Receivable, Inventory and Deferred Revenues.

89. In addition, the 2008 3Q-10Q contained the following statements:

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments, consisting only of normal recurring accruals, considered necessary for a fair presentation have been included.

90. The preceding statements were knowingly or recklessly false and misleading when made for at least the following reasons: (a) The financial statements were not prepared in accordance with the instructions to Form 10-Q, as such instructions, require, *inter alia*, that under Regulation S-X (17 C.F.R. §§ 210.1-01(a)(2), 210.10), interim financial statements are to be prepared in accordance with GAAP, which they were not for the reasons stated at *infra*, ¶¶229-243; and (b) “all adjustments, consisting only of normal recurring accruals, considered necessary for a fair presentation” were not made and/or reflected for the reasons stated at *Id.* Defendants admitted the foregoing on December 14, 2009.

91. At June 30, 2008, the Company reported $53 million of term loans outstanding secured by the Company’s assets. The 2008 3Q-10Q also stated “As of June 30, 2008, we are in compliance with all covenants under the Senior Credit Agreement.” [*Id.*, at Note 8, page 22].
92. The preceding statement was knowingly or recklessly false and misleading for at least the following reasons: (a) because the accounts receivable and inventory of the Company were inflated by greater than $69.1 million (supra, ¶88), the credit line was not secured by at least such amount, a fact that directly contradicted the statement at Note 8 that reads: "the obligations under the Senior Credit Agreement are secured by substantially all of our assets and the assets of most of our subsidiaries . . ." and (b) for the reasons stated at supra ¶90, the Company’s financial statements were not in compliance with GAAP, which, as defendants admitted on December 14, 2009, was a default under the Senior Credit Agreement.

93. The 2008 3Q-10Q also attached as exhibits 31.1, 31.2, 32.1, 32.2 the Certifications of Chief Executive and Financial Officers pursuant to SOX and regulations promulgated thereunder (SEC Rule 15d-14(a) and 18 U.S.C. § 1350). Defendant Miller signed exhibits 31.2 and 32.2 as Chief Financial Officer and defendant Ramsbottom signed exhibits 31.1 and 32.2 as Chief Executive Officer. The Certificates were dated August 11, 2008.

94. The following statements among others were contained in Exhibits 31.1 and 31.2:

[2.] Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

[3.] Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
95. The preceding statements were knowingly or recklessly false and misleading when made for the following reasons: (a) the 2008 3Q-10Q materially overstated accounts receivable, deferred revenue, and inventories for the reasons explained at supra, ¶¶57-62; and (b) the Company's financial statements as contained in the 2008 3Q-10Q were not prepared in accordance with GAAP and thus, were not prepared in accordance with SEC regulations as falsely stated in the 2008 3Q-10Q. Defendants admitted the foregoing on December 14, 2009.

96. Exhibits 32.1 and 32.2 also contained the following statements:

[1] The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

[2] The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company as of the dates and for the periods expressed in the Report.

97. The immediately preceding statements were knowingly or recklessly false and misleading when made for the reasons: (a) stated in the immediately preceding paragraph, supra, ¶95, and (b) Rentech's 2008 3Q-10Q did not comply with Section 13(a) of the Exchange Act in that the "information contained in the Report" does not fairly present, in all material respects, the financial condition and results of operations of the Company as of and for the respective period ending June 30, 2008 for the reasons further explained at infra ¶¶231-243. Defendants admitted the preceding on December 14, 2009.

98. On August 11, 2008, the price of the Company's common stock rose to $2.50 per share from its prior trading day's closing price of $2.25 per share to close at $2.43 per share on unusually high trading volume of 2,126,300 shares.
99. On October 27, 2008, the Company attached to Form 8-K a press release announcing the employment of defendant Cohrs as Executive Vice President and Chief Financial Officer as of October 22, 2008. The release also stated that defendant Miller “will continue in his role as the Company’s Executive Vice President and Chief Operating Officer.”

100. On December 12, 2008, it was further announced that non-defendant Debra Harshman, with the Company since in or about June 2007, “resigned from her duties with Rentech Inc. as Chief Accounting Officer and Assistant Treasurer. Dan J. Cohrs, the Chief Financial Officer of Rentech, will assume the responsibilities as the principal accounting officer of the company on an interim basis until a permanent replacement is named.”

101. On December 15, 2008, the Company made the following public communications for the fiscal fourth quarter and year ended September 30, 2008: (a) it filed on Form 10-K Rentech’s annual report; and (b) attached to Form 8-K an earnings release reporting on the Company’s results of operations and REMC EBITDA projections for 2009. On the next day, December 16, 2008, defendants Ramsbottom and Cohrs conducted a conference call with analysts.

102. The December 15, 2008 8-K attaching the 2008 fourth fiscal quarter and year end earnings release was signed by defendant Cohrs. The earnings release reported for the fourth quarter of 2008, among other things: (1) Cost of Sales of $59,820,000; (2) Gross profit of $14,784,000, (3) Loss from continuing operations before income taxes of $8,928,000, and (4) Net loss of $8,905,000.

103. As admitted by Rentech, the preceding figures were knowingly or recklessly false and misleading when made for at least the following reasons: (a) Cost of Sales, Loss from continuing operations and Net loss were all overstated by $6,005,000; and (b) Gross profit was understated by same for (i) including in inventory margin deposits paid to natural gas forward contract counterparties.
and (ii) reducing such non-existent inventory values to lower of cost or market. Defendants admitted the foregoing on or about December 14, 2009.

104. The earnings release also provided the following figures for the fiscal year ended September 30, 2008: (1) Cost of Sales of $160,425,000; (2) Gross profit of $50,546,000; (3) Net Loss from continuing operations before income taxes of $62,978,000, and (4) Net loss of $62,887,000.

105. The preceding figures were knowingly or recklessly false and misleading when made for at least the following reasons: (a) Cost of Sales, Loss from continuing operations and Net loss were all overstated by $6,005,000; and (b) Gross profit was understated by same for (i) including in inventory cash deposits paid to natural gas forward contract counterparties and (ii) reducing such non-existent inventory values to lower of cost or market. Defendants admitted the preceding on December 14, 2009.

106. Finally, the December 15, 2008 earnings release also contained the following Earnings Before Interest Taxes, Depreciation and Amortization ("EBITDA") Projections (in millions of dollars):

<table>
<thead>
<tr>
<th>Net Income, well in excess of</th>
<th>$ 33.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>7.9</td>
</tr>
<tr>
<td>Taxes</td>
<td>0.0</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>9.0</td>
</tr>
</tbody>
</table>

EBITDA, well in excess of $ 50.0

107. The preceding statements were knowingly or recklessly false and misleading when made because Rentech improperly included in “Earnings”
improper LCM adjustments. Indeed, at the end of the Class Period, Rentech admitted that it was not in compliance with debt covenants since its EBITDA calculations were inflated by the LCM adjustments.

108. On the same day, December 15, 2008, Rentech filed the 2008 10-K with the SEC. The 2008 10-K was signed by defendants Cohrs and Ramsbottom and was knowingly or recklessly false and misleading in several respects as admitted one year later by defendants on December 14, 2009 and as explained further in the immediately following paragraphs.

109. First, the statements made in the 2008 10-K concerning “Accounts Receivable” and “Deferred Revenue” were knowingly or recklessly false and misleading when made because: (a) in violation of GAAP, defendants reported the entire amount due on products not yet manufactured and shipped of $57,901,000 where risk of loss and title had not passed to the customer in “Accounts Receivable;” (b) defendants also improperly reported the same amount as “Deferred Revenue” in violation of GAAP as admitted on December 14, 2009; (c) defendants also inflated inventory by including collateral deposits made with natural gas forward contract counterparties of $18,368,000 as inventory, and; (d) in connection with such misleading “deposit” accounting, Rentech performed LCM adjustments, which, inter alia, misrepresented gross profits, operating and net loss by at least $6,005,000 for the fiscal quarter and year ended September 30, 2008 as admitted on December 14, 2009.

110. Thus, Rentech’s “Consolidated Balance Sheet” as of September 30, 2008 contained in the 2008 10-K was false and misleading when made for at least the following reasons, as admitted by defendants on December 14, 2009:

As of September 30, 2008
(in thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>Original Figure</th>
<th>Adjustments</th>
<th>Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Receivable</td>
<td>$ 70,614</td>
<td>($ 57,901)</td>
<td>$12,713</td>
</tr>
</tbody>
</table>

CONSOLIDATED AMENDED CLASS ACTION COMPLAINT
FOR VIOLATION OF THE FEDERAL SECURITIES LAWS
37
Deposits on gas contracts: -0- 18,368 18,368

Inventory 29,491 (12,362) 17,129
Totals $100,105 ($51,895) $62,808

Deferred Revenue $120,709 ($57,901) $62,808
Shareholders’ (Deficit) $(13,089) $6,005 $(7,084)

111. At September 30, 2008, Rentech had outstanding $53 million in “Term loans under the Senior Credit Agreement.” The 2008 10-K also stated “As of September 30, 2008, we are in compliance with all covenants under the Senior Credit Agreement.” [Id., at Note 10, F-23].

112. The preceding statement concerning compliance with debt covenants was knowingly or recklessly false and misleading for at least the following reasons: (a) because the accounts receivable and inventory of the Company were inflated by at least $51.8 million, net (supra, ¶110), the credit line was not secured by at least such amount, which fact, directly contradicted the statement at Note 10 that reads: “the obligations under the Senior Credit Agreement are secured by substantially all of our assets and the assets of most of our subsidiaries . . .” and (b) for the reasons stated at supra ¶109, the Company’s financial statements were not in compliance with GAAP, which, as defendants admitted on December 14, 2009, was a default under the Senior Credit Agreement.

113. In addition, the 2008 10-K contained the following statements:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions...
that affect the reported amounts of assets and liabilities, the
disclosure of contingent assets and liabilities at the date of the
financial statements and the reported amounts of revenues and
expenses during the reporting period.

[2008 10-K at F-10 (Emphasis added).]

114. The preceding statements were knowingly or recklessly false and
misleading when made as the financial statements were not prepared in
accordance with GAAP as implicit in the above emphasized statement for the
reasons stated at infra, ¶¶231-243.

115. The 2008 10-K also attached as exhibits 31.1, 31.2, 32.1, 32.2 the
Certifications of Chief Executive and Financial Officers pursuant to the
Sarbanes-Oxley Act of 2002 and regulations promulgated thereunder (SEC Rule
15d-14(a) and 18 U.S.C. § 1350). Defendant Cohrs signed exhibits 31.2 and
32.2 as Chief Financial Officer and defendant Ramsbottom signed exhibits 31.1
and 32.2 as Chief Executive Officer. The Certificates were dated December
15, 2008.

116. The following statements among others were contained in Exhibits
31.1 and 31.2:

[2.] Based on my knowledge, this report does not contain any untrue
statement of a material fact or omit to state a material fact necessary
to make the statements made, in light of the circumstances under
which such statements were made, not misleading with respect to the
period covered by this report;

[3.] Based on my knowledge, the financial statements, and other
financial information included in this report, fairly present in all
material respects the financial condition, results of operations and
cash flows of the registrant as of, and for, the periods presented in
this report[.]
117. The preceding statements were knowingly or recklessly false and misleading when made for the following reasons: (a) the 2008 10-K materially overstated accounts receivable, deferred revenue, and inventories for the reasons explained at supra, ¶¶ 57-62; (b) the 2008 10-K materially understated cost of sales, operating loss and net loss for the reasons stated at supra, ¶¶ 48-54; (c) the Company’s financial statements as contained in the 2008 10-K were not prepared in accordance with GAAP as falsely stated in the 2008 10-K, as explained at infra, ¶¶ 231-243. Defendants admitted the preceding on December 14, 2009.

118. Exhibits 32.1 and 32.2 also contained the following statements:

[1] The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

[2] The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company as of the dates and for the periods expressed in the Report.

119. The immediately preceding statements were knowingly or recklessly false and misleading when made for the reasons: (a) stated in the immediately preceding paragraph, supra, ¶ 117, and (b) Rentech’s 2008 10-K did not comply with Section 13(a) of the Exchange Act in that the “information contained in the Report” does not fairly present, in all material respects, the financial condition and results of operations of the Company as of and for the respective periods ending September 30, 2008 for the reasons further explained at infra, ¶¶ 231-243. Defendants admitted the preceding on December 14, 2009.

3 Section 15(d) of the Exchange Act is not applicable to Rentech.
120. During the conference call hosted by defendants Cohrs and Ramsbottom, held on December 16, 2008, the following statements were made:

[Defendant] Ramsbottom: We believe our cost reductions in conjunction with expected strong performance in REMC – of REMC will enable Rentech to achieve positive consolidated EBITDA for the fiscal 2009. This is a significant milestone as it only – not only marks the first time in our company’s history that we projected positive consolidated EBITDA performance, but we are expecting this level of performance at a time when most companies are scaling back financial projections and results.

