

Rye Patch provides additional disclosure for Alio Gold transaction

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VANCOUVER, May 11, 2018 - [Rye Patch Gold Corp.](#) ("Rye Patch" or the "Company") (TSX.V: RPM; OTCQX: RPMGF; FWB: 5TN) wishes to provide certain additional disclosures to supplement its information circular (the "Circular") dated April 18, 2018 in connection with the special meeting of shareholders of the Company (the "Meeting") to be held on May 18, 2018 concerning an arrangement (the "Arrangement") involving the Company and [Alio Gold Inc.](#) ("Alio").

Interests of Certain Persons in the Arrangement

Shareholders should be aware that certain executive officers and directors of the Company have certain interests that are or may be different from or in addition to the interests of other shareholders generally. These interests include those described below.

Options and RSUs

The directors and executive officers of the Company hold an aggregate of 1,779,380 share purchase options ("Options") and 245,203 restricted share units ("RSUs"). Pursuant to the Arrangement, each outstanding Option will be exchanged for a replacement share purchase option to purchase 0.48 common shares of Alio at an exercise price per replacement share purchase option equal to the current exercise price divided by 0.48. All RSUs, including those held by directors and executive officers, will be deemed to be vested immediately prior to the closing of the Arrangement and will be exchanged at that time for Rye Patch shares or cash, as may be elected by holders of RSUs in accordance with the RSU plan.

Employment and Consulting Agreements

The Company entered into a consulting agreement with William C. (Bill) Howald, President and Chief Executive Officer through his holding company, and employment agreements with Tony Wood, Chief Financial Officer, and Doug Jones, Chief Operating Officer, which agreements include the payment of certain benefits in the event of a change of control of the Company. These agreements provide that if the executive officer's consulting arrangement or employment is terminated by the Company in the six-month period after a "change of control" or, in the case of Mr. Howald, he terminates the agreement in accordance with its terms within three months following a "change of control", the executive officer is entitled to receive the following benefits:

- William C. (Bill) Howald: an amount equal to three times his annual consulting fee and three times any bonus paid or payable to him in respect of the most recently completed financial year of the Company;
- Tony Wood: an amount equal to his current month's salary multiplied by 24 months and benefits for the same period, together with an amount equal to any bonus paid or payable to him by the Company in respect of the most recently completed financial year; and
- Doug Jones: an amount equal to his current month's salary multiplied by 12 months and benefits for the same period.

Pursuant to these agreements, if the Arrangement is completed and the entitlements are triggered as described above, Mr. Howald would be entitled to receive cash compensation of approximately US\$645,000 plus three times his annual bonus, Mr. Wood would be entitled to receive cash compensation of approximately C\$477,288 together with an amount equal to any bonus paid or payable to him in respect of the most recently completed financial year, and Mr. Jones would be entitled to receive approximately US\$220,160.

Members of the special committee of the Company formed in respect of the Arrangement (the "Special Committee") were paid a retainer of US\$12,000 (US\$20,000 for the Chair) in connection with their service on the Special Committee.

Minority Approval under MI 61-101

The Company is subject to Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions ("MI 61-101"). MI 61-101 provides that, in certain circumstances, where a "related party" (as defined in MI 61-101) of an issuer is entitled to receive a "collateral benefit" (as defined in MI 61-101) in connection with an arrangement transaction such as the Arrangement, such transaction may be considered a "business combination" for the purposes of MI 61-101 and subject to minority shareholder approval requirements.

A "collateral benefit" includes any benefit that a related party of the subject company (which includes the directors and executive officers of the subject company) is entitled to receive as a consequence of the transaction including such benefits as an increase in salary or a lump sum payment on a change of control.

Under MI 61-101, a benefit received by a related party is not considered to be a "collateral benefit" if, among other things, at the time the transaction was agreed to, the related party beneficially owned or exercised control or direction over less than 1% of the outstanding equity securities of the subject company at the relevant time.

If a "related party" receives a "collateral benefit" in connection with the Arrangement, the resolution approving the Arrangement (the "Arrangement Resolution") will require "minority approval" in accordance with MI 61-101. This means the Arrangement Resolution must be approved by a majority of the votes cast, excluding those votes beneficially owned, or over which control or direction is exercised, by the "related parties" of the Company who receive a "collateral benefit". This approval is in addition to the requirement that the Arrangement Resolution be approved by not less than two-thirds of the votes cast by Rye Patch shareholders at the Meeting.

If the Arrangement is completed, the vesting of the outstanding RSUs is to be accelerated and the "change of control" compensation may be payable pursuant to the consulting and the employment agreements described above. Pursuant to MI 61-101, these benefits are considered to be "collateral benefits" accruing to "related parties", unless they are excluded as a result of such party beneficially owning or exercising control or direction over less than 1% of the outstanding equity securities of Rye Patch at the relevant time.

