
Section 1: 425 (425)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **August 2, 2018**

PennyMac Financial Services, Inc.
(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction of
Incorporation)

001-35916
(Commission File Number)

80-0882793
(I.R.S. Employer
Identification No.)

3043 Townsgate Road,
Westlake Village, California
(Address of Principal Executive Offices)

91361
(Zip Code)

Registrant's telephone number, including area code: **(818) 224-7442**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934.

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 1.01 Entry Into a Material Definitive Agreement.

Reorganization Transaction

On August 2, 2018, PennyMac Financial Services, Inc., (the “**Company**”) entered into a Contribution Agreement and Plan of Merger (the “**Reorganization Agreement**”) to reorganize under a new public holding company (the “**Reorganization**”). The Reorganization will allow the Company, among other things, to eliminate its “Up-C” structure and to transition to a single class of common stock held by all stockholders, as opposed to the two classes of common stock, Class A and Class B, that are currently authorized, issued and outstanding today. On August 2, 2018, the Company’s board of directors approved the Reorganization Agreement.

The parties to the Reorganization Agreement are: the Company; New PennyMac Financial Services, Inc., a Delaware corporation and a direct,

wholly-owned subsidiary of the Company (“**New PennyMac**”); New PennyMac Merger Sub, LLC, a Delaware limited liability company and a direct, wholly-owned subsidiary of New PennyMac (“**Merger Sub**”); certain contributors listed on Exhibit A of the Reorganization Agreement (the “**Contributors**”); and Private National Mortgage Acceptance Company, LLC, a Delaware limited liability company (“**PNMAC**”). The Contributors consist of certain directors and officers of the Company, holders of beneficial ownership of 5% or more of the Company’s securities and all of the holders of Class B common stock of the Company and Class A units of PNMAC (other than Class A units held by the Company).

Pursuant to the Reorganization Agreement, (i) Merger Sub will merge with and into the Company, with the Company surviving the merger as a wholly-owned subsidiary of New PennyMac (the “**Merger**”), and (ii) the Contributors will exchange all of their Class A units of PNMAC on a one-for-one basis for shares of common stock of New PennyMac.

In connection with the Merger:

- Each outstanding share of Class A common stock of the Company will be converted on a one-for-one basis into shares of New PennyMac common stock.
- Each outstanding share of Class B common stock of the Company will be cancelled for no consideration.
- Each Class A unit of PNMAC held by a Contributor will be contributed to New PennyMac and exchanged on a one-for-one basis for shares of New PennyMac common stock.
- New PennyMac will assume the Company’s existing equity incentive plan—including all performance share awards, restricted share awards, restricted stock units and other incentive awards covering shares of the Company’s Class A common stock, whether vested or not vested, that are outstanding at the effective time of the Merger. Further, New PennyMac will reserve the same number of shares of its common stock as reserved under the Company’s existing equity incentive plan prior to the effective time of the Merger, and the terms and conditions that are in effect immediately prior to the Merger under each outstanding incentive award assumed by New PennyMac will continue in full force and effect after the Merger, except that the shares of Class A common stock reserved under the Company’s plans and issuable under each such award will be replaced by shares of common stock of New PennyMac.
- The Company’s current directors and executive officers will hold the same positions with New PennyMac after the Reorganization.
- New PennyMac intends to apply to have its shares of common stock listed on the New York Stock Exchange under the ticker symbol “PFSI” which is the Company’s current trading symbol.

After completion of the Reorganization, New PennyMac will replace the Company as the publicly-held entity and, through its subsidiaries, will conduct all of the operations currently conducted by the Company. The Reorganization is intended to be treated as an integrated transaction that qualifies as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the “**Code**”) and/or a transfer described in Section 351(a) of the Code.

The Reorganization is subject to specified conditions in the Reorganization Agreement, including approval by holders of the Company’s Class A and Class B common stock, voting together as a single class, at a special meeting of stockholders (the “**Special Meeting**”). There is no existing arrangement or agreement with respect to the voting of any holder’s shares in connection with the Special Meeting. The date, time and place of the Special Meeting will be announced by Company at a later time. For more information on the Reorganization, please refer to the Registration Statement on Form S-4, filed on August 2, 2018 (the “**Form S-4**”), as amended, by New PennyMac with the SEC.

