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## Timminco Ltd. Seeks Damages from Shorts

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TORONTO (HedgeWorld.com)—In the latest lawsuit within the blame-the-shorts genre, Timminco Ltd. has filed a complaint with the Ontario Superior Court of Justice seeking more than C\$6 million (\$5.9 million) in damages from Toronto-based hedge fund manager Lawrence Asset Management Inc. and its principal Ravi Sood.

The complaint—filed in late May—alleges that Mr. Sood and his firm have “launched a campaign to manipulate downward the price of Timminco shares.” It bases this upon statements Mr. Sood made on a Canadian television program in April, when he called the company “virtually worthless” and said there was no evidence it has any proprietary technology. HedgeWorld couldn’t reach him for comment for this story.

Timminco’s stock price, worth under C\$4 a share a year ago, has risen rapidly in the interim. It closed at C\$34.50, on Thursday [June 5]. There was a late-April falloff in price after an unfavorable article in *Barron’s*, but the price has fully rebounded, and then some.

That increase in price came largely on Timminco’s stature as the market’s leading proponent of upgraded metallurgical silicon (UMS). UMS can be blended with solar-grade polysilicon to create low-cost solar cells, and given the rising cost of all energy-related commodities, the investing public has been enthusiastic about Timminco’s market niche.

Mr. Sood is not alone in expressing skepticism, though. A report issued Thursday by the Englewood, Colo.-based stock analysts at Wedge Partners Corp., said that Timminco’s UMS is substantially higher in impurities than virgin or scrap polysilicon, “and will, we believe, lead to higher decay rates.” Also, its use increases installation and maintenance costs for utilities.

At a shareholders’ meeting in Toronto last week, Timminco’s chief executive, Heinz Schimmelbusch, expressed his view of the doubters. “There are a few short sellers here; running up and down the streets here, making idiotic, bizarre ... statements on the company.... The matter is, by the way, before courts.”

The Toronto law firm of Lax, O’Sullivan, Scott LLP confirmed that it is representing the Lawrence Asset Management Inc. in this lawsuit, but said they’d make no further comment.

Defamation law in Canada is more favorable to plaintiffs than in the United States as a rule. For example, although in the U.S. it is usually necessary for a plaintiff to show that the statement to which it objects (such as, “UMS has higher decay rates than the alternatives”) is false; in Canada and much of the British Commonwealth it is necessary for the defendant to present evidence that the statement is truthful.

Also, in the United States, courts are suspicious of any claim of “defamation by innuendo,” i.e., of the theory that though the contested statement is literally true, it conveyed a falsehood by implication. That sort of claim reaches much friendlier ears on the other side of the border [Previous HedgeWorld Story](#).

One reason the dramatic rise in Timminco’s stock price has attracted a lot of attention in recent weeks is that it helped fuel the growth of the portfolio of Sprott Asset Management, in the months leading that that firm’s initial public offering last month.

Sprott was issued at a price of C\$10 per share, and ended its first day of trading on the Toronto Stock Exchange (TSX: SII) on May 15 at C\$9.84. Over the following two weeks it dropped steadily, to a low of C\$8.70, but has since rebounded to about where it started, closing Thursday [June 5] at C\$9.75.

In its defamation lawsuit, Timminco is represented by attorney William McDowell, of the Toronto law firm Lenczer Slaght LLP. Reached Thursday morning, Mr. McDowell declined to comment on the matter.