

# GrowMax's Postponement of Meeting a Further Sign of Entrenchment, Concerned Shareholders Address Management's Letter

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VANCOUVER, Sept. 27, 2018 /CNW/ - Concerned shareholders, Kulwant Malhi and BullRun Capital Inc. (the "Concerned Shareholders") of [GrowMax Resources Corp.](#) (the "Corporation" or "GrowMax") (GRO: TSX.V) today commented on the postponement of the annual and special meeting (the "Meeting") of GrowMax shareholders ("Shareholders") by GrowMax management ("Management") and the incumbent board (the "Board"). The Meeting was originally scheduled for September 2018 and has now been postponed to October 4, 2018.

In a further illustration of management entrenchment, a mere twelve hours before the Meeting was to be held, Management issued a press release announcing the postponement of the Meeting to October 4, 2018 citing the Concerned Shareholders' purported 'non-compliance' with GrowMax's proposed Advance Notice By-law (the "By-Law") (a by-law that has yet to be approved by shareholders). The Meeting was unilaterally postponed by Management and the Board, without the Meeting being called to order, or a Shareholder vote on whether to postpone the Meeting.

This latest delay tactic by Management is a clear sign that they do not have Shareholder support or enough votes to pass their self-serving resolutions. The postponement is nothing more than an oppressive tactic adopted by Management to prevent shareholders from electing the director nominees proposed by the Concerned Shareholders.

## Management's Postponement of the Meeting is Unlawful

The Concerned Shareholders note that Management's decision to postpone the meeting is a clear violation of Alberta corporate law. Under the Business Corporations Act (Alberta), directors must call an annual meeting no later than 15 months after the last meeting. Any extension to this deadline must be granted by the court.

As the Meeting is now scheduled for October 4, 2018, GrowMax will be in default of the 15-month deadline to hold an annual meeting (the last annual meeting was held on June 28, 2017). There is no indication that GrowMax obtained a court order to extend the deadline, and Management's impulsive decision to postpone the Meeting just hours before it was scheduled indicates that they are willing to break the law and expose the Corporation to liability to further their own self-interest.

## The Postponement of the Meeting is a Delay Tactic

In their press release dated September 24, 2018, Management states that they postponed the meeting because of purported 'inaccurate disclosure' provided in the Concerned Shareholders' advance notice materials (the "Notice") provided to GrowMax on August 21, 2018. Specifically, Management states that our disclosure "deprived GrowMax and Shareholders of accurate and timely disclosure of matters relevant to vote at the Meeting".

The Concerned Shareholders point out that they provided the Notice on August 21, 2018, over a month ago. Management states that it has "serious concerns" about the Concerned Shareholders' intention to declare a \$0.075 dividend (the "Dividend") as part of their business plan for GrowMax. As stated in the Concerned Shareholders' press release of on September 18, 2018, the Dividend would be subject to the availability of funds and subject to shareholder approval. The incumbent Board had sufficient time to address any concerns with the Notice and the Dividend without compromising the timing of the Meeting. Instead, Management decided to wait until hours before the beginning of the Meeting to raise their concerns. Coincidentally, Management waited until after receiving the Concerned Shareholders' Yellow Proxies, and continued to solicit proxies without announcing an extension of the proxy cut-off time, before announcing the postponement of the Meeting.

The Concerned Shareholders note that only the Chair of the Meeting can waive the proxy cut-off. Management should have announced the results of the proxies tallied as of the cut-off time, so Shareholders are aware of the current status of the proxy tabulation.

## Clarification on Information Relating to the Dividend Proposal

In a letter dated September 24, 2018 from Management to the Concerned Shareholders (the "Letter"), Management asked the Concerned Shareholders to clarify certain information relating to the dividend announced by the Concerned Shareholders on September 18, 2018. A copy of the letter has been posted on the Concerned Shareholder website. This information is totally unnecessary and entirely extraneous to the matters to be decided upon at the Meeting. Furthermore, management's queries are specious, and are in many cases answered by management's own queries and prior statements. However, in order to ensure that Management has no basis to exclude the Concerned Shareholder Nominees, the Concerned Shareholders advise that:

