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copy: all shareholders of Agasti Holding ASA

Oslo, 17th June 2013

## **ANSWERS TO QUESTIONS REGARDING THE PROPOSED TRANSACTION OF WUNDERLICH INVESTMENT COMPANY, INC.**

### **INTRODUCTION**

Reference is made to a letter, dated 12<sup>th</sup> June 2013, addressed to the Chairman of the Board of Directors of Agasti Holding ASA ("Company" or "Agasti"), Ms Merete Haugli ("Letter") and our preliminary reply of 12<sup>th</sup> of June 2013.

The Letter request further information related to the suggested acquisition of 70.8% of the shares of Wunderlich Investment Company, Inc. ("Wunderlich"). We will in this document answer the questions raised in the Letter. The Company is also working on releasing further updated information regarding the transaction during this week.

The Company would like to draw the attention to the fact that the suggested transaction has gone through a lengthy and thorough process within the Company. The Company were also considering a transaction of Wunderlich during the second half of 2011 and independent cross border-teams from Ernst & Young related to fiscal and financial issues and independent legal due diligence by the US law firm Hayes & Boones both conveyed independent considerations and evaluations of the transaction. Further, Arctic Securities AS was assigned as financial advisors of the Company.

The transaction has during 2013 been evaluated by the Board of Directors in 5 separate board meetings and the supporting documentation has been comprehensive. Also this time, independent cross border teams from Ernst & Young providing due diligence-reports on fiscal and financial issues and independent legal due diligence report by the US law firm K&L Gates have been assigned. The Norwegian law firm Kluge has also been assisting the Company related to all issues regarding Norwegian law, including but not limited to the Share Purchase Agreement.

All legal requirements, including, but not limited to, the Public Companies Act and the Securities Trading Act related to the summon of the shareholders general meeting, have been and are being adhered to. In addition, the specific requirements related to the Company's largest shareholders also being a considerable shareholder of Wunderlich, are and have been adhered to. The transaction has also been extensively addressed by a number of notifications on the Oslo

Stock Exchange. Because the Company is listed on the Oslo Stock Exchange and is the holding company for a number of authorized securities companies that are under the supervisory authority of Finanstilsynet, the Company needs to comply with the regulatory requirements restricting the content and notification of public information to be provided to the market. Therefore these requirements need to be taken into account in any and all information that is to be made available prior to the annual shareholders' meeting scheduled for June 26<sup>th</sup> 2013. Despite the above-mentioned restrictions, the Company has never withheld information nor restricted any shareholders' ability to make well-informed decisions during the annual shareholders' meeting.

## **AD 1. CURRENT RESULTS FROM THE COOPERATION WITH WUNDERLICH**

It is not correct that Agasti and Wunderlich have provided shared ownership of the investment company Wunderlich Securities AS over several years. (Wunderlich Norge AS does not exist, but we assume that Wunderlich Securities AS is the entity being referred to in the question.)

Agasti entered into an agreement to acquire 50 % of the issued shares of Wunderlich Securities AS in August 2012 and then went on to acquire 100 % of the issued shares in February 2013. Both transactions were made public by Agasti in notifications to the Oslo Stock Exchange on 15<sup>th</sup> August 2012 and 7<sup>th</sup> February 2013, respectively.

Prior to August 2012, Wunderlich Securities AS was wholly owned by Wunderlich Investment Company, Inc. and employees of Wunderlich Securities AS and did not have any formal relation nor cooperation with Agasti as a company.

Agasti and Wunderlich have today 7 cross-border mandates within the Capital Markets division. Several other projects are being evaluated where concrete engagement discussions are in progress. The projects are varied and cover M&A mandates as well as equity-raising. They consist of smaller projects that are of NOK 50-200million in size to several larger & complex projects. Teams consisting of both Wunderlich and Agasti employees are executing these projects where the clients are benefiting from the skill-sets as well as contact network in both Agasti and Wunderlich.

Agasti has managed to secure these mandates because of the equity placement capacity and client base in the USA. Several of these projects are expected to be completed during 2013 with the first one expected to be completed end of June, and further one expected to be completed early July. Agasti will be able to announce the results from these engagements as soon as they are completed. The aforementioned engagements are expected to generate total revenue of at least 16 million, but could generate as much as 45 million in revenue.