[Bloomberg Tr. at 4]

121. The preceding statements made by defendant Ramsbottom and left uncorrected by defendant Cohrs were knowingly or recklessly false and misleading when made because Rentech included in “Earnings” false and misleading LCM adjustments. Indeed, at the end of the Class Period, Rentech admitted that it was not in compliance with debt covenants since its EBITDA calculations were inflated.

122. Also during the conference call, defendant Cohrs repeated the false and misleading gross profit and income figures for the 2008 fourth quarter end and the full 2008 fiscal year end as follows:

[Defendant] Cohrs: Thank you very much, Hunt and good morning everyone. . . [G]ross profit rose from 2 million to almost 15 million in the quarter. The loss from the loss to common shareholders was reduced from a loss of 59.9 million last year to 8.9 million this year.

* * *

Let’s quickly run through the full-year results for fiscal year 2008 . . . Gross profit was up from almost 16 million to 50.5 million in 2008.
The loss to shareholders was reduced from 91.7 million last year to 62.9 million this year.

[Bloomberg Trns. Final at 5].

123. The immediately preceding statements made by defendant Cohrs, and left uncorrected by defendant Ramsbottom, who had such a duty to correct, were knowingly or recklessly false and misleading when made for at least the following reasons: Gross profit and loss of $14.9 million and $8.9 million, respectively, were understated by $6.0 million each for improperly including cash deposits with natural gas forward counterparties in inventory and performing LCM calculations thereon, as defendants admitted on December 14, 2009.

124. The price of the Company's stock rose as high as $0.69 per share on December 15, 2008 on trading volume of 640,900 shares to close at $0.64 per share on December 16, 2008, or unchanged from the closing price on December 12, 2008, the immediately preceding trading day to December 15, 2008.

125. On January 20, 2009, Rentech issued a press release on Form 8-K that announced the hiring and appointment of Eileen Ney as the Company's Chief Accounting Officer effective January 19, 2009. Among other former positions, Ms. Ney served as "Director of Business Planning for Global Crossing." The release continued: "From March 2007 to December 2008, Ms. Ney worked as an independent consultant and advised both publicly-traded and privately held companies regarding their business plans, financial infrastructure and Sarbanes-Oxley compliance." Indeed, Ms. Ney "served as a consultant to the Company since December 15, 2008."

126. On February 9 2009, the Company made the following public communications for the first 2009 fiscal quarter ended December 31, 2008: (a) it filed on Form 10-Q Rentech's quarterly financial report; (b) attached to Form 8-K an earnings release reporting on the Company's results of operations. On
February 10, 2009, defendants Cohrs and Ramsbottom conducted a conference call with analysts.

127. The February 9, 2009 8-K attaching the 2009 first fiscal quarter earnings release was signed by non-defendant Colin M. Morris. The earnings release reported, among other things that “Rentech continues to project consolidated EBITDA to be positive in fiscal year 2009...”

128. The preceding statement was knowingly or recklessly false and misleading when made, as defendants improperly included in the “earnings” component of EBITDA, LCM adjustments to cash deposits included in inventory (which they should not have been), as admitted by defendants on December 14, 2009.

129. On the same day, February 9, 2009, Rentech filed the 2009 first quarter Form 10-Q with the SEC (the “2009 1Q-10Q”). The 2009 1Q-10Q reported at page 49 that Rentech experienced increased natural gas prices in 2008 and expected such increases to continue:

Natural gas prices have fluctuated during the last four years with prices reaching record highs in 2005, reducing in 2006 and 2007, and rising again in 2008. These fluctuations over the last four years have generally shown a trend for increasing.

130. The 2009 1Q-10Q was signed by defendants Cohrs and Ramsbottom and was knowingly or recklessly false and misleading in several respects as later admitted by defendants on December 14, 2009 and as explained further in the immediately following paragraphs.

131. First, the statements made in the 2009 1Q-10Q concerning “Accounts Receivable” and “Deferred Revenue” were false and misleading when made because: (a) in violation of GAAP, defendants reported the entire amount due on products not yet manufactured and shipped of $ 45,664,000...
where risk of loss and title had not passed to the customer in “Accounts Receivable;” (b) defendants also improperly reported the same amount as “Deferred Revenue” in violation of GAAP as admitted on December 14, 2009; (c) defendants also inflated inventory by including collateral deposits made with natural gas forward contract counterparties as inventory, as admitted on December 14, 2009, and; (d) in connection with such improper “deposit” accounting, Rentech performed LCM adjustments, which, inter alia, misrepresented gross profits, operating and income by at least $4.1 million for the fiscal quarter ended December 31, 2008 as admitted on December 14, 2009. Supra, ¶51-54.

132. Rentech’s “Consolidated Balance Sheet” as of December 31, 2008 contained in the 2009 1Q-10Q was false and misleading when made for at least the following reasons, as admitted by defendants on December 14, 2009:

As of December 31, 2008

(in thousands of dollars)

<table>
<thead>
<tr>
<th>Original Figure</th>
<th>Adjustments</th>
<th>Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Receivable:</td>
<td>$ 54,940</td>
<td>($ 45,664)*</td>
</tr>
<tr>
<td>Deposits on gas contracts:</td>
<td>- 0 -</td>
<td>*</td>
</tr>
<tr>
<td>Inventory</td>
<td>27,824</td>
<td>*</td>
</tr>
<tr>
<td>Totals</td>
<td>$ 82,764</td>
<td>($ 45,664)*</td>
</tr>
<tr>
<td>Deferred Revenue</td>
<td>$ 84,208</td>
<td>($ 45,664)*</td>
</tr>
<tr>
<td>Stockholders’ (deficit)</td>
<td>($ 16,352)</td>
<td>$ 4,061</td>
</tr>
</tbody>
</table>

* = Restatement adjustments and restated amounts are not reflected at all or in their entirety, as defendants although admitting to the falsity of such figures, did not provide interim restated amounts for “Deposits on gas contracts” to and from
suppliers and customers, respectively, which would adjust further Accounts Receivable, Inventory, and Deferred Revenues figures.

133. The 2009 1Q-10Q also presented the Consolidated Balance Sheet as of September 30, 2008, which was false and misleading for at least the following reasons as admitted by defendants on December 14, 2009:

As of September 30, 2008
(in thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>Original Figure</th>
<th>Adjustments</th>
<th>Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Receivable:</td>
<td>$ 70,614</td>
<td>($ 57,901)</td>
<td>$12,713</td>
</tr>
<tr>
<td>Deposits on gas contracts:</td>
<td>- 0 -</td>
<td>18,368</td>
<td>18,368</td>
</tr>
<tr>
<td>Inventory</td>
<td>29,491</td>
<td>(12,362)</td>
<td>17,129</td>
</tr>
<tr>
<td>Totals</td>
<td>$ 100,105</td>
<td>($ 51,895)</td>
<td>$62,808</td>
</tr>
<tr>
<td>Deferred Revenue</td>
<td>$ 120,709</td>
<td>($ 57,901)</td>
<td>$ 62,808</td>
</tr>
<tr>
<td>Shareholders’ (Deficit)</td>
<td>($13,089)</td>
<td>$ 6,005</td>
<td>($ 7,084)</td>
</tr>
</tbody>
</table>

134. In addition, the 2009 1Q-10Q contained the following statements:

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments, consisting only of normal recurring accruals, considered necessary for a fair presentation have been included. These unaudited consolidated financial statements should be read in conjunction with the financial statements and footnotes.
thereto included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2008.

135. The preceding statements were knowingly or recklessly false and misleading when made for at least the following reasons: (a) The financial statements were not prepared in accordance with the instructions to Form 10-Q, as such instructions require, *inter alia*, that under Regulation S-X (17 C.F.R. §§ 210.1-01(a)(2), 210.10), interim financial statements are to be prepared in accordance with GAAP, which they were not for the reasons stated at supra, ¶¶50-63; (b) “all adjustments, consisting only of normal recurring accruals, considered necessary for a fair presentation” were not made and/or reflected for the reasons stated at *Id.*; and (c) the reference to and statements contained in the Annual Report on Form 10-K for the fiscal year ended September 30, 2008 also were false and misleading for at least the reasons stated at *supra*, ¶¶109-110.

136. On December 31, 2008, Rentech had outstanding $47.4 million under the Senior Credit Agreement. The 2009 1Q-10Q also stated:

As of December 31, 2008, we were in compliance with all covenants under the Senior Credit Agreement, except an administrative covenant requiring delivery of certain financial statements and calculations to the lenders. The failure to make these deliveries was waived in the Amendment and Waiver, and the Company complied with these covenants during January 2009 which was within the cure period.

*[Id., at Note 8, page 20]*.

137. The preceding statement was knowingly or recklessly false and misleading for at least the following reasons: (a) because the accounts receivable and inventory of the Company were inflated by at least $45.7 million (*supra*, ¶132), the credit line was not secured by at least such amount, a fact that directly contradicted the statement at Note 8 that reads: “the obligations under
the Senior Credit Agreement are secured by substantially all of our assets and
the assets of most of our subsidiaries . . .” and (b) for the reasons stated at supra,
¶¶50-63, the Company’s financial statements were not in compliance with
GAAP, which, as defendants admitted on December 14, 2009, was a default
under the Senior Credit Agreement.

138. The 2009 1Q-10Q also attached as exhibits 31.1, 31.2, 32.1, 32.2
the Certifications of Chief Executive and Financial Officers pursuant to SOX
and regulations promulgated thereunder (SEC Rule 15d-14(a) and 18 U.S.C. §
1350). Defendant Cohrs signed exhibits 31.2 and 32.2 as Chief Financial
Officer and defendant Ramsbottom signed exhibits 31.1 and 32.2 as Chief
Executive Officer. The Certificates were dated February 9, 2009.

139. The following statements among others were contained in Exhibits
31.1 and 31.2:

[2.] Based on my knowledge, this report does not contain any untrue
statement of a material fact or omit to state a material fact necessary
to make the statements made, in light of the circumstances under
which such statements were made, not misleading with respect to the
period covered by this report;

[3.] Based on my knowledge, the financial statements, and other
financial information included in this report, fairly present in all
material respects the financial condition, results of operations and
cash flows of the registrant as of, and for, the periods presented in
this report;

140. The preceding statements were knowingly or recklessly false and
misleading when made for the following reasons: (a) the 2009 1Q-10Q
materially overstated accounts receivable, deferred revenue, and inventories for
the reasons explained at supra, ¶¶50-63; and (b) the Company’s financial
statements as contained in the 2009 1Q-10Q were not prepared in accordance
with GAAP and thus, were not prepared in accordance with SEC regulations as
falsely stated in the 2009 1Q-10Q. Defendants admitted the foregoing on December 14, 2009.

141. Exhibits 32.1 and 32.2 also contained the following statements:

[1] The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

[2] The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company as of the dates and for the periods expressed in the Report.

142. The immediately preceding statements were knowingly or recklessly false and misleading when made for the reasons: (a) stated in the immediately preceding paragraph, supra, ¶140, and (b) Rentech's 2009 1Q-10Q did not comply with Section 13(a) of the Exchange Act in that the “information contained in the Report” does not fairly present, in all material respects, the financial condition and results of operations of the Company as of and for the respective periods ending December 31, 2008 and September 30, 2008 for the reasons further explained at supra, ¶¶109-110, 132. Defendants admitted the foregoing on December 14, 2009.

143. Finally, a conference call was held on February 10, 2009, at which defendants Cohrs and Ramsbottom hosted, and non-defendant John Diesch, Senior Vice President of Operations, also participated. At the conference call, defendant Cohrs repeated the false and misleading gross profit and income figures for the quarter as follows:

[Defendant] Cohrs: Thanks Hunt. Good Morning everyone. ... Gross profit declined just slightly from 10.3 million to 9.7 million. The net loss, which was 23.4 million last year declined to a loss of
4.3 million this year. . . This year, we had a 10.1 million decline in inventory, which was due to the decline in natural gas prices.

* * *

[Keep in mind that 10.1 million write-down from the cost of sales will actually come through and benefit in the future quarters as we report EBITDA through the year.]

[Bloomberg final, Tr. at 6]

144. The immediately preceding statements made by defendant Cohrs and left uncorrected by defendant Ramsbottom, for which he had such duty to correct, were knowingly or recklessly false and misleading when made for at least the following reasons: (a) Gross profit and income were understated by $1.8 million for improperly including in inventory cash deposits with natural gas forward contract counterparties and performing LCM calculations on such deposits; and (b) the $10.1 million natural gas inventory write-down should not benefit future quarters, as such write-downs were in violation of GAAP, and as also admitted by defendants at December 14, 2009, such write-downs would result in restatements of prior periods.

145. Also on the same conference call, defendant Cohrs reported that some “presale contracts” could result in “100% down payments earlier in the year” and related revenues for such contracts are not recognized until deliveries are made much later. [Bloomberg, final Tr. at 7].

