

FINANCIAL POST

Timminco declared a short

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Ravi Sood, president of Lawrence Asset Management, believes Timminco Ltd. is so overvalued that it's a short. "I know the story very well and it's just that, a story," he claimed yesterday, one working day after the short position rose to 1.179 million shares -- the year's second-highest.

Sood said he has seen nothing to suggest Timminco has any sort of proprietary technology or process that could allow it to deliver what are "fantastic claims." "They are just not grounded in reality," said Sood, who argues that Timminco's process to upgrade metallurgical silicon "is no different from things people have been doing for many years. And worse, their patent application, [which has] not [been] granted, is based on prior art, much of [which] has been rejected in previous attempts."

Sood is dismissive of what Timminco says it has created, given that it spent only \$1.2-million on technology. "They must have the best scientists in history ? collaborating on this. [But] small companies like Dow Corning, which knows nothing about chemical processes or metallurgy, managed to spend hundreds of millions of dollars and not come up with this."

Timminco emerged from obscurity in 2004 when it purchased Becancour Silicon, a producer of commodity-grade silicon from Safeguard International Fund by issuing 30.9 million of its shares to Safeguard. U.S.-based Safeguard, a private-equity fund, had acquired control of Timminco in 2003 for approximately \$6-million.

Dr. Heinz Schimmelbusch was named chief executive, replacing John Crow. It was not until March, 2007, that Timminco began to issue press releases about its solar-grade silicon capabilities. Schimmelbusch moved to the United States and joined Safeguard shortly after he was terminated by Metallgesellschaft (MG) in 1993. Schimmelbusch was ousted as chief executive after MG's U.S. subsidiary lost more than US\$1-billion on oil futures trading. Deutsche Bank was a major shareholder.

Lots of allegations were made between the company and Schimmelbusch: The former alleged Schimmelbusch "took actions which were so patently harmful to Metallgesellschaft that, in addition to the civil law penalties called for, penal measures would not come as a surprise."

Schimmelbusch said he didn't hide any information from the board but was the target of "an orchestrated attack on my credibility." Both parties filed lawsuits. MG claimed Schimmelbusch and his former chief financial officer committed "the most sensational breaches of duty." Schimmelbusch alleged Deutsche Bank tried to "hide their role in creating losses and, in the process, to generate profits for themselves." MG settled in 1996.

Last June, Safeguard monetized some of its holdings when Advanced Metallurgical Group was taken public via the sale of 15 million shares at ¢24. About one-quarter of the proceeds went to insiders. Last October, Safeguard sold a further 3.5 million shares at ¢40. Safeguard has taken about US\$400-million out of AMG/ Timminco since last July.

According to Bloomberg, an anonymous party was the largest trader in the shares of Timminco again yesterday. Last week, the unnamed brokerage firm, or firms, bought 4.56 million shares and sold 5.11 million. Yesterday, it was behind the purchase of 1.21 million shares and the sale of 1.13 million shares.

bcritchley@nationalpost.com