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**THIS IS AN ANNOUNCEMENT FALLING UNDER RULE 2.4 OF THE CITY CODE ON TAKEOVERS AND MERGERS (THE "CODE") AND DOES NOT CONSTITUTE AN ANNOUNCEMENT OF A FIRM INTENTION TO MAKE AN OFFER UNDER RULE 2.7 OF THE CODE AND THERE CAN BE NO CERTAINTY THAT ANY FIRM OFFER WILL BE MADE**

**THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION**

25 February 2020

**For immediate release**

**Pollen Street Secured Lending plc ("PSSL" or the "Company")**

**Statement regarding:**

**Possible offer for the Company**

**Notice of termination of the Investment Management Agreement**

**Clarification of the Final Dividend**

### **Introduction**

As set out below, the Company has received an approach to acquire all of its issued share capital at 900 pence per share, subject to confirmatory due diligence and certain other standard conditions. Since PSC Credit Holdings LLP (the "Manager") was notified of this approach on 8 January 2020 the Board has been unable to obtain from the Manager all of the Company's own documentation and information, which has been requested, to allow the Board to make its own proper assessment of what due diligence materials to pass on to the potential offeror. Further, a number of other serious governance issues have arisen. The Board does not believe that it is possible to continue running a listed investment company in this way and has accordingly served 12 months' notice of termination of the Investment Management Agreement.

### **Possible Offer for the Company ("Possible Offer")**

The Board of PSSL announces it is in discussions regarding a possible cash offer by funds advised by Waterfall Asset Management, LLC ("Waterfall") for the entire issued and to be issued share capital of the Company. There can be no certainty that any firm offer will be made.

Under the terms of the Possible Offer, PSSL shareholders would be entitled to receive 900 pence per PSSL share in cash (the "Possible Offer Price") and retain the dividend of 12.0 pence per share declared in respect of the three month period to 31 December 2019 ("Q4-2019 Dividend"). The Possible Offer has the support of PSSL's largest shareholder, Invesco Asset Management Limited ("Invesco"); further details are set out below.

The Possible Offer Price represents an 8.7 per cent. premium to last night's closing share price of 828 pence and a 4.8 per cent. discount to the ex-income NAV per share of 945.13 pence as at 31 December 2019.

The Board of PSSL has confirmed to Waterfall that the Possible Offer is at a value the Board of PSSL would be minded to recommend, should a firm intention to make an offer pursuant to Rule 2.7 of the Code be announced on the terms contained in the Possible Offer, and has therefore agreed that Waterfall should be provided with access to due diligence materials.

Waterfall has received an irrevocable undertaking from PSSSL's largest shareholder, Invesco, to support the Possible Offer, should a formal offer be made. The irrevocable undertaking is in respect of Invesco's entire holding representing approximately 24.6 per cent. of PSSSL's issued ordinary share capital. Further details regarding the irrevocable undertaking are set out in the Appendix.

In accordance with Rule 2.6(a) of the Code, Waterfall is required, by not later than 5.00 pm on 24 March 2020, either to announce a firm intention to make an offer for the Company in accordance with Rule 2.7 of the Code or to announce that it does not intend to make an offer for the Company, in which case the announcement will be treated as a statement to which Rule 2.8 of the Code applies. This deadline can be extended only with the consent of the Panel on Takeovers and Mergers in accordance with Rule 2.6(c) of the Code.

As a consequence of this announcement, an offer period has now commenced in respect of PSSSL in accordance with the rules of the Code and the attention of shareholders is drawn to the disclosure requirements of Rule 8 of the Code, which are summarised below.

This announcement has been made with the consent of Waterfall and Invesco. Invesco is acting on behalf of its discretionary managed clients.

- a) For the purposes of Rule 2.5(a) of the Code, Waterfall has reserved the right to make an offer on less favourable terms than those set out in this announcement:
- b) with the agreement or recommendation of the Board of PSSSL;
- c) where a reduction in the offer terms is required to reflect a Q4-19 Dividend where any part of the Q4-19 Dividend is uncovered by PSSSL's income; or

following an announcement by PSSSL of a whitewash transaction pursuant to the Code.

#### **Notice of Termination of the Investment Management Agreement**

The Board of PSSSL announces that it has today served 12 months' notice in writing on the Manager to terminate the Investment Management Agreement ("IMA") in light of what the Board considers to be (and has been advised are) serious, repeated and ongoing breaches of the Manager's obligations under the IMA, which would justify serving notice of summary termination. These breaches have occurred against the background of what the Board believes is a position of conflict of interest which the Manager has found itself in over the response to the Possible Offer referred to above, but the Board believes the Manager's behaviour also reflects deeper issues in its approach to its obligations to the Company. The basis of termination has been considered at length by the Board and is designed to allow time for the Company to consider all of its options going forward, reserving all of its rights in the meantime.

Given the Company's status as a listed investment trust and the Possible Offer referred to above, the Board is required to comply with a number of obligations, as well as its fiduciary duties under the Companies Act 2006. In accordance with the principles of good corporate governance set out in the AIC Code of Corporate Governance, the Board is responsible for identifying circumstances in which the Manager should refer to the Board for approval before undertaking certain transactions; pursuant to the Listing Rules, and in accordance with the basic principles of agency, the Board must be able to effectively monitor and manage the performance of its agents and key service providers, which includes the Manager. Under the Takeover Code, the Board must allow shareholders the opportunity to consider an offer which it believes is capable of recommendation.

