



Wilson HTM
INVESTMENT GROUP

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By Electronic Lodgement

The Manager
ASX Limited
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

Wilson HTM Investment Group Ltd (ASX : WIG) – MARKET UPDATE

Sale of Securities Business

Further to its presentation to shareholders at its annual general meeting on 26 November 2014 and market update on 23 February 2015, Wilson HTM Investment Group Ltd (**WIG**) is pleased to advise shareholders that it has now executed formal documentation for the sale of its Securities business (**Transaction**) to Wilson HTM Holdings Pty Ltd (**BidCo**), a company associated with the Wilson HTM Holdings Pty Ltd leadership team, Craigs Investment Partners (**Craigs**) and the Deutsche Bank Group (**DB**).

The principal commercial terms of the Transaction are contained in an Implementation Agreement, a Share Sale Agreement, a Vendor Financing Agreement, a Share Mortgage and a Transitional Services Agreement (**Transaction Documents**). Further detail is provided below.

Implementation Agreement

This is the overarching agreement that outlines the Transaction Documents, stipulates key conditions to the Transaction, specifies obligations of each party and lists a timetable for Completion to occur. Under the terms of the Implementation Agreement, completion of the Transaction is subject to a number of conditions, including the following:

- (a) necessary approvals and consents from ASIC and ASX;
- (b) approval of the Transaction by non-associated shareholders;
- (c) an Independent Expert issuing an Independent Expert Report and concluding that the Transaction is fair and reasonable to non-associated shareholders;
- (d) completion of the restructure of the Securities Business;

- (e) confirmation of the provision of funding to meet minimum regulatory requirements to carry on the Securities Business after Completion subject to usual terms and conditions; and
- (f) WIG obtaining all necessary consents to the change of control in respect of leases and material contracts.

Subject to the receipt of the Independent Expert Report, those WIG directors entitled to do so intend to recommend the Transaction to shareholders. The directors also intend to vote any shareholdings in which they hold a relevant interest in favour of the Transaction.

Other key terms of the Implementation Agreement include provisions for WIG to meet certain liabilities associated with property leases and employees. Prior to completion, WIG is obliged to ensure that the Securities Business will be conducted in its ordinary and usual course consistent with its usual practices, there is no significant change to the nature or scale of the activities of the Securities Business and that the Securities Business must only deal with the assets in the ordinary course.

Share Sale Agreement

Under the Share Sale Agreement, WIG will sell 100% of the issued share capital in the entities comprising the Securities Business to BidCo for the following consideration:

- (a) \$5,000,000 payable at Completion;
- (b) deferred consideration of 50% of the profit before tax of the Securities Business for FY2016 above \$3,000,000, but not more than \$1,000,000; and
- (c) deferred consideration of 50% of the profit before tax of the Securities Business for FY2017 above \$3,000,000, but not more than \$1,000,000.

The purchase price will be subject to a net tangible assets adjustment which is based on a limited net asset assessment and a 'look-back' to the net tangible asset estimate, being \$5,000,000.

Completion in respect of the Share Sale Agreement cannot take place unless the conditions precedent of the Implementation Agreement have been satisfied or waived.

WIG has provided a number of warranties in respect of the Transaction including warranties relating to information provided, solvency, title, capacity, authorisations, and the Securities Business, including with respect to the shares in NewCo, share capital, records, contracts, employees, assets, convertible securities, profit sharing, controlled entities, accounts, insurance, taxation, compliance and intellectual property. Those warranties and WIG's liability are qualified in time and amount by a number of matters. Other than in circumstances relating to tax and certain legacy items, the liability of WIG is capped at the purchase price of \$5 million.

Other key terms of the Share Sale Agreement include potential adjustments for the value ascribed to the deferred tax asset and customary non-compete provisions.

Vendor Financing Agreement

WIG will provide secured financing of \$1 million to a staff holding vehicle, which must be used solely for the purposes of subscribing for shares in BidCo to part finance the Transaction.

The Vendor Finance is repayable over the 2 years following Completion in instalments of \$500,000. WIG will forgive a tranche of the repayment amount if WIG has not made a claim against the Securities Business (for an amount not less than \$10,000) in respect of a breach of certain provisions of the Share Sale Agreement. These provisions include breaches in relation to assistance from group companies, payment of adjusted purchase price, guarantees, access to records, Legacy Claims, warranties, refunds, assistance from the Securities Business and tax returns relating to periods after Completion.

The Vendor Finance itself will not accrue any interest however any sum that is due and payable but is unpaid will accrue interest. Without WIG's consent, staff are restricted from transferring any of the shares secured under the Share Mortgage until the Vendor Finance is repaid or forgiven.

Share Mortgage Deed

As security for the Vendor Finance, WIG has obtained a first ranking mortgage over 1 million shares in the Securities Business to secure the satisfaction of the liabilities and obligations of staff in connection with the Vendor Finance. In the event of a failure to pay monies in accordance with the Vendor Finance Agreement, insolvency or invalidity of the Vendor Finance Agreement or illegality of the obligations contained in it, WIG can exercise its rights to enforce its security.

Transitional Services Agreement

This agreement provides for the short term (6-12 months) provision of services between WIG and the Securities Business to allow an orderly disaggregation of the two businesses in the period following Completion. Services are to be provided at cost and WIG and the Securities Business are obliged to work to achieve a rapid transition to independence of each other. Any services which the parties wish to continue on a more permanent footing are to be the subject of separate contractual arrangements in the future.

Completion Timetable

The Transaction is subject to a number of conditions precedent which include putting the Transaction to a vote of non-associated shareholders at an extraordinary general meeting. WIG anticipates this meeting of shareholders will occur towards the end of June 2015. An independent expert's report and explanatory memorandum will be provided to shareholders when the notice of meeting is despatched. Completion will occur subsequent to satisfaction or waiver of all the conditions contained in the Implementation Agreement.

Board Renewal

Through the course of negotiation of the Transaction the Board determined that it was more appropriate for the current Directors to remain in place until Completion and WIG's annual financial statements are finalised. It is intended that Mr Darvall who is Chairman of WIG's Audit, Compliance and Risk Management Committee, will resign after finalisation and release of the audited 2015 financial results and that Mr Skala will also resign the Chairmanship of WIG's Board. New Board members with appropriate skills for the new structure will be engaged.

WIG's Future

Should the Transaction complete, WIG will then primarily focus on its funds management businesses through its investment in Priority Funds and Pinnacle Investment Management (75.01% owned). Further, it is intended to reduce corporate overhead costs and focus on the careful application and management of WIG's capital. The Board will continue to refine the strategy as the Transaction approaches Completion.

This transaction will leave WIG with a strong balance sheet and a focus on growing shareholder value, profits and dividends.

Sale of 4.29% of Pinnacle to Senior Executives

WIG is also pleased to announce that it has completed the sale by WIG of 4.29% of its equity in Pinnacle Investment Management Limited (**Pinnacle**) to senior executives, which was foreshadowed in its announcement to the market dated 25 February 2015. The sale was for consideration of \$3.1 million funded by loans from Pinnacle to the senior executives with recourse only to the shares. The shares are subject to certain re-sale restrictions and are part of an overall senior executive retention and alignment strategy.

Yours faithfully,



Eleanor Padman
Company Secretary
Wilson HTM Investment Group Ltd

FOR MORE INFORMATION PLEASE CONTACT:

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