

NewStar Financial, Inc.
Form PRER14A
November 28, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under Rule 14a-12

NewStar Financial, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies: common stock, par value \$0.01 per share

- (2) Aggregate number of securities to which transaction applies: As of the close of business on November 6, 2017, 41,555,754 shares of common stock outstanding (including 789,967 shares of common stock subject to vesting), 35,000 shares of common stock subject to outstanding employee stock options and 12,000,000 shares of common stock subject to outstanding warrants

- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined): In accordance with Exchange Act Rule 0-11(c), the filing fee of \$64,370.87 was determined by multiplying 0.0001245 by the aggregate merger consideration of \$517,035,129.76. The aggregate merger consideration was calculated by multiplying the 41,555,754 outstanding shares of common stock (including 789,967 shares of common stock subject to vesting) by the per share merger consideration of \$12.44, which consists of \$11.44 in upfront per share consideration and one contingent value right that NewStar estimates could result in additional cash payments of up to \$1.00 per share, and adding the foregoing product to \$81,550.00, the product obtained by multiplying the 35,000 shares of common stock subject to outstanding employee stock options by \$2.33, the per share merger consideration of \$12.44 less the \$10.11 weighted average exercise price per share of such outstanding employee stock options (in each case, as of the close of business of November 6, 2017). As all of the warrants have an exercise price per share of \$12.62, which is higher than the per share merger consideration of \$12.44, no consideration will be payable in respect of the 12,000,000 shares of common stock subject to outstanding warrants.

- (4) Proposed maximum aggregate value of transaction: \$517,035,129.76

- (5) Total fee paid: \$64,370.87

Fee paid previously with preliminary materials.

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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PRELIMINARY PROXY STATEMENT SUBJECT TO COMPLETION,

DATED [], 2017

NEWSTAR FINANCIAL, INC.

500 Boylston Street, Suite 1250

Boston, MA 02116

[], 2017

Dear Stockholder:

You are cordially invited to attend a special meeting of the stockholders of NewStar Financial, Inc., which we will hold at the offices of Locke Lord LLP, 111 Huntington Avenue, Boston, Massachusetts, on December [], 2017, at 10 a.m., local time.

As previously announced, on October 16, 2017 NewStar entered into a merger agreement with First Eagle Holdings, Inc. and an asset purchase agreement with GSO Diamond Portfolio Holdco LLC, a subsidiary of a newly formed investment fund advised by GSO Capital Partners LP.

Under the merger agreement, NewStar will be acquired by a subsidiary of First Eagle and holders of our common stock will be entitled to receive for each share of NewStar common stock issued and outstanding immediately before the merger (i) \$11.44 in cash and (ii) one contractual contingent value right. The contingent value rights, as more fully described in the attached proxy statement, represent the right to receive the net tax refunds that are expected to be received by NewStar following the closing as a result of tax losses generated primarily by the proposed transactions. We estimate these tax refunds will total approximately \$1.00 per contingent value right if the transactions close in 2017, or \$0.84 per contingent value right if the transactions close in 2018. We expect to be able to file for such tax refunds by the third quarter of 2018, although the payment and distribution of the cash proceeds from such refunds will likely require additional time and may vary due to factors not within our control.

Immediately prior to the merger, under the asset purchase agreement, NewStar will sell a portfolio of its investment assets, including loans and other credit investments, to GSO Diamond Portfolio Holdco LLC. The proceeds of the asset sale will be used to pay down outstanding NewStar debt and to fund a portion of the merger consideration payable by First Eagle. NewStar stockholders will not receive directly any portion of the asset sale proceeds. Completion of the asset sale and the merger are conditioned on each other, and we will not complete either transaction unless both are completed.

We are holding a special meeting to seek your approval to adopt the merger agreement and approve the transactions contemplated by the asset purchase agreement.

