

# FINANCIAL POST

## Trading in Timminco shares probed

Spring Of 2007

Barry Critchley, Financial Post Published: Thursday, June 05, 2008

Two enforcement agencies are investigating trading in the shares of Timminco Ltd. and interviewing several Bay Street traders, sources said yesterday.

The sources said the Ontario Securities Commission and the Integrated Market Enforcement Team (IMET) -- a group of capital-markets crime investigators led by the RCMP -- are focusing on share trading that occurred over a few months ending in the spring of 2007.

It was about this time shares in the company took off and became among the best performers on the Toronto Stock Exchange.

Shares of Timminco, which says it has found a low-cost way to upgrade metallurgical silicon, closed yesterday at \$33.70, up \$3.10, or 10.13% -- which gives it a market cap of \$3.5-billion. A \$1,000 purchase of Timminco shares on March 30, 2007, would be worth more than \$50,000 at yesterday's closing price.

The agencies have visited a number of brokerage firms to ascertain the basis on which the trades took place.

One source who is familiar with the probe said investigators were asking questions of as many as a dozen market participants about trading activity in Timminco's stock.

They were also interested in meetings, which may or may not have taken place, between traders and Timminco executives last spring.

Another source who says he is familiar with the investigation added that, "It's not just a casual conversation. That's for sure."

"They were interviewing people and were interviewing people for a reason," said another source.

"And typically if they start an investigation they take it all the way down to the trading records."

The OSC said yesterday that it is its policy not to confirm or deny any ongoing investigation. A spokesman for the RCMP was not able to return an official comment by press time.

In the past, the OSC has said that it does not have enough powers to force some participants to provide information.

The action by the authorities is viewed positively by some market participants.

"There has been so much comment that they want to make sure that they don't have another scandal on their hands," said one source.

It is understood that other investors have either approached the regulators or been approached by the regulators to discuss the company's disclosure and the share purchases by some insiders.

It's also understood that the focus on disclosure and the trading of shares in the early days of Timminco are part of the same investigation.

Indeed, some of the share trading by insiders has been noted in the company's prospectus.

In April, 2007, Timminco raised \$29.9-million through the sale of 11.5 million shares at \$2.60. In the final prospectus, dated April 24, under the section "Recent Trades," this was written:

"The chief executive officer [John Walsh] and a vice-president of the corporation purchased an aggregate of 389,000 common shares on April 3, 2007. Both employees have advised the corporation that they were not aware of any material undisclosed information at the time of the trades. Reports of such trades were filed on a timely basis pursuant to applicable securities laws.

"Consistent with the corporation's code of conduct, the corporation is conducting an internal review in respect of such trades as well as of its internal trading policies."

On April 4, 2007, Timminco announced its second commercial contract to sell high purity silicon to a solar cell manufacturer and the stock started to rocket higher.

In the management information circular prepared for this year's annual meeting, Timminco said it paid \$16,000 to Mr. Walsh "in connection with certain reviews and inquiries related to trading of the common shares of the corporation held by him in April, 2007."

No further explanation of the payment was given in the circular.