The Reorganization Agreement may be terminated and the transactions contemplated thereby may be abandoned at any time prior to the effective time of the Reorganization (even after approval by the Company’s stockholders) by (i) action of the Company’s board of directors if the board determines that, for any reason, the completion of the transactions provided for in the Reorganization Agreement would be inadvisable or not in the best interests of the Company or its stockholders or (ii) written notice between the Company, New PennyMac, Merger Sub and PNMAC on the one hand and certain Contributors on the other hand—if the Reorganization has not occurred nine months after the date of the Reorganization Agreement.

The foregoing description of the Reorganization Agreement does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Reorganization Agreement, a copy of which was filed as Exhibit 2.1 to the Form S-4 and is incorporated by reference herein.

Item 7.01. Regulation FD Disclosure.

On August 2, 2018, the Company made available on its corporate website the information furnished herewith as Exhibit 99.1 hereto, which discusses the Reorganization. The information included in Exhibit 99.1 hereto is incorporated by reference in response to this Item 7.01.

The information in Item 7.01 of this report, including the exhibits hereto, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liabilities of Section 18, nor shall it be deemed incorporated by reference into any disclosure document relating to the Company, except to the extent, if any, expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
2.1	Contribution Agreement and Plan of Merger, dated August 2, 2018, by and among PennyMac Financial Services, Inc., New PennyMac

Forward-Looking Statements

This Form 8-K contains forward-looking statements. The Company has identified some of these forward-looking statements with words such as “anticipates,” “believes,” “expects,” “estimates,” “is likely,” “predicts,” “projects,” “forecasts,” “objectives,” “may,” “will,” “should,” “plans” and “intends” and the negative of these words or other comparable terminology. These forward-looking statements include statements relating to status of the Reorganization and its process. In addition, the Company may from time to time make forward-looking statements in its annual report, quarterly reports and other filings with the SEC, news releases and other written and oral communications. These forward-looking statements are based on the Company’s expectations and assumptions, as of the date such statements are made, regarding its future operating performance and financial condition, including the proposal to reorganize under a new holding company, the future financial and operating performance of each party to the Reorganization, strategic and competitive advantages of each such party, the leadership of each such party, and future opportunities for each such party, as well as the economy and other future events or circumstances. The Company’s expectations and assumptions include, without limitation, risks and uncertainties associated with the following: the possibility that the Reorganization will not be consummated within the anticipated time period or at all, including as the result of the failure to obtain stockholder approval of the Reorganization; the potential for disruption to the Company’s business in connection with the Reorganization; the potential that the Company does not realize all of the expected benefits of the proposed Reorganization. Various risks and uncertainties may cause actual results to differ materially from those stated, projected or implied by any forward looking statements, including, without limitation, risks and uncertainties affecting the Company that are described in its most recent Form 10-K (including in Item 1A. Risk Factors) filed with the SEC on March 9, 2018, which is available on the Company’s website at ir.pennymacfinancial.com/Docs or on the SEC’s website at www.sec.gov. The Company believes its expectations and assumptions are reasonable, but there can be no assurance that the expectations reflected herein will be achieved. Unless legally required, the Company undertakes no obligation to update any forward-looking statements made herein.

Non-solicitation

The Form S-4 relating to the shares of common stock of New PennyMac has been filed with the SEC but has not yet become effective. These securities may not be sold nor may offers to buy these securities be accepted before the time the Form S-4 becomes effective. This Form 8-K will not constitute an offer to sell or a solicitation of an offer to buy shares of common stock of New PennyMac, and will not constitute an offer, solicitation or sale in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of that jurisdiction.

Additional Information and Where to Find It

In connection with the Reorganization, New PennyMac filed the Form S-4 with the SEC, which has not yet become effective, that includes the Company’s proxy statement that also constitutes a prospectus of New PennyMac. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE PROXY STATEMENT/PROSPECTUS, AND ANY OTHER RELEVANT DOCUMENTS WHEN THEY BECOME AVAILABLE, BECAUSE THEY CONTAIN, OR WILL CONTAIN, IMPORTANT INFORMATION ABOUT THE COMPANY, NEW PENNYMAC AND THE REORGANIZATION. A definitive proxy statement will be sent to the Company’s stockholders seeking approval of the Reorganization after the Form S-4 is declared effective. The proxy statement/prospectus and other documents relating to the Reorganization may be obtained free of charge from the SEC’s website at www.sec.gov.

