

Augyva Mining Resources Announces Proposed Change of Business and Name Change to Automotive Finance Co.

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And Private Placements, Initial Investments, Share Consolidation

[Augyva Mining Resources Inc.](#) (TSX VENTURE:AUV) (Augyva or the Company) is pleased to announce its intention to pursue a change of business to an investment issuer focused on the auto retail sector.

The proposed change of business (the Proposed COB) contemplates Augyva changing its business from mining and mineral exploration to that of an investment issuer (the Resulting Issuer) focused on the auto retail sector. The Resulting Issuer, to be named Automotive Finance Co., will be engaged in providing debt financing and making other investments, which are expected to include, in some instances, royalty like features, in connection with the financing of automotive dealerships, automotive dealer groups and/or other related businesses and assets on a global basis, with an initial focus in Canada.

The Canadian auto retail sector is highly fragmented, with approximately 3,500 dealerships across the country, and is currently undergoing a period of rapid consolidation. As the industry consolidates, Augyva believes that there remain limited viable financing options for the vast majority of auto dealers and as such, significant financing opportunities exist. The Company estimates that the market for its unique debt based financing solutions could represent in excess of \$5 billion of opportunities across the Canadian auto retail sector.

The adoption of Augyva's new business strategy will constitute a "change of business" for the Company within the meaning of the policies of the TSX Venture Exchange (the TSXV). Completion of the Proposed COB is subject to a number of conditions, including acceptance by the TSXV. The Proposed COB also requires approval from the Company's shareholders at a special meeting (the Meeting) to be held on February 23, 2017, provided that the votes attached to any Augyva common shares (Shares) held by the current directors and officers of the Company are excluded from such approval

Additional information with respect to the Proposed COB will be provided in the management information circular to be prepared and mailed to shareholders in connection with the Meeting (the Circular).

Assuming the Proposed COB is completed, it is the Company's belief that the Resulting Issuer will be the only public company exclusively focused on long term debt and 'royalty-like' financing in the auto retail sector. The Company believes the industry exhibits many characteristics suitable to a debt financing or 'royalty like' investment vehicle including but not limited to:

- Diversified Revenue Streams
- Predictable Earnings
- Low Capital Intensity with High Free Cash Flow generation
- Solid Barriers to Entry
- Large Addressable Market

Management, as further described below, has significant expertise in the auto retail sector and believes that maintaining a strict industry focus will lead to long term revenue and distributable cash flow growth while minimizing risk given a more robust due diligence framework, deeper industry relationships and limited competition for financing alternatives.

Subject to various factors existing at the time, including available cash resources and regulatory and corporate requirements, upon becoming an investment issuer, the Resulting Issuer anticipates returning the majority of its distributable cash flow to shareholders through a sustainable and growing dividend as part of its capital allocation policy.

Concurrent with the completion of the Proposed COB and Other Transactions (as defined below), the Resulting Issuer will enter into a limited partnership agreement creating a partnership (the Partnership), the business of which will be to provide debt financing and make other investments, with, in some instances, royalty like features, in connection with the financing of automotive dealerships, automotive dealer groups

and/or other related businesses and assets and administer the affairs of the Resulting Issuer. The Resulting Issuer will be the sole limited partner of the Partnership.

Alliance Agreement

While Augyva expects following completion of the Proposed COB that the Partnership will pursue financings involving third party borrowers, to support its growth and provide a differentiated competitive advantage, the Partnership will, upon completion of the Proposed COB, enter into an alliance agreement (the Alliance Agreement) with AA Finance Co LP (AAFC), a member of a leading privately held group involved in the acquisition, ownership and operation of automotive dealerships. Pursuant to the Alliance Agreement, AAFC will provide the Partnership with a right of first offer (ROFO) on certain debt financing opportunities undertaken by affiliates of AAFC for acquisitions and/or recapitalizations of automobile retailers and/or auto dealership groups globally, with an initial focus in Canada. Pursuant to the Alliance Agreement, and subject to the conditions specified therein, the Partnership agrees to accept the first \$100 million of financings offered to it by AAFC (the Obligated Financings) in the 18 month period following the completion of the Proposed COB, including the Initial Investment, as described below. Augyva believes that the Alliance Agreement is a critical component to its growth objectives and provides a clear competitive advantage for the Partnership and the Resulting Issuer.