146. The Company’s stock price opened at $0.84 per share on February 9, 2009 and traded as high as $0.86 per share to close at $0.76 per share on February 10, 2009 on trading volume above 400,000 shares on each day.

147. On May 11 and 12, 2009, the Company made the following public communications for the second 2009 fiscal quarter ended March 31, 2009: (a) it filed on Form 10-Q Rentech’s quarterly financial report on May 11, 2009; (b)
attached to Form 8-K filed on May 12, 2009, an earnings release reporting on the Company's results of operations; and (c) on May 12, 2009, defendants Cohrs and Ramsbottom conducted a conference call with analysts.

148. The May 12, 2009 8-K attaching the 2009 second fiscal quarter earnings release was signed by defendant Cohrs. The earnings release reported, among other things that "Rentech has increased its guidance for EBITDA at REMC for fiscal 2009 to $65 million from previous guidance of well in excess of $50 million."

149. The preceding statement was knowingly or recklessly made, as defendants falsely included in the earnings component of EBITDA, LCM adjustments to non-existent inventory, as admitted by defendants on December 14, 2009.

150. On May 11, 2009, Rentech filed the 2009 second quarter Form 10-Q with the SEC (the "2009 2Q-10Q").

151. The 2009 2Q-10Q reported at page 49 that Rentech experienced increased natural gas prices in 2008 and expected such increases to continue:

Natural gas prices have fluctuated during the last several years with prices reaching record highs in 2005, reducing in 2006 and 2007, rising again in 2008 and reducing again in 2009. These fluctuations over the last four years have generally shown a trend for increasing.

152. The 2009 2Q-10Q was signed by defendants Cohrs and Ramsbottom and was knowingly or recklessly false and misleading in several respects as later admitted by defendants on December 14, 2009 and as explained further in the immediately following paragraphs.

153. First, the statements made in the 2009 2Q-10Q concerning "Accounts Receivable" and "Deferred Revenue" were false and misleading when made because: (a) in violation of GAAP, defendants reported the entire amount due on products not yet manufactured and shipped of $774,000 where risk of
loss and title had not passed to the customer in “Accounts Receivable;” (b) defendants also improperly reported the same amount as “Deferred Revenue” in violation of GAAP as admitted on December 14, 2009; (c) defendants also inflated inventory by including collateral deposits made with natural gas forward contract counterparties as inventory, as admitted on December 14, 2009, and; (d) in connection with such improper “deposit” accounting, Rentech performed LCM adjustments, which, inter alia, misrepresented gross profits, operating and net loss by greater than $8.1 million for the fiscal quarter ended March 31, 2009 as admitted on December 14, 2009.

154. Thus, Rentech’s “Consolidated Balance Sheet” as of March 31, 2009 contained in the 2009 2Q-10Q was false and misleading when made for at least the following reasons, as admitted by defendants on December 14, 2009:

As of March 31, 2009

(in thousands of dollars)

<table>
<thead>
<tr>
<th>Accounts Receivable:</th>
<th>Original Figure</th>
<th>Adjustments</th>
<th>Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 4,672</td>
<td>($ 774)*</td>
<td>$ 3,898*</td>
</tr>
<tr>
<td>Deposits on gas contracts:</td>
<td>- 0 -</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Inventory</td>
<td>28,754</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Totals</td>
<td>$ 33,426</td>
<td>($ 774 )</td>
<td>$ 3,898 *</td>
</tr>
<tr>
<td>Deferred Revenue</td>
<td>$ 90,000</td>
<td>($ 774)*</td>
<td>$ *</td>
</tr>
<tr>
<td>Stockholders’ (Deficit)</td>
<td>($ 30,334)</td>
<td>($ 774)</td>
<td>($31,108)</td>
</tr>
</tbody>
</table>

* = Restatement adjustments and restated amounts are not reflected at all or in their entirety, as defendants although admitting to the falsity of such figures, did not provide interim restated amounts for “Deposits on gas contracts” to and from
suppliers and customers, respectively, which would adjust further Accounts Receivable, Inventory, and Deferred Revenues figures.

155. The 2009 2Q-10Q also presented the Consolidated Balance Sheet as of September 30, 2008, which was false and misleading for at least the following reasons as admitted by defendants on December 14, 2009:

As of September 30, 2008
(in thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>Original Figure</th>
<th>Adjustments</th>
<th>Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Receivable:</td>
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<td>($57,901)</td>
<td>$12,713</td>
</tr>
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<td>Deposits on gas contracts:</td>
<td>-0-</td>
<td>18,368</td>
<td>18,368</td>
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<td>Inventory</td>
<td>29,491</td>
<td>(12,362)</td>
<td>17,129</td>
</tr>
<tr>
<td>Totals</td>
<td>$100,105</td>
<td>($51,895)</td>
<td>$62,808</td>
</tr>
<tr>
<td>Deferred Revenue</td>
<td>$120,709</td>
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<td>$(13,089)</td>
<td>$6,005</td>
<td>$(7,084)</td>
</tr>
</tbody>
</table>

156. In addition, the 2009 2Q-10Q contained the following statements:

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments, consisting only of normal recurring accruals, considered necessary for a fair presentation have been included. These unaudited consolidated financial statements should be read in conjunction with the financial statements and footnotes.
thereto included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2008.

157. The preceding statements were knowingly or recklessly false and misleading when made for at least the following reasons: (a) The financial statements were not prepared in accordance with the instructions to Form 10-Q, as such instructions require, *inter alia*, that under Regulation S-X (17 C.F.R. §§ 210.1-01(a)(2), 210.10), interim financial statements are to be prepared in accordance with GAAP, which they were not for the reasons stated at *supra*, ¶¶50-63; (b) “all adjustments, consisting only of normal recurring accruals, considered necessary for a fair presentation” were not made and/or reflected for the reasons stated at *Id.*; and (c) the incorporated by reference statements as contained in the Annual Report on Form 10-K for the fiscal year ended September 30, 2008 also were false and misleading for at least the reasons stated at *supra*, ¶¶109-110. Defendants admitted the preceding on December 14, 2009.

158. At March 31, 2009, Rentech had outstanding $47.4 million under the Senior Credit Agreement. The 2009 2Q-1OQ also stated: “As of March 31, 2008, we were in compliance with all covenants under the Senior Credit Agreement.”

*[Id., at Note 8, page 20]*.

159. The preceding statement was knowingly or recklessly false and misleading for at least the following reasons: (a) because the accounts receivable and inventory of the Company were inflated by greater than $774,000 (*supra*, ¶154), the credit line was not secured by at least such amount, a fact that directly contradicted the statement at Note 8 that reads: “the obligations under the Senior Credit Agreement are secured by substantially all of our assets and the assets of most of our subsidiaries . . .” and (b) for the reasons stated at *supra*, ¶157, the Company’s financial statements were not in compliance with GAAP,
which, as defendants admitted on December 14, 2009, was a default under the Senior Credit Agreement.

160. The 2009 2Q-10Q also attached as exhibits 31.1, 31.2, 32.1, 32.2 the Certifications of Chief Executive and Financial Officers pursuant to SOX and regulations promulgated thereunder (SEC Rule 15d-14(a) and 18 U.S.C. § 1350). Defendant Cohrs signed exhibits 31.2 and 32.2 as Chief Financial Officer and defendant Ramsbottom signed exhibits 31.1 and 32.2 as Chief Executive Officer. The Certificates were dated May 11, 2009.

161. The following statements, among others, were contained in Exhibits 31.1 and 31.2:

[2.] Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

[3.] Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

162. The preceding statements were knowingly or recklessly false and misleading when made for the following reasons: (a) the 2009 2Q-10Q materially overstated accounts receivable, deferred revenue, and inventories for the reasons explained at supra, ¶¶50-63; and (b) the Company’s financial statements as contained in the 2009 2Q-10Q were not prepared in accordance with GAAP and thus, were not prepared in accordance with SEC regulations as falsely stated in the 2009 2Q-10Q. Defendants admitted the preceding on December 14, 2009.

163. Exhibits 32.1 and 32.2 also contained the following statements:
[1] The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

[2] The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company as of the dates and for the periods expressed in the Report.

164. The immediately preceding statements were knowingly or recklessly false and misleading when made for the reasons: (a) stated in the immediately preceding paragraph, infra, ¶162 and (b) Rentech’s 2009 2Q-10Q did not comply with Section 13(a) of the Exchange Act in that the “information contained in the Report” does not fairly present, in all material respects, the financial condition and results of operations of the Company as of and for the respective periods ending March 31, 2009 and September 30, 2008 for the reasons further explained at supra, ¶¶109-110, 154. Defendants admitted the preceding on December 14, 2009.

165. Finally, a conference call was held on the same day, during which defendants Cohrs repeated the same false and misleading gross profit and income figures as contained in the 2009 2Q-10Q and press release.

[Defendant] Cohrs: [G]ross profit declined to a loss of $3 million this year, compared to $7.9 million last year. . . [O]ur net loss improved year-over-year from 22.8 million last year to a loss of 16.5 million this year.

*        *        *

This quarter’s profit numbers were affected by a write-down in inventory of 5.9 million. There was no write-down in the corresponding quarter.
166. The immediately preceding statements made by defendant Cohrs
and left uncorrected by defendant Ramsbottom, for which he had a duty to
correct, were knowingly or recklessly false and misleading when made for the
following reasons: (a) gross loss and loss were understated by $8.1 million for
improperly including in inventory deposits with natural gas forward contract
counterparties and performing LCM calculations on such deposits, as admitted
by defendants on December 14, 2009 and (b) misrepresenting that there was no
write-down in the corresponding 2008 quarter, as indeed there was for at least
$82,000, as admitted by defendants on December 14, 2009.

167. On May 11, 2009, the Company’s stock price traded as high as
$0.77 per share and closed at $0.73 per share or up from its opening price of
$0.69 per share on unusually high trading volume of 1,376,700 shares.

168. On June 11, 2009, Rentech filed on Form 8-K information required
under Item 4.01, Changes in Registrant’s Certifying Accountant, and related
Exhibit 16.1, “Letter of Ehrhardt Keefe Steiner & Hottman, PC, Dated June 10,
2009.” The Form 8-K was signed by defendant Cohrs and reported that:

Effective June 8, 2009, the Audit Committee of the Board of
Directors of Rentech, Inc. (the “Company”) approved the
engagement of PricewaterhouseCoopers (“PwC”) as the Company’s
independent registered public accounting firm. PwC accepted the
engagement as the Company’s independent registered public
accounting firm for the fiscal year ending September 30, 2009 on
June 10, 2009.

As described below, the change in independent registered public
accounting firms is not the result of any disagreement with EKS&H.
169. Indeed, the letter attached to the 8-K and authored by non-defendant EKSH stated: “We have read the statements made by Rentech, Inc. under Item 4.01 of its Form 8-K dated June 8, 2009. We agree with the statements insofar as they relate to our Firm in such Form 8-K. We have no basis to agree or disagree with the other statements made.”

170. On June 23, 2009, Rentech filed another Form 8-K, this time announcing the acquisition of Silva Gas Holdings Corporation ("Silva Gas"), for $9,735,000 to be paid to Silva Gas stockholders for the most part with the common stock of Rentech. The merger agreement also contained the following terms, as reported in the Form 8-K release and attached documents:

Approximately 6,800,000 of the shares of our common stock issuable at closing will be deposited with an escrow agent to support certain indemnification obligations of the SilvaGas stockholders. All of our shares of common stock issuable at closing to the SilvaGas stockholders as consideration for the merger, except for a number of shares with a value of $2,125,000 payable to certain stockholders (the “Excluded Shares”), are subject to transfer restrictions that lapse 180 days after the closing. We have agreed to use our commercially reasonable efforts to file a registration statement within 30 days of the closing date to register the Excluded Shares for resale. Pursuant to the terms of the Merger Agreement, the holders of the Excluded Shares have agreed that, on any trading day, they will not sell more than an aggregate number of Excluded Shares equal to 15% of the average daily trading volume of the our common stock over the preceding 30 trading days.

Subject to the terms and conditions of the Merger Agreement, in addition to the consideration paid at the closing, the SilvaGas stockholders may be entitled to receive additional shares of our common stock as earn-out consideration. Under the terms of the Merger Agreement, the earn-out consideration will be calculated based on whether the biomass gasification unit implementing SilvaGas technology at our proposed project in Rialto, California, or another project designated by us, achieves certain performance
criteria no later than March 29, 2022. Depending on the performance of the gasifier, such additional earn-out consideration may vary from zero to the sum of 6.25 million shares and that number of shares equal in value to $5.5 million. In no event will we issue more than 11,000,000 shares of our common stock as earn-out consideration. In the event that the SilvaGas biomass gasification unit fails to achieve the performance criteria, the SilvaGas stockholders may be entitled to a portion of the licensing fees and other royalties we receive from licensing the SilvaGas technology in excess of a certain threshold. Under the Merger Agreement, in no event will the aggregate consideration paid to the SilvaGas stockholders at closing and as earn-out consideration exceed 20% of the current total outstanding common stock of the Company.

