

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

JZCP agrees sale of part of its US Microcap Portfolio
~Proceeds to repay substantial levels of debt~

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF THE MARKET ABUSE REGULATION (EU) NO. 596/2014 ("**MAR**").

19 October 2020

JZ Capital Partners Limited, the London listed fund that invests in US and European microcap companies and US real estate, is today pleased to announce that it has agreed to sell its interests in certain US microcap portfolio companies (the "**Secondary Sale**") to a secondary fund led by Hamilton Lane Advisors, L.L.C. ("**Hamilton Lane**"), one of the world's largest allocators and managers of private markets capital.

The Secondary Sale will be structured as a sale to a newly formed fund, JZHL Secondary Fund LP (the "**Secondary Fund**"), managed by an affiliate of the Company's investment manager, Jordan/Zalaznick Advisers, Inc. (the "**Investment Adviser**" or "**JZAI**").

Hamilton Lane and other secondary investors, being, as required by Hamilton Lane, David W. Zalaznick and John (Jay) Jordan II, the founders and principals of JZAI, (the "**JZAI Founders**") (or their respective affiliates) and various members of the JZAI US microcap investment team (the "**Secondary Investors**"), will be investing in the Secondary Fund, which will acquire the Company's interests in the relevant US microcap assets.

The US microcap assets to be sold as part of the Secondary Sale include the Company's interests in each of Flex Pack, Flow Controls, Testing Services, Felix Storch, Peaceable and TierPoint (together, the "**US Microcap Portfolio Companies**"). In return, the Company will receive aggregate consideration of: (i) US\$90 million in cash (less any fees and expenses), subject to certain adjustments (the "**Cash Consideration**"); and (ii) a special limited partner interest in the Secondary Fund entitling the Company to certain distributions and other rights and obligations from the Secondary Fund (the "**Special LP Interest**", and together with the Cash Consideration, the "**Aggregate Consideration**").

The Secondary Sale marks a significant milestone towards the delivery of the Company's previously announced strategy of realising value from its investment portfolio and paying down debt. Upon completion, the Secondary Sale will provide the Company with the needed liquidity to repay a substantial portion of its senior debt.

The Secondary Sale would be considered a class 1 transaction and a related party transaction under Chapters 10 and 11 respectively of the Financial Conduct Authority's Listing Rules (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 Secondary Sale. In addition to shareholder approval, the Secondary Sale is also subject to a number of other conditions as explained further below.

*Shareholder approval for the Secondary Sale will accordingly be sought at an extraordinary general meeting of the Company (the "**EGM**"), which the Company intends to convene by giving notice of the EGM as soon as practicable after the date of this announcement. A shareholder circular containing further details of the Secondary Sale and the notice convening the EGM including a resolution to be proposed at the EGM (the "**Resolution**") 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 that further announcement together with the shareholder circular.*

As a separate matter, the Company is also pleased to announce that it has completed on the sale of its Greenpoint property located in Brooklyn, New York. The Company received approximately US\$13.6 million all in cash for its interest in the site which corresponds to a write down to the Company's net asset value of approximately US\$20 million. The approximate write down has already been included in the updated valuations applied to the Company's real estate investments as earlier announced in September and October 2020.

Proposed disposal of US Microcap Portfolio Companies

Pursuant to an agreement of purchase, sale and contribution (the "**Sale Agreement**") entered into by, amongst others, the Company, the Secondary Fund and Hamilton Lane, the Company proposes to realise 100 per cent. of its ownership interests in each of the US Microcap Portfolio Companies the subject of the Secondary Sale, being ACW Flex Pack, LLC ("**Flex Pack**"), Flow Controls Holding, LLC ("**Flow Controls**"), Testing Services Holdings, LLC ("**Testing Services**"), Felix Storch Holdings, LLC ("**Felix Storch**"), Peaceable Street Capital, LLC ("**Peaceable**") and TierPoint LLC ("**TierPoint**").

