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Lawsuits Over Whether a N.M. Tech Firm Lied About Prospects May Be Near End

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Lawsuits spawned by the collapse of one-time stock market darling Solv-Ex Corp., mired in court for 10 years, have crawled closer to resolution.

Three decisions in April by the State Court of Appeals may have cleared the way for disbursement of \$1.5 million to shareholders who brought suit against Solv-Ex in 1996 on grounds that the Albuquerque-headquartered company had lied about its prospects.

Parties in the case say that, barring new suits and more appeals— which is not at all certain when it comes to Solv-Ex— a settlement approved in 2003 by a State District Court judge could be implemented in as little as eight weeks.

In the 10 years the Solv-Ex matter has roamed through the state court system:

- The company entered bankruptcy proceedings twice before going belly-up.
- The two key executives in the company were charged with U.S. Securities and Exchange Commission violations.
- The same executives sued oil companies in the United States and Canada, claiming that the companies had conspired to destroy Solv-Ex to avoid competing with Solv-Ex technology.
- Thirteen appeals were heard by the state Appeals Court and Supreme Court.
- Nine judges have been assigned to the case.
- Seventeen lawyers have made appearances for 13 different parties in the case. Energy giants ExxonMobil and Shell Canada and financial behemoths Merrill Lynch and Deutsche Bank all found themselves spending time in an Albuquerque courtroom.

Solv-Ex claimed that it had developed innovative and proprietary technology to extract bitumen from oily sands in lands it leased in Alberta, then process the bitumen into a useful synthetic crude oil. Its stock soared from \$8 a share in November 1995 to \$38 the following January, collapsed to \$6.25 the following March, was back to \$28 in May and down to \$8 in September.

A 1996 story published by the Motley Fool investors' Web site attributed the stock's volatility to "dramatically different views of Solv-Ex's prospects held by investors at different times." Company fans believed Solv-Ex would create a cost-effective alternative to overseas oil and recover valuable minerals as a byproduct of its process. Skeptics said other, bigger companies had similar technologies and just didn't believe Solv-Ex's financial statements or its view of its business prospects, according to Motley Fool.

Among the biggest skeptics was Manuel P. Asensio, a money manager who sold Solv-Ex stock short. A short sale is a bet by an investor that the value of a stock will fall. Asensio told a Canadian newspaper that Solv-Ex "was perhaps the greatest blizzard of way-over-the-top pumpery I have ever witnessed."

Solv-Ex's 10-year sojourn through the New Mexico courts began in November 1996 when a class-action suit was filed against Solv-Ex and corporate officers John S. Rendall and W. Jack Butler. The suit said that shareholders who bought Solv-Ex stock between Feb. 15, 1995, and Sept. 10, 1996, had been deliberately

misled by the company about its financial condition.

The suit also named Deutsche Morgan Grenfell Inc., an investment banking firm that had helped to finance Solv-Ex. Deutsche Morgan Grenfell agreed to settle with the plaintiffs for \$1.5 million in 2003.

But the settlement did not end the case.

Solv-Ex partisans claimed that Deutsche Morgan Grenfell had conspired with oil companies and investment firms to tank Solv-Ex. Claims and counterclaims flew. District Court decisions to allow the settlement were repeatedly challenged in the appellate courts.

The April Appeals Court decisions allow the settlement to go forward, and assuming the parties in the case have no more maneuvers up their sleeves, the Deutsche Morgan Grenfell money could be distributed this year.

But when it comes to the Solv-Ex case, you never know.

Rendall currently works as a consultant out of Albuquerque.

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