171. On June 25, 2009, the Company filed yet another Form 8-K this time announcing that on June 24, 2009, Rentech “entered into a stock purchase agreement (the ‘Purchase Agreement’) with certain institutional investors relating to the purchase and sale of approximately 11,000,000 registered shares of common stock of Rentech, for a purchase price of $0.58 per share (the ‘Offering’).” The Purchase Agreement attached to the 8-K was signed by defendant Ramsbottom and contained the following statements, among others:

(j) SEC Documents. During the one (1) year prior to the date hereof, the Company has timely filed all reports, schedules, forms, statements and other documents required to be filed by it with the SEC pursuant to the reporting requirements of the 1934 Act (all of the foregoing filed prior to the date hereof and all exhibits included therein and financial statements, notes and schedules thereto and documents incorporated by reference therein being referred to herein as the “SEC Documents”). As of their respective dates, the SEC Documents complied in all material respects with the requirements of the 1934 Act and the rules and regulations of the SEC promulgated thereunder applicable to the SEC Documents, and none of the SEC Documents, at the time they were filed with the SEC, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in
order to make the statements therein, in the light of the circumstances under which they were made, not misleading. As of their respective dates, the financial statements of the Company included in the SEC Documents complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto as in effect as of the time of filing. Such financial statements have been prepared in accordance with generally accepted accounting principles, consistently applied, during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto, or (ii) in the case of unaudited interim statements, to the extent they may exclude footnotes or may be condensed or summary statements) and fairly present in all material respects the financial position of the Company as of the dates thereof and the results of its operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments which will not be material, either individually or in the aggregate).

* * * * *

(n) Sarbanes-Oxley Act. The Company and each Subsidiary is in material compliance with all applicable requirements of the Sarbanes-Oxley Act of 2002 that are effective as of the date hereof, and all applicable rules and regulations promulgated by the SEC thereunder that are effective as of the date hereof.

172. The immediately preceding statements as contained in the documents attached to and filed with the June 24, 2009 Form 8-K were knowingly or recklessly false and misleading when made for at least the following reasons: (a) the financial statements and audit reports as contained in the 2008 10-K and the financial information and “audited” figures as contained in Forms 10-Q for the year and interim periods immediately preceding June 24, 2009 were (i) not prepared in accordance with GAAP nor applicable SEC rules (regulation S-X), as represented above, for the reasons stated at ¶¶50-63, 109-110; and (ii) the Company was not in material compliance with SOX and the
regulations promulgated thereunder, as admitted within only a few months by
the Rentech Defendants on December 14, 2009:

[T]he 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 annual or interim consolidated
financial statements that would not be prevented or detected.

(iii) and as similarly reported by EKSH in a restated audit report on
December 14, 2009:

[A]lso in our opinion, the Company did not maintain, in all material
respects, effective internal control over financial reporting as of
September 30, 2009, based on criteria established in *Internal
Control — Integrated Framework* issued by the Committee of
Sponsoring Organizations of the Treadway Commission (COSO)
because a material weakness in internal control over financial
reporting related to the selection and application of generally
accepted accounting principles existed as of that date. A material
weakness is a deficiency, or a combination of deficiencies, in
internal control over financial reporting, such that there is a
reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness referred to above is described in Management's Report on Internal Control over Financial Reporting appearing under Item 9A.

[2009 10-K at 51].

173. Between June 24, 2009 and June 25, 2009, the price of the Company's stock traded as high as $0.61 on unusually high volume of 1,011,000 and 1,546,900, respectively, to close at $0.57 per share on June 25, 2009.

174. On August 10 and 11, 2009, the Company made the following public communications for the third 2009 fiscal quarter ended June 30, 2009: (a) it filed on Form 10-Q Rentech's quarterly financial report on August 10, 2009; (b) attached to Form 8-K filed on August 11, 2009, an earnings release reporting on the Company's results of operations; and (c) on August 11, 2009, defendants Cohrs and Ramsbottom conducted a conference call with analysts as described more fully below.

175. The August 11, 2009 8-K attaching the 2009 third fiscal quarter earnings release was signed by defendant Cohrs. The earnings release reported, among other things, that "Rentech is increasing its consolidated EBITDA guidance for fiscal 2009 to greater than $25 million compared to previous guidance of $15 million."

176. The preceding statement was knowingly or recklessly false and misleading when made, as defendants improperly included in the earnings component of EBITDA, LCM adjustments to non-existent inventory, which resulted in misrepresented earnings, as admitted by defendants on December 14, 2009.

177. On August 10, 2009, Rentech filed the 2009 third quarter Form 10-Q with the SEC (the "2009 3Q-10Q"). The 2009 3Q-10Q reported at page 33
that Rentech experienced increased natural gas prices in 2008, price declines in 2009, but now did not state the Company’s expectations for future prices, as it had in prior periods:

Currently, REMC purchases natural gas for use in its East Dubuque Plant on the spot market, and through short-term, fixed supply, fixed price and index price purchase contracts. Natural gas prices have fluctuated during the last several years. Prices increased in 2008 and declined in 2009.

178. The 2009 3Q-10Q was signed by defendants Cohrs and Ramsbottom and was knowingly or recklessly false and misleading in several respects as later admitted by defendants on December 14, 2009, and as explained further in the immediately following paragraphs.

179. First, the statements made in the 2009 3Q-10Q concerning “Accounts Receivable” and “Deferred Revenue” were false and misleading when made because: (a) in violation of GAAP, defendants reported the entire amount due on products not yet produced and shipped of $8,017,000 where risk of loss and title had not passed to the customer in “Accounts Receivable;” (b) defendants also improperly reported the same amount as “Deferred Revenue” in violation of GAAP as admitted on December 14, 2009; (c) defendants also inflated inventory by including collateral deposits made with natural gas forward contract counterparties as inventory, as admitted on December 14, 2009, and in connection with such improper “deposit” accounting, Rentech performed LCM adjustments, which, inter alia, misrepresented gross profits, operating and net loss by greater than $1.8 million for the fiscal quarter ended June 30, 2009 as admitted on December 14, 2009.
180. Thus, Rentech’s “Consolidated Balance Sheet” as of June 30, 2009 as contained in the 2009 3Q-10Q was false and misleading when made for at least the following reasons, as admitted by defendants on December 14, 2009:

As of June 30, 2009

(in thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>Original Figure</th>
<th>Adjustments</th>
<th>Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Receivable:</td>
<td>$14,435</td>
<td>($8,017)*</td>
<td>$6,418*</td>
</tr>
<tr>
<td>Deposits on gas contracts:</td>
<td>-0-</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Inventory</td>
<td>10,701</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Totals</td>
<td>$25,136</td>
<td>($8,017)*</td>
<td>$17,119*</td>
</tr>
<tr>
<td>Deferred Revenue</td>
<td>$18,106</td>
<td>($8,017)*</td>
<td>$10,089*</td>
</tr>
<tr>
<td>Stockholders’ Equity</td>
<td>$21,661</td>
<td>($1,819)</td>
<td>($19,842)</td>
</tr>
</tbody>
</table>

* = Restatement adjustments and restated amounts are not reflected at all or in their entirety, as defendants although admitting to the falsity of such figures, did not provide interim restated amounts for “Deposits on gas contracts” to and from suppliers and customers, respectively, which would adjust further Accounts Receivable, Inventory, and Deferred Revenues figures.

181. The financial statements and other financial information, as presented in prior 10-Qs also included the consolidated financial figures of September 30, 2008 and/or for the fiscal year then ended. Such figures were knowingly or recklessly false and misleading when made for at least the following reasons, as ultimately admitted by defendants on December 14, 2009.

As of September 30, 2008

(in thousands of dollars)
<table>
<thead>
<tr>
<th></th>
<th>Original Figure</th>
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<td>Shareholders’ (Deficit)</td>
<td>$(13,089)</td>
<td>$ 6,005</td>
<td>$(7,084)</td>
</tr>
</tbody>
</table>

182. In addition, the 2009 3Q-10Q contained the following statements:

The accompanying unaudited consolidated financial statements of Rentech Inc. (the Company) have been prepared in accordance with accounting principles generally accepted in the United States of America and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments, consisting only of normal recurring accruals, considered necessary for a fair statement of the Company’s financial position as of June 30, 2009, and the results of operations and cash flows for the periods presented. The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. Operating results for the nine months ended June 30, 2009 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2009. The information included in this Form 10-Q should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2008.
183. The preceding statements were knowingly or recklessly false and misleading when made for at least the following reasons: (a) The financial statements were not prepared in accordance with GAAP nor the instructions to Form 10-Q, as such instructions require, inter alia, that under Regulation S-X (17 C.F.R. §§ 210.1-01(a)(2), 210.10), interim financial statements are to be prepared in accordance with GAAP, which they were not for the reasons stated at supra, ¶¶50-63; (b) “all adjustments, consisting only of normal recurring accruals, considered necessary for a fair presentation” were not made and/or reflected for the reasons stated at Id.; and (c) the reference to and statements contained in the Annual Report on Form 10-K for the fiscal year ended September 30, 2008 also were false and misleading for at least the reasons stated at supra, ¶¶109-110. Defendants admitted the preceding on December 14, 2009.

184. At June 30, 2009, Rentech had outstanding $37.1 million under the Senior Credit Agreement. The 2009 3Q-10Q also stated: “As of June 30, 2009, we were in compliance with all covenants under the Senior Credit Agreement.” [Id., at Note 10, page 15].

185. The preceding statement was knowingly or recklessly false and misleading for at least the following reasons: (a) because the accounts receivable and inventory of the Company were inflated by greater than $8,017,000 (infra, ¶180), the credit line was not secured by at least such amount, a fact that directly contradicted the statement at Note 10 that reads: “the obligations under the Senior Credit Agreement are secured by substantially all of the Company’s assets and the assets of most of our subsidiaries . . .” and (b) for the reasons stated at supra ¶183, the Company’s financial statements were not in compliance with GAAP, which, as defendants admitted on December 14, 2009, was an event of default under the Senior Credit Agreement.

186. The 2009 3Q-10Q also attached as exhibits 31.1, 31.2, 32.1, 32.2 the Certifications of Chief Executive and Financial Officers pursuant to SOX
and regulations promulgated thereunder (SEC Rule 15d-14(a) and 18 U.S.C. § 1350). Defendant Cohrs signed exhibits 31.2 and 32.2 as Chief Financial Officer and defendant Ramsbottom signed exhibits 31.1 and 32.2 as Chief Executive Officer. The Certificates were dated August 11, 2009.

187. The following statements among others were contained in Exhibits 31.1 and 31.2:

[2.] Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

[3.] Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

188. The preceding statements were knowingly or recklessly false and misleading when made for the following reasons: (a) the 2009 3Q-10Q materially overstated accounts receivable, deferred revenue, and inventories for the reasons explained at supra, ¶¶50-63; and (b) the Company’s financial statements as contained in the 2009 3Q-10Q were not prepared in accordance with GAAP and thus, were not prepared in accordance with SEC regulations as falsely stated in the 2009 2Q-10Q. Defendants admitted the preceding on December 14, 2009.

189. Exhibits 32.1 and 32.2 also contained the following statements:

[1] The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

[2] The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of
the Company as of the dates and for the periods expressed in the Report.

190. The immediately preceding statements were knowingly or recklessly false and misleading when made for the reasons: (a) stated in the immediately preceding paragraph, supra, ¶188 and (b) Rentech's 2009 3Q-10Q did not comply with Section 13(a) of the Exchange Act in that the “information contained in the Report” does not fairly present, in all material respects, the financial condition and results of operations of the Company as of and for the respective periods ending June 30, 2009 and September 30, 2008 for the reasons further explained at supra, ¶¶109-110, 180. Defendants admitted the foregoing on December 14, 2009.

191. Finally, a conference call was held on the same day, during which defendants Cohrs and Ramsbottom spoke and were congratulated repeatedly by analysts on such a “good quarter.” In addition, defendant Cohrs repeated the false and misleading gross profit and income figures for the quarter as follows:

[Defendant] Cohrs: [F]or consolidated third quarter results, we reported revenues up over 50% from the third quarter of last year at 91.4 million. Net income was up to 36.1 million this quarter, up from a loss of 7.8 million last year.

[Bloomberg “final” at 4].