Mr. Billan, who is the current CEO and a director of Augyva, is expected to be the sole director and controlling shareholder of the general partner of AAFC. Pursuant to MI 61-101, AAFC may be a related party of Augyva (and will be a related party of the Resulting Issuer) and the Alliance Agreement and certain of the transactions contemplated thereunder may be related party transactions which require minority approval in accordance with MI 61-101. In determining minority approval for the Alliance Agreement under MI 61-101, the votes for the resolution approving the Alliance Agreement attached to any Shares owned by Mr. Kuldeep Billan and his related parties will be excluded.

Initial Investment

In connection with the Proposed COB and subject to its completion, the Partnership will, in accordance with the Alliance Agreement, enter into its initial debt financing with an affiliate of AAFC (the Initial Borrower) in the aggregate principal amount of \$33,333,333 (the Initial Investment). The Initial Investment will bear interest at 10.5% per annum resulting in \$3,500,000 of annual revenue to Augyva and have a 25 year term. Further details relating to the Initial Investment will be disclosed in the Circular.

AAFC Private Placement

In connection with the Proposed COB, an affiliate of the Initial Borrower (the AAFC Control Person), will use \$10,400,000 of the proceeds of the Initial Investment to subscribe for shares of the Resulting Issuer (the AAFC Private Placement). The Resulting Issuer shares will be acquired by AAFC Control Person at a price of \$0.16 per Share (on a pre-Share Consolidation basis). As a result of the AAFC Private Placement, it is anticipated that AAFC Control Person will hold more than 20% of the outstanding securities of the Resulting Issuer and thereby become a control person of the Resulting Issuer. Accordingly, pursuant to the policies of the TSXV, disinterested shareholder approval by ordinary resolution is required in connection with the AAFC Private Placement. AAFC Control Person is expected to be a limited partnership formed under the laws of Ontario. Mr. Billan, who is currently the CEO and a director of Augyva, is expected to be the sole director and controlling shareholder of the general partner of each of AAFC and AAFC Control Person. Pursuant to Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* (MI 61-101), each of AAFC and AAFC Control Person may be a related party of Augyva and the AAFC Private Placement may therefore be a related party transaction which requires minority approval in accordance with MI 61-101. In determining minority approval for the AAFC Private Placement under the policies of the TSXV and MI 61-101, the votes attached to any Shares owned by Mr. Billan and any of his related parties will be excluded.

Target Investment

It is anticipated that the Initial Borrower will apply the balance of the proceeds of the Initial Investment, being \$22,933,333, to fund the recapitalization of an affiliated entity of AAFC which owns and operates three automotive dealerships.

Brokered Private Placement

In connection with the Proposed COB, Augyva also expects to complete an arm's length brokered private placement of subscription receipts at a price per subscription receipt of \$0.16 (on a pre-Share Consolidation basis) resulting in gross proceeds to the Resulting Issuer of a minimum of \$12,000,000 and a maximum of \$15,000,000 (the Brokered Private Placement). Each subscription receipt shall be automatically exercisable, without any further action by the holder of such subscription receipt, and without any additional consideration, into post-Share Consolidation Resulting Issuer common shares, as adjusted in accordance with the Share Consolidation ratio, upon the satisfaction of certain escrow release conditions.

The proceeds from the Brokered Private Placement will be held in escrow and will be released to the Resulting Issuer subject to and conditional upon (i) the satisfaction of all conditions precedent to the Proposed COB and Other Transactions, and (ii) the receipt of all required approvals necessary to complete the Proposed COB and Other Transactions (including, without limitation, the conditional approval of the TSXV).

Canaccord Genuity Corp. will act as the Company's sole agent and financial advisor for the Brokered Private Placement.

Proposed Change of Business

The Company is currently listed on the facilities of the TSXV under the trading symbol "AUV" and is engaged in the exploration and development of mineral properties. Augyva does not have any properties in production. Its principal assets consist of cash and a 35% joint venture interest in the Duncan Lake Iron Property (Duncan Lake) located in the James Bay region of the Province of Quebec. The Duncan Lake asset requires no ongoing capital and, subject to completion of the Proposed COB and other corporate and regulatory considerations, the Company expects to divest of this asset over time.