The Secondary Fund that is to acquire the US Microcap Portfolio Companies is a Delaware limited partnership formed on behalf of the Secondary Investors and managed by an affiliate of JZAI. An affiliate of JZAI will also serve as the general partner of the Secondary Fund. In addition, affiliates of JZAI will retain their existing interests in certain of the US Microcap Portfolio Companies. The full potential commitment by the Secondary Investors to the Secondary Fund is up to US\$110 million in aggregate, with Hamilton Lane's full potential commitment being up to approximately US\$100 million and, as required by Hamilton Lane, the JZAI Founders' (or their respective affiliates) and members of the JZAI US microcap investment team's full potential commitment being up to approximately US\$10 million. A total initial investment of US\$90 million will be funded severally and not jointly by the Secondary Investors at the time of closing of the Secondary Sale to facilitate its acquisition of the US Microcap Portfolio Companies. In addition to this initial investment amount, up to US\$20 million of unfunded capital commitments is expected to be contributed to the Secondary Fund severally (and not jointly) by the Secondary Investors at the same time and to be funded as required. The resulting ownership interests in the Secondary Fund will be 90.9 per cent. owned by Hamilton Lane and 9.1 per cent. by the JZAI Founders (or their respective affiliates) and the JZAI US microcap investment team. In addition, the Company will receive a Special LP Interest in the Secondary Fund as part of the Aggregate Consideration as further explained below.

The Aggregate Consideration to be received by the Company for the Secondary Sale is to be comprised of: (i) Cash Consideration of US\$90 million (less any fees and expenses); and (ii) a Special LP Interest in the Secondary Fund. The Cash Consideration is subject to certain adjustments specified in the Sale Agreement and as such will be: (i) increased by the amount of any investments made by the Company to the US Microcap Portfolio Companies, and (ii) decreased by the amount of any proceeds received by the Company from the US Microcap Portfolio Companies, in each case between the date of execution of the Sale Agreement and the time of closing of the Secondary Sale. The Special LP Interest will entitle the Company, as the special limited partner of the Secondary Fund, to certain distributions from, and certain other rights and obligations in respect of, the Secondary Fund. The equity interests of the Secondary Fund are subject to the following distribution waterfall:

- First, 100 per cent. will be distributed to the Secondary Investors pro rata in accordance with their respective contributions until each Secondary Investor has received distributions equal to its total aggregate contributions to the Secondary Fund (amounting in total to US\$90 million plus any further contributions made thereafter, expected to be in the aggregate of up to an additional US\$20 million);
- Second, 100 per cent. to the Secondary Investors pro rata in accordance with their respective contributions until each Secondary Investor has realised the greater of a 15 per cent. net internal rate of return on its total aggregate contributions or an amount equal to 140 per cent. of its total aggregate contributions (in each case, taking into account all prior and current distributions);
- Third, 95 per cent. to the Company (in its capacity as the special limited partner of the Secondary Fund) and 5 per cent. to the Secondary Investors (in the case of the Secondary Investors, pro rata in accordance with their respective contributions) until the Company has received distributions equal to US\$67.6 million; and
- Fourth, 62.5 per cent. to the Secondary Investors (pro rata in accordance with their respective contributions) and 37.5 per cent. to the Company.

Due to the Secondary Investors being entitled to a minimum return equal to 140 per cent. of their total aggregate contributions, the value of the Special LP Interest to the Company, following the execution of the Sale Agreement, should be approximately US\$40.0 million. Adding this figure to the Cash Consideration of US\$90 million (less any fees and expenses) would indicate a temporary write down to the Company's net asset value of approximately US\$28.7 million, when compared against the aggregate net asset value of the US Microcap Companies at 29 February 2020 of US\$158.7 million. That being the case, the Company does however expect that the value of the Company's Special LP Interest should increase in the near to medium term as the Secondary Investors fund the additional new capital required to grow the US Microcap Companies and complete their respective acquisition strategies.

