

JZ Capital Partners Ltd - Discontinuation of Dividend Policy and New Strategy

PR Newswire

London, April 20

20 April 2017

JZ CAPITAL PARTNERS LIMITED (the "Company")

(a closed-end collective investment scheme incorporated as a non-cellular company with limited liability under the laws of Guernsey with registered number 48761)

Discontinuation of Dividend Policy and Inception of New Strategy and Related Recommended Proposals in respect of: Amendments to the Articles of Incorporation of the Company Buy Back Authorities Related Party Transaction in respect of Off-Market Acquisitions and Notices of Meeting of CULS Holders, Separate General Meetings of Ordinary Shareholders and ZDP Shareholders and Extraordinary General Meeting

Discontinuation of Dividend Policy and Inception of New Strategy

The Board recently launched a review of the Company's existing dividend policy, following careful consideration as to whether full value for Shareholders is being achieved.

Introduced in July 2012, the policy seeks to distribute out of profits in each financial year in the form of dividends an amount equal to approximately three per cent of the Company's net assets for that financial year. The review was undertaken in view of the substantial discount to net asset value at which the Company's Ordinary Shares continue to trade.

Following the review, which included consultation with the Company's largest Shareholders, the Board has determined that the interests of Shareholders would be better served through a new strategy which would include the application of the Company's available distributable profits in the purchase by the Company of its Ordinary Shares.

Under the new strategy, purchases by the Company of its Ordinary Shares will be undertaken when opportunities in the market permit, and as the Company's cash resources allow. Naturally the Board will have regard at the relevant time to the best interests of the Company in determining the application of cash resources and where other applications are required or seem appropriate, such as in other investments or the repayment of debt, the cash will be applied accordingly. In addition, the decision by the Company to undertake any purchase of its Ordinary Shares under the new strategy will be a matter determined by the Board with the consent of the Company's Investment Adviser, Jordan/Zalaznick Advisers, Inc.

The new strategy will be kept under review by the Board, particularly with regard to the level of the discount to net asset value of the Company's Ordinary Shares. When the discount no longer justifies the continuation of the strategy the Board will consider returning to the payment of dividends.

As a consequence of the proposed changes, the dividend policy will, subject to the requisite approvals being obtained, be discontinued and the Company will at the same time adopt the new strategy. Accordingly, the Company does not intend to declare or pay a second interim dividend to Ordinary Shareholders for the financial year ending 28 February 2017.

Related Recommended Proposals

The implementation of the new strategy, and specifically the ability of the Company to purchase its Ordinary Shares under that strategy, requires the Company to submit a number of related recommended Proposals to Shareholders as well as to the holders of the Company's convertible unsecured subordinated loan stock (which are referred to in this announcement as the "**CULS**").

Details of the Proposals are set out in a Circular the Company is posting to Shareholders in connection with the Proposals and, in the case of the CULS Holders, a separate Circular to CULS Holders which the Company is posting separately to those holders.

The Proposals are as follows:

Articles Amendments

The Company is proposing to amend its Articles of Incorporation by approving and adopting new Articles in substitution for, and to the exclusion of, the Company's existing Articles.

Such amendments (which are referred to in this announcement as the "**Articles Amendments**") principally concern:

1. *Class rights of ZDP Shares*

Amendments to allow the Company to pass, without the sanction of ZDP Shareholders, any resolution(s) at any time and from time to time authorising the purchase of any class or classes of Shares by the Company made pursuant to any such resolution(s).

Each such resolution, which would be required to be passed to allow the Company to make purchases of its Shares including its Ordinary Shares under the new strategy, will be limited to:

- a. *Market Acquisition Authority*: a general authority of Ordinary Shareholders to make Market Acquisitions (within the meaning of the Guernsey Companies Law) of Shares where the maximum number of Shares in each class that may be purchased is equal to or less than 15 per cent of the Shares of that class (which is referred to in this announcement as a "**Market Acquisition Authority**"); and
- b. *Off-Market Acquisition Authority*: an authority of Ordinary Shareholders pursuant to the Guernsey Companies Law of the terms of a contract to be included in the Articles as prescribed therein for the Company to make Off-Market Acquisitions (being acquisitions other than under a Market Acquisition) of Ordinary Shares in pursuance of the terms of that contract (which is referred to in this announcement as an "**Off-Market Acquisition Authority**").

