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**Interim Management Statement - Q1 2011**

**21 June 2011**

JZ Capital Partners Limited ("JZCP"), the London listed closed ended investment company which principally invests in US and European micro cap buyouts, today announces its Interim Management Statement ("IMS") for the period from 1 March 2011 to 31 May 2011.

**Highlights**

- Further narrowing of the Net Asset Value ("NAV") discount to 23%
- NAV per share increase of 6% from \$8.93 to \$9.03 (on an annualised basis)
- Dividend of 7.5 cents and a special dividend of 2.0 cents
- European investments increased by \$31.5 million over the first quarter, following the investments in two Spanish companies, Docout and Ombuds
- First \$7.7 million acquisition in water treatment "vertical" of Nashville Chemical, a manufacturer of industrial water systems products
- Additional \$1.0 million investment made in Milestone Aviation, a helicopter leasing business
- 22.8% of the position in TAL International Group was sold in a secondary share offering, creating a gain of \$10.8 million
- At the end of the period, the portfolio consisted of 42 companies across eight industries
- JZCP is well positioned to take advantage of the strong pipeline of investment opportunities as the private equity outlook continues to improve

**David Zalaznick, Founder and Investment Advisor of JZCP said:**

"I am delighted that the underlying investments in the portfolio continue to perform well. Our ongoing commitment to provide shareholders with a diversified pool of assets through our value-orientated investment strategy has resulted in the successful completion of two new investments in Spain."

**Net Asset Value Growth**

In the three months to 31 May 2011, JZCP's net assets increased at an annualized rate of 6%, from \$8.93 to \$9.06 per share. Our share price also increased from £4.12 to £4.24 (\$6.64 to \$6.96), further narrowing the NAV discount to 23%. JZCP continues to report positive news for its shareholders.

The source of the NAV growth is as follows:

<b>Net Asset Value per Ordinary Share as of 28 February 2011</b>	<b>\$8.93</b>
+ Increase in Underlying Investments (\$ per Share Impact)	0.06
+ Income from Investments (\$ per Share Impact)	0.18
- ZDP Dividend Accrual (\$ per Share Impact)	(0.02)
- Foreign Exchange Effects (\$ per Share Impact)	(0.01)
- Fees and Expenses (\$ per Share Impact)	(0.08)
<b>Net Asset Value per Ordinary Share as of 31 May 2011</b>	<b>\$9.06</b>

The primary driver of the \$0.06 increase in underlying investments is due to the strong operating performance and subsequent increase in value of three private investments: Galson Laboratories (our Testing Services company), Dantom Systems, and

Dekko Technologies. This was offset by a \$0.08 decrease in the values of our three listed equities - TAL International Group, Safety Insurance and UTI - which was due to the challenging environment facing US stock markets at the end of May.

For the three months ended 31 May 2011, JZCP's NAV increased by \$8.5 million, as summarized below:

	<u>28/2/2011</u>	<u>31/5/2011</u>
Net Asset Value (\$000's) (1)	\$580,788	\$589,264
Number of Ordinary Shares Outstanding (000's)	65,019	65,019
Net Asset Value per Ordinary Share (\$)	\$8.93	\$9.06
Market Price per Share (\$)	\$6.64	\$6.96
NAV to Market Price Discount	26%	23%

(1) Per JZCP Board.

#### **Recent Events (1 March 2011 - 31 May 2011)**

- On 4 March 2011, our water treatment "vertical" made its first acquisition, a \$7.7 million investment in Nashville Chemical which provides products for industrial water systems. Our \$7.7 million investment consists of \$3.85 million of notes, \$3.85 million of preferred stock and \$40,000 of common stock. JZCP holds a 50.0% ownership stake in both the notes and preferred stock securities and a 40% ownership stake in the common stock security.
- JZCP's interest in European investments increased by \$31.5 million over the first quarter following the acquisitions of Docout and Ombuds. The European business also made three direct loans to these companies.
- We also made additional investments totaling \$1.0 million in Milestone Aviation, a helicopter leasing business, bringing our current exposure to \$4.4 million, or 43.7% of our \$10 million commitment.
- We purchased £5m of UK gilts in May as the first step in earning a return on cash and match fund some of our ZDP's which mature in early 2016.
- In April, we sold 22.8% of our TAL International Group position in a successful secondary share offering to create a gain of \$10.8 million.
- On 6 May 2011, the JZCP Board of Directors recommended a final dividend of 7.5 cents per share, and declared a special dividend of 2.0 cents per share, payable on 1 July 2011.