Participants in Solicitation

This communication is not a solicitation of a proxy from any investor or stockholder. However, the Company, New PennyMac and certain of their directors and executive officers may be deemed to be participants in the solicitation of proxies in connection with the Reorganization under the rules of the SEC. Information regarding the Company’s directors and executive officers may be found in its definitive proxy statement relating to its 2018 Annual Meeting of Stockholders filed with the SEC on April 17, 2018 and in the proxy statement/prospectus included in the Form S-4. Information regarding New PennyMac’s directors and executive officers may be found in the proxy statement/prospectus included in the Form S-4. These documents may be obtained free of charge from the SEC’s website at www.sec.gov.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: August 2, 2018

PennyMac Financial Services, Inc.

By: /s/ Andrew S. Chang
Andrew S. Chang
Senior Managing Director and Chief Financial Officer

Section 2: EX-99.1 (EX-99.1)

Exhibit 99.1

Filed by PennyMac Financial Services, Inc. (File No. 001-35916)
pursuant to Rule 425 under the Securities Act of 1933
and deemed filed pursuant to Rule 14a-12 of the Securities Exchange Act
Subject Company: New PennyMac Financial Services, Inc.
CIK: 0001745916
File No. 333-226531



**Proposed Reorganization to
Simplify Corporate Structure**

Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, regarding management's beliefs, estimates, projections and assumptions with respect to, among other things, the Company's financial results, future operations, business plans and investment strategies, as well as industry and market conditions, all of which are subject to change. Words like "believe," "expect," "anticipate," "promise," "plan," and other expressions or words of similar meanings, as well as future or conditional verbs such as "will," "would," "should," "could," or "may" are generally intended to identify forward-looking statements. Actual results and operations for any future period may vary materially from those projected herein and from past results discussed herein. These forward-looking statements include statements regarding the Company's proposed corporate reorganization, the expected benefits of such reorganization and the related impact on existing stakeholders, estimates regarding future market capitalization and the anticipated financial impact of the corporate reorganization.

Factors which could cause actual results to differ materially from historical results or those anticipated include, but are not limited to: the continually changing federal, state and local laws and regulations applicable to the highly regulated industry in which we operate; lawsuits or governmental actions that may result from any noncompliance with the laws and regulations applicable to our businesses; the mortgage lending and servicing-related regulations promulgated by the Consumer Financial Protection Bureau and its enforcement of these regulations; our dependence on U.S. government-sponsored entities and changes in their current roles or their guarantees or guidelines; changes to government mortgage modification programs; the licensing and operational requirements of states and other jurisdictions applicable to the Company's businesses, to which our bank competitors are not subject; foreclosure delays and changes in foreclosure practices; certain banking regulations that may limit our business activities; changes in macroeconomic and U.S. real estate market conditions; difficulties inherent in growing loan production volume; difficulties inherent in adjusting the size of our operations to reflect changes in business levels; purchase opportunities for mortgage servicing rights and our success in winning bids; changes in prevailing interest rates; increases in loan delinquencies and defaults; our reliance on PennyMac Mortgage Investment Trust (NYSE: PMT) as a significant source of financing for, and revenue related to, our mortgage banking business; any required additional capital and liquidity to support business growth that may not be available on acceptable terms, if at all; our obligation to indemnify third-party purchasers or repurchase loans if loans that we originate, acquire, service or assist in the fulfillment of, fail to meet certain criteria or characteristics or under other circumstances; our obligation to indemnify PMT and the Investment Funds if our services fail to meet certain criteria or characteristics or under other circumstances; decreases in the returns on the assets that we select and manage for our clients, and our resulting management and incentive fees; the extensive amount of regulation applicable to our investment management segment; conflicts of interest in allocating our services and investment opportunities among us and our advised entities; the effect of public opinion on our reputation; our recent growth; our ability to effectively identify, manage, monitor and mitigate financial risks; our initiation of new business activities or expansion of existing business activities; our ability to detect misconduct and fraud; and our ability to mitigate cybersecurity risks and cyber incidents. Our exposure to risks of loss resulting from adverse weather conditions and man-made or natural disasters; and or organizational structure and certain requirements in our charter documents.

