



JZ CAPITAL PARTNERS LIMITED

JZ CAPITAL PARTNERS LIMITED (the "Company")

(a closed-ended investment company incorporated with limited liability under the laws of Guernsey with registered number 48761)
LEI 549300TZCK08Q16HHU44

**Proposed disposal of a 35.45 per cent. ownership interest in
TWH Water Treatment Industries, Inc.**

3 September 2018

The Company today announces that TWH Water Treatment Industries, Inc. ("Water Treatment Industries"), a subsidiary of one of the Company's portfolio companies, Triwater Holdings LLC ("Triwater Holdings") agreed to enter into a merger agreement with a newly incorporated subsidiary (incorporated for the purposes of the merger) of DuBois Chemicals, Inc. ("DuBois") in relation to the proposed merger between Water Treatment Industries and DuBois (the "Merger").

The shareholders of Water Treatment Industries, including Triwater Holdings, will receive for the Merger, in aggregate, initial gross consideration of approximately US\$148 million in cash on completion of the Merger, subject to post-closing adjustments for net working capital of Water Treatment Industries and to reflect the amount of cash, indebtedness and transaction expenses of the company at the time of closing (the "Initial Consideration") and additional contingent earn-out consideration of up to US\$17 million in cash based on certain revenue targets of Water Treatment Industries (the "Earn-Out Consideration"). The Company holds a 35.45 per cent. ownership interest in Water Treatment Industries by way of both its 35.43 per cent. ownership interest in Triwater Holdings (which owns 89.91 per cent. of Water Treatment Industries) and its 3.59 per cent. ownership interest directly in Water Treatment Industries. Accordingly, the Merger effectively involves the Company disposing of its ownership interest in Water Treatment Industries. For its ownership interest, the Company expects to receive approximately US\$32 million from the Initial Consideration, subject to the post-closing adjustments, and potentially up to approximately US\$5 million from the Earn-Out Consideration (together, the "Transaction"). The amount expected to be received by the Company reflects that the aggregate Initial Consideration and Earn-Out Consideration (if any) is to be paid out first in respect of senior debt and transaction fees, as well as preferred equity which as between investors including the Company is held (directly or indirectly) in different percentages than the common stock.

The Transaction would be considered a related party transaction under Chapter 11 of the Listing Rules (with which the Company voluntarily complies and insofar as the Listing Rules are applicable to the Company by virtue of its voluntary compliance) and therefore shareholder approval is required for the Transaction. The Merger through which the Company is proposing to realise its investment in Water Treatment Industries is subject to a number of conditions customary for US-style mergers (including a no material adverse effect condition) as well as obtaining such shareholder approval in relation to the Transaction in order to complete the Merger.

Shareholder approval for the Transaction will be sought at an Extraordinary General Meeting ("EGM") of the Company which the Company intends to convene by giving notice of the EGM as soon as practicable. A shareholder circular containing further details of the Transaction and the notice convening the EGM will also be sent to shareholders as soon as practicable. A further announcement will be made by the Company which will provide details of the date, time and location of the EGM. This announcement should be read in conjunction with the following announcement together with the shareholder circular.

Proposed disposal of Water Treatment Industries

The Company intends to realise its investment in Water Treatment Industries through the Merger of Water Treatment Industries with DuBois which the Board believes currently provides the best opportunity to realise an attractive and certain value for its investment.

Water Treatment Industries is a subsidiary of one of the Company's portfolio companies, Triwater Holdings, which owns 89.91 per cent. of Water Treatment Industries. The Company holds a 35.45 per cent. ownership interest in Water Treatment Industries by way of both its 35.43 per cent. ownership interest in Triwater Holdings and its 3.59 per cent. ownership interest directly in Water Treatment Industries.

Water Treatment Industries is incorporated in Delaware and provides water treatment chemical supplies and services in the US and Canada. It has a number of subsidiaries, including Nashville Chemical & Equipment Company Inc., Klenzoid Canada Inc., Eldon Water Inc. and Chemco Products Inc. Water Treatment Industries has gross profits of approximately US\$15.4 million and total gross assets of approximately US\$49.2 million (including approximately US\$26.7 million of intangible assets) for the 12 months ending 30 June 2018. These figures, all of which are unaudited, are attributable to the whole of the Water Treatment Industries business and not the proportionate 35.45 per cent. ownership interest held and proposed to be disposed of by the Company through the Merger. Existing members of the management team of Water Treatment Industries run the Water Treatment Industries business and the key individual important to the business is Ted Kusz who is the President of Water Treatment Industries.

As mentioned above, the shareholders of Water Treatment Industries, including Triwater Holdings, will receive for the Merger, in aggregate, approximately US\$148 million Initial Consideration in cash on completion of the Merger, subject to the post-closing adjustments, and additional contingent Earn-Out Consideration of up to US\$17 million in cash based on certain revenue targets of Water Treatment Industries.

The Initial Consideration is subject to customary financial adjustments to reflect the amount of working capital in Water Treatment Industries at completion of the Merger as well as the amount of cash, indebtedness and transaction expenses of the company at the same time. Following completion of the Merger, DuBois and Triwater Holdings will agree or determine the amount of the adjustments to the Initial Consideration. In the case of the net working capital adjustment, the adjustment to the Initial Consideration will be determined by the amount by which the net working capital of Water Treatment Industries as at the date of completion is either less than US\$9.5 million or greater than US\$10.5 million. If the net working capital is less than US\$9.5 million the adjustment will be equal to the amount of the deficit, if it is greater than US\$10.5 million the adjustment will be equal to the amount of the excess, and in any other case the adjustment will be zero. For the other post-closing adjustments, the adjustments will be made to reflect the amount of cash, indebtedness and transaction expenses of the company at the time of closing. Any upwards or downwards adjustment of the Initial Consideration will be payable upon final determination of such adjustments in accordance with the terms of the Merger, which is expected to be between 60 and 120 days after completion.

