

Red Oak Exposes Dynacor Board's False and Entirely Misleading Theory About Red Oak Seeking Control

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Red Oak Offers Settlement with NO Red Oak Affiliated Nominees if Dynacor Adopts Governance Improvements - Dynacor's Board Fails

NEW YORK, June 17, 2015 /CNW/ -- Via Their Desperation to Retain Control with Negligible Ownership or Alignment with Shareholders, Entrenched Directors Show True Colors by Rejecting Adoption of Improvements

Red Oak supports Dynacor's mill and mining businesses and is not seeking any change in these strategies, nor in management. If, as an investor, you feel the same way and share our concerns regarding the Board's excessive tenure, negligible share ownership, and entrenched practices of Directors with fiduciary duties to serve shareholders' best interests but appear misaligned (instead preferring to maintain a "consultant club" of net sellers of stock), help us send the message that The Company is Too Valuable to Not Have a Shareholder Friendly Board and VOTE THE BLUE PROXY CARD.

Dear fellow Shareholders,

As you may know, Red Oak is a large shareholder of [Dynacor Gold Mines Inc.](#) (TSX: DNG) (OTC: DNGDF) and owns nearly five-fold more stock than all of Dynacor's Directors combined. For obvious reasons as reconfirmed below, we have challenged Dynacor's Board to improve upon its ongoing unacceptable governance and nominating practices, conflicts of interests via affiliated insiders and consultants, and lack of alignment with shareholders via minimal share ownership, zero term-based minimum ownership requirements, and continued actions to reload stock grants to themselves even as ISS and others continue to indicate that these are poor recommendations to shareholders (odd that Dynacor omitted this part in their lengthy and misleading June 11 press release, no?). Our concerns have meaningfully increased via this process, and the Board's misalignment has been made more visible via their actions and willingness to tolerate corporate waste. You may have read Dynacor's long-winded press release issued on June 11th filled with inaccuracies, contradictions, and focused on a Dynacor-invented theory that Red Oak is seeking control of the Company via its nomination of two Directors to an eight person Board. Because these allegations are entirely false, as a means to fully expose a misaligned Board's false and misleading disclosures to all shareholders, Red Oak has offered a settlement which entirely challenged Dynacor's Board-concocted claims about Red Oak (or anyone) seeking control. Specifically, Red Oak has offered to submit NO affiliated nominees provided the Board add just one nominee (from an independent shareholder who the CEO introduced Red Oak to as the largest publicly disclosed owner of the company, who the CEO said he knows and trusts, and who Red Oak has never met but who Red Oak believes would be fair and represent the best interest of shareholders). The settlement offer included only the adoption of basic governance practices such as Director tenure and rotation policies, creation of a much needed Nominating and Governance Committee, and minimum Director share ownership policies tied to Board tenure. Red Oak also offered that none of its expenses be reimbursed (a common ask for settlement but one which was never on our agenda). Effectively, we called Dynacor's bluff because we knew that Dynacor has misled investors and that there was never any pursuit of control via our nominations. Unsurprisingly to us, the Board rejected this proposal to improve policies, instead preferring to spend significant shareholder monies because Directors themselves own such negligible amounts (they can't destroy their own share value since they have virtually none to begin with). Astonishingly, through their actions the consultant-heavy Board has confirmed its desperation to maintain control for themselves at all costs against the shareholders it is legally obligated to represent.

Misleading Representation of ISS Report

The ISS report which Dynacor references in its press release contained factual inaccuracies ⁽¹⁾⁽²⁾ of significant relevance. However, rather than clarify these or provide fair disclosure to all shareholders about the report, Dynacor's Board has picked and chosen only select items while omitting material facts, including that ISS disagrees with the Company on numerous key issues related to Dynacor's governance. For

example, in its report:

- ISS CONFIRMS that Chairman Rene Branchaud is affiliated and not independent (see page 5 of the ISS report).
- ISS states that given the absence of a Nominating Committee, it would normally recommend voting AGAINST the election of both the Chairman and CEO to the Board (page 7 of the ISS report, although despite our obvious concerns with Dynacor's governance and policies, we disagree with ISS' stance regarding the CEO while agreeing that the Chairman is a problem).
- ISS recommends voting AGAINST the approval of the deferred share unit plan which this misaligned Board has proposed to shareholders, recognizing that it is a blank check share authorization plan (page 15 of the ISS report). Directors with almost no ownership are yet again seeking to grant themselves economics coincident to their net sales of stock and have acted in desperation to ensure that no shareholder of substance has a say internally. Amazingly, this is the second year in a row in which ISS has recommended an AGAINST vote with regards to Dynacor's Board's self-serving compensation requests (last year ISS recommended voting AGAINST their proposed amendment to the Company's stock option plan).