You should not place undue reliance on any forward-looking statement and should consider all of the uncertainties and risks described above, as well as those more fully discussed in reports and other documents filed by the Company with the Securities and Exchange Commission from time to time. The Company undertakes no obligation to publicly update or revise any forward-looking statements or any other information contained herein, and the statements made in this presentation are current as of the date of this presentation only.

Non-solicitation

The Form S-4 relating to the shares of common stock of New PennyMac Financial Services, Inc. ("New PennyMac") has been filed with the SEC but has not yet become effective. These securities may not be sold nor may offers to buy these securities be accepted before the time the Form S-4 becomes effective. This presentation will not constitute an offer to sell or a solicitation of an offer to buy shares of common stock of New PennyMac, and will not constitute an offer, solicitation or sale in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of that jurisdiction.

Additional Information and Where to Find It

In connection with the Reorganization, New PennyMac filed the Form S-4 with the SEC, which has not yet become effective, that includes the Company's proxy statement that also constitutes a prospectus of New PennyMac. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE PROXY STATEMENT/PROSPECTUS, AND ANY OTHER RELEVANT DOCUMENTS WHEN THEY BECOME AVAILABLE, BECAUSE THEY CONTAIN, OR WILL CONTAIN, IMPORTANT INFORMATION ABOUT THE COMPANY, NEW PENNYMAC AND THE REORGANIZATION. A definitive proxy statement will be sent to the Company's stockholders seeking approval of the Reorganization after the Form S-4 is declared effective. The proxy statement/prospectus and other documents relating to the Reorganization may be obtained free of charge from the SEC's website at www.sec.gov.

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PFSI Proposes Corporate Reorganization

Key Implications for Existing PFSI Stockholders

- Reorganization would convert all equity ownership into a single class of publicly-traded common stock of "New PennyMac"
- Contingent on stockholder approval; closing expected by year-end 2018

- **Simplified Corporate Structure** – all equity holders will be represented by a single class of common stock
- **Simplified Financial Reporting**
 - Eliminates allocation of income and equity between PFSI common stockholders and PNMAC unitholders
 - More easily understood by investors and analysts; straightforward earnings and book value per share calculations
 - Greater comparability to most other publicly-traded companies
- **Expands Potential Investor Universe and Demand for the Stock**
 - Will increase market capitalization from approximately \$500 million to approximately \$1.5 billion⁽¹⁾
 - Enables certain investors to own larger stockholdings where position limits are tied to percentages of companies' market capitalization
 - Increases eligibility for inclusion in certain stock indices

(1) As of August 1, 2018. Increase results from the conversion of PNMAC Class A Units into common stock of "New PennyMac".

Why We Are Pursuing This Reorganization Now

The existing “Up-C” structure was put in place with PFSI’s IPO in 2013. Since then...

Corporate Tax Reform

- The Tax Cuts and Jobs Act reduced the corporate tax rate from 35% to 21%
- This change reduced the potential value of tax assets created under the existing structure when PNMAC unitholders exchange for PFSI stock

Business Model Generates Limited Taxable Income

- PennyMac’s mortgage production activities have grown substantially (\$17 billion of UPB produced for PFSI’s own account in 2013 vs. \$46 billion in 2017)
- Income associated with mortgage servicing rights (MSRs) created upon securitization of loans can be deferred under U.S. tax law
- This typically results in current period tax losses for our production business and PennyMac Financial overall
- Given our current and projected loan production levels, we do not expect to utilize tax benefits for some time

