

GMFS LLC has agreed to merge with Zais Financial Corp. (NYSE: ZFC)

Deal Value: \$61 million at close plus \$2 million deferred premium payment and contingent consideration capped at \$20 million

Sandler O'Neill served as financial advisor to GMFS LLC in this transaction. This transaction is Sandler O'Neill's 188th financial services transaction since January 1, 2011, more than any other investment bank during that time period.¹

Red Bank, NJ – August 6, 2014 – ZAIS Financial Corp. (NYSE: ZFC) (“ZAIS Financial” or the “Company”) today announced that it has entered into a definitive agreement to acquire GMFS LLC (“GMFS”).

GMFS is a privately-owned mortgage company that originates residential mortgage loans, primarily in the southern U.S., and holds the servicing rights on those mortgages. Founded in 1999, GMFS is headquartered in Baton Rouge, LA and is licensed as a mortgage banker in 29 states. In 2013, GMFS originated approximately \$1.4 billion in mortgage loans, generating net income of approximately \$14.7 million. At December 31, 2013, GMFS held a portfolio of mortgage servicing rights (“MSR”) of approximately \$2.2 billion in unpaid principal balance.

The purchase price will consist of cash payable at closing, estimated at approximately \$61 million, two contingent \$1 million deferred premium payments payable in cash over two years, plus potential additional consideration based on future loan production and profits which will be payable over a four year period if certain conditions are met. The cash payable at closing will reflect the actual market value of GMFS's MSR portfolio, which was \$30.1 million at June 30, 2014 and the actual value of GMFS's net tangible assets at closing. The \$2 million of deferred premium payments is contingent on GMFS remaining profitable and retaining certain key employees. The additional contingent consideration is dependent on GMFS achieving certain profitability and loan production goals and is capped at \$20 million. Up to 50% of the additional contingent consideration may be paid in common stock of the Company, at the Company's option. The Company intends to fund the closing payment from existing cash and the sale of non-agency RMBS holdings.

The Company believes that the acquisition provides attractive strategic and financial benefits to ZAIS Financial and its shareholders, including:

- Addition of an origination platform to ZAIS Financial's sourcing capabilities, allowing access to new credit investment opportunities while controlling the origination process.
- Enhancement and growth of the GMFS origination platform through better access to capital and an expanded product offering.
- Acquisition of a Fannie Mae and Freddie Mac seller/servicer and HUD/FHA approved mortgagee, opening the opportunity for ZAIS Financial to invest in MSRs through retention and secondary market transactions.
- Insight provided by GMFS' seasoned management team into new product offerings, control of the origination process, and opportunities for future growth and expansion.
- Expected accretive earnings impact of the transaction commencing in 2015.

The acquisition, in the form of a merger of a wholly owned subsidiary of the Company into GMFS, is subject to customary closing conditions as well as receipt of regulatory and seller/servicer related approvals relating to the transfer of GMFS's licenses. The Company anticipates that the closing will occur in the fourth quarter of 2014. Upon closing, the Company expects GMFS to continue to operate under its existing name, and under the leadership of the current management team.

The acquisition is expected to be slightly dilutive to earnings in 2014, primarily due to transaction expenses, and accretive to earnings beginning in 2015.

¹) Excludes terminated transactions, self-advisory roles

Source: SNL Financial

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