A resolution in respect of an Off-Market Acquisition Authority would be needed in conjunction with a resolution concerning a Market Acquisition Authority to allow the Company to purchase its Ordinary Shares and to reduce the risk when doing so of the Company being or becoming a Controlled Foreign Corporation for the reasons set out below in this announcement.

Any purchases of the Company's Ordinary Shares under the new strategy are intended to be made pursuant to Market Acquisition Authority and, subject to the passing of an Off-Market Acquisition Authority, in pursuance of the terms of the above mentioned contract.

A Market Acquisition Authority will if approved authorise the Company to purchase up to a maximum number of Ordinary Shares and ZDP Shares representing approximately 14.99 per cent of each class of those Shares. However, whilst any Market Acquisition Authority will provide the Company with the flexibility to purchase both of its Ordinary Shares and ZDP Shares, the Company does not currently have an intention to make purchases of its ZDP Shares. In addition, should the Company decide to purchase any of its Ordinary Shares including under the new strategy, the Company's intention is only to use any Market Acquisition Authority to purchase up to a number of Ordinary Shares (including, subject to the passing of an Off-Market Acquisition Authority, any Ordinary Shares purchased in pursuance of the terms of the above mentioned contract) in respect of which the aggregate cost of such Ordinary Shares so purchased in any given period for which the Company has the requisite authorities to make such purchases is not more than an amount equal to three per cent of the Company's net assets (before dividends) as shown by the Company's published audited accounts for the financial year prior to that period (which is referred to in this announcement as "**3 per cent of NAV**"). Such amount shall, for each given period after the expiry of the first, include the unused amount(s) (if any) of any prior period(s) in addition to the 3 per cent of NAV for such period.

2. *Controlled Foreign Corporation*

Amendments designed to reduce the risk of the Company being or becoming a Controlled Foreign Corporation in circumstances where the Company decides to purchase its Ordinary Shares including under the new strategy.

Such amendments are required as Controlled Foreign Corporation status may be effected by increases of percentage shareholdings resulting from purchases by the Company of its Ordinary Shares or reductions of capital relating to Ordinary Shares and because the Articles (including the existing US ownership and transfer restrictions contained therein) do not currently apply to, nor do they cater for, any such increases.

The proposed amendments include:

a. *CFC Buy Back Arrangement*

The amendment of the Articles to include an arrangement (which is referred to in this announcement as the "**CFC Buy Back Arrangement**") which shall constitute a contract for the Company to make purchases of Ordinary Shares in pursuance of the terms of that contract.

The Articles as proposed to be amended to include the CFC Buy Back Arrangement will require an Off-Market Acquisition Authority in order to authorise any purchases of Ordinary Shares made in pursuance of its terms. The CFC Buy Back Arrangement will also only apply in the case of any purchase of Ordinary Shares made pursuant to a Market Acquisition Authority. Accordingly, any purchases by the Company of Ordinary Shares including under the new strategy will be made pursuant to a Market Acquisition Authority and, subject to the passing of an Off-Market Acquisition Authority, in pursuance of the terms of the Articles as prescribed by the CFC Buy Back Arrangement to be included therein.

In relation to the CFC Buy Back Arrangement to be included in the Articles, the arrangement will apply to:

- i. *Exceeding Shareholders*: certain large Ordinary Shareholders who are also US Holders, being each of those Ordinary Shareholders defined in the Articles as an Exceeding Shareholder; and
- ii. *CFC Limited Shareholders*: each other US Holder who the Board determines, in its absolute discretion, might breach the 9.9 per cent limit in the Articles (which limits Constructively Ownership to no more than 9.9 per cent of the Ordinary Shares in issue) immediately after giving effect to any purchases of Ordinary Shares pursuant to a Market Acquisition Authority (who are referred to in this announcement as a "**CFC Limited Shareholder**" and, together with the Exceeding Shareholders, as the "**CFC Buy Back Arrangement Shareholders**").