The Earn-Out Consideration is based upon the amount by which Water Treatment Industries' total net sales for the 12-month period ending 31 December 2018 exceeds approximately US\$65 million provided that the Earn-Out Consideration shall not exceed US\$17 million. The Earn-Out Consideration, if any, will be paid within 90 days following the publication of the audited financial statements of DuBois for the calendar year ending 31 December 2018, which is expected to be in or around May 2019.

For the Company's 35.45 per cent. ownership interest in Water Treatment Industries, the Company expects to receive in connection with the Merger approximately US\$32 million from the Initial Consideration, subject to the post-closing adjustments, and potentially up to approximately US\$5 million from the Earn-Out Consideration. The proceeds that the Company will receive in connection with the Transaction are intended to be used for the Company's general corporate purposes.

Related Party Transaction

Further details of the Transaction will be included in the shareholder circular to be sent to shareholders as soon as practicable. However, shareholders should note that the Transaction would be considered a related party transaction under Chapter 11 of the Listing Rules.

The parent company of the counterparty to the Merger, DuBois is a portfolio company of Resolute Fund III, L.P. ("Resolute Fund III") which has a 73.7 per cent. ownership interest in DuBois and is one of the funds managed by The Jordan Company, L.P. ("The Jordan Company"). Each of David Zalaznick and Jay Jordan (together, the "JZAI Founders") who together are the founders and principals of the Company's investment adviser, Jordan/Zalaznick Advisers, Inc. ("JZAI") are also the founders of The Jordan Company. In addition, Jay Jordan is the non-executive Chairman of The Jordan Company. Both of the JZAI Founders have an economic interest in Resolute Fund III or its affiliated funds by way of certain fee arrangements including consultancy or similar fees or income, and also receive carried interest in relation to such funds. As such and as both of the JZAI Founders are related parties of the Company under the Listing Rules, the Transaction would be considered a related party transaction.

Shareholders should also note that, whilst the Listing Rules provide that for a related party transaction written confirmation is to be obtained from a sponsor that its terms are fair and reasonable as far as

shareholders are concerned, such a confirmation has not been received in relation to the Transaction. Shareholders are reminded that the Company also departed from the same requirement in relation to the related party transaction of the Company concerning Deflecto Holdings, LLC (the "Deflecto Proposal"), as described in the circular to shareholders published by the Company on 6 June 2018 and approved at the extraordinary general meeting of the Company that took place on 26 June 2018.

This is because, as was the case with the Deflecto Proposal, the Company has been unable to obtain a fair and reasonable written confirmation for the Transaction at a cost which can be justified relative to its size and within the time constraints needed to be met in order to transact on and complete the Transaction on the terms negotiated. The Company understands that the costs and time for obtaining such a confirmation can often be greater for a related party transaction that concerns an acquisition or disposal, such as the Deflecto Proposal and the Transaction respectively. Such additional costs and time can be attributed to the additional due diligence and valuation work that may need to be undertaken on the target which is the subject of the acquisition or disposal (as the case may be).

The Company has therefore decided to depart from the requirement to obtain a fair and reasonable written confirmation on this occasion but notwithstanding that, and as was also the case with the Deflecto Proposal, JZAI as the Company's investment adviser has instead provided written confirmation to the Company that the terms of the Transaction are fair and reasonable as far as ordinary shareholders are concerned. Whilst the JZAI Founders do have an economic interest in Resolute Fund III or its affiliated funds as described above, the Company notes that the Merger and the selection of DuBois as the preferred bidder for Water Treatment Industries was undertaken following a competitive auction process and an assessment of DuBois as presenting the superior offer as determined on the basis of price and ability to complete the Merger in a short time frame with certainty. The Company also notes that Edgewater Growth Capital Partners ("Edgewater") (which holds a 43.23 per cent. ownership interest in Water Treatment Industries) is participating in the Merger (separate to its ownership interest through the Company) on the same terms, which the Company considers provides additional support for JZAI's assessment that the terms of the Transaction are fair and reasonable. Moreover, Edgewater has led the negotiations in relation to the Transaction on behalf of Triwater Holdings and, as one of the Company's major shareholders, has interests which are aligned with the Company's interests.

Shareholders are also reminded that the Company is not subject to, but rather voluntarily complies with, the Listing Rules and, save for the absence of a fair and reasonable written confirmation in a form prescribed by the Listing Rules, the Transaction, like the Deflecto Proposal, is otherwise being treated in accordance with the Listing Rules including in respect of the requirement to obtain shareholder approval. The Directors of the Company, who have been so advised by JZAI, consider this departure is justified for the aforementioned reasons and is in the best interests of the Company and the ordinary shareholders. The Company otherwise intends to continue to comply voluntarily with the requirements of the Listing Rules.

The information contained within this announcement is considered by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain. The person responsible for arranging the release of this announcement on behalf of the Company is David Macfarlane, Chairman.

Ends

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About JZCP

JZ Capital Partners ("JZCP") is one of the oldest closed-end investment companies listed on the London Stock Exchange. It seeks to provide shareholders with a return by investing selectively in US and European microcap companies and US real estate. JZCP receives investment advice from Jordan/Zalaznick Advisers, Inc. ("JZAI") which is led by David Zalaznick and Jay Jordan. They have worked together for more than 35 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 microcap companies to help build better businesses, create value and deliver strong returns for investors. For more information please visit www.jzcp.com.