Dynacor's Board omitted all of the above - and more - in its promotional and misleading press release, electing to not be transparent about the ISS report and ignoring the report's conclusion of poor corporate governance and lack of support for key members of the Board (both the Chairman and the CEO) as well as for proposals regarding insider economics.

(1) ISS incorrectly reports on page 4 of their report that Dynacor's collective Directors' ownership is 7.3%. This is Red Oak's ownership, not Dynacor's. Dynacor's combined insider ownership is actually just one-fifth of this amount.

(2) ISS confuses "accountants" with corporate finance and banking professionals and their related skillsets and expertise. For clarity, Dynacor's accountants do not have actual and meaningful M&A experience, and ISS bracketing these together is incorrect. Fortunately, the industry widely understands these differences. Consultant and Service Provider Heavy Board – A First, and the Wrong Way to Construct A Board and Ensure Alignment

Absent newly appointed Director Depatie (who we fully support, and who is the only Director who has shown alignment via stock purchases as soon as he was appointed to the Board), Dynacor's Board is woefully inexperienced and appears to not understand how to construct a Board of Directors. This is partly because of inherent flaws and conflicts of interests which start at the top, as the Chairman (who ISS confirms is an affiliated outsider and not independent) has chosen to not have a nominating committee and to instead solely have rights to oversee such processes (this is spelled out clearly in Dynacor's own proxy). The Chairman himself is a service provider with his firm serving as counsel despite his 18 year Board service and relationship to management and virtually no ownership. Under his excessive nominating powers (which ISS confirmed in its report would ordinarily cause them to recommend an AGAINST vote regarding his re-election), he has added more geological consultants than we can count (is it 4 now, or 5?), several accounting consultants, and an environmental consultant. None of these Consultant Directors own even one percent of the stock. The Board (and conflicted Chairman) appears to not understand that public companies can (and typically do) hire service providers as needed, but that Directors are added via a process which include assessing skill gaps, finding experienced and qualified individuals, and directly addressing issues such as alignment, governance, and independence. We have been told by insiders that one of the reasons why insider ownership continues to remain so low is that many Directors cannot afford to own much stock. We do not find this to be justification to not be aligned with shareholders and instead believe it further proves that this "consultant/Director" model does not ensure alignment. In what appears a desperate effort to further justify their lack of alignment, one insider recently told us that he believes that insider ownership is "both a good and a bad thing, and it is uncertain which," further confirming a complete lack of understanding regarding alignment by insiders.

Message to Dynacor's Board – We are Going Nowhere and This Governance and Corporate Waste Will Not Continue Under Our Watch

We continue to like the business and support management and the strategy, but poor governance will never be tolerated as long as Red Oak is a shareholder, and we will push and advocate for proper governance and alignment to ensure that when critical decisions are to be made or considered - inclusive of large capital spends, sale of the Company or assets, acquisitions, or other important strategic decisions - that shareholders are represented by experienced public company Directors with aligned share ownership and requisite corporate finance (again, not accounting nor private placement) expertise. This means that you will adopt reasonable director rotation and tenure policies, term-based minimum insider share ownership

policies, create a formal nominating committee which is NOT run by someone ISS has confirmed is not even independent, and that you will recognize that this is not a junior mining company – it is time to grow up. We suggest Director training as well, since so many of your Directors are inexperienced, and that you speak with and work with your large shareholders who you already know have asked repeatedly for insider alignment over the past several years, regrettably to deaf ears.

It is Time for (Modest) Change and for the Board to Grow Up and Evolve

If, like Red Oak, you support the Company, its strategy, and its future opportunities, but you do not wish to see the continuation of Board related conflicts of interest and lack of alignment with the very shareholders who they are legally obligated to represent, help us send this specific message so we may attain the more shareholder friendly Board that we deserve, and

VOTE THE BLUE PROXY CARD

If you have questions or require assistance, please contact our proxy solicitor, InvestorCom, Inc.:

Telephone: (203) 972-9300

Toll Free: (877) 972-0090

E-mail: info@investor-com.com

Outside of North America, Banks and Brokers: (203) 972-9300

Sincerely,

David Sandberg, Managing Member
Red Oak Partners, LLC

SOURCE Red Oak Partners, LLC

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