

Company [Phaunos Timber Fund Limited](#)
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Headline PUBLICATION OF CIRCULAR & NOTICE OF EGM
Released 14:15 22-Aug-2014
Number 8682P14

RNS Number : 8682P

Phaunos Timber Fund Limited
22 August 2014

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PHAUNOS TIMBER FUND LIMITED

PUBLICATION OF CIRCULAR

22 August 2014

For immediate release

INTRODUCTION

Further to its announcement on 5 August 2014, Phaunos Timber Fund ("**Phaunos**" or the "**Company**") has today published a circular (the "**Circular**") convening an EGM at 2.00 p.m. on 15 September 2014, to seek Shareholder approval for:

- ~~the~~ the issue of Shares in order to raise capital of approximately US\$10 million, on a non pre-emptive basis at US\$0.40 per Share (the "**Issue Price**");
- ~~the~~ the participation of the members of the Board, Sir Henry Studholme Bt and Mr William Vanderfelt and the Company's portfolio manager, Stafford Timberland Limited (the "**Manager**"), who are related parties of the Company (the "**Related Parties**"), in the proposed capital raising (the "**Related Party Transactions**"); and
- ~~the~~ the issue of Shares arising on the exercise of rights under warrants proposed to be issued to the Manager, as a part of its remuneration for its services to the Company, on a non pre-emptive basis and at subscription prices below the then prevailing Net Asset Value per Share,

(together, the "**Proposals**").

Further details of the Proposals are set out in the Circular, which also includes notice for the EGM to be held at 2.00 p.m. on 15 September 2014 at 11 New Street, St Peter Port, Guernsey GY1 2PF.

THE PROPOSALS

Issue and Related Party Transactions

On 24 June 2014, the Company announced the completion of the Manager's strategic review into its portfolio of investments. On the basis of this review, the Board and the Manager are of the view that, in light of the volatile and unpredictable nature of cash flows from timberland assets, the Company should hold a cash balance representing approximately two years' expected operating costs (including operating costs of wholly owned subsidiaries, possible cash calls in minority interests and corporate overheads).

However, as announced by the Company on 5 August 2014, despite the Manager having worked towards reducing costs and cash outflows since its appointment on 1 July 2014, the Company's cash balances currently represent less than six months' expected operating costs. This level of cash balance is considered to be too low to be prudent and the Board, as advised by the Manager, believes that, without action, the Company may be unable to pay its liabilities as they fall due within the next three to six months.

Other than by an equity fund-raising, the Company could meet its cash requirements through debt financing or through an asset sale. Ongoing discussions with potential debt providers indicate that although debt financing may be available, it is likely to only be available at a high cost to the Company. Further, an enforced sale of an asset would likely be at a "fire sale" price and therefore damaging to Shareholders' interests. There is also no guarantee that the sale of such an asset, even at a "fire sale" price, would happen quickly enough to provide for any unexpected cash requirements and there could be further unanticipated adverse consequences for the Company, including being forced into compulsory liquidation.

On that basis, the Directors believe that an equity fund-raising is in the best interests of the Shareholders as a whole. The Company is therefore proposing to raise approximately US\$10 million by issuing Shares for cash (the "**Issue**") to provide it with a cash balance representing approximately two years' expected operating costs. However, Shareholders should note that depending on investor demand for the Shares, the Company may raise up to a maximum of US\$12 million pursuant to the Issue, subject to the total number of Shares issued pursuant to the Issue not exceeding 10 per cent. of the Company's issued share capital as at the date of the EGM. In order to implement the Issue, the Company intends to use its general authority to issue Shares pursuant to Article 3.1(e) of the Articles but, given that the Company intends to carry out the Issue: (i) on a non pre-emptive basis; and (ii) at a price below the prevailing Net Asset Value per Share, it is necessary to obtain the prior approval of Shareholders. In the event the Issue is not successful, the Company will continue to explore the possibility of raising debt in the first instance.

The Chairman, Sir Henry Studholme Bt, another member of the Board, Mr William Vanderfelt and the Manager intend to apply to participate in the Issue and, accordingly, the Company is also seeking Shareholders' approval of the Related Party Transactions that may arise with respect to their participation.