## **AD 2. DETAILED FINANCIAL INFORMATION OF WUNDERLICH**

As mentioned above, the Company will make available further information regarding the transaction during this week.

Please also see appendices to this letter providing the revised annual accounts and reports for the years 2010, 2011 and 2012 for Wunderlich. Agasti considers this information to be sufficient for the shareholders evaluation, and consideration of the transaction.

For the sake of good order, the Company also wants to make the following remarks. Media reports claim that Wunderlich has never made a profit. This is not correct. Wunderlich has made a profit in 3 of the past 6 years, during this time the company has also increased its revenues by over 330%.

After the presentation of April 2013 results (detailed on page 21 in the attachment to Agasti's notification to the stock exchange on May 27<sup>th</sup> 2013), Wunderlich has produced a positive cash flow of more than USD 1million in May 2013 therefore showing over USD 4 million in positive cash flow during fiscal year 2013 (11 months).

Agasti has in the period of April and May produced a result (EBIT) of NOK -4 millions and a cash flow (EBITDA) of NOK -1 million.

### **AD 3. VALUATIONS**

Several independent assessments of value/exchange ratios of the involved parties of the transaction, both external independent advisors and the management of Agasti, have been provided in relation to the transaction. In addition to the statement by the auditors provided in attachment 5 to the summon of the shareholders' meeting, the Company has assigned Arctic Securities ("Arctic") to provide a fairness opinion. The Company considers the above to include more detailed and comprehensive considerations than the requirements laid down in the Norwegian Code of Practice for Corporate Governance and its recommendations regarding transactions for related parties.

The Agasti management team has completed a detailed valuation process of Wunderlich that formed the basis for the acquisition negotiations. This valuation indicated an average value of NOK 417 million whilst a DCF valuation indicated NOK 346 million, if one includes estimated synergies the average value increases to NOK 487 million.

Subsequently, Arctic developed a fairness opinion of the transaction. To evaluate the share exchange ratio between both companies, Arctic performed a valuation of Wunderlich as well as of Agasti. Arctic has also previously provided a similar valuation of the involved companies in relation to a proposed transaction considered by Agasti during the winter of 2012. The extract of the fairness opinion has previously been made available to the public. A full disclosure of the valuations and considerations conducted by Arctic is not in the best interests of the shareholders due to the fact that the valuation covers sensitive financial information.

Arctic's valuation of Wunderlich indicates an average value of approximately NOK 355 million as well as a range of NOK 360 – 480 million based on a DCF analysis.

In addition, the auditor Kjelstrup & Wiggen Consulting AS has performed an independent consideration in order to comply with the Norwegian Public Companies Act.

#### **AD 4. SYNERGIES**

Since Agasti became a shareholder of Agasti Wunderlich Capital Markets AS the Company has experienced an increase in number of assignments because of the cooperation with Wunderlich Securities Inc. To further increase possible synergies, a considerable process was gone through with both parties to identify further specific areas of cooperation. The synergies are mainly identified as synergies within the corporate finance market related to equity or debt placements and within the M&A space.

The transactions referred to in Section AD1 above represent revenue potential of NOK 80 millions and more for 2013. Furthermore, potential transactions have been identified which represent more than NOK 200-400 millions of potential revenue within several areas and sectors during the next few years.

In addition to the above, synergies within Investment Management sector have been identified related to equity sourcing from, for example, US based institutional investors into new investment vehicles managed by Obligo Investment Management and within Wealth Management. In summary, this close cooperation is expected to generate considerable revenue streams for both companies.

During the winter of 2013 Wunderlich initiated a strategic search for a financial partner independent of the cooperation with Agasti. Wunderlich was in dialogue with a number of potential partners possibly weakening the potential strategic cooperation with Agasti. Given these events, it was important for Agasti to consider the acquisition of Wunderlich now instead of sometime in the future as the opportunity could disappear.

Independent of this, the Board of Directors is of the view that an integrated ownership between the parties secures a much closer relationship between both groups and increases the probability to realize the identified synergies. The Board of Directors is of the opinion that a Cooperation agreement between the parties alone not will be sufficient to realize these synergies.