192. The immediately preceding statements made by defendant Cohrs and left uncorrected by defendant Ramsbottom, for which he had a duty to correct, were knowingly or recklessly false and misleading when made for at least the following reasons: Gross profit and income were overstated by at least $1.8 million for improperly including in inventory cash deposits with natural gas forward contract counterparties and performing LCM calculations on such deposits, as admitted by defendants on December 14, 2009.
193. This “good quarter” was not unnoticed in the stock market. The price of the Company’s stock closed at $0.62 per share on August 7, 2009 and opened at $0.88 per share on August 10, 2009, the next trading day. On that day, the stock traded as high as $1.32 per share to close at same on 36,972,700 shares traded. On August 11, 2009, the price of the Company’s stock traded as high as $1.45 per share and closed at $1.23 per share on 18,099,400 shares traded.

194. On August 21, 2009, the Company issued a Form 8-K attaching, among other things, an August 20, 2009 press release, Placement Agreement between Rentech and Roth Capital Partners, LLC dated August 20, 2009 (the “Placement Agreement”) and a “Form of Subscription Agreement. The Placement Agreement was signed by defendant Cohrs. The press release reported that Rentech “signed a definitive subscription agreement to sell to an institutional investor 8,571,428 shares of its common stock at a price of $1.75 per share for gross proceeds of approximately $15 million.” The Placement Agreement was pursuant to a shelf registration statement that was effective May 29, 2009, which incorporated by reference, among other documents, the audited false and misleading 2008 10-K and the 2009 interim and periodic filings on Forms 10-Q and 8-K as described above.

195. The related Placement Agreement contained the following statements among others at page 3 thereof:

(iii) The financial statements of the Company, together with the related notes, included or incorporated by reference in the Registration Statement, the Time of Sale Disclosure Package and the Final Prospectus comply in all material respects with the requirements of the Securities Act and the Exchange Act and fairly present in all material respects the financial condition of the Company as of the dates indicated and the results of operations and changes in cash flows for the periods therein specified in conformity with generally accepted accounting principles consistently applied throughout the periods involved . . .

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196. The preceding statements were knowingly or recklessly false and misleading when made because (a) "the financial statements of the Company, together with the related notes," did not comply in all material respects with the requirements of the Securities Act of 1933 and the Exchange Act (b) as they did not "fairly present in all material respects the financial condition of the Company as of the dates indicated and the results of operations changes in cash flows for the periods therein specified in conformity with [GAAP] consistently applied throughout the periods involved" for the reasons stated at supra, ¶¶109-110 as admitted by defendants on December 14, 2009.

197. The price of the Company's stock climbed again on this news to $2.53 per share on August 20, 2009 and closed at $2.16 per share on August 21, 2009 on unusually high trading volume of 51,176,100 and 35,586,000 shares, respectively.

198. Similarly, only a month later, on September 23, 2009, the Company issued another Form 8-K attaching a press release, announcing a Placement Agreement, dated September 23, 2009 between Rentech and Brean Murray, Carret & Co., LLC (the "Placement Agreement"). The Placement Agreement was signed by defendant Cohrs. The press release reported that Rentech "signed a definitive subscription agreement to sell to institutional investors an aggregate of 11,111,000 shares of its common stock at a price of $1.80 per share for gross proceeds of approximately $20.0 million."

199. The Placement Agreement was pursuant to a shelf registration statement that was effective May 29, 2009, which incorporated by reference, among other documents, the audited 2008 10-K and the 2009 interim and periodic filings on Forms 10-Q and 8-K as described above.

200. The related Placement Agreement contained the following statements among others at page 3 thereof:
(iii) The financial statements of the Company, together with the related notes, included or incorporated by reference in the Registration Statement, the Time of Sale Disclosure Package and the Final Prospectus comply in all material respects with the requirements of the Securities Act and the Exchange Act and fairly present in all material respects the financial condition of the Company as of the dates indicated and the results of operations and changes in cash flows for the periods therein specified in conformity with generally accepted accounting principles consistently applied throughout the periods involved . . .

201. The preceding statements were knowingly or recklessly false and misleading when made because (a) "the financial statements of the Company, together with the related notes," did not comply in all material respects with the requirements of the Securities Act of 1933 and the Exchange Act (b) as they did not "fairly present in all material respects the financial condition of the Company as of the dates indicated and the results of operations changes in cash flows for the periods therein specified in conformity with [GAAP] consistently applied throughout the periods involved" for the reasons stated at supra, ¶¶109-110, as admitted by defendants on December 14, 2009.

202. On September 23, 2009, the price of the Company's stock rose to $1.91 per share on 25,490,000 shares traded to close at $1.80 per share or down $0.06 from its opening price of $1.86 per share.

203. On November 13, 2009, the board of directors appointed John A. Williams as a member of the Company's board. John A. Williams was a greater than 10% shareholder of the recently acquired company, SilvaGas in June 2009.

C. The Truth is Revealed

204. On December 14, 2009, the Company announced in a press release filed on Form 8-K entitled "Item 4.02(a) Non-Reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review," and signed by defendant Cohrs, the following:

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

The Company enters into forward contracts with fixed delivery prices to purchase portions of the natural gas required to produce fertilizer for the Company’s nitrogen fertilizer business. Some of the forward contracts require the Company to pay a deposit for the natural gas at the time of contract signing, and all of the contracts require deposits in the event that the market price for natural gas falls after the date of the contract to a price below the fixed price in the contracts.

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

The Company has now determined that these deposits should have been classified on the balance sheet as deposits, rather than as inventory, because neither title nor risk of loss passed to the Company when it paid the deposits for the natural gas. The Company has also determined that the LCM adjustments related to these contract deposits were not calculated in a manner consistent with generally accepted accounting principles. In future periods, the cost of natural gas purchased under forward contracts will be recognized at contracted prices as the gas flows through production, into finished goods inventory, and then into cost of goods sold as the product is 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.

205. On the following day, December 15, 2009, defendants Ramsbottom and Cohrs conducted a conference call with analysts. Therein, it was reported also that the net effect of the improper forward contract and inventory accounting was that 2008 earnings were deflated by approximately $6 million and 2009 earnings were inflated by same. [Bloomberg Tr. at 5].

206. On the same day, defendant Cohrs also attributed the improper accounting to defendant EKSH, the Company’s prior auditors:

Both of the accounting methods were consistently applied by the previous owners of REMC and approved by their auditor when we bought REMC in 2006, our auditor at the time approved these accounting treatments and we carried them forward. [W]hen we changed audit firms to PwC this year, we all took a fresh look at the issue and working with PwC, we concluded that the gas contract accounting was in fact wrong and we decided to improve the deferred revenue accounting as well.
207. Notwithstanding the foregoing, Rentech, and defendants Cohrs and Ramsbottom admitted to “not maintain[ing] 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 annual or interim consolidated financial statements that would not be prevented or detected.

[Item 9A to the 2009 10-K at 95 (emphasis added)].

208. Further reliance on auditors’ approval of accounting methods “will not shield [the officers] from liability for deception such methods may have caused.” In re New Century, 588 F. Supp. 2d 1206, 1231 (C.D. Cal. 2008) (Pregerson, J.) (citation omitted).
209. Rentech’s new auditors, PwC, issued an adverse opinion on the Company’s internal controls and compliance with SOX:

Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of September 30, 2009, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) because a material weakness in internal control over financial reporting related to the selection and application of generally accepted accounting principles existed as of that date. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness referred to above is described in Management’s Report on Internal Control over Financial Reporting appearing under Item 9A.

[2009 10-K at 51].

210. In addition, in restated audit reports, EKSH now reported that the Company’s fiscal 2008 financial statements were not prepared in accordance with GAAP and were required to be restated, as a result:

(a) As to the Company’s audited financial statements for fiscal year ended September 30, 2008 issued restated audit reports:

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rentech Inc. and Subsidiaries as of September 30, 2008 (restated), and the results of its operations and its cash flows for the years ended September 30, 2008 (as restated) and 2007 in conformity with
accounting principles generally accepted in the United States of America.

As discussed in Notes 2 and 21 of the consolidated financial statements, the Company has restated its financial statements as of September 30, 2008 and for the year ended September 30, 2008 to classify and record its deposit payments made under forward gas contracts as deposits on gas contracts instead of inventory and to adjust its inventory write-down for the effects of the change in balance sheet classification.

* * * *

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of September 30, 2008, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated December 14, 2008, except for the effect of the restatement discussed in Notes 2 and 21 as to which the date is December 14, 2009, expressed an adverse opinion on the Company's internal control over financial reporting because of two material weaknesses.

[2009 10-K at 52 (Emphasis added)];

(b) As regard's Rentech's internal controls EKSH now stated:

As discussed in Notes 2 and 21 of the consolidated financial statements, the Company has restated its financial statements as of September 30, 2008 and for the year ended September 30, 2008 to classify and record its deposit payments made under forward gas contract as deposits on gas contracts instead of inventory and to adjust its inventory write-down for the effects of the change in balance sheet classification. Management has identified a material weakness in its internal control over the interpretation of generally
accepted accounting principles related to its balance sheet
classification of deposit payments under forward gas contracts.

[2009 10-K at 53-54].

211. On December 14, 2009, the Company’s stock price opened at $1.70
per share and trading as low as $1.48 per share on December 15, 2009 to close at
$1.47 per share on December 16, 2009.

212. The trading volume on these three days was unusually high. For
December 14, 2009 the volume was 2,198,200 shares. For December 15, 2009,
shares traded were 7,886,500. Finally, 3,730,000 shares were traded on
December 16, 2009. The Company’s stock price continued to trade lower
thereafter with a closing price of $1.23 per share on December 31, 2009.

D. Undisclosed Adverse Facts

213. The market for Rentech securities was open, well-developed and
efficient at all relevant times. As a result of defendants’ materially false and
misleading statements and failures to disclose, Rentech securities traded at
artificially inflated prices during the Class Period. The artificial inflation
continued until Rentech announced it would be forced to restate its financial
results going back to fiscal year 2008. Plaintiff and other members of the Class
purchased or otherwise acquired Rentech securities relying upon the integrity of
the market price of Rentech securities and market information relating to the
Company and have been damaged thereby.

214. During the Class Period, defendants materially misled the investing
public, thereby inflating the price of Rentech securities, by publicly issuing false
and misleading statements and omitting to disclose material facts necessary to
make defendants’ statements, as set forth herein, not false and misleading.
These statements and omissions were materially false and misleading in that they
failed to disclose material adverse information and misrepresented the truth
about the Company, its business and operations.
215. At all relevant times, the material misrepresentations and omissions
particularized in this Complaint directly or proximately caused or were a
substantial contributing cause of the damages sustained by Plaintiff and other
members of the Class. As described herein, during the Class Period, defendants
made or caused to be made a series of materially false or misleading statements
about Rentech’s business, accounting and financial results. These material
misstatements and omissions had the cause and effect of creating in the market
an unrealistically positive assessment of Rentech and its business and operations,
thus causing the Company’s securities to be overvalued and artificially inflated
at all relevant times. Defendants’ materially false and misleading statements
during the Class Period resulted in plaintiff and other members of the Class
purchasing, or otherwise acquiring, the Company’s securities at artificially
inflated prices and disposing and/or retaining them after corrective disclosures
and/or concealed risks materialized, thus causing the damages complained of
herein.

VII. ADDITIONAL SCIENTER ALLEGATIONS

A. Confidential Witness Statements

216. CW1 is a former Rentech internal auditor employed by the
Company from prior to the beginning of the Class Period until November 2008.
He/she reported to the director of internal audit. CW1 stated the following:

a. there were “absolutely not enough” people in the accounting
department at the Company’s headquarters during this period and
that Rentech only had three “real” accountants with the remainder
“just clerks” at Rentech’s headquarters in Los Angeles;

b. the corporate accounting and consolidation reporting was done out
of the Company’s Los Angeles headquarters, where the Chief
Accounting and Chief Financial Officers were located;
c. part of the reason no one questioned REMC accounting was because, *inter alia*, “REMC was the only part of the company making any money;”

d. persons were being laid off because the Company “ran out of money;”

e. the Company had to borrow money through term loans, because money was becoming difficult to raise from the capital markets;

f. there were quarterly board meetings in which internal audit made presentations, but the audit committee meeting was only 30 minutes out of two days of meetings;

g. there appeared to be only one person on the board with an accounting background at the meetings;

h. internal audit was not staffed properly with only a few full-time employees;

i. the director of internal audit reported to the CFO of Rentech, and;

j. Finally, after CW1’s manager left in or about November 2008, CW1 stated that there was in substance no internal audit department, which he/she opined is also a violation of SOX.

B. Reckless Disregard of Basic GAAP and SEC Reporting

1. SEC Rules, Materiality, and Restatements

217. GAAP consists of those principles recognized by the accounting profession as the conventions, rules, and procedures necessary to define accepted accounting practice at the particular time. Regulation S-X, 17 C.F.R. § 210.4-01(a)(1), provides that financial statements that are not prepared in compliance with GAAP, are presumed to be false and misleading.

218. GAAP “recognize the importance of reporting transactions and events in accordance with their substance.” AU §411.06. GAAP should be applied consistently. AU §420.01 (“The report shall identify those circumstances
in which such principles have not been consistently observed in the current period in relation to the preceding period.