In light of the challenges in the metals and mining markets and, more specifically, owing to the challenging economics of the Company's existing Duncan Lake asset, the Company has considered a variety of options over the past several years to maximize shareholder value. Given the expertise and skill set of the board of directors (the Board) and management, the Board and management believe that the optimal allocation of Augyva's working capital would be within the framework of an investment company specifically focused on the auto retail sector, rather than as a mining or mineral exploration company, where its working capital would be spent on a limited number of mineral projects with little prospect of distributable cash flow in the foreseeable future. For those reasons, the Board and management have proposed that Augyva undergo the Proposed COB from a "Mining Issuer" to that of an "Investment Issuer" as contemplated under TSXV policies.

To facilitate this, the Board constituted an independent committee of the Board (the Special Committee) to make a recommendation to the Board on the Proposed COB and Other Transactions, as detailed herein. The Special Committee retained Fasken Martineau DuMoulin LLP as their independent counsel and INFOR Financial Inc. as independent financial advisor. Based on a number of factors, including an opinion of INFOR Financial Inc. as to the fairness of the Initial Investment, from a financial point of view, to the shareholders of the Company other than Mr. Billan and his related parties, and after extensive deliberation, the Special Committee has concluded that the Proposed COB and Other Transactions are in the best interests of the Company and has unanimously recommended to the Board that the Board approve the Proposed COB and Other Transactions and recommend that shareholders vote in favour of the resolutions required to effect such transactions. The Board has accepted such recommendation and recommends that shareholders vote for the Proposed COB and Other Transactions.

The Company's legal advisor in respect of the Proposed COB and Other Transactions is Norton Rose Fulbright Canada LLP.

In connection with the Proposed COB, the Company will adopt a written investment policy, a copy of which will be included in the Circular. The investment policy will set out, among other things, the investment objectives and strategy of the Company based on the fundamental principles set out above. The final investment policy will be posted on the Company's website and filed on SEDAR prior to the completion of the Proposed COB.

It is anticipated that the board of directors of the Resulting Issuer will initially be comprised of the following current directors of the Board: Farhad Abasov (MBA), Curtis Johansson (B.Comm) and Kail Ross (CFA). It is further anticipated that Mr. Kuldeep Billan, the current Chief Executive Officer (CEO) and a director of the Company, and Ms. Shannon Penney, the current Chief Financial Officer (CFO) of the Company, will resign from their respective positions on closing of the Proposed COB and Other Transactions and will thereafter provide the services of CEO and CFO, respectively, pursuant to an administration agreement (the Administration Agreement) to be entered into by the Partnership, as administrator, and the Resulting Issuer.

Pursuant to the Administration Agreement, the Partnership will administer the general and administrative affairs of the Resulting Issuer.

Biographies for each of the above-named individuals are set out below:

Mr. Farhad Abasov

Mr. Abasov is currently the managing director of Riverbed Holdings Limited. Previously, he was the President and CEO of [Allana Potash Corp.](#), a Canadian potash company focusing on the exploration and development of a previously explored Dallol potash property in the Danakil Depression, Ethiopia. He was also Executive Chairman of [Rodinia Lithium Inc.](#) Mr. Abasov has previously held various senior executive and director positions with leading domestic and international resource, energy and finance companies. Prior to Allana, Mr. Abasov served as Senior Vice President at Potash One; was Vice President, Portfolio Management and Vertical Integration for Uranium One; and was a member of [Energy Metals Corp.](#)'s senior management team. He has spent 9 years in the capital markets and successfully raised approximately \$100 million, principally for Allana, which was a successful junior resource company listed on the TSX. Mr. Abasov holds an MBA in Business and Finance from the International University of Japan.

Mr. Curtis Johansson

Mr. Johansson has 15 years of capital markets and investing experience in a range of sectors including consumer, industrial and energy. He is a Partner of CAI Capital Management, a North American private equity firm specializing in buyouts, restructurings, acquisitions, recapitalizations and other corporate growth initiatives. Through his activities at CAI, Mr. Johansson is a director or board observer of a number of CAI's portfolio companies. Prior to joining CAI, Mr. Johansson was with RBC Capital Markets, in London, England and Calgary, Alberta. Mr. Johansson holds a Bachelor of Commerce degree from the Haskayne School of Business at the University of Calgary.