Our board of directors, by the unanimous vote of all directors voting, has approved the merger agreement, the asset purchase agreement and the transactions contemplated by such agreements. **The board, by the unanimous vote of all directors voting, recommends that stockholders vote FOR the proposal to adopt the merger agreement and FOR the proposal to approve the transactions contemplated by the asset purchase agreement.**

At the special meeting, stockholders will also be asked to vote on (i) an advisory (non-binding) proposal to approve specified compensation that may be paid or become payable to the named executive officers of NewStar in connection with the merger and (ii) a proposal to approve the adjournment of the special meeting from time to time, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposals regarding the merger agreement and the asset purchase agreement. **The board recommends that stockholders vote FOR each of these proposals.**

Information about the special meeting, the proposals to be voted on at the meeting and other related matters is contained in the accompanying proxy statement, which we urge you to read carefully and in its entirety, including the annexes and the documents referred to or incorporated by reference in the proxy statement.

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Your vote is very important. The transactions cannot be completed unless holders of a majority of the outstanding shares of common stock vote FOR the adoption of the merger agreement and FOR the approval of the transactions contemplated by the asset purchase agreement. The failure to vote will have the same effect as a vote AGAINST the proposal to adopt the merger agreement and AGAINST the proposal to approve the transactions contemplated by the asset purchase agreement.

On behalf of the Board of Directors of

NewStar Financial, Inc.,

Timothy J. Conway

Chairman and Chief Executive Officer

Boston, Massachusetts

[], 2017

Neither the SEC nor any state securities commission has approved or disapproved either the asset sale or the merger, passed upon the merits or fairness of either the asset sale or the merger or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

The accompanying proxy statement is dated [], 2017 and is first being mailed to stockholders on or about [], 2017.

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NEWSTAR FINANCIAL, INC.

500 Boylston Street, Suite 1250

Boston, MA 02116

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To the Stockholders of NewStar Financial, Inc.:

NOTICE IS HEREBY GIVEN that a Special Meeting of the Stockholders of NewStar Financial, Inc., a Delaware corporation (NewStar) will be held at the offices of Locke Lord LLP, 111 Huntington Avenue, Boston, Massachusetts, on December [], 2017, at 10 a.m. local time, for the following purposes:

1. To consider and vote on a proposal to adopt the Agreement and Plan of Merger, dated as of October 16, 2017, by and among NewStar, First Eagle Holdings, Inc., a Delaware corporation, FE Holdco, LLC, a Delaware limited liability company, and FE Merger Sub, Inc., a Delaware corporation;
2. To consider and vote on a proposal to approve the transactions contemplated by the Asset Purchase Agreement, dated as of October 16, 2017, by and between NewStar and GSO Diamond Portfolio Holdco LLC, a Delaware limited liability company;
3. To approve, on an advisory (non-binding) basis, specified compensation that may be paid or become payable to the named executive officers of NewStar in connection with the transactions; and
4. To approve the adjournment of the special meeting from time to time, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement or the proposal to approve the transactions contemplated by the asset purchase agreement.

Only holders of record of our common stock at the close of business on November 20, 2017, are entitled to receive notice of, and to vote at, the special meeting or at any postponement or adjournment thereof.

Your vote is very important. The transactions cannot be completed unless holders of a majority of the outstanding shares of common stock vote **FOR** the proposal to adopt the merger agreement and **FOR** the proposal to approve the transactions contemplated by the asset purchase agreement. Both the merger proposal and the asset sale proposal must be approved by NewStar's stockholders in order for the transactions to be completed. The failure to vote on either of these proposals will have the same effect as a vote **AGAINST** both proposals.

After reading the accompanying proxy statement, please make sure to vote your shares by proxy promptly by completing, signing and dating the accompanying proxy card and returning it in the enclosed prepaid envelope or by voting by proxy by telephone or through the Internet by following the instructions on the accompanying proxy card. If you hold shares through an account with a bank, broker or other nominee, please follow the instructions you receive from it to vote your shares.

If you have any questions or need assistance in voting your shares of common stock, please contact our proxy solicitor, Georgeson LLC, toll free at (866) 695-6078.