Further details of the Issue and Related Party Transactions are set in the Circular.

Warrant Issue

On 24 June 2014, the Company announced that it had reached an agreement with Stafford Timberland Limited to manage its portfolio of investments with effect from 1 July 2014.

The Company and the Manager thereafter entered into the Management Agreement, pursuant to which the Company agreed to pay to the Manager a base fee and a further fee for its services. The base fee is calculated with reference to the Company's Market Capitalisation (the "**Base Fee**") and the further fee may be, as applicable under the terms of the Management Agreement, in the form of (i) an increase in the Base Fee or an issue of Warrants to subscribe for Shares in the Company; or (ii) an increase in the Base Fee and a further payment on the Company's liquidation (the "**Further Fee**") (together with the Base Fee, the "**Management Fee**"). Further details of the Management Fee are set out in the Circular.

Accordingly, the Company now intends to create the Warrants described above by executing the Warrant Instrument as a deed poll and to issue the Warrants to the Manager (the "**Warrant Issue**"). The Warrant Issue is subject to the approval of the Shareholders. Further details of the Warrant Issue are set out in the Circular.

EXPECTED TIMETABLE

Commencement of bookbuilding	26 August 2014
EGM	2.00 p.m. on 15 September 2014
Announcement of results of the EGM	15 September 2014
Bookbuilding closes	9.00 a.m. on 16 September 2014
Announcement of results of Issue	16 September 2014
Admission and unconditional dealings in Issue Shares commence	22 September 2014

The above times and/or dates, other than those relating to the EGM, may be subject to change and, in the event of any such change, the revised times and/or dates will be notified to Shareholders by an announcement through a Regulatory Information Service. All references to times in the Circular are to London times, unless otherwise stated.

Terms used and not defined in this announcement bear the meaning given to them in the Circular. A copy of the Circular can be accessed via the National Storage Mechanism, which is located at <http://www.morningstar.co.uk/uk/NSM>, the Company's website: www.phaunostimber.com.

Enquiries:**Winterflood Investment Trusts (Corporate Broker)**

Joe Winkley

020 3100 0301

Citigate Dewe Rogerson (PR Advisor)

Kevin Smith / Georgia Colkin

020 7638 9571

Legis Fund Services Limited (Administrator)

Patricia White

01481 726034

Notes to Editors

The Company is a Guernsey-domiciled authorised closed-ended investment scheme authorised by the Guernsey Financial Services Commission under section 8 of The Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended) and the Authorised Closed-ended Investment Schemes Rules 2008 made thereunder.

Its ordinary shares are listed on the Main Market of the London Stock Exchange. Its investment objective is to provide shareholders with attractive long term total returns, expected to be in the form of capital appreciation but with some income, through a diversified portfolio of timberland and timber-related investments. The Company is managed by Stafford Timberland Limited.

The Company's portfolio consists of timberland and timber-related investments across 5 continents. As at 30 June 2014, the Company's unaudited NAV was US\$433.2 million (being US\$0.807 per ordinary share).

The Company intends to seek investments that meet or exceed the guidelines set out in the Sustainable Forestry Initiative and, wherever possible and practicable, to certify the lands under the Forest Stewardship Council guidelines.

The Company's ticker is PTF.

This announcement is not a prospectus and is not an offer to sell or a solicitation of any offer to buy any securities to, or for the account or benefit of, US Persons or in the United States or any other jurisdiction. The Shares have not been, and will not be, registered under the US Securities Act of 1933 ("**US Securities Act**"), as amended, or under any securities laws of any state or other jurisdiction of the United States. The Shares may not be offered, sold, resold, transferred, delivered or distributed, directly or indirectly, into or within the United States or to, or for the account or benefit of, US Persons (as defined in Regulation S under the US Securities Act, "**US Person**"), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. The Company has not been and will not be registered under the US Investment Company Act of 1940, as amended (the "**US Investment Company Act**") and, as such, investors will not be entitled to the benefits of the US Investment Company Act. No offer, purchase, sale or transfer of the Shares may be made except under circumstances which will not result in the Company being required to register as an investment company under the US Investment Company Act. There will be no public offer of the Shares in the United States.

This information is provided by RNS
The company news service from the London Stock Exchange

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