In the case of any purchase of Ordinary Shares by the Company made pursuant to a Market Acquisition Authority, the CFC Buy Back Arrangement will require, unless the Board determines otherwise, in its absolute discretion (and subject to the passing of an Off-Market Acquisition Authority), that each CFC Buy Back Arrangement Shareholder shall be required to sell to the Company (and the Company shall buy from each such CFC Buy Back Arrangement Shareholder), such number of their Ordinary Shares that the Board determines, in its absolute discretion, would be necessary or desirable in order to prevent any such purchases made pursuant to such Market Acquisition Authority from resulting in:

- i. *For each Exceeding Shareholder*, that Exceeding Shareholder increasing its percentage holding of Ordinary Shares; and
- ii. *For each CFC Limited Shareholder*, that CFC Limited Shareholder exceeding the 9.9 per cent limit in the Articles.

The Ordinary Shares required to be purchased under the CFC Buy Back Arrangement (which are referred to in this announcement together as the "**CFC Buy Back Arrangement Shares**") will be determined on a daily basis and executed following and as soon as reasonably practicable after completing the execution of all purchases of Ordinary Shares pursuant to such Market Acquisition Authority on that day on which such purchases pursuant to such Market Acquisition Authority are agreed.

The price that each CFC Buy Back Arrangement Shareholder will be entitled to receive and that will be paid by the Company to each of them in respect of each of their respective CFC Buy Back Arrangement Shares determined as being required to be purchased under the CFC Buy Back Arrangement in respect of any given day shall be the volume weighted average price payable per Ordinary Share in respect of the Ordinary Shares agreed to be purchased by the Company on that day pursuant to such Market Acquisition Authority.

For the purpose of giving effect to purchases of CFC Buy Back Arrangement Shares under the CFC Buy Back Arrangement, any Director may (or the Board may appoint any person that the Board so authorises from time to time to) effect those purchases on behalf of each CFC Buy Back Arrangement Shareholder.

It should be noted that the purpose of the CFC Buy Back Arrangement is to reduce the risk of the Company being or becoming a Controlled Foreign Corporation and is not being proposed for any other reason.

b. US ownership and transfer restrictions

The amendment of the existing US ownership and transfer restrictions contained in the Articles that relate to Controlled Foreign Corporations including forced sale provisions such that those restrictions apply to increases of percentage shareholdings resulting from any purchases by the Company of its Ordinary Shares and also to any reductions of capital relating to Ordinary Shares.

Such amendments will apply to any type of purchase by the Company of its Ordinary Shares if and to the extent that the terms of the CFC Buy Back Arrangement to be included in the Articles do not apply or have not been complied with as well as to any reductions of capital relating to Ordinary Shares by the Company.

The amendments are intended to provide a further safeguard against, and to reduce the risk of, the Company being or becoming a Controlled Foreign Corporation in addition to the other safeguard which is proposed to be provided by the CFC Buy Back Arrangement

Buy Back Authorities

The Company is also proposing to pass a Market Acquisition Authority and an Off-Market Acquisition Authority (which are referred to in this announcement as the "**Market Acquisition Buy Back Authority**" and the "**Off Market Acquisition Buy Back Authority**" respectively and together as the "**Buy Back Authorities**") which are needed by the Company to make purchases of its Shares including its Ordinary Shares under the new strategy.

The Market Acquisition Authority is a general authority of Ordinary Shareholders to make Market Acquisitions of Shares where the maximum number of Shares in each class that may be purchased is equal to or less than 15 per cent of the Shares of that class. The Off-Market Acquisition Authority is an authority of Ordinary Shareholders pursuant to the Guernsey Companies Law of the terms of a contract to be included in the Articles as prescribed by the CFC Buy Back Arrangement to be included therein for the Company to make Off-Market Acquisitions of Ordinary Shares in pursuance of the terms of that contract.

The Off-Market Acquisition Buy Back Authority is needed in conjunction with the Market Acquisition Buy Back Authority for reasons related to Controlled Foreign Corporation status set out above in this announcement. Specifically, the Articles as proposed to be amended to include the CFC Buy Back Arrangement, which applies in the case of purchases of Ordinary Shares by the Company made pursuant to a Market Acquisition Authority, also requires an Off-Market Acquisition Authority in order to authorise any such purchases made in pursuance of the terms of the Articles as prescribed by the CFC Buy Back Arrangement to be included therein. As such, any purchases by the Company of Ordinary Shares will be made pursuant to the Market Acquisition Buy Back Authority and, in the case of any such purchases made in pursuance of the terms of the Articles as prescribed by the CFC Buy Back Arrangement to be included therein, the Off Market Acquisition Buy Back Authority.