Mr. Kail Ross

Mr. Ross has over 10 years of capital markets and investing experience spanning retail, industrial and energy sectors. He is the Owner and President of 1780350 Alberta Ltd. an investment management and consulting company and is a Co-Founder and Director of New Divide Energy Services. Prior to co-founding New Divide Energy Services, Mr. Ross was a principal at The Catalyst Capital Group Inc., one of Canada's largest Distressed Debt Private Equity Firms. Mr. Ross has worked at a number of leading investment banking firms including Morgan Stanley, National Bank Financial and Genuity Capital Markets. Mr. Ross is a Chartered Financial Analyst and is a graduate of the University of Alberta's School of Business.

Mr. Kuldeep Billan

Mr. Billan has extensive experience in both private and public markets. Prior to being named CEO of the Company in 2014, Mr. Billan was a member of the investment team at West Face Capital Inc., a Toronto based institutional investor. Mr. Billan was previously a Principal with RCM Partners Inc. and prior thereto was employed by ONCAP Management Partners LP, the mid-market private equity platform of Onex Corp. Mr. Billan is a Director of the Company, is a Chartered Financial Analyst and holds a Bachelor of Commerce degree from the University of Alberta. Mr. Billan has a 15 year successful track record in public and private market investing, as well as capital market activities, having raised in excess of \$300 million in equity and debt, for both private and public issuers over the past 2 years, including Augyva's most recent private placement which was done on a non-brokered basis.

Mr. Billan has been on the Board since 2011 and CEO since 2014. During this time, he has been primarily involved in seeking strategic alternatives and investments for the Company. It was Mr. Billan who proposed the Proposed COB. In 2014, Mr. Billan founded has run a leading privately held auto group which is in the business of acquiring and operating automotive dealerships. Since it began operations, this group has acquired twelve automotive dealerships, including ten new vehicle dealerships, and is proven to be one of Canada's fastest growing privately held auto dealer groups with estimated annualized revenue of approximately \$500 million. As such, Mr. Billan, in addition to his in-depth investment and financial expertise, has gained extensive experience in the automotive sector.

Shannon C. Penney

Shannon has extensive corporate accounting and restructuring experience and previously was Augyva's

Controller. She is also CEO of Smart Financial Minds Inc. which assists companies in finding solutions to financial challenges and promoting entrepreneurial growth. She has authored various articles concerning finance and accounting and has an honours Bachelor of Arts degree with a specialty in Management from the University of Toronto. Shannon is a Chartered Accountant as well as a Certified Insolvency Restructuring Professional.

In connection with the Proposed COB, the Company will apply to qualify as a Tier 2 Investment Issuer on the TSXV. The Company is relying on an exemption to the sponsorship requirements of the TSXV in respect of the Proposed COB.

The Proposed COB is considered a "non-arm's length transaction" for the purposes of the TSXV. For the Change of Business Resolution to become effective, it must receive the affirmative vote of at least a majority of the votes cast by Shareholders present in person or by proxy at the Meeting, excluding votes attached to Shares held by the following Insiders (as that term is defined in the policies of the TSXV): Kuldeep Billan (2,925,362 Shares or 2.95% of the issued and outstanding Shares), Curtis Johansson (869,565 or 0.88% of the issued and outstanding Shares) and Kail Ross (217,500 Shares or 0.22% of the issued and outstanding Shares). Mr. Abasov and Ms. Penney, the only two remaining Insiders of the Company, do not currently own any Shares.

GMP Securities L.P. has been engaged as a strategic advisor to the Company in connection with the Proposed COB.

Other Transactions

In connection with the Proposed COB and subject to its completion, the Company will also seek disinterested shareholder approval to: (a) as described above, authorize the Partnership to enter into the Alliance Agreement with AAFC and to make financing available to AAFC or an affiliated entity of AAFC pursuant to the Alliance Agreement, including, without limitation, the Initial Investment and the Obligated Financings (the Alliance Agreement Resolution); (b) authorize the Company to complete the AAFC Private Placement, the consideration for which will be funded by the AAFC Control Person from the proceeds of a loan from the Partnership to the Initial Borrower, with such loan forming part of the Initial Investment and bearing interest at 10.5% per annum in accordance with the terms of the Initial Investment (the AAFC Private Placement Resolution); (c) permit the creation of a new Control Person (as that term is defined in the policies of the TSXV) in connection with the AAFC Private Placement (the New Control Person Resolution); and (d) authorize the Company to enter into the Administration Agreement with the Partnership (the Administration Agreement Resolution).