By order of the Board of Directors,

Robert K. Brown

Secretary

Dated: [], 2017

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SUMMARY

This Summary highlights selected information contained in this proxy statement. Since this Summary may not contain all of the information that may be important to you, we encourage you to read carefully this entire proxy statement, its annexes and the documents referred to or incorporated by reference in this proxy statement, as well as any other related documents filed with the Securities and Exchange Commission, which we refer to as the SEC. The items in this Summary include page references directing you to a more complete description of that topic in this proxy statement.

The Parties to the Transaction Agreements (page [])

NewStar Financial, Inc.

NewStar Financial, Inc., which we refer to as NewStar, we or our, is a Delaware corporation. NewStar is a commercial finance company engaged in direct lending activities and asset management. NewStar's common stock, par value \$0.01 per share, which we refer to as common stock, is listed on the Nasdaq Stock Market, which we refer to as the NASDAQ, under the symbol NEWS.

Additional information about NewStar is contained in our public filings with the SEC that are incorporated by reference herein. See Where You Can Find Additional Information beginning on page [] of this proxy statement.

First Eagle Holdings, Inc., FE Holdco, LLC and FE Merger Sub, Inc.

First Eagle Holdings, Inc., which we refer to as First Eagle, is a Delaware corporation and an affiliate of First Eagle Investment Management, LLC, which is an independent, privately-owned investment management firm headquartered in New York with approximately US \$116 billion in assets under management (as of September 30, 2017). An entity jointly owned by funds advised by The Blackstone Group L.P., which we refer to as Blackstone (which is listed on the New York Stock Exchange under the symbol BX) and Corsair Capital LLC, which we refer to as Corsair, is the majority owner of First Eagle. For more information about First Eagle, Corsair and Blackstone see Additional Information Regarding First Eagle and Corsair beginning on page [] of this proxy statement.

FE Holdco, LLC, which we refer to as FE Holdco, is a Delaware limited liability company and a wholly owned subsidiary of First Eagle.

FE Merger Sub, Inc., which we refer to as Merger Sub, is a Delaware corporation and a wholly owned subsidiary of FE Holdco. Merger Sub was formed solely for the purpose of entering into the merger agreement and consummating the transactions contemplated by the merger agreement and has not engaged in any business except for activities incidental to its formation and as contemplated by the merger agreement.

GSO Diamond Portfolio Holdco LLC

GSO Diamond Portfolio Holdco LLC, which we refer to as the Asset Buyer, is a Delaware limited liability company. The Asset Buyer is a wholly owned subsidiary of GSO Diamond Portfolio Fund LP, which we refer to as the GSO Fund, a newly formed investment fund advised by GSO Capital Partners LP, which we refer to as GSO. GSO is the global credit investment platform of Blackstone. The partners in the GSO Fund, who will provide the equity capital to fund a portion of the asset purchase price, consist of various institutional investors and family offices, as well as certain affiliates of GSO.

The Asset Buyer was formed for the purpose of entering into the asset purchase agreement and consummating the transactions contemplated by the asset purchase agreement and has not engaged in any business except for activities incidental to its formation and as contemplated by the asset purchase agreement.

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Certain Relationships Among the Parties

For information on relationship among the parties to the transactions listed above and certain of their affiliates, see The Parties to the Transactions beginning on page [] of this proxy statement and Important Information Regarding First Eagle and Corsair beginning on page [] of this proxy statement.

The Merger and Asset Sale (page [])

On October 16, 2017, NewStar entered into:

an Agreement and Plan of Merger as may be amended from time to time, which we refer to as the merger agreement, with First Eagle, FE Holdco and Merger Sub; and

an Asset Purchase Agreement as may be amended from time to time, which we refer to as the asset purchase agreement, with the Asset Buyer.

Under the merger agreement, Merger Sub will be merged with and into NewStar, which we refer to as the merger, with NewStar surviving the merger as a wholly-owned subsidiary of FE Holdco (and indirect wholly owned subsidiary of First Eagle).

Immediately prior to the merger, pursuant to the asset purchase agreement, NewStar will sell a portfolio of its investment assets, including loans and other credit investments, to the Asset Buyer, which we refer to as the asset sale. The purchase price to be paid by the Asset Buyer to NewStar is \$2,370,700,000, which will be subject to adjustment as provided in the asset purchase agreement.