The Company intends to use up to US\$70 million of the Cash Consideration received in connection with the Secondary Sale to repay a substantial portion of its senior debt. The surplus of the Cash Consideration will be used otherwise towards the implementation of the aims of the Company's recently amended and restated investment policy and for the Company's general corporate purposes. As mentioned above, the Secondary Sale, assuming it is completed, will mark a significant milestone towards the delivery of the Company's strategy of realising value from its investment portfolio and paying down debt.

As also mentioned above, the Secondary Sale is subject to a number of conditions, including the approval of the Company's ordinary shareholders given it is both a class 1 transaction and a related party transaction of the Company. Other conditions to the Secondary Sale completing include entry into certain ancillary documentation by third-party investors in the US Microcap Portfolio Companies, the finalisation of amendments to the Company's current lending arrangements with Guggenheim Partners and the release of security held by Guggenheim Partners over the US Microcap Portfolio Companies. As recently announced by the Company in September and October 2020, the Company and its lenders have made significant progress in their ongoing discussions to agree amendments to these lending arrangements with its lenders and the Company expects to make a further announcement in relation to these matters shortly.

If the above conditions, including approval of the Company's ordinary shareholders, have not been satisfied or waived by the date which falls 30 business days from the date of the posting of the shareholder circular plus the number of business days (not to exceed 10) as necessary for notice of closing by the Company (subject to extension in certain limited circumstances), either party may terminate the Sale Agreement. Completion of the Secondary Sale is expected to occur in early December assuming the Resolution is passed by the Company's ordinary shareholders at the EGM and the other conditions to the Secondary Sale are satisfied or waived.

Information relating to the US Microcap Portfolio Companies

Flex Pack

Flex Pack is incorporated in Delaware and is a provider of a variety of custom flexible packaging solutions to converters and end-users.

The Company's ownership interest in Flex Pack consists of 42,500 common units and a 50.0 per cent. interest in 8 per cent. preferred equity. The net asset value ("**NAV**") of the Company's ownership interest in Flex Pack was US\$11.5 million as at 29 February 2020, as set out in the Company's annual report for the year ended 29 February 2020 (the "**2020 Annual Report**").

Flex Pack has gross profits of approximately US\$15.2 million and total gross assets of approximately US\$58.1 million for the 12 months ending 31 December 2019. These figures are attributable to the whole of the Flex Pack business and not the ownership interest held and proposed to be disposed of by the Company pursuant to the Secondary Sale.

Existing members of the management team of Flex Pack run the Flex Pack business and the key individuals important to the business are Chris Wrobel who is the Chairman of the Board and Chief Executive Officer of Flex Pack and Glen Jensen who is the Chief Financial Officer of Flex Pack.

Flow Controls

Flow Controls is incorporated in Delaware and is a manufacturer and distributor of high-performance, mission-critical flow handling products and components utilised to connect processing line equipment.

The Company's ownership interest in Flow Controls consists of 44,561.77 common units and a 49.6 per cent. interest in 8 per cent. preferred equity. The NAV of the Company's ownership interest in Flow Controls was US\$15.5 million as at 29 February 2020, as set out in the 2020 Annual Report.

Flow Controls has gross profits of approximately US\$10.4 million and total gross assets of approximately US\$54.8 million for the 12 months ending 31 December 2019. These figures are attributable to the whole of the Flow Controls business and not the ownership interest held and proposed to be disposed of by the Company pursuant to the Secondary Sale.

Existing members of the management team of Flow Controls run the Flow Controls business and the key individuals important to the business are Phil Pejovich who is the Chairman of the Board and Chief Executive

Officer of Flow Controls, Keith Whisenand who is the Chief Financial Officer of Flow Controls and Todd Lancioni who is a Senior Vice President of Flow Controls.

Testing Services

Testing Services is incorporated in Delaware and is a provider of safety focused solutions for the industrial, environmental and life science related markets, and testing, certification and validation services for cleanroom, critical environments and containment systems.

The Company's ownership interest in Testing Services consists of 421.5469 common units and a 48.1 per cent. interest in 8 per cent. preferred equity. The NAV of the Company's ownership interest in Testing Services was US\$23.9 million as at 29 February 2020, as set out in the 2020 Annual Report.