Impact of Reorganization on the Existing Classes of Equity Holders

	PNMAC Unitholders	Existing PFSI Stockholders
Give Up	<ul style="list-style-type: none"> 85% of potential tax benefits resulting from future unit exchanges pursuant to the Tax Receivable Agreement (TRA) – but value likely limited due to taxable income outlook Potential pass-through treatment on any allocated taxable income 	<ul style="list-style-type: none"> 15% of potential tax benefits resulting from future unit exchanges pursuant to the TRA – but value likely limited due to taxable income outlook
Get	<ul style="list-style-type: none"> Simplified corporate structure Expands potential investor universe and demand for the stock Long-term capital gains treatment on stock sales (assuming at least a one-year holding period post transaction); unit exchanges under existing structure are generally taxable as ordinary income 	<ul style="list-style-type: none"> Simplified corporate structure Expands potential investor universe and demand for the stock Will likely result in greater liquidity over time from stock sales by former unitholders that are able to benefit from long-term capital gains treatment

Comparison of PFSI to “New PennyMac”

PennyMac Financial – Today

- Market capitalization of approximately \$500 million⁽¹⁾
- Two classes of common stock
 - Class A Common Stock
 - Class B Common Stock (representing one vote per Class A Unit of PNMAC; not publicly traded)
- Approximately 68% of economic ownership is in the form of private ownership units
- Unitholders can exchange for PFSI Class A Common Stock, resulting in potential tax benefits pursuant to the TRA

“New PennyMac” as Proposed

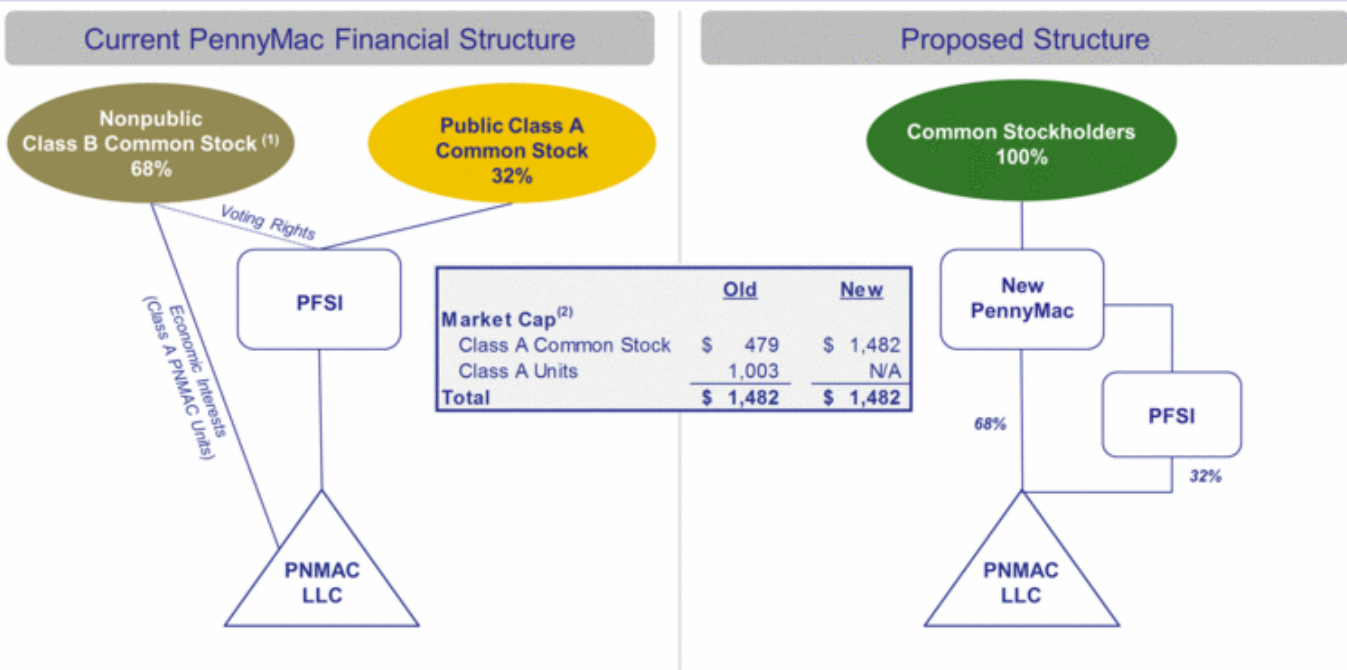
- Market capitalization of approximately \$1.5 billion⁽¹⁾
- One class of publicly traded common stock that represents all equity ownership
- Simplified financial reporting
- No further exchanges of PNMAC units and therefore no further TRA tax benefits created