The closing of the merger is conditioned upon, among other things, the closing of the asset sale and will occur immediately following the asset sale. The net proceeds paid to NewStar by the Asset Buyer in connection with the asset sale will be applied to pay off most of our outstanding debt obligations and the remainder will be used by First Eagle to pay a portion of the upfront cash merger consideration, as described below. No portion of the asset sale proceeds will be paid directly to NewStar stockholders, who will be entitled to receive solely the merger consideration described below.

If the merger is completed, each share of common stock outstanding immediately prior to the merger will be entitled to receive (i) \$11.44 in cash, without interest, which we refer to as the upfront per share cash consideration, and (ii) one contractual contingent value right, which we refer to as a contingent value right and collectively, with the upfront per share cash consideration, as the merger consideration. Shares held by holders who properly exercise appraisal rights under Delaware law will not be converted into the right to receive the merger consideration and will instead have such rights as are granted under applicable Delaware law.

Following the merger, NewStar will become a privately held company, wholly owned by First Eagle, and NewStar's common stock will be delisted from the NASDAQ and deregistered under the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act.

The Contingent Value Rights (page [])

Each holder of a contingent value right will have the right to receive a pro-rata share of amounts attributable to certain post-closing U.S. federal and state income tax refunds received by NewStar as a result of losses recognized upon the closing of the asset sale. These losses may be carried back to the two taxable years prior to, and interim period ending on, the closing date of the transactions. Under applicable SEC rules, the contingent value rights may not be sold or transferred (with certain limited exceptions, including transfer by will or intestacy). The contingent value rights will not represent any equity or ownership interest in NewStar, First Eagle or any of their affiliates (or any other person) and will not be represented by any certificates or other instruments.

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NewStar currently expects the income tax refunds received to total approximately \$41.6 million if the closing occurs in 2017 (which would result in payments of approximately \$1.00 in the aggregate for each contingent value right) or approximately \$35.0 million if the closing occurs in the first quarter of 2018 (which would result in payments of approximately \$0.84 in the aggregate for each contingent value right). NewStar currently expects to be able to file for these refunds by the third quarter of 2018. Such expectations differ from the projections previously prepared by management that were provided to NewStar's financial advisors primarily due to management's updated expectations that NewStar's full fiscal year 2017 earnings will be lower than management previously estimated and due to lower estimated state tax refunds as a result of applicable state alternative minimum tax requirements, as further described in [Special Factors - NewStar's Current Expectations Regarding the Contingent Value Rights](#) on page [].

The refund filings can only be made after the purchase price for the asset sale is finally determined pursuant to certain post-closing adjustment procedures and allocated for tax purposes among the purchased assets, as further described in [The Merger Agreement and the Asset Purchase Agreement - Asset Purchase Agreement - Payment of the Asset Sale Consideration](#) on page [].

As further described below, under the merger agreement the holders of the contingent value rights will receive a payment of 30% of each tax refund (net of certain adjustments) promptly after First Eagle receives such refund and 60% of the net tax refund will be disbursed upon approval by the Congressional Joint Committee on Taxation, which we refer to as the "JCT", with the remaining amount disbursed upon the earlier of the expiration of the applicable statute of limitations and the completion by the Internal Revenue Service, which we refer to as the "IRS", of any audit for the applicable tax year.

Under U.S. federal income tax law and regulations, a refund request is generally based on tax loss carrybacks to prior tax years and is generally processed and paid promptly after the refund claim is filed. However, refund claims exceeding \$5 million are subject to review and approval by the JCT, and if such approval is denied in whole or in part, the disapproved portion must be returned by the taxpayer to the IRS. Accordingly, 70% of the net tax refund will be retained in an escrow account (with 60% of the net tax refund released upon JCT approval and the remainder released upon completion of an IRS audit or the expiration of the statute of limitations for the applicable tax years).

Recently proposed tax legislation could adversely affect the availability of tax loss carrybacks - see [Recent Developments Potentially Affecting the Contingent Value Rights](#), below.

