Pollen Street Capital

11-12 Hanover Square
London W1S 1JJ

**Pollen Street Capital response to notice of termination**

We have been informed by the Board of Pollen Street Secured Lending PLC (the "**Company**") that they have served notice of termination in relation to the management agreement of the Company.

We are deeply disappointed by this action and believe this decision does not reflect the substantial improvement in the performance of the Company since we took over as manager, although given the concerns we have outlined below regarding the Board's proposed approach to due diligence in connection with the potential offer by Waterfall Asset management, LLC (the "**Offeror**") for shares in the Company at 900 pence per PSSL share (the "**Offer**"), we welcome the fact that these matters have been made public as we had suggested previously to the Board. We strongly believe that it should be left to shareholders to determine the appropriate time for the release of sensitive commercial information to the Offeror and, more generally, to determine the future of the Company. We remain fully committed to working with the Board and the Company's shareholders to reach a satisfactory resolution to the matters outlined in this note and, more generally, to ensuring that shareholder returns are maximised.

**Background**

On 8th January we were informed of the Offer by the Board. On the same date, the Board sought to impose extensive operational restrictions on PSC's management of the Company's investments (the "**Operational Restrictions**") and on 9th January forwarded to PSC an unusually extensive due diligence request document that the Board had received from the Offeror (the "**Diligence Request**").

**Diligence Request**

The Diligence Request from the Offeror, which was forwarded to us directly (seemingly without any further consideration of the appropriateness of the requests in it by the Board) instructed us to provide the requested information to the Board for onward transmission to the Offeror. The extent of the Diligence Request was highly unusual in the context of a public takeover offer. We therefore expressed our concern to the Board about whether sharing such extensive information is in the best interests of shareholders, questioned whether the extensiveness of the due diligence request suggested that the Offer may be highly conditional and noted that: i) sharing the information would constitute a breach of confidentiality provisions contained in underlying transaction documentation and ii) should the Offer ultimately be unsuccessful, the Offeror would be in possession of highly confidential information, both of which have significant potential to undermine shareholder value. Given the extent of the Diligence Request and requests for support and assistance from PSC as manager, PSC requested standard confidentiality and indemnity protections from the Company.

Despite various attempts to engage constructively and practically, the Board has communicated with us predominantly through a series of formal letters and instructions to provide the extensive material outlined, while refusing to provide the confidentiality and indemnity protections we sought. Consequently, we have little confidence in the Board being able to manage the release of highly commercially sensitive information and welcome the fact that we will now have an opportunity to engage with shareholders to discuss the appropriate course of action from here.

**Operational Restrictions**

In their 8th January letter, the Board sought to impose the Operational Restrictions. In our view, the Operational Restrictions are both arbitrary and would fetter the day to day operations of the Company as an investment trust. We are also concerned that the Operational Restrictions could amount to the Board

taking over the effective day to day management of the Company without the necessary expertise, resource or regulatory permissions to do so.

Despite numerous attempts to discuss the proposed Operational Restrictions, the Board failed to engage and has continued to insist that these arbitrary restrictions are adhered to.

**Next Steps**

We are deeply disappointed that the Board has elected to take this action, especially given their continued re-iteration as to their satisfaction with the professional management of the Company and performance since PSC assumed management in September 2017. Since PSC took over as manager of the Company, we have more than doubled earnings per share and in light of the Company's sustained improved performance, we made a recommendation to the Board in December 2019 to increase its interim dividend payment to 15p per share. We note that the Board has determined to maintain the dividend at 12p per share despite the underlying improvement in the assets.

We will continue to work in the best interests of the Company and its shareholders in pursuit of the Company's investment objectives and, as outlined above, remain fully committed to working with the Board and the Company's shareholders to reach a satisfactory resolution to the matters outlined in this note and, more generally, to ensuring that shareholder returns are maximised.

**Contact information:**

Enquiries:
PSC Credit Holdings LLP – 020 3948 7379

Media Enquiries:
Camarco (PR advisers to Pollen Street Capital)
Ed Gascoigne-Pees / Jennifer Renwick – 020 3757 4984, ed.gascoigne-pees@camarco.co.uk / jennifer.renwick@camarco.co.uk