Each of the Buy Back Authorities are intended by the Company to remain in place until the Annual General Meeting of the Company in 2018 and so will not need to be renewed at the upcoming 2017 Annual General Meeting. However, it is intended by the Company for each of the Buy Back Authorities to be renewed at the 2018 Annual General Meeting and at each Annual General Meeting thereafter.

Accordingly, any purchases of the Company's Ordinary Shares under the new strategy are intended to be made pursuant to the Market Acquisition Buy Back Authority (or any future Market Acquisition Authority) and, subject to the passing of the Off-Market Acquisition Buy Back Authority (or any future Off-Market Acquisition Authority), in pursuance of the terms of the Articles as prescribed by the CFC Buy Back Arrangement to be included therein.

As mentioned above in this announcement, it should be noted that whilst the Market Acquisition Buy Back Authority (and any future Market Acquisition Authority) will if approved authorise the Company to purchase up to a maximum number of Ordinary Shares and ZDP Shares representing approximately 14.99 per cent of each class of those Shares, the Company does not currently have an intention make purchases of its ZDP Shares. In addition, should the Company decide to purchase any of its Ordinary Shares including under the new strategy, the Company's intention is only to use the Market Acquisition Buy Back Authority (or any future Market Acquisition Authority) to purchase up to a number of Ordinary Shares (which shall include, subject to the passing of the Off-Market Acquisition Buy Back Authority (or any future Off-Market Acquisition Authority), any Ordinary Shares purchased in pursuance of the terms of the Articles as prescribed by the CFC Buy Back Arrangement to be included therein) subject to the parameters described above in this announcement.

It should also be noted that the decision by the Company to undertake any purchase of its Ordinary Shares so authorised by the Buy Back Authorities (or any future Market Acquisition Authority or any Off-Market Acquisition Authority) including under the new strategy will be a matter determined by the Board with the consent of the Company's Investment Adviser.

CFC Related Party Transaction

Finally, the CFC Buy Back Arrangement as described above in this announcement as far as it concerns any purchase at any time and from time to time by the Company of any of its Ordinary Shares from the CFC Buy Back Arrangement Shareholders who are Exceeding Shareholders on the terms of the CFC Buy Back Arrangement would be considered Related Party Transactions (insofar as the Listing Rules are applicable to the Company by virtue of its voluntary compliance with the same).

This is because the Exceeding Shareholders would be considered Related Parties of the Company and the CFC Buy Back Arrangement insofar as it concerns purchases from the Exceeding Shareholders would be considered to be transactions or arrangements between the Company and Related Parties. The Related Parties are the founders of the Company's Investment Advisor, David W. Zalaznick and John (Jay) W. Jordan II, as well as one of the Company's major Shareholders, Edgewater Growth Capital Partners.

As a consequence, the Company is proposing to approve any Related Party Transaction resulting from any purchase at any time and from time to time by the Company of any of its Ordinary Shares from such Related Parties on the terms of the CFC Buy Back Arrangement (which are referred to in this announcement as a "**CFC Related Party Transaction**").

For the avoidance of doubt, the approval being sought is to apply to and approve any CFC Related Party Transaction on the terms of the CFC Buy Back Arrangement resulting from any future purchase at any time and from time to time whether effecting that arrangement is authorised by the Off-Market Acquisition Buy Back Authority (or any future Off-Market Acquisition Authority) and so such approval, if obtained, will not be required to be sought again.

CULS Holders should be aware that nothing in any of the Proposals described above in this announcement shall require the conversion price of the CULS to be adjusted.

Circular and Circular to CULS Holders

Copies of the Circular (containing the Notices of Separate General Meetings and the Notice of Extraordinary General Meeting) are being posted to Shareholders and, in the case of the CULS Holders, the separate Circular to CULS Holders (containing the Notice of Meeting of CULS Holders) is being posted separately to CULS Holders. Copies will also be available for viewing, during normal business hours, at the registered office of the Company at Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL and, in the case of separate Circular to CULS Holders, also at the registered office of Equiniti Limited at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom. The Circular and the separate Circular to CULS Holders have also been submitted to the National Storage Mechanism and will shortly be available for viewing at www.hemscott.com/nsm.do and the Company's website at www.jzcp.com.