219. SEC Rule 13a-13 requires issuers to file quarterly reports. SEC Rule 12b-20 requires that periodic reports contain such further information as is necessary to make the required statements, in light of the circumstances under which they are made, not misleading.

220. The SEC stated, in Securities Act Release No. 6349 (September 8, 1981), that:

[I]t is the responsibility of management to identify and address those key variables and other qualitative and quantitative factors which are peculiar to and necessary for an understanding and evaluation of the individual company.

221. In addition, as noted by the SEC in Accounting Series Release 173:

[I]t is important that the overall impression created by the financial statements be consistent with the business realities of the company’s financial position and operations.

222. As a result of Rentech’s accounting improprieties as discussed herein, the Company’s results of operations, financial condition and cash flows were continually overstated throughout the Class Period. Rentech’s overstatement of its financial results throughout the Class Period is material. The SEC Staff Accounting Bulletin No. 99 – Materiality (“SAB No. 99”) specifically addresses misstatements and materiality.

[Registrants] must make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of the registrant and must maintain internal accounting controls that are sufficient to provide reasonable assurances that, among other things, transactions are recorded as necessary to permit the preparation of financial statements in conformity with GAAP . . . Accordingly, failure to
record accurately immaterial items, in some instances, may result in violations of the securities laws.

223. SAB No. 99 expresses the SEC’s view “that exclusive reliance on certain quantitative benchmarks to assess materiality in preparing financial statements . . . is inappropriate.” SAB No. 99 reiterates the FASB’s concept of materiality stating that a matter is “material” if there is a substantial likelihood that a reasonable person would consider it important. FASCON No. 2.

224. Finally, SFAS No. 154, Accounting Changes and Error Corrections and Accounting Principles Board Opinion No. 20 (“APB No. 20”), which was superceded by SFAS No. 154 in 2006, governs when an issuer must restate previously issued financial statements due to material errors therein. Restatements are only to be made when “material.” APB 20.

225. SFAS No. 154 defines “Restatement” as follows: “The process of revising previously issued financial statements to reflect the correction of an error in those financial statements.” Id., ¶2j.

226. SFAS No. 154, as did APB 20 defines “Error in previously issued financial statements,” as follows: “An error in recognition, measurement, presentment, or disclosure in financial statements resulting from mathematical mistakes, mistakes in the application of GAAP, or oversight or misuse of facts that existed at the time the financial statements were prepared.” FASB, CURRENT TEXT, 2007/2008 Edition, ¶A07.408 [Emphasis added].

227. On December 14, 2009, Rentech announced the necessity to restate all annual and/or interim financial statements for fiscal 2008 and 2009 and reported at the December 15, 2009 conference call that the Company had been presenting its financial statements using the same improper accounting practices since at least 2006.

2. Other Fundamental GAAP Violations
228. In addition to the aforementioned violations of GAAP, the Company’s Class Period financial statements also violated the following fundamental GAAP principles, among others:

(a) The principle that financial reporting should provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit and similar decisions (Financial Accounting Standards Board (“FASB”) Statement of Concepts No. 1, ¶34);

(b) The principle that financial reporting should provide information about the economic resources of an enterprise, the claims to those resources, and the effects of transactions, events and circumstances that change resources and claims to those resources (FASB Statement of Concepts No. 1, ¶40);

(c) The principle that financial reporting should provide information about an enterprise’s financial performance during a period (FASB Statement of Concepts No. 1, ¶42); investors and creditors often use information about the past to help in assessing the prospects of an enterprise. Thus, although investment and credit decisions reflect investors’ expectations about the enterprise’s future performance, those expectations are commonly based, at least partly, on evaluations of past enterprise performance.

(d) The principle that financial reporting should provide information about how management of an enterprise has discharged its stewardship responsibility to owners (stockholders) for the use of enterprise resources entrusted to it; to the extent that management offers securities of the enterprise to the public, it voluntarily accepts wider responsibilities for accountability to prospective investors and to the public in general (FASCON No. 1, ¶50);

(e) The principle that financial reporting should be reliable in that it represents what it purports to represent; that information should be
reliable as well as relevant is a notion that is central to accounting (FASCON No. 2, ¶¶58-59);

(f) The principle of completeness, which means that nothing is left out of the information that may be necessary to ensure that it validly represents underlying events and conditions (FASB Statement of Concepts No. 2 ¶79);

(g) The principle that conservatism be used as a prudent reaction to uncertainty to try to ensure that uncertainties and risks inherent in business situations are adequately considered. The best way to avoid injury to investors is to try to ensure that what is reported represents what it purports to represent (FASCON No. 2, ¶¶ 95, 97);

(h) The principle that disclosure of accounting policies should identify and describe the accounting principles followed by the reporting entity and the methods of applying those principles that materially affect the determination of financial position (APB Opinion No. 22, ¶12);

(i) The principle that if no accrual is made for a loss contingency, then disclosure of the contingency shall be made when there is a reasonable possibility that a loss or an additional loss may have been incurred (SFAS No. 5, ¶10);

(j) The principle that contingencies and other uncertainties that affect the fairness of presentation of financial data at an interim date shall be disclosed in interim reports in the same manner required for annual reports (APB Opinion No. 28, ¶22);

(k) The principle that disclosures of contingencies shall be repeated in interim and annual reports until the contingencies have been removed, resolved, or have become immaterial (APB Opinion No. 28, ¶22);
The principle that management should provide commentary relating to the effects of significant events upon the interim financial results (APB Opinion No. 28, ¶32).

Relatedly, Regulation S-X (17 C.F.R. § 210), which "sets forth the form and content of and requirements for financial statements required to be filed [with the SEC]" applies to interim financial statements. 17 C.F.R. §§ 210.1-01(a)(2), 210.10.

"The term 'financial statements' as used in [Regulation S-X] shall be deemed to include all notes to the statements and all related schedules." 17 C.F.R. § 210.1-01(b). Thus, "the interim financial information shall include disclosures either on the face of the financial statements or in accompanying footnotes sufficient so as to make the interim financial information presented not misleading." 17 C.F.R. § 210.10(a)(5).

Here, the following note(s) concerning accounts receivable and deferred revenue was contained in each of the interim and annual reports issued from March 9, 2008, the beginning of the Class Period, until February 9, 2009:

Our accounts receivable balance includes both trade receivables and product prepayment contract receivables. Trade receivables are initially recorded at fair value based on the sale of goods to customers and are stated net of allowances. Product prepayment contract receivables are recorded upon execution of product prepayment contracts, which create an obligation for delivery of a product within a specified period of time in the future. The terms of these product prepayment contracts require payment in advance of delivery. A deferred revenue liability is recorded upon execution of product prepayment contracts. Deferred revenue is recognized as revenue when customers take ownership of the product upon shipment from the East Dubuque Plant. Product prepayment contract receivables that are deemed uncollectible, based on our allowance for doubtful accounts policy, are written off against the deferred liability.
232. The preceding statements were false and misleading when made for at least the following reasons as tacitly or expressly admitted by the Company's restatement on December 14, 2009: (a) there is no accounting term for "prepayment contract receivables," thus, the reporting of such is misleading and a violation of GAAP; (b) the note leaves the false impression that Rentech's accounting for "prepayment contract receivables" is in compliance with GAAP; (c) finally, it also is a violation of GAAP to record deferred revenue for sales for which the Company has not received cash deposits from the customer.

233. For the fiscal quarters ended December 31, 2008 and March 31, 2009, the Company changed the preceding note disclosures concerning accounts receivable and deferred revenues to the following, as contained in the Forms 10-Q filed on February 9, 2009 and May 11, 2009:

The Company records deferred revenue upon execution of product pre-sale contracts, which create obligations for delivery of product within a specified period of time in the future. The terms of these product pre-sale contracts require payment in advance of delivery, and the percentage of those advance payments as a fraction of the total purchase vary. The Company records a receivable upon execution of the contract to the extent that the related cash payment has not been received. The Company also records deferred revenue upon execution of the contract to the extent that the product contracted for has not been shipped to the customer. The Company recognizes revenue related to the contracts and relieves deferred revenue when products are shipped. A significant portion of the revenue recognized during any period may be related to product pre-sale contracts, for which some or all of the cash may have been collected during an earlier period, with the result that a significant portion of revenue recognized during a period may not generate cash receipts during that period or future periods...

234. The preceding statements were knowingly or recklessly false and misleading when made for at least the following reasons as tacitly or expressly
admitted by the Company through its December 14, 2009 restatement: (a) there is no such accounting term or concept as a “pre-sale contract” receivable thus, the accounting for such is in violation of GAAP; (b) thus, the note leaves the false impression that Rentech’s accounting for “pre-sale contract” receivables is in compliance with GAAP; (c) finally, it also is a violation of GAAP to record deferred revenue for sales for which the Company has not received cash deposits from the customer.

235. And, once again, the Company changed its notes to it financial statements concerning accounts receivable and deferred revenues as contained in the June 30, 2009 10-Q. For this particular quarter, all discussion concerning accounts receivable as described in the immediately two preceding paragraphs was eliminated. Omissions concerning the accounting and reporting of accounts receivable and deferred revenues from the 2009 3Q-10Q were knowingly or recklessly false and misleading when made, and in themselves an indicia of scienter, because, inter alia: they failed to disclose that the accounting and reporting of “presale” or “prepaid” contracts as accounts receivable and deferred revenues were not in accordance with GAAP and such amounts concerning same and as reported on the statement of financial condition should be eliminated for June 30, 2009, and restated for the fiscal year ended September 30, 2008.

236. The Company’s notes concerning its inventory “collateral deposit” and LCM accounting fairs no better. For the annual and interim periods from May 9, 2008 through February 9, 2009, the Company’s notes concerning inventory accounting read as follows:

Inventories consist of raw materials and finished goods within our nitrogen products manufacturing segment. The primary raw material in the production of nitrogen products is natural gas. Raw materials also includes certain chemicals used in the manufacturing process. Finished goods includes the nitrogen products stored at the East
Dubuque Plant that are ready for shipment along with any inventory that may be stored at a remote facility.

Inventories are stated at the lower of cost or estimated net realizable value. The cost of inventories is determined using the first-in first-out method. The estimated net realizable value is based on customer orders, market trends and historical pricing. The Company performs a quarterly analysis of its inventory balances to determine if the carrying amount of inventories exceeds their net realizable value. If the carrying amount exceeds the estimated net realizable value, the carrying amount is reduced to the estimated net realizable value. Inventories are periodically reviewed to determine if a reserve for obsolete, deteriorated, excess or slow moving items is required...

237. The preceding statements were knowingly or recklessly false and misleading when made for at least the following reasons as admitted on December 14, 2009 through the Company's restatements: (a) the Company failed to disclose that included in inventory was cash deposits made to natural gas supplies with which Rentech had forward contracts for such; (b) such cash deposits were classified as inventory in violation of GAAP; and (c) LCM calculations for such cash deposits also were in violation of GAAP.

238. Beginning with the first fiscal quarter ended December 31, 2008, the Company added to its inventory and LCM notes to its financials the following for each of the fiscal quarters ended December 31, 2008 and March 31, 2009 as contained in the Forms 10-Q filed on February 9, 2009 and May 9, 2009, respectively:

Natural gas inventory is composed of the following: payments for natural gas in advance of delivery as required in the contracts; additional prepayments under these purchase contracts in the event that market prices fall below the purchase price in the contracts; a minimal quantity of natural gas held in storage; and period-end reductions to net realizable value, as necessary. The terms of the purchase contracts vary by supplier, however, specific performance
of the natural gas delivery commitment is required. The timing and amount of the prepayments are structured to mitigate the supplier's market risk.

239. The preceding statements were still knowingly or recklessly false and misleading as they left the false impression that accounting for cash deposits as inventory and performing LCM calculations on such deposits were GAAP compliant, which they were not for the reasons alleged herein and as defendants admitted at the end of the Class Period.

240. Finally, the Company once again changed its financial statement inventory note disclosures for June 30, 2009, as contained in the 2009 3Q-10Q, by eliminating the disclosures as alleged in the immediately preceding paragraph and simply stating the following:

The Company recognizes raw material inventory valuation reductions when the purchase prices of its natural gas inventory contracts exceed the market value of natural gas. For the three and nine months ended June 30, 2009, the total inventory valuation reductions were $116,000 and $16,093,000, respectively. The write-down of the natural gas inventory value was recorded as an expense within cost of sales.

241. The immediately preceding statements were knowingly or recklessly false and misleading when made for at least the following reasons: (a) the financial statements failed to disclose that cash deposits made with natural gas forward contract counterparties were improperly included in raw materials inventory; and (b) LCM calculations were being conducted on such deposits in violation of GAAP. Defendants admitted the foregoing on December 14, 2009, as alleged herein.