#### **European Strategy**

Our European portfolio has continued to perform well during the first quarter of the financial year with our existing assets in Spain showing strong growth and we are very well positioned to take advantage of an attractive investment pipeline.

The European Micro cap Fund (of which we own 75%) made further acquisitions in the Spanish market during the period that complement our existing assets. The fund acquired Docout, a provider of digitalization, document processing and storage services to Spanish financial institutions, utilities and insurance companies on 7 April 2011 for €11.0 million. In addition, JZCP directly loaned Docout €2.0 million for working capital.

In addition, on 5 May 2011 the fund acquired Grupo Ombuds, a leading provider of security, surveillance and facility services to public sector and blue-chip clients in Spain for €12.7 million. JZCP also loaned €8.5 million directly to this entity. The Company's service offering includes: personal security protection to government officials and corporate executives; asset protection and security services to public and corporate buildings; and the provision of ancillary facility services. The Company is a niche player with strong growth potential and has a leading market share in Spain.

The other two micro cap companies that were purchased within the last twelve months were Factor Energia, a Spanish energy distribution business, and Xacom, a distribution channel for large telecom companies in Spain. They were purchased for a total investment of €21.1 million. All four investments represent 9.5% of the total assets as at 31 May 2011.

A broad range of potential investments exists for JZCP in Europe, particularly in Spain where there are a number of opportunities that fit well with the fund's value oriented investment approach. JZCP will continue to make opportunistic investments in Europe and aims, over time, to invest up to 20% of its portfolio in the region.

JZCP's European portfolio is aimed at providing shareholders with geographical diversification, enabling the Company to benefit from the ongoing recovery in Europe. The Company's European strategy benefits from the expertise of seven investment professionals and a support team that are based in London and Madrid.

The team, headed by Jock Green-Armytage and Miguel Rueda, has been investing successfully in Europe for over 12 years. It has built a comprehensive proprietary network across the Continent in line with JZCP's strategy of sourcing deals directly with high quality companies.

#### **US Investments**

Our US private investments continue to perform well. Due primarily to the positive performance of three of our investments;

Galson Laboratories, Dantom Systems, Inc. and Dekko Tech Technologies, LLC, we have written up this portfolio by \$0.16 per share. This increase was offset by a decrease in value in our publicly traded equities which have recently been hurt by uncertainty in US stock markets. However, the underlying businesses continue to perform positively.

## Portfolio

At 31 May 2011, the Company's investment assets consisted of 42 investments totaling \$677.2 million:

(\$000's, except for number of investments)

	Number of Investments as of			Variance - %
	31/5/2011	28/2/2011	31/5/2011	
Micro Cap Portfolio	13	\$230,601	\$253,056	9.7%
European Investments	4	32,899	64,378	95.7%
Mezzanine Investments	9	48,499	48,847	0.7%
Legacy Portfolio	7	42,620	37,996	(10.9%)
<b>Total Private Investments</b>	<b>33</b>	<b>\$354,619</b>	<b>\$404,277</b>	<b>14.0%</b>
Listed Equity	3	105,016	89,081	(15.2%)
Bank Debt	6	34,121	35,574	4.3%
Cash		172,267	140,021	(18.7%)
UK Gilts		0	8,247	
<b>Total Listed Investments (including cash)</b>	<b>9</b>	<b>\$311,404</b>	<b>\$272,923</b>	<b>(12.4%)</b>
<b>Total Investment Assets</b>	<b>42</b>	<b>\$666,023</b>	<b>\$677,200</b>	<b>1.7%</b>

40.3% of the portfolio is invested in "liquid" assets, which consist of cash, UK gilts, listed equities, and listed debt. These asset classes are valued at third party quoted prices. The remaining portion of the portfolio is invested in private investments in US or European micro caps or mezzanine debt. These investments are valued at fair value by the directors of JZCP each quarter.