The Company has determined that the only director or executive officer of the Company who is receiving a "collateral benefit" in connection with the Arrangement and beneficially owns or exercises control or direction over more than 1% of Rye Patch shares is Mr. William C. (Bill) Howald, the Company's President and Chief Executive Officer. Mr. Howald beneficially owns or exercises direction or control over 993,113 Rye Patch shares (including the deemed exercise of certain vested Options and RSUs held by him and the accelerated vesting of RSUs pursuant to the arrangement agreement with Alio (the "Arrangement Agreement"), calculated in accordance with the provisions of MI 61-101). This represents approximately 1.21% of the outstanding Rye Patch shares as of the date of the Arrangement Agreement. Consequently, the Rye Patch shares beneficially owned, directly or indirectly, by Mr. Howald or over which he has control or direction will be excluded for the purposes of determining if minority approval of the Arrangement is obtained. In order to ensure complete compliance with the requirements under MI 61-101, the requisite Rye Patch shareholder approval for the Arrangement Resolution will require the majority of the Rye Patch shares to be voted at the meeting in favour of the Arrangement Resolution, excluding the votes which may be cast by Mr. Howald.

The Company is not required to obtain a formal valuation under MI 61-101 as (i) no "interested party" (as defined in MI 61-101) is, as a consequence of the Arrangement, directly or indirectly acquiring the Company and (ii) an "interested party" is not a party to any "connected transaction" (as defined in MI 61-101) to the Arrangement that is a "related party transaction" (as defined in MI 61-101) for which the Company would be required to obtain a formal valuation. No prior valuations of the Company have been made in the past 24 months, and other than the offers received from Alio as described in the Circular, no bona fide prior offers that relate to the subject matter of, or are relevant to, the transaction, have been received by the Company in the past 24 months.

Principal Holders of Rye Patch Shares

As at the Record Date for the Meeting, to the knowledge of the directors or executive officers of Rye Patch, the only person who beneficially owned, directly or indirectly, or exercised control or direction over, shares carrying 10% or more of the voting rights attached to the issued and outstanding Rye Patch Shares, was Donald Smith Value Fund, L.P. which held a total of 12,075,000 Rye Patch Shares representing 14.86% of the issued and outstanding Rye Patch shares

About Rye Patch Gold Corp.

[Rye Patch Gold Corp.](#) is a Nevada based, Tier 1, mining company engaged in the mining and development of quality resource-based gold and silver mines and projects along the established Oreana trend in west central Nevada. Leveraging its strong financial position and cash to acquire the operating Florida Canyon Gold Mine, Rye Patch Gold Corp now controls a trend-scale platform with mining operations, resource projects and exploration upside. The combination of operations and organic growth along a major Nevada gold trend positions Rye Patch as an emerging mid-tier gold producer with tremendous value-added potential.

Rye Patch Gold recently announced an agreement to merge with [Alio Gold Inc.](#), whereby Alio Gold will acquire all of the outstanding shares of Rye Patch Gold and thereby acquire its 100% owned Florida Canyon Mine and all of its resource and exploration projects along the Oreana and Cortez gold trends. The acquisition is expected to be completed in late May 2018. Alio Gold is a growth-oriented gold mining company, focused on exploration, development and production in Mexico. Its principal assets include its 100%-owned and operating San Francisco Mine in Sonora, Mexico and its 100%-owned development stage Ana Paula Project in Guerrero, Mexico. For more information, please visit our website at www.ryepatchgold.com.

On behalf of the Board of Directors

'William Howald'
William C. (Bill) Howald, CEO & President

Cautionary Note Regarding Forward-Looking Statements

This news release includes certain "forward-looking information" under applicable Canadian securities laws. These forward-looking statements or information relate to, among other things: the timing and receipt of required approvals for the Arrangement; the ability of Alio Gold and Rye Patch to satisfy the other conditions to, and to complete, the Arrangement; and the closing of the Arrangement.

In respect of the forward-looking statements and information concerning the anticipated completion of the proposed Arrangement, the Company has provided them in reliance on certain assumptions that are believed to be reasonable at this time, including assumptions as to the ability of the Company and Alio Gold to receive the necessary shareholder, court, stock exchange, creditor and regulatory approvals; and the ability of the parties to satisfy the other conditions to the closing of the Arrangement. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this news release concerning the completion of the Arrangement.

These statements reflect the Company's current views with respect to future events and are necessarily based upon a number of assumptions and estimates that, while considered reasonable by the Company, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors, both known and unknown, could cause actual results, performance or achievements to be materially different from the results, performance or achievements that are or may be expressed or implied by such forward-looking statements or information and Rye Patch has made assumptions and estimates based on or related to many of these factors. Such factors include, without limitation: satisfaction or waiver of all applicable conditions to closing of the Arrangement including, without limitation, receipt of all necessary shareholder, court, stock exchange, creditor and regulatory approvals or consents and lack of material changes with respect to Alio Gold and Rye Patch and their respective businesses, all as more particularly set forth in the Arrangement Agreement.

Readers are cautioned against attributing undue certainty to forward-looking statements or information. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be anticipated, estimated or intended. The Company does not intend, and does not assume any obligation, to update these forward-looking statements or information to reflect changes in assumptions or changes in circumstances or any other events affecting such statements or information, other than as required by applicable law.

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SOURCE Rye Patch Gold

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