Since the Board informed the Manager of the Possible Offer on 8 January 2020:

1. The Manager has failed to deliver to the Board a significant amount of the Company's own information relating to the Company and its investments, which has been repeatedly requested by the Board, including refusing to identify to the Board the assets in which the Company is invested. These materials are required by the Board (amongst other things) to allow it and its advisers to determine the nature and extent of information that should be shared with the potential offeror, Waterfall, to permit Waterfall to undertake confirmatory due diligence, as is customary in the context of a possible recommended offer.
2. The Manager has repeatedly failed to confirm whether, since 8 January 2020, it has complied with the directions of the Board to seek the Board's prior approval for certain matters whilst the Possible Offer is being considered.

3. The Manager has published information about the Company's dividend without the Board's prior knowledge and approval, which necessitated the release of an urgent announcement to the market to correct and clarify its position. Further information on the dividend is set out below.

Given the above, it is the Board's unanimous view that it is unsustainable to continue to operate a listed investment company in this way. The Board is also concerned about discharging its duties properly in the face of this type of behaviour from its appointed investment manager.

#### **Statement regarding Q4-2019 Dividend**

The Board wishes to see further evidence that an increase in quarterly dividend is sustainable, including seeing the impact of redeployment of the Castlehaven sale proceeds. The Board also wishes to see an increase in the revenue reserve. It is therefore declaring an unchanged dividend of 12.0 pence per share in respect of the three month period to 31 December 2019.

#### **Simon King, PSSSL's Chairman, commented:**

*"This decision to give notice to terminate has been taken after very serious consideration.*

*In the face of a possible offeror's interest in exploring a recommended offer for the Company, the Manager has not, in the Board's unanimous view, given the assistance which is reasonably to be expected in such circumstances. The Board believes that, while portfolio performance has been satisfactory, it is not acceptable to withhold Company information from the Board, publish very material information about the Company without Board approval and fail to confirm compliance with clear and important instructions from the Company, its client.*

*Accordingly, the Board considers that it is appropriate to give the Manager 12 months' notice of termination (whilst reserving the Company's rights) and to explore alternative arrangements for the Company."*

PSSL is being advised by Smith Square Partners LLP and Stephenson Harwood LLP and Liberum Capital Limited is acting as corporate broker to the Company.

A further announcement regarding the possible offer will be made in due course as appropriate.

Enquiries:

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The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No.596/2014. Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

#### *Disclaimer*

*Smith Square Partners LLP, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting exclusively for PSSSL and for no one else in connection with the possible offer and will not be responsible to anyone other than PSSSL for providing the protections afforded to its clients or for providing advice in connection with the possible offer referred to in this announcement.*

*Liberum Capital Limited, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting exclusively for PSSL and for no one else in connection with the possible offer and will not be responsible to anyone other than PSSL for providing the protections afforded to its clients or for providing advice in connection with the possible offer referred to in this announcement.*

#### *Disclosure requirements of the Code*

*Under Rule 8.3(a) of the Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.*

*Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.*

*If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.*

*Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).*

*Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.*

#### *Rule 2.9 disclosure*

*In accordance with Rule 2.9 of the Code, PSSL confirms that as at the close of business on 24 February 2020 its issued share capital consisted of 74,212,289 ordinary shares of £0.01 each (excluding shares held in treasury). The International Securities Identification Number for PSSL's ordinary shares is GB00BLP57Y95.*

#### *LEI number*

*PSSL's LEI number is 213800P4S1KTTPIB9T76.*

#### *Publication of this announcement*

*A copy of this announcement will be made available subject to certain restrictions relating to persons resident in restricted jurisdictions on the Company's website no later than 12 noon on 26 February 2020 ([www.pollenstreetsecuredlending.com](http://www.pollenstreetsecuredlending.com)).*

*The content of the website referred to in this announcement is not incorporated into and does not form part of this announcement.*

## **Appendix**

The irrevocable undertaking received by Waterfall from Invesco is in respect of 18,271,712 PSSL shares, representing approximately 24.6 per cent. of PSSL's entire issued share capital. The irrevocable undertaking will lapse if (a) Waterfall has not released a binding offer announcement under Rule 2.7 of the Code for PSSL at 900 pence per share (such figure to be reduced by the aggregate of any element of PSSL's Q4-19 Dividend declared in excess of 12 pence per share, plus any element of the Q4-19 Dividend declared up to 12 pence that is uncovered by income earned in Q4-19) by 22 May 2020; (b) the offer document is not posted within 28 days of the release of the Rule 2.7 announcement; (c) the shareholder meeting in respect of the offer (if the offer is undertaken by way of scheme of arrangement) is not scheduled to take place within 28 days of the date of the scheme document; (d) the offer is withdrawn or does not become wholly unconditional or effective by 7 August 2020 (or a date no more than two months later if required to satisfy outstanding regulatory clearances); or (e) a competing offer for PSSL is made at an offer price of at least 10 per cent. more than the Waterfall proposal.