

In the matter of Scully Royalty Limited

On 7 July 2026, the Grand Court of the Cayman Islands delivered Judgment relating to the contested proxy battle for control of Scully Royalty Limited, a Cayman Islands exempted company listed on the New York Stock Exchange. The Honourable Justice Segal held that the attempt by MILFAM LLC ("MILFAM"), a significant shareholder, to replace the incumbent directors with a new slate of directors was invalid and ineffective and that the incumbent directors remained in office.

The Judgment followed a three-day expedited trial in which the successful First and Second Defendants were represented by James Potts KC, instructed by Kyle Broadhurst and Adam Crane of Broadhurst LLC.

MILFAM sought to replace the incumbent directors by nominating a slate of five candidates for election at the Company's AGM scheduled for 27 December 2025 in Hong Kong. Following earlier litigation concerning the validity of MILFAM's nomination notice, the incumbent directors purported to postpone the AGM. MILFAM contended that the postponement was invalid and proceeded to hold what it said was the AGM, appointing its proxy as chairman and declaring its nominees elected. The Court was therefore required to determine whether the postponement was valid, whether the AGM could lawfully proceed without any directors present, and whether MILFAM's nomination and proxy materials contained adequate disclosure.

No power to postpone the AGM

The Court held that the directors had no power under the articles to postpone the AGM once it had been convened. Although Article 20.2 referred to an "adjournment or postponement" of the AGM, that provision merely addressed the timing of director nomination notices and did not confer a substantive power to postpone a shareholders' meeting. A reference to postponement in an administrative provision was insufficient to create such a power. As a result, the purported postponement announced by the incumbent board was ineffective.

Failure of the AGM notwithstanding the invalid postponement

The Court nevertheless concluded that the AGM could not validly transact business.

The Articles provided that the chairman of the board should chair shareholder meetings and, if unavailable, the directors present should appoint a chairman. No directors attended the AGM. MILFAM argued that a term should be implied into the Articles allowing the shareholders present to appoint a chairman when no directors attended. The Court rejected that argument, holding that the Articles deliberately gave the directors the exclusive power to appoint the chairman and that there was no basis for implying a further default mechanism.

Accordingly, the MILFAM proxy was not validly appointed chairman. Without a valid chairman, the meeting could not proceed to business and the resolutions purporting to elect the MILFAM nominees were ineffective.

Comments on directors' duties

Although the Court refused to imply a shareholder power to appoint the chairman, it emphasised that directors who hold the exclusive power to appoint a chairman are subject to duties requiring them ordinarily to exercise that power and facilitate shareholder meetings. Remedies may be available where directors improperly refuse to attend or appoint a chairman, including derivative or other proceedings to compel compliance with those duties. No allegation of breach of duty was made in the proceedings against the incumbent directors.

Disclosure obligations in dissident proxy materials

The Court also considered the adequacy of the nomination form and the proxy statement circulated by MILFAM in support of its candidates.

The Judge held that Article 20.3(a)(vi) incorporated the general common-law requirement that proxy materials used to solicit shareholder votes must provide shareholders with sufficient information to make an informed decision. That obligation applied not only to circulars issued by directors, but equally to circulars issued by dissident shareholders seeking to change control of the board.

The Court found that both MILFAM's nomination notice and its proxy statement failed adequately to disclose material relationships between MILFAM and two of its nominees. Those relationships were relevant because they could reasonably affect shareholders' assessment of whether those nominees would act independently of MILFAM and in the interests of all shareholders if elected. The Court considered that shareholders were entitled to understand, at least in broad terms, the nature and extent of such relationships and any associated financial benefits.

Although the Company publicly criticised MILFAM's disclosures shortly before the AGM, the Court held that it was not established that shareholders had sufficient time or practical ability to reconsider, revoke or amend their proxy instructions after receiving that information. Consequently, MILFAM could not rely on the later press release to cure deficiencies in its own disclosure documents.

Conclusion

The judgment therefore contains three significant holdings:

1. A mere reference to "postponement" in an Article dealing with nomination mechanics does not create a directors' power to postpone a duly convened shareholders' meeting.
2. Where the Articles confer on directors the exclusive power to appoint the chairman, shareholders cannot assume a residual power to do so in the directors' absence.
3. Dissident shareholders soliciting proxies must disclose material relationships between themselves and their nominees where those relationships may bear on a nominee's independence, loyalties or suitability for office.

Together, these findings provide important guidance on the interpretation of shareholder meeting provisions in Cayman Articles of Association and on the disclosure standards expected in contested “proxy battles” for the election of directors