Remaining elements of structure and governance are the same, including:

- 11-member Board of Directors
- Ownership percentages of existing equity holders
- Company business model and strategic objectives
- Potential tax benefits for PFSI and previous unitholders, resulting from prior units exchanged pursuant to the TRA, remain
- Voting rights of equity holders
- Governance structure and stockholder rights
 - BlackRock and Highfields have certain rights under stockholders’ agreement

(1) As of August 1, 2018

Illustrative Transaction Structure



- PFSI Class A Common Stock and PNMAC Class A Units to be contributed / exchanged for common stock of New PennyMac on a 1:1 basis
- No change in ownership percentages as a result of the transaction

(1) Held by PennyMac founders BlackRock Mortgage Ventures, LLC, HC Partners, LLC, formerly known as Highfields Capital Investments, LLC, and members of our executive management team
 (2) Market capitalization as of August 1, 2018

Financial Impact of the Reorganization ⁽¹⁾

Pro Forma Balance Sheet at June 30, 2018	Historical	Pro forma adjustments	Pro forma	Comments
(in millions except book value per share)				
Total assets	\$ 6,841.7	\$ (10.1)	\$ 6,831.6	Special dividend
Total liabilities	\$ 4,979.8	\$ 305.3	\$ 5,285.1	Increase in income taxes payable primarily due to the conversion of PNMAC units
Total stockholders' equity attributable to PFSI common stockholders	\$ 529.9	\$ 1,016.6	\$ 1,546.5	Primarily reclassification of noncontrolling interest
Noncontrolling interest in Private National Mortgage Acceptance Company, LLC	\$ 1,332.0	\$ (1,332.0)	\$ -	
Total stockholders' equity	\$ 1,861.9	\$ (315.4)	\$ 1,546.5	Reflects special dividend and increase in income taxes payable
Total liabilities and stockholders' equity	\$ 6,841.7	\$ (10.1)	\$ 6,831.6	
Shares outstanding	25.0	52.4	77.4	
Book value per share	\$ 21.19		\$ 19.98	
Special dividend			0.40	
Book value per share plus special dividend			<u>\$ 20.38</u>	

- No change in earnings per share for six months ended June 30, 2018
- Earnings per share for the year ended December 31, 2017 would increase due to the remeasurement of tax-related items as a result of the Tax Cuts and Jobs Act

Differences in Book Value Per Share

Pro forma book value per share plus special dividend	\$20.38
Book value per PFSI share at June 30, 2018	21.19
Difference	(\$0.81)

- **Difference results from tax-related items which are not distributed proportionately between PFSI and PNMAC**
- **Most of the difference exists under current structure when PNMAC unitholders exchange for PFSI Class A Common Stock**
- **Economic value of these tax-related items is limited – not likely to be utilized for an extended period due to the Company’s business model and expectations for taxable income**

Item	Amount at 6/30/18 (\$ in millions)	Per Share Amount			Difference	
		Existing PFSI	New PennyMac			
1. Net TRA Benefit	\$8.3	\$0.33	\$0.11	(\$0.22)	} Net tax benefits from Deferred Tax Asset and TRA at PFSI	
2. Other Tax Assets	14.7	0.59	0.19	(0.40)		} Difference exists under current structure when PNMAC unitholders exchange for PFSI Class A Common Stock
3. Deferred Tax Liability in Excess of PFSI Share	(14.2)	N/A	(0.18)	(0.18)	} Reflects the recognition of deferred tax liability associated with pre-IPO income as PNMAC unitholders convert; difference exists under current structure when PNMAC unitholders exchange for PFSI Class A Common Stock	
Total ⁽¹⁾				(\$0.81)		

(1) Figures may not sum exactly due to rounding

Key Takeaways for Proposed Reorganization

Simplified corporate structure – single class of common stock

Simplified financial reporting

Expands potential investor universe and demand for the stock

Business strategy, stockholder rights and governance structure remain unchanged