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The following table presents the current expectation of NewStar management as to the expected amount, and possible timing, of payments to the holders of the contingent value rights. **However, as such payments are subject to approvals by the IRS, JCT and other taxing authorities and current tax law (which is subject to change), there can be no assurance that any payment will be made under the contingent value rights, or the amount or timing of any such payment.**

Assuming a 2017 closing of the merger and asset sale¹

Refund Filing	Anticipated receipt by NewStar of Refunds Fourth Quarter 2018 (except as noted below)	Distribution of 30% to CVR holders promptly upon receipt Fourth Quarter 2018 (except as noted below)	Distribution of Remainder of Refund (estimated between second quarter of 2019 and third quarter of 2021)	
File quick refund of estimated federal taxes paid in 2017 (First Quarter 2018)	\$ 6.6 million (First Quarter 2018)	\$ 2.0 million (First Quarter 2018)	\$	4.6 million
File carryback claim for 2015 federal taxes paid (Third Quarter 2018)	\$ 7.7 million	\$ 2.3 million	\$	5.4 million
File carryback claim for 2016 federal taxes paid (Third Quarter 2018)	\$ 24.5 million	\$ 7.4 million	\$	17.1 million
File 2017 final state tax return (Third Quarter 2018)	\$ 2.1 million	\$ 0.6 million	\$	1.5 million
File carryback claim for 2015 and 2016 state taxes paid (Third Quarter 2018)	\$ 0.7 million	\$ 0.2 million	\$	0.5 million
Total	\$ 41.6 million	\$ 12.5 million	\$	29.1 million

Assuming a First Quarter 2018 closing of the merger and asset sale²

Refund Filing	Anticipated Refund to be received by NewStar Fourth Quarter 2018	Distribution of 30% to CVR holders promptly upon receipt Fourth Quarter 2018	Distribution of Remainder of Refund (estimated between second quarter of 2019 and third quarter of 2021)	
File carryback claim for 2016 federal taxes paid (Third Quarter 2018)	\$ 24.5 million	\$ 7.4 million	\$	17.1 million
File carryback claim for 2017 federal taxes paid (Third Quarter 2018)	\$ 9.5 million	\$ 2.9 million	\$	6.6 million
	\$ 0.6 million	\$ 0.2 million	\$	0.4 million

File 2017 and 2018 final
state tax return (Third
Quarter 2018)

File carryback claim for
2016 state taxes paid (Third
Quarter 2018)

	\$	0.4 million	\$	0.1 million	\$	0.3 million
Total	\$	35.0 million	\$	10.6 million	\$	24.4 million

Payments on the Contingent Value Rights

Upon receipt of any such tax refunds, an amount equal to 30% of such refund (net of any increase in U.S. federal income tax liability resulting from NewStar's receipt of any state income tax refund), which we refer to as a net tax refund, will be promptly disbursed to the holders of the contingent value rights.

At the time of such distribution, each contingent value right will entitle the holder to a payment equal to the quotient of:

the product of (i) 30% multiplied by (ii) the amount of the applicable net tax refund divided by

¹ In addition, this table assumes that NewStar's 2017 tax returns have been filed by the second quarter 2018.

² In addition, this table assumes that NewStar's 2017 tax returns and final 2018 tax returns have been filed by the third quarter 2018.

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the number of contingent value rights then outstanding (which will be deemed to include, as of such payment date, such number of contingent value rights that would have been issued to stockholders who have properly demanded their statutory rights of appraisal under applicable Delaware law or who have not properly exchanged their shares for payment of the merger consideration).

The remainder of such net tax refund will be held in an interest bearing account, which we refer to as the tax holdback account, that will be invested as directed by the CVR Committee (as further described below) in specified short-term, high quality investments. Any interest earned on the funds in the tax holdback account will be for the benefit of, and any losses will be for the account of, the holders of the contingent value rights. As described above, under applicable federal tax law, applications for refunds in excess of \$5 million are subject to review and approval by the JCT before becoming final. Upon any U.S. federal income tax refund described above being approved by the JCT prior to completion of the IRS audit or the expiration of the statute of limitations for the applicable tax year, an amount equal to 60% of the applicable net tax refund (plus any interest earned to date on such amount), which we refer to as a JCT approval payment, will be promptly disbursed to the holders of the contingent value rights.