242. "[D]isclosure shall be provided where events subsequent to the end of the most recent fiscal year have occurred which have a material impact on the
1 registrant[.] Notwithstanding the [foregoing], where material contingencies
2 exist, disclosure of such matters shall be provided even though a significant
3 change since year end may not have occurred.” 17 C.F.R. § 210.01(a)(5). “Any
4 unaudited interim financial statements furnished shall reflect all adjustments
5 which are, in the opinion of management, necessary to a fair statement of the
6 results for the interim periods presented.” 17 C.F.R. § 210.01(b)(8).

243. As alleged throughout (see e.g., ¶¶40-63,217-143), Rentech’s
unaudited interim financial statements did not “reflect all adjustments []
necessary to a fair statement of the results for the interim periods” during the
Class Period, as, inter alia, collateral deposits with natural gas forward contract
counterparties were improperly included in inventory and LCM calculations
were performed thereon, thus misrepresenting cost of sales, gross profits, and
income or loss for the respective periods as admitted by defendants on
December 14, 2009.

B. Undisclosed Material Weaknesses in Internal Controls

244. Section 13(b)(2)(B) of the Exchange Act requires every issuer that
has securities registered pursuant to Section 12 of the Exchange Act to devise and
maintain a system of internal accounting controls sufficient to reasonably assure,
among other things, that transactions are recorded as necessary to permit
preparation of financial statements in conformity with GAAP.

245. “Internal control” is defined as:

[a] process – affected by an entity’s board of directors, management,
and other personnel – designed to provide reasonable assurance
regarding the achievement of objectives in the following categories:
(a) reliability of financial reporting, (b) effectiveness and efficiency
of operations, and (c) compliance with applicable laws and
regulations.

AU §319.06.
246. "[R]eportable conditions" "are matters coming to the auditor’s attention that, in his judgment, should be communicated to the audit committee because they represent significant deficiencies in the design or operation of internal control, which could adversely affect the organization’s ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements." AU § 325.02.

247. In turn, a "reportable condition may be of such magnitude as to be considered a material weakness. A material weakness in internal control [i]s a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions."

AU §325.15.

248. In an effort to protect investors from corporate wrongdoing by improving the accuracy and reliability of corporate disclosures made pursuant to the securities laws, § 302 of the Sarbanes–Oxley Act of 2002, 15 U.S.C.A. § 72419 entitled “Corporate responsibility for financial reports,” directs that the SEC shall promulgate regulations requiring that, in relevant part, “for each company filing periodic reports under section 13(a) or 15(d) of the Securities Exchange Act of 1934 . . . the principal executive officer or officers and the principal financial officer or officers, or persons performing similar functions, certify in each annual or quarterly report filed or submitted under either such section of such Act that:

(1) the signing officer has reviewed the report;
(2) based on the officer’s knowledge, the report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading;

(3) based on such officer’s knowledge, the financial statements, and other financial information included in the report, fairly present in all material respects the financial condition and results of operations of the issuer as of, and for, the periods presented in the report;

(4) the signing officers—

(A) are responsible for establishing and maintaining internal controls;

(B) have designed such internal controls to ensure that material information relating to the issuer and its consolidated subsidiaries is made known to such officers by others within those entities, particularly during the period in which the periodic reports are being prepared;

(C) have evaluated the effectiveness of the issuer’s internal controls as of a date within 90 days prior to the report; and

(D) have presented in the report their conclusions about the effectiveness of their internal controls based on their evaluation as of that date;

(5) the signing officers have disclosed to the issuer’s auditors and the audit committee of the board of directors (or persons fulfilling the equivalent function)—

(A) all significant deficiencies in the design or operation of internal controls which could adversely affect the issuer’s ability to record, process, summarize, and report financial data and have identified for the issuer’s auditors any material weaknesses in internal controls; and
(B) any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer’s internal controls; and

(6) the signing officers have indicated in the report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.”


(a) Certification of periodic financial reports.--Each periodic report containing financial statements filed by an issuer with the Securities Exchange Commission pursuant to section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)) shall be accompanied by a written statement by the chief executive officer and chief financial officer (or equivalent thereof) of the issuer.

(b) Content.--The statement required under subsection (a) shall certify that the periodic report containing the financial statements fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of . . . 1934 (15 U.S.C. 78m or 78o(d)) and that information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of the issuer.

Specifically, as part of a company's corporate governance obligations, management is required "to include an internal control report of management that contains" the following in its annual report:

a. A statement of management's responsibility for establishing and maintaining adequate internal control over financial reporting for the company;

b. A statement identifying the framework used by management to conduct the required evaluation of the effectiveness of the company's internal control over financial reporting;

c. Management's assessment of the effectiveness of the company's internal control over financial reporting as of the end of the company's most recent fiscal year, including a statement as to whether or not the company's internal control over financial reporting is effective. The assessment must include disclosure of any 'material weaknesses' in the company's internal control over financial reporting identified by management. Management is not permitted to conclude that the company's internal control over financial reporting is effective if there are one or more material weaknesses in the company's internal control over financial reporting; and

d. A statement that the registered public accounting firm that audited the financial statements included in the annual report has issued an attestation report on management's assessment of the registrant's internal control over financial reporting.

Id.

251. Indeed, in stark contrast to the certifications signed by the defendants attesting to the adequacy of internal controls over financial reporting throughout the Class Period, SEC regulations expressly prohibit "[m]anagement [] to conclude that the company's internal control over financial reporting is effective if there are one or more material weaknesses in the company's internal controls over financial reporting." 2003 WL 21294970, at *13.
252. During the Class Period, defendants repeatedly opined that internal controls over financial reporting were adequate, despite the following admissions of identifying the following material weaknesses, which existed during and prior to the Class Period:

The Company’s management, including the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of its internal control over financial reporting based upon the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim financial statements will not be prevented or detected on a timely basis. In connection with management’s assessment of our internal control over financial reporting described above, management concluded the Company’s internal control over financial reporting was not effective as of September 30, 2009 as a result of a material weakness discussed below.

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

The effectiveness of the Company’s internal control over financial reporting as of September 30, 2009 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

253. Similarly, defendants, as detailed at supra, ¶¶75,93,115,138,160, issued “clean” SOX internal control reports for each of the quarters for 2008 and 2009. For the reasons explained and admitted in the immediately preceding and following paragraphs, these reports were knowingly or recklessly materially false and misleading when made as well.

254. At the end of the Class Period, Rentech admitted to material weaknesses that existed at September 30, 2008 and throughout the Class Period as defendants reported on December 14, 2009:

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

D. Motive Allegations

255. The Rentech Defendants had the opportunity given the senior executive positions and/or board membership(s) and were highly motivated to inflate the assets of the Company as well for at least the additional following reasons:

1. Compliance with Debt Covenants

256. Immediately prior to the beginning of the Class Period, defendants explained in the 2007 10-K the dire need for additional financing, much of which was dependent on (a) the available collateral (i.e., Rentech assets) and (b) the price of Rentech’s common stock.

257. For example, the “Risk Factors” as contained in the 2007 10-K stated the following, in part:

(a) We need additional financing to maintain our operations, and substantially increased financing, revenues and cash flow to accomplish our goal of developing, converting or building process plants. We will continue to expend substantial funds to research and develop our technologies, to market licenses of the Rentech Process, and to convert or develop process plants. We intend to finance the conversion and development of plants primarily through non-recourse debt financing at the project level. Additionally, we might obtain additional funds through joint ventures or other collaborative arrangements, and through debt and equity financing in the capital markets.
Financing for our projects may not be available when needed or on terms acceptable or favorable to us. In addition, we expect that definitive agreements with equity and debt participants in our capital projects will include conditions to funding, many of which could be outside our control. If we cannot obtain sufficient funds, we may be required to reduce, delay or eliminate expenditures for our business activities (including efforts to acquire, convert or develop process plants) and we may not be able to execute our business plan.

(b) As of September 30, 2007, our total indebtedness was $57.9 million. The construction of Phase 1 of the Natchez Project is currently estimated to cost approximately $450 million and the construction of Phase 2 of the Natchez Project could cost approximately $4.0 to $4.5 billion. Each of Phase 1 and Phase 2 will require us to raise a significant amount of additional capital to finance the project. If we undertake additional projects, significant additional indebtedness may be required.

(c) REMC has a Financing Agreement (the “Revolving Credit Facility”) with The CIT Group/Business Credit, Inc. (“CIT”) to support the working capital needs of the East Dubuque Plant. The Revolving Credit Facility is secured by a lien on substantially all of REMC’s current assets, and imposes various restrictions and covenants on us, which could limit our ability to respond to changing business conditions that may affect our financial condition. In addition, our failure to comply with the restrictions and covenants would result in an event of default giving rise to CIT’s right to accelerate our obligations under the Revolving Credit Facility.

[2007 10-K at 21-23 (emphasis added)].

258. During fiscal 2008 and 2009, the Company increased its credit facility line of credit by orders of magnitude as follows.

259. On May 8, 2008, one day before the beginning of the Class Period, the Company terminated its $30 million line of credit facility with CIT, after CIT informed Rentech in January 2008 that it was in “default” because of failure to maintain minimum tangible net worth and the making of prohibited
intercompany loans. As a stop-gap measure, on May 9, 2008, the Company
executed a $5 million line of credit facility with Lehman Brothers, Inc.

260. Shortly thereafter on May 30, 2008, the Company, REMC and
Credit Suisse, Cayman Islands Branch ("Credit Suisse") entered into another
credit agreement (the "Credit Agreement" or "Agreement"). The Agreement
provided for REMC to borrow up to $26.5 million of term loans due May 29,
2009. REMC borrowed the $26.5 million the full limit on the term credit on
May 30, 2008. On June 13, 2008, less than two weeks after executing the Credit
Suisse credit line agreement, the parties entered into an Amended Credit
Agreement that increased the borrowing limit to $53 million. On the same day,
the Company again borrowed up to the full limit of $53 million. [June 13, 2008
8-K at 2].

261. The Credit Suisse Agreement also contained "customary
representations and warranties, covenants and events of default, including
REMC financial covenants of minimum quarterly EBITDA and maximum
annual capital expenditures."

262. EBITDA was defined in the Agreement was calculated by adding to
GAAP consolidated income: (a) consolidated interest expense; (b) consolidated
income tax expense; (c) depreciation and amortization and (d) "any non-cash
charges (other than the write-down of current assets) for such period." EBITDA
was then to be reduced by cash payments made for reserves, restructuring
charges, extraordinary gains and all non-cash items of income.

263. At the end of the Class Period, defendants admitted that because of,
inter alia, the improper cash-deposit LCM accounting, the EBITDA calculations
were inflated and at least the EBITDA and GAAP covenants were breached
requiring a waiver by the lender and an amended agreement.
On December 14, 2009, we entered into a Third Amendment and Waiver to the Amended and Restated Credit Agreement (the “Third Amendment and Waiver”), without which we would not have been able to meet all of the covenants in the Senior Credit Agreement. The Third Amendment and Waiver reduces the minimum EBITDA covenant requirements for the periods ending June 30, 2010 and September 30, 2010, and due to the accounting changes described in Note 2 above, provides for a waiver of the requirement that the past financial statements delivered to the lenders be prepared in accordance with GAAP.

[2009 10-K at 73]

264. Also in connection with the credit line, the parties entered into a “Guarantee and Collateral Agreement” (the Collateral Agreement”). The Collateral Agreement provided, *inter alia*, that Credit Suisse had a “security interest in substantially all of the assets of the Loan Parties to Credit Suisse. In addition, REMC granted Credit Suisse a mortgage in its real property.” [June 5, 2008 8-K at 2].

265. The Company continued to draw upon the full limit of the credit line ($53 million) until the beginning of fiscal 2009, when Rentech began replacing the term credit financing with proceeds from public offerings of the Company’s securities.

2. **Inflation of Stock Price for Public Securities Offerings**

266. Immediately prior to and during the Class Period, Rentech issued the following securities in both public and private offerings at prices that were inflated due to the false and misleading statements alleged above:

(a) During fiscal 2008, the Company issued 1,377,000 shares of common stock upon the exercise of stock options and warrants for cash proceeds of $1,611,000 and also issued 758,000 shares of common stock in settlement of restricted stock units which vested
during the fiscal year. Additionally, the Company issued 348,000 shares of common stock upon the conversion of convertible notes payable.

(b) On May 18, 2009, the Company’s shareholders approved an amendment to the Company’s Amended and Restated Articles of Incorporation, as amended, to increase the authorized common stock of the Company from 250,000,000 shares to 350,000,000 shares. Also, on May 18, 2009, the shareholders of the Company approved the 2009 Incentive Award Plan (the “Plan”). The Plan provides for the grant to eligible individuals of stock options and other equity based awards. Up to 9,500,000 shares of common stock have been reserved for issuance under the Plan. As of September 30, 2009, there were restricted stock and stock option grants totaling 583,600 shares issued under the Plan.