Except from the above, a number of not quantifiable potential synergies are identified. According to the Board of Directors, the strategic position of the company will be strengthened considerably given the completion of the transaction, in particular in relation to the following:

- Relevant partner: In order to achieve mandates and assignments it is critical to be credible, of relevant size, competent, have a decent track record, and to be present in the relevant markets
- Attractive employer: a combined company will appear as considerably more attractive in order to recruit and maintain a first-class talent being necessary in order to be successful.
- Complete industrial platform: Agasti and Wunderlich will together be considered a complete industrial entity and be the only integrated US/Scandinavian based company within the segments Investment banking, Investment Management and Wealth Management

## **AD 5. EARN OUT**

There is an agreement between the parties to provide an additional earn out to Wunderlich shareholders dependent on the achievement of cross border revenue, the level of EBITDA for Wunderlich and Assets under Management. If the criteria's of the agreement are met, this will contribute to considerable positive revenue for Agasti. Such a result will also most likely give grounds for a better pricing in the market of the Agasti shares, and may therefor also result for the earn out not being paid out. It is therefore in the interest of the Agasti shareholders to try to realize the above-mentioned synergies in the agreed period of its measurements giving grounds for an alignment of interest for Mr. Ydstebø and the other shareholders of the Company. For further information, please see attachment 5 to the summon to the annual shareholders' meeting from Kjelstrup Wiggen Consulting.

## **AD 6. EMISSIONS OF WUNDERLICH**

Coil Investment Group AS (through Coil US Holding, Inc.) acquired their initial stake in Wunderlich Investment Company, Inc. in 2007 and Wunderlich has subsequently raised an average of USD 4 million per year during the period 2008 through 2012. In August 2012 Agasti has invested USD 2.5million in convertible bond issued by Wunderlich. This acquisition was notified in a notice to the Oslo Stock Exchange dated August 15, 2012. No shares have been issued during 2013.

In addition to Coil US Holding Inc. and seven other Norwegian shareholders, 50 of Wunderlich's employees and senior management have participated in the above-mentioned share issuance at the same terms as Coil US Holding Inc. and the other Norwegian shareholders.

In addition to the capital injections from the above-mentioned share issuances Wunderlich has during this period also generated positive cash flow from established operations in excess of NOK 100 million that have been reinvested in the further growth of the company. The largest investments were the buildup of the Equity Capital Markets division, which started in 2008, as well as the recruitment of new client advisors within the Private Client Group.

## **AD 7. CASHFLOW**

The strategic goal for Wunderlich is to further develop the current business model in line with the established strategy of the Company and already identified potential, including but not limited to the realization of synergies with Agasti. At the current stage, we do not expect any dividends to be generated by Wunderlich to Agasti the coming years. Notwithstanding, we do not expect Wunderlich to require any further capital needs beyond those already financed.

Any future need for further capital of Wunderlich due to increased growth of the company beyond already existing strategic plans is expected to be funded by means of independent financing of Wunderlich. A specific dialogue with a possible US partner is already progress.

With regard to the minority shareholder's participation of the financing of Wunderlich, reference is made to the answers provided above in question 5.

In addition, a shareholders agreement exists between Coil US Holding Inc and Wunderlich which Agasti will enter into. The main points covered by this agreement are:

- Agasti has the right to appoint 4 of a total of 7 board members
- Regulation of employees' shareholdings when employment terminates
- Right of first refusal related to minority shareholders with shares are sold
- Drag and tag rights for minority shareholders.
- Guidelines regarding the board members' skillset and competence.
- Guidelines regarding possible unwind of the shareholder agreement.

#### **AD 8. ACCEPTANCE BY PUBLIC AUTHORITIES**

Pursuant to the Norwegian Securities Trading Act section 9-10, a request for approval of the change of ownership of Agasti Holding ASA has been submitted to the Norwegian Financial Supervisory Authority ("Finanstilsynet"). A similar request was submitted to the relevant authorities in the US related to the new ownership structure of Wunderlich. These requests are currently under review by the relevant authorities and we expect the response to be received in due time for the shareholders general meeting of 26<sup>th</sup> June 2013.

Kind regards,

Merete Haugli  
Chairman of the Board  
Agasti Holding ASA