At the time of such distribution, each contingent value right will entitle the holder to a payment equal to the quotient of:

the amount of the JCT approval payment divided by

the number of contingent value rights then outstanding (as calculated as set forth above).

The initial payment will be increased by an amount equal to 60% of any net tax refund for any quick refund of NewStar's estimated payments of U.S. federal income taxes for the taxable year that ends on the closing date (plus any interest earned to date on such amount in the tax holdback account). Any such quick refund is technically just a reduction in 2017 estimated tax payments and therefore will not require JCT approval. The remaining amount of any net tax refund (plus any interest earned to date on such amount) will be promptly disbursed to the holders of the contingent value rights upon the earlier of: (x) the expiration of the statute of limitations applicable to the IRS's review of the tax return for the taxable year to which such net tax refund relates and (y) the time that the IRS closes its income tax audit of NewStar for the taxable year to which such net tax refund relates.

At the time of such distribution, each contingent value right will entitle the holder to a payment equal to the quotient of:

the amount of the remaining net tax refund payment divided by

the number of contingent value rights then outstanding (as calculated as set forth above).

In the event any net tax refund is reduced as a result of a final resolution of liability for any tax by or as a result of any final court decision, settlement or other determination (as further described in The Merger Agreement and the Asset Purchase Agreement Merger Agreement Contingent Value Rights on page []), an amount equal to the tax owed will be disbursed to NewStar from the tax holdback account, which may result in there being no further funds in the tax holdback account to be disbursed to the holders of contingent value rights.

The holders of the contingent value rights will have no obligation or liability to return or otherwise repay to First Eagle or NewStar any amounts previously disbursed to such holders, even if the funds remaining in the tax holdback account are not sufficient to satisfy in full NewStar's tax obligation or liability arising as a result of such determination.

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CVR Committee

Prior to the merger, NewStar will form a committee (comprised of one individual reasonably acceptable to First Eagle), which we refer to as the CVR Committee, with authority to monitor compliance with the foregoing and enforce, on behalf of the holders of the contingent value rights, the obligations of First Eagle and NewStar with respect thereto.

The CVR Committee will have the right to control any audit, dispute or action with respect to the tax refunds, provided that the CVR Committee may not settle any such audit, dispute or action without the prior written consent of First Eagle and NewStar.

Any decision of the CVR Committee with respect to the matters set forth above will be binding on all holders of the contingent value rights; provided, that the holders of at least 25% of the outstanding contingent value rights will be entitled to direct the CVR Committee to act on behalf of the holders of the contingent value rights to enforce: (A) the preparation of the refund tax returns by the CVR Committee; (B) the filing of such tax returns by First Eagle; and (C) the deposit by NewStar of the net tax refunds actually received with the CVR Agent. Furthermore, each holder of a contingent value right is entitled to enforce the right to receive the payments set forth above to which such holder is entitled.

Recent Developments Potentially Affecting the Contingent Value Rights

On November 2, 2017 and November 9, 2017, respectively, the House Ways and Means Committee and the Senate Committee on Finance each introduced tax reform legislation under the Tax Cuts and Jobs Act, which we refer to as the Tax Bill. The Tax Bill, if enacted under either version, would eliminate the ability to carryback net operating losses, which we refer to as NOLs arising in tax years beginning after 2017, subject to limited exceptions not relevant to the contingent value rights. As a result, if the Tax Bill were enacted under either version and the transactions contemplated by the asset purchase agreement were to close in 2018, NewStar would not be able to carryback the losses generated in connection with the closing of the asset sale, and as such, holders of the contingent value rights would not be entitled to any payments thereunder. On November 16, 2017, the Tax Bill proposed by the House Ways and Means Committee passed in the U.S. House of Representatives, but the Tax Bill proposed by the Senate Committee on Finance has not yet been voted upon by the full U.S. Senate. If the Senate version is passed by the full U.S. Senate, both versions of the Tax Bill will go to a joint congressional conference for reconciliation before an agreed-upon version goes back to both the U.S. House of Representatives and the U.S. Senate for a final vote. There is substantial uncertainty as to whether either version of the Tax Bill will be enacted or, if enacted, whether the final legislation will limit the carryback of NOLs to the same extent, if at all. Accordingly, holders are urged to consult their tax advisors regarding this issue.