- **Date of the Dividend:** The date of the dividend is not yet known. The dividend will not be declared until the Concerned Shareholder Holder Nominees have had the opportunity to review the books and records of the Company, confirming in our press release of September 18, 2018) that there are sufficient funds in the Corporation to satisfy the dividend. The Concerned Shareholders confirm that GrowMax will not be in position to breach section 44 of the Business Corporations Act (Alberta). The Concerned Shareholders expect that the dividend would be declared and distributed before the end of the 2018 fiscal year.
- **Tax Efficient Manner:** The intent, but not the obligation, of the Concerned Shareholders, is, as set out in their September 18, 2018, that the dividend will be treated as a return of capital. Such intent is subject to a review of the corporate records, returns and financial position of the Corporation, which the Concerned Shareholder Nominees cannot do until election of the Board of Directors.
- **Shareholder Approval:** Pursuant to the Business Corporations Act (Alberta), a return of capital is subject to the approval of the shareholders. Assuming election, the Concerned Shareholder Nominees expect to convene a further shareholder meeting to approve the return of capital. If shareholder approval for the return of capital is not obtained, the Concerned Shareholder Nominees may nonetheless proceed with the dividend.
- **Solvency Test:** Pursuant to section 44 of the Business Corporations Act (Alberta), declaration of the dividend will require that the Concerned Shareholder Nominees having no reasonable grounds for believing that GrowMax is, or would be, unable to pay its liabilities as they become due, or that the realizable value of the Corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of all classes. The Board of Directors, in their press release dated August 28, 2018 and in the management information circular dated August 27, 2018 stated that the Corporation will have approximately \$32.5 million in cash available if it completes the PrimaSea Acquisition. The Concerned Shareholders are of the view that this cash should be sufficient for the payment of the dividend, although cannot guarantee that current Management will not further deplete the treasury of the Corporation.
- **Risk to the PrimaSea Acquisition:** Management has nonsensically suggested that the Concerned Shareholders should apprise shareholders of the risks that the dividend may create for GrowMax in connection with the PrimaSea Acquisition. For example, as noted by management in their letter, under the share purchase agreement between GrowMax and PrimaSea (the "SPA"), GrowMax covenanted that it would neither make a commitment nor pay an amount in excess of \$50,000 (which is not contemplated in GrowMax's budget furnished to the vendors) without prior approval of the vendors. With respect to this particular note, the Concerned Shareholders note that the obligations of each party pursuant to the share purchase agreement between GrowMax and PrimaSea (the "SPA") are conditional on shareholder approval of the transaction. On the copy of the SPA and all documents that have been filed by the Company in connection with the PrimaSea Acquisition, there is no break fee payable on the failure to obtain Shareholder approval for the PrimaSea Acquisition. Approval of the PrimaSea Acquisition may affect the ability of the Concerned Shareholder Nominees to declare the dividend. Accordingly, the Concerned Shareholders recommend that shareholders vote against the PrimaSea Acquisition.

## Clarification on Information Contained in the Notice

In their Letter, Management cites the Concerned Shareholders' non-compliance with the Advance Notice-By-Law as grounds for challenging their nominations. The Concerned Shareholders note that the Advance Notice-By-Law is subject to Shareholder approval, and Institutional Shareholder Services, Inc. ("ISS") has recommended shareholders vote against the Advance Notice By-Law on the basis that it provides the incumbent Board broad discretion in determining whether to accept or reject nominees put forward by Shareholders.

The ISS report states: "such disclosure requests may be of little or no relevance to a potential director's abilities on the board and could be used by management for strategic purposes." In light of Management's Letter and postponement of the Meeting, Shareholders should take these concerns very seriously.

The Concerned Shareholders advise that the determination that it would propose the dividend was made

based on the publicly available information regarding GrowMax, including statements made by GrowMax in its information circular and news releases in connection with the Meeting.

#### Vote Yellow

As the proxy cut-off deadline has been extended to 8:00 a.m. (Calgary Time) on October 4, 2018, the Concerned Shareholders encourage all shareholders to read the Concerned Shareholders' meeting materials, which are available at [www.laurelhill.ca/abetter-growmax](http://www.laurelhill.ca/abetter-growmax), and urge Shareholders to vote only the YELLOW proxy. By voting only the YELLOW proxy shareholders will be voting:

- AGAINST a highly-dilutive transaction that will result in the handover of 60% of your company to GrowMax directors and officers;
- AGAINST the re-election of a board of directors that has destroyed shareholder value in favour of their own self-interest;
- AGAINST the adoption of a new equity incentive plan that will further increase the shareholdings of directors and officers and further dilute your interest in the Corporation;
- AGAINST the adoption of an advance notice by-law that gives the board of directors the sole discretion to dismiss shareholder nominees;
- FOR the new Concerned Shareholder nominees who will rejuvenate the GrowMax board of directors and take the Corporation in a new direction that will eliminate wasteful spending and maximize shareholder value; and
- FOR the issuance of a dividend payment which will result in a cash being paid directly to YOU instead of being used in a money-losing operation.

Shareholders should discard any blue proxy they may receive and should vote only their YELLOW proxy well in advance of the proxy voting deadline. We urge shareholders to vote prior to October 2, 2018 at 8:00 a.m. (Calgary time), to ensure that all YELLOW proxies will be deposited in a timely manner.

Due to the essence of time, Shareholders are asked to vote online or by telephone by following the instructions found on the YELLOW proxy to ensure votes are received in a timely manner. IF YOU HAVE ALREADY VOTED USING MANAGEMENT'S BLUE PROXY, YOU CAN STILL SUPPORT THE CONCERNED SHAREHOLDERS BY USING THE YELLOW PROXY. THE LATER DATED PROXY WILL SUPERSEDE.

The Concerned Shareholders would like to thank all GrowMax shareholders who have already voted their YELLOW proxies. You have no need to take any further action if you have already voted your YELLOW proxy.

Remember every vote counts to protect your investment. Regardless of the number of shares you own, please vote your YELLOW proxy today.

Questions and requests for assistance may be directed to the Concerned Shareholders' Proxy Solicitor:

Laurel Hill Advisory Group  
North America Toll Free: 1-877-452-7184  
Outside North America: 1-416-304-0211 (collect)  
Email: [assistance@laurelhill.com](mailto:assistance@laurelhill.com)

SOURCE BullRun Capital Inc.

Contact  
BullRun Capital Inc., #915 - 700 West Pender Street, Vancouver, British Columbia, V6C 1H2, Attention: Kulwant Malhi, [Kal@bullruncapital.ca](mailto:Kal@bullruncapital.ca), Tel +1 604 805 4602

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