

# Gildan says allegations by key shareholder Browning West violated U.S. securities law

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Gildan CEO Vince Tyra in Toronto on Feb. 1.

CHRISTOPHER KATSAROV/THE GLOBE AND MAIL

Gildan Activewear [GIL-T \(/investing/markets/stocks/GIL-T/\)](#) -1.50% ▼ is accusing one of its largest shareholders of violating American securities law and has asked the regulator to investigate allegations that the investor has been spreading falsehoods about the Montreal-based clothing maker's new chief executive, Vince Tyra.

In a letter sent to the U.S. Securities and Exchange Commission late Thursday, Gildan alleged that U.S. investment fund Browning West made "false and highly prejudicial

personal attacks against Mr. Tyra and the board” as part of its campaign to take control of Gildan’s board of directors and remove Mr. Tyra as CEO. Browning West wants Glenn Chamandy reinstated as chief executive.

The move is an escalation of an increasingly vicious battle between Gildan and Browning West, which this week saw each side issue public statements condemning the other.

Specifically, Gildan has accused Browning West of mischaracterizing the nature of a relationship Mr. Tyra had with a female executive at Gildan, which occurred 20 years ago and at a different company.

On Wednesday, Browning West issued a statement raising questions about whether Gildan’s board had properly considered whether “Mr. Tyra’s seemingly inappropriate relationship with a subordinate” would create “undue conflicts and risk for Gildan shareholders and employees.”

Gildan alleged in its letter to the regulator that Browning West has violated a section of the securities act that bans individuals from making untrue or misleading statements in connection with the purchase or sale of a security.

Gildan pointed to a recent story published in the New York Post – which recounted information contained in a report from management-analysis company Paragon Intel – that alleged Mr. Tyra had an affair with the female subordinate. Browning West said it had no involvement in the Paragon Intel report.

However, Mr. Tyra and the female executive – Patti Lambert Simetz, who is Gildan’s vice-president, distributor sales – told The Globe and Mail that the Post story was a mischaracterization of the relationship.

Both Mr. Tyra and Ms. Simetz said they dated briefly in 2002 during a period when they were both single. The three-month relationship was not an office secret and there were no rules about interoffice romances. After splitting, the pair remained friends, although as their careers took them in different directions, they did not stay in regular touch.

On Wednesday, Gildan accused Browning West of planting the Post article.

“This false tabloid story is a reprehensible attack, peddled by Browning West as part of its activist campaign supported by Glenn Chamandy and other collaborators, to hurt two

good people in an attempt to win a proxy contest,” Gildan spokesperson Simon Beauchemin said in a statement.

Shortly after, Browning West released its own statement, accusing Gildan’s board of presiding over “an egregious failure of due care and judgment” by overlooking Mr. Tyra’s relationship with Ms. Simetz.

In December, Gildan’s board pushed out long-time CEO and co-founder Mr. Chamandy from the top job, over concerns he was moving the company in the wrong direction and had become increasingly unfocused. On Dec. 11, Gildan announced Mr. Tyra, a former president of Fruit of the Loom, as his successor.

But within days, Browning West denounced the board’s decision to hire Mr. Tyra, alleging that his résumé lacked necessary experience with global manufacturing operations. Since then, Browning West has led a campaign of nine dissident investors – who hold an estimated combined 35 per cent of Gildan’s stock – to reinstate Mr. Chamandy as CEO.

François Dauphin, chief executive of Montreal’s Institute for Governance of Private and Public Organizations, said this week marked the beginning of an acrimonious phase of a proxy fight.

“Digging into the past of targeted individuals is a tactic frequently used by shareholder activists, whose objective is to keep the debate present in the media and in the public eye, and in this case to discredit the current CEO and those who named him,” he said.

However, Mr. Dauphin noted that investors seemed unfazed by the Tyra relationship narrative, with Gildan’s stock up about 2 per cent on both the New York and Toronto stock exchanges since the Post article went online Tuesday night.

The fight will come to a head in May when shareholders will be asked to vote on the future of the company.

Browning West, which holds a roughly 5-per-cent stake in Gildan, had been seeking a special meeting of shareholders as a quick way to remove eight of Gildan’s 11 sitting directors and replace them with its own nominees. It filed a formal request to Gildan on Jan. 9 for that meeting but the company has challenged its legal validity.

The investment company intends to present its board slate at the annual general meeting instead, which Gildan has scheduled for May 28.