The Special Meeting (page [])

The special meeting of the stockholders of NewStar will be held at the offices of Locke Lord LLP, 111 Huntington Avenue, Boston, Massachusetts, on December [], 2017, at 10 a.m. local time, which we refer to as the special meeting.

Proposals to Be Voted on at the Special Meeting (page [])

At the special meeting, you will be asked to consider and vote upon the following proposals:

the proposal to adopt the merger agreement, which we refer to as the merger proposal ;

the proposal to approve the transactions contemplated by the asset purchase agreement, which we refer to as the asset sale proposal ;

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the proposal to approve, on an advisory (non-binding) basis, specified compensation that may be paid or become payable to the named executive officers of NewStar in connection with the merger, which we refer to as the compensation proposal ; and

the proposal to approve the adjournment of the special meeting from time to time, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposals regarding the merger agreement and the asset purchase agreement, which we refer to as the adjournment proposal .

Record Date, Stockholders Entitled to Vote and Quorum (page [])

Only holders of record of our shares of common stock as of the close of business on November 20, 2017, which we refer to as the record date , will be entitled to receive notice of, and to vote at, the special meeting or any adjournments thereof. As of the record date, there were 41,555,453 shares of common stock outstanding.

Holders of common stock are entitled to one vote on each matter submitted to a vote for each share of common stock owned at the close of business on the record date.

The presence of a majority of the outstanding shares of common stock entitled to vote at the special meeting, represented in person or by proxy, constitutes a quorum for the transaction of business at the special meeting. Proxies received but marked as abstentions will be included in the calculation of the number of shares of common stock considered to be present at the special meeting in determining a quorum. Under our bylaws, in the absence of a quorum at the special meeting, the meeting of stockholders may be adjourned by the chairman of the special meeting.

Required Vote (page [])

Merger and Asset Sale Proposals

The merger proposal and the asset sale proposal each requires the affirmative vote of stockholders holding a majority of the shares of common stock outstanding and entitled to vote on such proposal.

Compensation and Adjournment Proposals

The compensation proposal and adjournment proposal each requires the affirmative vote of holders of a majority of the shares of common stock present, in person or by proxy, and entitled to vote at the special meeting.

Voting by NewStar's Directors and Executive Officers (page [])

At the close of business on the record date for the special meeting, NewStar's directors and executive officers beneficially owned and had the right to vote 3,333,053 shares of common stock (excluding, in the cases of our directors Mr. Bradley E. Cooper and Mr. Richard E. Thornburgh, the 4,000,000 shares and 4,263,075 shares owned by certain Capital Z entities and Corsair entities, respectively, which are stockholders of NewStar and with which such directors are affiliated) which represents approximately 8.0% of the shares of common stock entitled to vote at the special meeting.

It is expected that NewStar's directors and executive officers will vote their shares of common stock:

FOR the merger proposal;

FOR the asset sale proposal;

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FOR the compensation proposal; and

FOR the adjournment proposal.

Conditions to Completion of the Merger and the Asset Sale (page [])

Merger Agreement

The obligations of NewStar and First Eagle to complete the merger are subject to the satisfaction of the following conditions:

NewStar's stockholders have approved the merger proposal;

the asset sale has been completed;

the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act, which we refer to as the HSR Act, has expired or been terminated; and

no government order preventing the merger is in effect and no law has been enacted prohibiting the merger. The obligations of First Eagle to complete the merger are subject to the satisfaction (or waiver by First Eagle) of additional conditions, including:

NewStar's representations and warranties are true and correct (subject to certain qualifications as further described in the section entitled "The Merger Agreement and the Asset Purchase Agreement" Merger Agreement "Conditions to Closing" beginning o