(c) On June 29, 2009 the Company issued 11,000,000 shares of Company common stock directly to selected institutional investors for a purchase price of $0.58 per share in cash, which resulted in the Company receiving net proceeds of $6,300,000. The Company did not retain an underwriter or placement agent, and the Company did not pay a commission or underwriting discount in connection with this offering.

(d) On August 25, 2009, Rentech issued 8,571,428 shares of Company common stock, through a placement agent, to selected institutional investors for a purchase price of $1.75 per share in cash. Rentech paid to the placement agent a fee equal to 4% of the gross proceeds received from the offering and also reimbursed the agent $25,000 for its actual out-of-pocket expenses and certain other expenses incurred by it in the offering. The net proceeds to the Company were approximately $14,300,000.

(e) On September 28, 2009, Rentech issued 11,111,000 shares of Company common stock, through a placement agent, to selected institutional investors for a purchase price of $1.80 per share in cash. Rentech paid to the placement agent a fee equal to 3.5% of the gross proceeds received from the offering and also reimbursed the agent $25,000 for its actual out-of-pocket expenses and certain other expenses incurred by it in the offering.
expenses incurred by it in the offering. The net proceeds to the Company were approximately $19,200,000.

(f) The Company stated that it intended to use the net proceeds from the various sales of the common stock for general corporate purposes, including, without limitation, for capital expenditures, development of the Company’s projects and for working capital. Pending the application of the net proceeds, the Company may invest the proceeds in short-term, interest-bearing instruments or other investment-grade securities.

[2009 10-K at 79-80].

267. Thus, the Rentech Defendants had the motive and opportunity to inflate the assets and thus price of the stock of Rentech to obtain financing at a lower cost when issuing securities.

3. **Acquisitions**

268. Rentech also employed its common stock as currency for at least the following acquisitions made during the Class Period as follows:

(a) On June 23, 2009, the Company acquired 4,377,985 shares of Series B-1 Preferred Stock, representing a 25% ownership interest in ClearFuels Technology Inc. (“ClearFuels”) and rights to license the ClearFuels biomass gasification technology in exchange for a warrant to purchase up to 5 million shares of the Company’s common stock, access to the PDU in Colorado for construction and operation of a ClearFuels gasifier, and certain rights to license the Rentech Process, including the exclusive right for projects using bagasse as a feedstock.

(b) On June 23, 2009, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) to acquire SilvaGas Holdings Corporation (“SilvaGas”) and its patented biomass gasification technology. The transactions contemplated by the Merger Agreement closed on June 30, 2009 at which time SilvaGas became a wholly-owned subsidiary of the Company and changed its name to Rentech SilvaGas LLC. The Company’s results of
operations include SilvaGas’ results of operations beginning July 1, 2009.

All of the shares of SilvaGas common stock, par value $0.01 per share, issued and outstanding immediately prior to the effective time of the merger (other than a small number of excluded shares that were converted into cash as described below) were converted into the right to receive shares of the Company’s common stock, par value $0.01 per share.

As part of the closing the Company issued 14,503,670 shares of common stock to the SilvaGas stockholders, approximately 6.8 million of which were deposited with an escrow agent to support certain indemnification obligations of the SilvaGas stockholders and to provide for certain possible expenses.

[2009 10-K at 72-73].

269. Thus, defendants had the motive and opportunity to inflate the assets, deferred revenue, and price of the stock of Rentech to use its stock to acquire companies or in other transactions at a lower cost.

IX. CLASS ACTION ALLEGATIONS

270. Lead Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired Rentech common stock between May 9, 2008 and December 14, 2009, inclusive. Excluded from the Class are defendants and their affiliates, the officers and directors of the Company at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

271. The members of the Class are so numerous that joinder of all members is impracticable. Rentech stock was actively traded on the American Stock Exchange. While the exact number of Class members is unknown to plaintiffs at this time and can only be ascertained through appropriate discovery,
plaintiffs believe that there are hundreds of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Rentech or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions. Rentech has more than 166.5 million shares of stock outstanding as of February 1, 2009.

272. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by defendants' wrongful conduct in violation of federal law that is complained of herein.

273. Plaintiff will fairly and adequately protect the interests of the members of the Class and have retained counsel competent and experienced in class action and securities litigation.

274. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether the federal securities laws were violated by defendants' acts alleged herein;

(b) whether statements made by certain of the defendants to the investing public in SEC filings and other public documents misrepresented material facts about the business, operations and management of Rentech;

(c) whether statements made by the defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of Rentech;

(d) whether defendants acted with the required state of mind; and

(e) to what extent the members of the Class have sustained damages and the proper measure of damages.

CONSOLIDATED AMENDED CLASS ACTION COMPLAINT FOR VIOLATION OF THE FEDERAL SECURITIES LAWS

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

X. PRESUMPTION OF RELIANCE

276. At all relevant times, the market for Rentech’s securities was an efficient market for the following reasons, among others:

a. Rentech’s stock met the requirements for listing, and was listed and actively traded on the NYSE-AMEX, a highly efficient and automated market;

b. As a regulated issuer, Rentech filed periodic public reports with the SEC and the NYSE-AMEX;

c. Rentech regularly communicated with public investors via established market communication mechanisms, including, but not limited to, the regular dissemination of press releases on the national circuits of major newswire services and other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

d. Rentech was followed by many securities analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace. As noted on Rentech’s website, the Company is covered by several different securities analysts.
277. As a result of the foregoing, the market for Rentech's securities promptly digested current information regarding Rentech from all publicly available sources and reflected such information in Rentech's stock price. Under these circumstances, all purchasers of Rentech's securities during the Class Period suffered similar injury through their purchase of Rentech's securities at artificially inflated prices and a presumption of reliance applies.

278. At all relevant times, the material misrepresentations and omissions particularized in this complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by plaintiff and other members of the Class. As described herein, during the Class Period, defendants made or caused to be made a series of materially false or misleading statements about Rentech's business, prospects and operations. These material misstatements and omissions had the cause and effect of creating in the market an unrealistically positive assessment of Rentech and its business, prospects and operations, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times.

279. Defendants' materially false and misleading statements during the Class Period resulted in plaintiff and other members of the Class purchasing the Company's securities at artificially inflated prices. Class members' losses from these purchases were proximately caused by the disclosures of the true facts, and were directly caused by their justifiable reliance on defendants' fraudulent and material statements, misrepresentations and omissions.

XI. INAPPLICABILITY OF SAFE HARBORS

280. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this complaint. The safe harbor expressly exempts from its protection statements and/or omissions made in financial statements. Further, many of the specific statements pleaded herein were not identified as "forward-
looking statements” when made. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the particular speaker knew that the particular forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of Rentech who knew that those statements were false when made.

XII. LOSS CAUSATION AND ECONOMIC LOSS

281. During the Class Period, as detailed herein, defendants engaged in a scheme to deceive the market and a course of conduct that artificially inflated the price of the Company’s common stock and misled the purchasers of Rentech common stock.

282. During the Class Period, as alleged herein, defendants failed to disclose several adverse facts and misrepresented the Company’s financial condition, results of operations and future prospects thereby.

283. As alleged herein, as the truth was revealed on or about December 14, 2009, the price of the Company’s stock fell precipitously on heavy trading volume thereupon.

284. As a result of the foregoing, plaintiff and members of the Class suffered economic loss, i.e., damages under the federal securities laws.

CLAIM IV FOR RELIEF

Violation Of Section 10(b) Of The Exchange Act And Rule 10b-5 Promulgated Thereunder Against All Defendants

285. Plaintiff repeats and reallege each and every allegation contained above as if fully set forth herein.
286. During the Class Period, defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including plaintiff and other Class members, as alleged herein; and (ii) cause plaintiff and other members of the Class to purchase Rentech securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions set forth herein.

287. Defendants (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company’s securities in an effort to maintain artificially high market prices for Rentech securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

288. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, operations and future prospects of Rentech as specified herein.

289. These defendants employed devices, schemes, and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Rentech’s value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and omitting to state material facts necessary in order to make the statements made about Rentech and its
business operations and future prospects in the light of the circumstances under
which they were made, not misleading, as set forth more particularly herein, and
engaged in transactions, practices and a course of business which operated as a
fraud and deceit upon the purchasers of Rentech securities during the Class
Period.

290. Each of the Individual Defendants’ primary liability, and
controlling person liability, arises from the following facts: (i) the Individual
Defendants were high-level executives and/or directors at the Company during
the Class Period and members of the Company’s management team or had
control thereof; (ii) each of these defendants, by virtue of his or her
responsibilities and activities as a senior officer and/or director of the Company
was privy to and participated in the creation, development and reporting of the
Company’s budgets, plans, projections and/or reports; (iii) each of these
defendants enjoyed significant personal contact and familiarly with the other
defendants and was advised of and had access to other members of the
Company’s management team, internal reports and other data and information
about the Company’s finances, operations, and sales at all relevant times; and
(iv) each of these defendants was aware of the Company’s dissemination of
information to the investing public which they knew or recklessly disregarded
was materially false and misleading.

291. The defendants had actual knowledge of the misrepresentations and
omissions of material facts set forth herein, or acted with reckless disregard for
the truth in that they failed to ascertain and to disclose such facts, even though
such facts were available to them. Such defendants’ material misrepresentations
and/or omissions were done knowingly or recklessly and for the purpose and
effect of concealing Rentech's operating condition and future business prospects
from the investing public and supporting the artificially inflated price of its
securities. As demonstrated by defendants’ overstatements and misstatements of
the Company's business, operations and earnings throughout the Class Period, defendants, if they did not have actual knowledge of the misrepresentations and omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

292. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of Rentech securities was artificially inflated during the Class Period. In ignorance of the fact that market prices of Rentech's publicly-traded securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by defendants, or upon the integrity of the market in which the securities trade, and/or on the absence of material adverse information that was known to or recklessly disregarded by defendants but not disclosed in public statements by defendants during the Class Period, plaintiff and the other members of the Class acquired Rentech securities during the Class Period at artificially high prices and were damaged when the true facts were revealed and the price of Rentech's common stock plunged.

293. At the time of said misrepresentations and omissions, plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had plaintiff and the other members of the Class and the marketplace known the truth regarding the problems that Rentech was experiencing, which were not disclosed by defendants, plaintiff and other members of the Class would not have purchased or otherwise acquired their Rentech securities, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

294. By virtue of the foregoing, defendants have violated Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder.
295. As a direct and proximate result of defendants' wrongful conduct, plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period.

CLAIM V FOR RELIEF
Violation of Section 20(a) Of The Exchange Act Against the Individual Defendants

296. Plaintiff repeats and reallege each and every allegation contained above as if fully set forth herein.

297. The Individual Defendants acted as controlling persons of Rentech within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which plaintiff contends are false and misleading. The Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

298. In particular, each of these defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.
299. As set forth above, Rentech and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of defendants' wrongful conduct, plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

WHEREFORE, plaintiffs pray for relief and judgment, as follows:

(a) Determining that this action is a proper class action, and certifying plaintiff as class representatives under Rule 23 of the Federal Rules of Civil Procedure and plaintiff's counsel as Class Counsel;

(b) Awarding compensatory damages in favor of plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

(c) Awarding plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

(d) Awarding plaintiff and the Class such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated: May 20, 2010

GLANCY BINKOW & GOLDBERG LLP

By: Lionel Z. Glancy (#134180)
    Michael Goldberg (#188669)
    Coby Turner (#266298)
    1801 Ave. of the Stars, Suite 311

CONSOLIDATED AMENDED CLASS ACTION COMPLAINT
FOR VIOLATION OF THE FEDERAL SECURITIES LAWS
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and —

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Lead Counsel for Lead Plaintiff and the Class
I am employed in the County of Los Angeles, State of California. I am over the age of eighteen (18) years and not a party to the within action. My business address is 1801 Avenue of the Stars, Suite 311, Los Angeles, California 90067.

On May 20, 2010, I served the following document described as:

CONSOLIDATED AMENDED CLASS ACTION COMPLAINT FOR VIOLATION OF THE FEDERAL SECURITIES LAWS

on counsel for the parties in this action, addressed as stated below:

Melanie Marilyn Blunschi
Latham & Watkins LLP
355 South Grand Avenue
Los Angeles, CA 90071-1560
Telephone: 213-485-1234
Email: melanie.blunschi@lw.com

By Mail: By placing true and correct copies thereof in individual sealed envelopes, with postage thereon fully prepaid, which I deposited with my employer for collection and mailing by the United States Postal Service. I am readily familiar with my employer’s practice for the collection and processing of correspondence for mailing with the United States Postal Service. In the ordinary course of business, this correspondence would be deposited by my employer with the United States Postal Service that same day.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. I declare that I am employed in the office of a member of the bar of this Court at whose direction the service was made.

Executed on May 20, 2010, at Los Angeles, California.

[Signature]

Ira Reiss