For the Alliance Agreement Resolution, the AAFC Private Placement Resolution, the New Control Person Resolution and the Administration Agreement Resolution to become effective they must receive the affirmative vote of at least a majority of the votes cast by Shareholders present in person or by proxy at the Meeting, excluding votes attached to Shares held by Mr. Billan (2,925,362 Shares or 2.95% of the issued and outstanding Shares).

Change of Name

Subject to shareholder and regulatory approval, the Company will concurrently with the completion of the Proposed COB change its name to "Automotive Finance Co." or such other name as the Board determines is appropriate and which all applicable regulatory authorities accept (the Name Change).

Share Consolidation

In connection with the Proposed COB and subject to shareholder and regulatory approval, the Company will consolidate the Shares by a ratio of up to 15:1, or such other ratio as may be accepted by the relevant regulatory authorities and approved by the Board (the Share Consolidation and, together with the Alliance Agreement, the AAFC Private Placement and the Name Change, the Other Transactions).

Additional information with respect to the Other Transactions will be provided in the Circular.

Completion of the transactions noted above are subject to number of conditions, including but not limited to, TSXV acceptance and, if applicable, disinterested shareholder approval. Where applicable, the transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the transactions will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in the Circular to be prepared in connection with the above-noted transactions, any information released or received with respect to the transactions may not be accurate or complete and should not be relied upon. Trading in securities of Augyva should be considered highly speculative.

The TSX Venture Exchange Inc. has in no way passed upon the merits of the proposed transactions and has neither approved nor disapproved the contents of this news release.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

This news release contains forward-looking information and forward-looking statements within the meaning of applicable securities laws, including statements regarding the future strategy of the Company and the possible approvals of matters to be put forth for approval at the Meeting. All statements, other than statements of historical fact, constitute forward-looking statements or forward-looking information. Such forward-looking information and statements are frequently identified by words such as "may", "will", "should", "anticipate", "plan", "expect", "believe", "estimate", "intend" and similar terminology, and reflect assumptions, estimates, opinions and analysis made by management in light of its experience, current conditions, expectations of future developments and other factors which it believes to be reasonable and relevant. In particular and without limitation, this news release contains forward-looking statements pertaining to the following: completion of the Proposed COB and Other Transactions; details concerning the Resulting Issuer that assume completion of the Proposed COB and Other Transactions; statements of intention with respect to the business and operations of the Resulting Issuer; expectations regarding the ability to raise capital and grow the business of the Resulting Issuer; the Resulting Issuer's growth strategy and opportunities; expectations of the Resulting Issuer's ability to pay a dividend; and the amount and use of the net proceeds of the AAFC Private Placement and the Brokered Private Placement.

Information contained in this news release may be considered to be a financial outlook for the purposes of applicable Canadian securities laws. Financial outlook contained in this news release is based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available, and to become available in the future. Prospective financial information contains forward-looking statements and is based on a number of material assumptions and factors set out above. Actual results may differ significantly from the information presented herein. Readers are cautioned that any such financial outlook contained herein should not be used for purposes other than those for which it is disclosed herein. The Company and its management believe that the prospective financial information has been prepared on a reasonable basis, reflecting management's best estimates and judgments, and represent, to the best of management's knowledge and opinion, the Company's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future results.

Forward-looking information and statements involve known and unknown risks and uncertainties that may cause actual results, performance and achievements to differ materially from those expressed or implied by the forward-looking information and statements and, accordingly, undue reliance should not be placed thereon. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause these differences include but are not limited to: the Company's failure to obtain requisite regulatory and shareholder approvals in connection with the Proposed COB and Other Transactions; anticipated and unanticipated costs; the Company's ability to obtain necessary capital, including the completion of the Brokered Private Placement and the AAFC Private Placement; the failure to complete the Initial Investment and other subsequent financings; failure to complete the Name Change; failure to complete the Share Consolidation; and changes to general market and economic conditions. In addition, other risks and uncertainties that may cause actual results to differ materially from forward-looking information can be found in Augyva's disclosure documents on the SEDAR website at www.sedar.com. Augyva does not undertake to update any forward looking information except in accordance with applicable securities laws.

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