As a point of reference, the average purchase multiple of the US micro cap investments was 6.1x. The current average enterprise multiple used for these investments at 31 May 2011 was 7.0x, due to positive market conditions raising public multiples upon which our valuations are based. In addition, these micro cap businesses continue to be leveraged with debt senior to JZCP at just over 1.0x trailing twelve months EBITDA.

After the TAL secondary sale mentioned above, which accounted for 9.9% of the reduction in the listed equity values for the three months ended 31 May 2011, these listed investments decreased 5.3%, as equity markets in the US dipped due to concerns about a slower-than-anticipated economic recovery. Our listed bank debt, both first and second lien investments, increased slightly as continued bank recoveries increased across-the-board loan prices. Our mezzanine investments were essentially flat. The US micro cap portfolio increased 9.7% during the three month period due to the Nashville Chemical acquisition and an increase in the value of selected investments. Of the 22 mezzanine and micro cap investments in our portfolio, all but one are current on their interest payments as of 31 May 2011.

The top ten investments as of 31 May 2011 were as follows:

	Asset Category	Original Cost	Valuation	% of Portfolio
			as of 31/5/2011	Valuation as of 31/5/2011
European Investments	Micro cap	\$64,132	\$64,378	12.2%
	Listed			
Safety Insurance Group, Inc.	Equity	6,816	51,955	9.8%
Accutest Holdings, Inc.	Micro cap	34,516	44,062	8.3%
Wound Care Solutions, LLC	Micro cap	38,858	42,014	7.9%
Dantom Systems, Inc.	Micro cap	20,947	38,198	7.2%
	Listed			
TAL International Group, Inc.	Equity	10,652	35,915	6.8%
Continental Cement Company, LLC	Mezzanine	28,082	28,556	5.4%
BG Holdings, Inc.	Micro cap	21,832	26,257	5.0%
Dental Services Group, Inc.	Micro cap	27,604	24,227	4.6%
Healthcare Products Holdings, Inc.	Legacy	28,803	22,646	4.3%
<b>Top Ten Investments</b>		<b>\$282,242</b>	<b>\$378,208</b>	<b>71.5%</b>
<b>Remaining Investments</b>		<b>155,280</b>	<b>150,724</b>	<b>28.5%</b>

**Total Portfolio** \$437,522 \$528,932 100.0%

The portfolio is diversified across the following business sectors:

	Number of Companies	% of Portfolio Valuation as of 31/5/2011
Health Care Equipment & Services	6	23.5%
Support Services	11	23.4%
House, Leisure & Personal Goods	5	2.8%
Financial General	8	23.2%
Industrial Engineering	5	11.9%
Construction Materials	4	5.8%
Other	3	9.4%
<b>Total Portfolio</b>	<b>42</b>	<b>100.0%</b>

#### Balance Sheet

Below is a summary of JZCP's balance sheet as of the relevant dates:

(\$000's)	<u>28/2/2011</u>	<u>31/5/2011</u>
Cash	\$172,267	\$140,021
UK Treasury Gilts	0	8,247
Listed Equities	105,016	89,081
Bank Debt	34,121	35,574
Private Investments	354,619	404,277
Other Assets (1)	464	468
<b>Total Assets</b>	<b>\$666,487</b>	<b>\$677,668</b>
- Liabilities	(3,358)	(3,588)
- Zero Dividend Preferred Shares	(82,341)	(84,816)
<b>Net Asset Value</b>	<b>\$580,788</b>	<b>\$589,264</b>

(1) Includes accrued dividends on Listed Equities.

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#### About JZCP

JZCP is a closed ended investment company listed on the London Stock Exchange which invests in high quality US and European micro cap companies. Our objective is to achieve a superior overall return comprised of a current yield and significant 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 to our investors. JZCP also invests in mezzanine loans, first and second lien investments and other publicly traded securities.

For more information please visit our website at [www.jzcp.com](http://www.jzcp.com)

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