Meeting of CULS Holders, Separate General Meetings and Extraordinary General Meeting

The Meeting of CULS Holders, the Separate General Meetings and the Extraordinary General Meeting have been called and in respect of which the relevant notices and further details of the resolutions to be proposed at those meetings are set out in the Circular and the separate Circular to CULS Holders, as applicable.

Each of the Separate General Meetings and the Extraordinary General Meeting will be held at the offices of Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands. The Meeting of CULS Holders will be held in England at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA.

Meeting of CULS Holders

The Meeting of CULS Holders will be held at 10.30 a.m. (London time) on 16 May 2017. The Articles Amendments are subject to the approval of CULS Holders and the resolution to be proposed at that meeting concerns those amendments.

Separate General Meeting of Ordinary Shareholders

The Separate General Meeting of Ordinary Shareholders will be held at 10.35 a.m. (London time) on 16 May 2017 (or as soon thereafter as the Meeting of CULS Holders convened for the same day but different place has been concluded or adjourned). The Articles Amendments are subject to the approval of Ordinary Shareholders and the resolution to be proposed at that meeting concerns those amendments.

Separate General Meeting of ZDP Shareholders

The Separate General Meeting of ZDP Shareholders will be held at 10.40 a.m. (London time) on 16 May 2017 (or as soon thereafter as the Separate General Meeting of Ordinary Shareholders convened for the same day and place has been concluded or adjourned). The Articles Amendments are subject to the approval of ZDP Shareholders and the resolution to be proposed at that meeting concerns those amendments.

Extraordinary General Meeting

The Extraordinary General Meeting will be held at 10.45 a.m. (London time) (or as soon thereafter as the Separate General Meeting of ZDP Shareholders convened for the same day and place has been concluded or adjourned) on 16 May 2017. The Articles Amendments are subject to the approval of Ordinary Shareholders and the ZDP Shareholders, the separate Buy Back Authorities are subject to the approval of Ordinary Shareholders and any CFC Related Party Transaction on the terms of the CFC Buy Back Arrangement is subject to the approval of Ordinary Shareholders, and the resolutions to be proposed at the Extraordinary General Meeting concern each of those matters.

In addition to each of the above requisite approvals, the Articles Amendments are also conditional on the passing of the resolution to be proposed at the Extraordinary General Meeting concerning any CFC Related Party Transaction on the terms of the CFC Buy Back Arrangement. Each of the separate Buy Back Authorities are also conditional on the passing of the resolution to be proposed at Extraordinary General Meeting concerning the Articles Amendments.

Shareholders should also be aware that the discontinuation of the Company's existing dividend policy is not the subject of any of the Proposals nor of any of the approvals being sought from Shareholders or CULS Holders. The discontinuation of the dividend policy is however conditional on such approvals.

In connection with the above requisite approvals, the Board can confirm that that Company has received irrevocable undertakings from certain of the Shareholders to vote in favour of the resolutions to be proposed at the Separate General Meetings and the Extraordinary General Meeting and certain of the CULS Holders to vote in favour of the resolution to be proposed at the Meeting of CULS Holders. Details of the irrevocable undertakings received in respect of each of those resolutions are set out in the Circular and the separate Circular to CULS Holders.

This announcement contains inside information.

Unless defined herein, capitalised terms used in this announcement shall have the meaning attributed to them in the Circular or the separate Circular to CULS Holders, as applicable.

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About JZCP

JZCP is a London listed fund which invests in US and European micro-cap companies and US real estate. Its objective is to achieve an overall return comprised of a current yield and capital appreciation. JZCP receives investment advice from Jordan/Zalaznick Advisers, Inc. ("JZAI") which is led by David Zalaznick and Jay Jordan. They have worked together for 30 years and are supported by teams of investment professionals in New York, Chicago, London and Madrid. JZAI's experts work with the existing management of micro-cap companies to help build better businesses, create value and deliver strong returns for investors. JZCP also invests in mezzanine loans, first and second lien investments and other publicly traded securities. For more information please visit www.jzcp.com.