

## Regulatory Story

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**Thalassa Holdings Limited** - THAL Update on The Local Shopping REIT PLC  
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Thalassa Holdings Ltd

(Reuters: THAL.L, Bloomberg: THAL:LN)

("Thalassa" or "the Company")

Update on The Local Shopping REIT PLC ("LSR")

The Board of Thalassa reviewed the circular to shareholders published by LSR on 22 November 2016 ("Circular") indicating the LSR board's apparent volte-face in respect of the costs being incurred by the business and recognising that the Internos contract should be potentially renegotiated. In light of this fresh information, Thalassa wrote to the board of LSR on 25 November 2016 (a redacted version of the letter appears below) setting out the basis on which it would be prepared to withdraw its shareholder meeting requisition and work collaboratively with the board of LSR. On 28 November 2016 the board of LSR responded, flatly rejecting this offer and also sadly but somewhat predictably failing to address the question of excessive costs.

Accordingly, the Board of Thalassa will publish a full response to the letter from LSR's chairman contained in the Circular in order for those parties interested to form their own view of the management and performance of LSR.

Duncan Soukup, Chairman of Thalassa, said:

"It is disappointing that the LSR board have not taken this second opportunity to engage constructively with us. It is quite clear that they are more interested in pursuing their own agenda rather than working with and in the interest of all shareholders to achieve the objective set out in the 8 July 2013 circular to shareholders under the heading Proposed New Investment Policy (page 8), which clearly states "The Company's investment objective is to maximise value for its Shareholders from its existing portfolio of local real estate assets, comprising local shops in urban and suburban areas, as well as neighbourhood and convenience properties throughout the UK."

This strategy has clearly failed and has now been replaced, without shareholder consent, to "The overriding aim of the current Board is to execute the strategy approved by shareholders in 2013, being to dispose of the property portfolio and return the net proceeds to shareholders as speedily and efficiently as possible, consistent with the protection of value." (extracted from the Chairman's letter in the Circular). This distortion of reality is unfortunately entirely consistent with our previous experience with the LSR board, despite their apparently reasonable public statements to the contrary. Our response to the Circular will highlight and call into question Internos' appointment without full disclosure or shareholder approval and the LSR board's reluctance to allow outside participation on an open and constructive basis, the objective of which is simply to deliver better value to shareholders. It seems quite clear that by rejecting the offer set out below that the LSR board is more interested in certain contractors than shareholders."

## APPENDIX - Thalassa letter to the board of LSR on 25 November 2016

Gentlemen,

I write further to The Local Shopping REIT plc (LSR or the Company) notice of general meeting announced on 22 November 2016 and the letter from Stephen East of even date (Chairman's Letter).

As we made clear in our requisition letter sent on 9 November 2016, we have no interest in destabilising relationships with key stakeholders. However, we are interested in reducing the Company's costs to reflect the reduction in assets and income, as well as in accelerating asset disposals or an outright sale of the Company.

We, therefore, wholeheartedly welcome the disclosure set out in paragraph 4.4 in the Chairman's Letter. We were astonished to read that LSR would consider renegotiating Internos' contract given Nick's (Mr Vetch's) insistence at our meeting on 20 September 2016 that no cost savings were possible. Indeed, had Nick (Mr Vetch) not been so adamant that Internos' contract was wholly appropriate and under no circumstances open to review or renegotiation (notwithstanding the 55% reduction in the value of the Company's assets), we would not have pursued a requisition.

In light of the positive and welcomed change in the board's position, we would be willing to immediately withdraw our requisition upon the appointment to the LSR board of myself or John Hutchinson, with the explicit commitment of the LSR board to:-

1. undertake a global review of LSR's cost structure, in order to bring it in line with the Company's decreasing level of assets and revenue;
2. review and renegotiate the Internos retainer and amend the bonus structure to a "performance" based bonus at a materially higher level than 0.5% (e.g. 20%+ on any return of capital to shareholders above a realistic hurdle of say a 5% discount to last published NAV of 42.75p or 40.6p per share); and
3. engage with previously interested parties or new potential buyers of LSR's entire portfolio of assets or the Company itself. On Thursday 24 November I spoke with Y at Y, who expressed an interest in reviewing LSR's tenancy schedule YYY. As you may be aware, Y reviewed the Renouvier portfolio a couple of years ago but has not been contacted since.

We would be grateful for your response by close of business Monday 28 November.

Sincerely,

Duncan Soukup  
Chairman

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