

**LBO  
WIRE****Amid Market Mayhem, Z Capital Markets New Credit Offering***Hillary Canada**August 28, 2015*

Seeking to capitalize on dislocations in the energy and commodities markets and other areas of weakness in the economy, Z Capital Group's credit arm is raising a new fund, according to a memo viewed by LBO Wire.

The vehicle, known as Z Capital Credit Tactical Fund LP, will pursue noncontrol investments, primarily in U.S. senior secured debt. It has a wide mandate to pursue rescue financing situations and recapitalizations, as well as some secondary purchases of distressed securities, foundering bridge loans and failed loan syndications.

Z Capital aims to raise \$400 million for the fund, and has about \$100 million in commitments so far, according to a person with knowledge of the fundraising.

The firm is capping the fund at \$500 million, and aims to have a final close in the first quarter of 2016, the memo said.

Z Capital is planning a 1.5% general partner commitment to the new fund. Similar to many other managers, it is offering limited partners that come in with larger checks a slight discount on management fees. The firm will take home 15% carried interest on the vehicle after a 7% preferred return.

The new fund represents the latest expansion of **Z Capital Credit Partners** ' offerings. Earlier this summer, the firm closed a \$401 million collateralized loan obligation deal- **familiar territory for Z Capital founder James Zenni** , who helped pioneer the CLO structure during his time at **Black Diamond Capital Management** .

In addition to the CLO, the credit business also manages Z Capital Loan Opportunity Fund LP, an open-ended fund that invests in leveraged loans as well as some midmarket financing.

Although neither of those vehicles has exposure to oil, gas, metals or mining, the tactical fund would look to exploit dislocations in those sectors and others, said the person with knowledge of the fund.

Broadly speaking, the firm expects that many of the lenders that flocked into energy over the past years, including business development companies, loan mutual funds and others, will drift out of the sector, according to the memo. The return of highly levered transactions and the record issuance of leveraged loans, coupled with volatility in the market place driven by global economic weakness and political uncertainty is also likely to contribute to the opportunity set.

Z Capital's private equity arm, **Z Capital Partners** , closed on \$750 million in 2014 for its second special situations vehicle, a control-oriented fund focused on companies in need of growth capital, operational turnarounds or restructuring.

<http://www.zcapcredit.net>

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