

HF2 Financial Management Inc. to Acquire Majority Equity Interest in Investment Manager ZAIS Group

Size of Investment: Approximately \$175 million

Sandler O'Neill served as financial advisor to HF2 Financial Management Inc. in connection with this transaction. Overall, this represents Sandler O'Neill's 193rd financial services transaction since January 1, 2011, more than any other investment bank during that time period.⁽¹⁾

DENVER, CO — HF2 Financial Management Inc. ("HF2") (NASDAQ: HTWO), a special purpose acquisition company, has entered into a definitive agreement to acquire a majority equity interest in ZAIS Group Parent, LLC ("ZGP"). ZGP is the sole member of ZAIS Group, LLC ("ZAIS", and together with ZGP, the "Company"), a leading investment management firm focused on specialized credit investments with approximately \$5.0 billion of assets under management as of June 30, 2014. The transaction will facilitate the public flotation of ZAIS and provide the Company with significant equity capital to accelerate its strategic growth initiatives and capitalize on current and future market dislocations. The transaction also provides meaningful, long-term equity incentives for employees which will be directly linked to the growth in public stockholder value.

In connection with the transaction, HF2 will be renamed ZAIS Group Holdings, Inc. and will apply to continue its public listing on the Nasdaq Capital Market under the new ticker symbol "ZAIS." Following the transaction, ZAIS's management team, under the leadership of Christian Zugel, Founder and Chief Investment Officer, and Mike Szymanski, President, will lead the combined organization.

ZAIS expects to leverage its strong investment track record and significant experience in specialized credit investing to drive the long-term growth of its platform. ZAIS' objective is to optimize the structured credit process in order to enhance value and deliver superior returns to its clients. ZAIS plans to continue its expansion into origination, securitization, and other segments of specialized credit. ZAIS has a variety of initiatives to broaden its platform including, (i) a residential mortgage conduit business, (ii) a commercial real estate CLO business, and (iii) a credit derivatives trading and structuring business. The Company is well positioned to leverage its existing capabilities and infrastructure to implement and grow these business lines.

At the closing of the transaction, HF2 will invest approximately \$175 million in the Company in exchange for a number of newly issued equity interests in ZGP equal to the number of shares of HF2's Class A common stock ("Class A Shares") then outstanding. Following the closing and subject to certain lock-ups and restrictions, the current owners of the Company will have the ability to convert their retained ownership interests in ZGP into a total of 7,000,000 Class A Shares. In addition, following the closing, ZGP will issue up to 1,600,000 equity interests to key employees exchangeable for the same number of Class A Shares, subject to certain lock-ups, vesting requirements, and restrictions. HF2's actual cash investment at closing will be equal to 100% of HF2's cash on hand, net of transaction expenses. Following the closing and assuming the issuance of 1,600,000 equity interests to key employees, HF2 will own approximately 73% of ZAIS, the current owners will retain approximately 22% of ZAIS, and key employees will own the remaining 5%. The estimated ownership percentages and cash delivered at closing assume no HF2 stockholder exercises its right to redeem its Class A Shares for cash at the time of the completion of the transaction and no other closing adjustments. The transaction is expected to be completed in January 2015, pending HF2 stockholder approval and other customary closing conditions.

(1) Source: SNL Financial. Includes financial services transactions in all geographies since January 1, 2011; excludes terminated transactions or self-advisory roles

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