Testing Services has gross profits of approximately US\$40.2 million and total gross assets of approximately US\$103.7 million for the 12 months ending 31 December 2019. These figures are attributable to the whole of the Testing Services business and not the proportionate ownership interest held and proposed to be disposed of by the Company pursuant to the Secondary Sale.

Existing members of the management team of Testing Services run the Testing Services business and the key individuals important to the business are Christopher K. Kuhl who is the Chief Financial Officer of Testing Services and Todd Lancioni who is a Senior Vice President of Testing Services.

Felix Storch

Felix Storch is incorporated in Delaware and is a leading provider of specialty refrigeration and custom appliances to residential small kitchen, professional, life sciences, food service and hospitality markets. Felix Storch is a second generation family business, founded in 1969 and based in The Bronx, NY. Felix Storch's products now include a wide range of major appliances sold both nationally and internationally.

The Company holds an approximate 45.0 per cent. ownership interest in Felix Storch. The NAV of the Company's ownership interest in Felix Storch was US\$24.5 million as at 29 February 2020, as set out in the 2020 Annual Report.

Felix Storch has gross profits of approximately US\$31.7 million and total gross assets of approximately US\$52.9 million for the 12 months ending 31 December 2019. These figures are attributable to the whole of the Felix Storch business and not the proportionate 45.0 per cent. ownership interest held and proposed to be disposed of by the Company pursuant to the Secondary Sale.

Existing members of the management team of Felix Storch run the Felix Storch business and the key individuals important to the business are Paul Storch who is the President of Felix Storch and Marty O'Gorman who is the Chief Operating Officer of Felix Storch.

Peaceable

Peaceable is incorporated in Delaware and is a specialty finance platform focused on making structured investments in small and mid-sized income producing commercial real estate. The company is built on a foundation of know-how, creatively structuring preferred equity to provide senior equity in complex situations. With extensive investment experience throughout the United States and Canada, Peaceable's underwriting and decision making process is designed to deliver creative, flexible and dependable solutions quickly. Peaceable focuses on a diverse portfolio of property types including multi-family, office, self-storage, industrial, retail, RV parks, mobile home parks, parking health care and hotels.

The Company holds an approximate 29.4 per cent. indirect ownership interest in Peaceable. The NAV of the Company's ownership interest in Peaceable was US\$36.5 million as at 29 February 2020, as set out in the 2020 Annual Report.

Existing members of the management team of Peaceable run the Peaceable business and the key individuals important to the business are Dave Henry who is the Co-Founder of Peaceable, Fred Kurz who is the Chief Executive Officer of Peaceable and Jim Bruin who is the President of Peaceable.

TierPoint

TierPoint is incorporated in Delaware and is a leading provider of information technology and data centre services, including colocation, cloud computing, disaster recovery and managed IT services. TierPoint's hybrid IT solutions help clients increase business agility, drive performance and manage risk. TierPoint operates via a network of 43 data centres in 20 markets across the United States.

The Company holds an approximate 4.6 per cent. indirect ownership interest in TierPoint. The NAV of the Company's ownership interest in TierPoint was US\$46.8 million as at 29 February 2020, as set out in the 2020 Annual Report.

TierPoint has gross profits of approximately US\$194.7 million and total gross assets of approximately US\$1,627.2 million for the 12 months ending 31 December 2019. These figures are attributable to the whole of the TierPoint business and not the proportionate 4.6 per cent. ownership interest held and proposed to be disposed of by the Company pursuant to the Secondary Sale.

Existing members of the management team of TierPoint run the TierPoint business and the key individuals important to the business are Jerry Kent who is the Chairman and CEO of TierPoint, Mary Meduski who is the President and CFO of TierPoint, Wendy Knudsen who is the Executive Vice President, Chief Legal Officer and Secretary of TierPoint, Gus Haug who is the Executive Vice President (Corporate Development) of TierPoint, Pete Abel who is the Senior Vice President (Marketing and Communications) of TierPoint and Matthew Kent, Mike Pizzella and Frederick Ricker who are each Vice Presidents of TierPoint.

Information relating to Hamilton Lane

Hamilton Lane Advisors, L.L.C. is a leading alternative investment management firm providing innovative private markets solutions to sophisticated investors around the world. Dedicated to private markets investing for 29 years, the firm currently employs over 400 professionals operating in offices throughout North America, Europe, Asia-Pacific and the Middle East. Hamilton Lane has approximately US\$516 billion in assets under management and supervision, composed of approximately US\$68 billion in discretionary assets and over US\$447 billion in advisory assets, as of 30 June 2020. Hamilton Lane offers a full range of investment products and services that enable clients to participate in the private markets asset class on a global and customized basis. More information regarding Hamilton Lane can be found on its website www.hamiltonlane.com.

Related Party Transaction

The Secondary Sale 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). JZAI is the Company's investment adviser pursuant to the investment advisory and management agreement dated 23 December 2010 between the Company and JZAI, as amended from time to time, and, under the Listing Rules would therefore be considered a related party of the Company. In addition, the JZAI Founders and various members of the JZAI US microcap investment team are each considered to be a related party of the Company. The JZAI Founders are the founders and principals of the Company's Investment Adviser, JZAI, and are also substantial shareholders of the Company as they are entitled to exercise, or to control the exercise of, 10 per cent. or more of the votes able to be cast at a general meeting of the Company.

The Secondary Fund is being managed by an affiliate of JZAI, an affiliate of JZAI will also serve as the general partner of the Secondary Fund, and the JZAI Founders (or their respective affiliates) and various members of the JZAI US microcap investment team will, as required by Hamilton Lane, be investing in the Secondary Fund. Therefore, the proposed disposal by the Company of its ownership interests in the US Microcap Portfolio Companies to the Secondary Fund would be considered a related party transaction under Chapter 11 of the Listing Rules, in so far as the Listing Rules are applicable to the Company by virtue of its voluntary compliance with the same.

As such, the Secondary Sale 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 Shareholder approval is accordingly being sought.

In relation to the Secondary Sale, as a related party transaction of the Company, the Board, which has received advice from Houlihan Lokey Capital, Inc. ("**Houlihan Lokey**") as to the fairness, from a financial point of view, of the consideration to be paid to the Company in connection with the Secondary Sale, considers the Secondary Sale to be fair and reasonable as far as the shareholders of the Company as a whole are concerned. Among other things, the advice of Houlihan Lokey to the Board was based on certain assumptions and estimates provided to Houlihan Lokey concerning the anticipated timing and amount of future

distributions of the Secondary Fund to be received by the Company, for which assumptions and estimates Houlihan Lokey is not responsible.

The relevant Resolution is to be proposed at the Extraordinary General Meeting in relation to the Secondary Sale as a Related Party Transaction of the Company and is being proposed to seek Shareholder approval for the Company's proposed disposal of ownership interests in the US Microcap Portfolio Companies.

The JZAI Founders and various members of the JZAI US microcap investment team are considered to be a Related Parties of the Company and, as such, have undertaken not to vote, and have taken all reasonable steps to ensure that their respective associates will not vote, on the relevant Resolution.

Class 1 Transaction

Because of its size, the Secondary Sale will also constitute a class 1 transaction for the purposes of the Listing Rules. Therefore, the approval of shareholders is also required pursuant to Chapter 10 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).

Market Abuse Regulation

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.

For further information:

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Important Notice

This announcement includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements relate to matters that are not historical facts. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Company's actual investment performance, results of operations, financial condition, liquidity, policies and the development of its strategies may differ materially from the impression created by the forward-looking statements contained in this announcement. In addition, even if the investment performance, result of operations, financial condition, liquidity and policies of the Company and development of its strategies, are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods. These forward-looking statements speak only as at the date of this announcement. Subject to their legal and regulatory obligations, each of the Company, the Investment Adviser and their respective affiliates expressly disclaims any obligations to update, review or revise any forward-looking statement contained herein whether to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based or as a result of new information, future developments or otherwise.