

**OPEN LETTER TO THE BOARD OF DIRECTORS OF PERSHING SQUARE HOLDINGS, LTD.**

To: Anne Farlow, Independent Director & Chairman of the Board  
Bronwyn Curtis, OBE, Senior Independent Director  
Nicholas Botta, Director  
Andrew Henton, Independent Director  
Tope Lawani, Independent Director  
Rupert Morley, Independent Director  
Tracy Palandjian, Independent Director  
Bill Ackman, CEO / Portfolio Manager

Ladies & Gentlemen:

The undersigned, the CIO of Seven Corners Capital Management, LLC, is a long-term holder of Pershing Square Holdings, Ltd. (or “PSH”) stock, having continuously owned shares of PSH for nearly 4 years, meaning I invested when anti-Bill Ackman and anti-PSH bias in the capital markets was at its highest (post-VRX & HLF debacles, in mid-2018). In fact, PSH is by far the largest holding in my personal stock portfolio, constituting in excess of 22% of my current net worth. Moreover, in mid-2018, when PSH shares were languishing in the mid- to low-teens, I published an article on Seeking Alpha entitled “[Ackman’s Back: Time to Back Ackman via Pershing Square Holdings](#)”. Since the date of the article, PSH has outperformed the S&P 500 by approximately 10,000 basis points(!) Suffice it to say, I am a BIG fan of Bill Ackman and have consistently publicly defended him against his various detractors (of which there have been many, especially on certain social media websites).

However, while loyalty is a trait desired in business relationships (especially between principals and agents), blind loyalty is not. “Trust, but verify”, a noted politician once said. Thus, with respect to the most recent PSH conference call to discuss PSH’s 2021 annual results (held on February 11, 2022), I cannot simply take the words of PSH’s leadership at face value, I need to verify (A) that what they tell me conforms to reality and (B) more importantly, that what they claim will happen is realistic given the facts on the ground. On the call, I heard the following from PSH’s Board Chairman Anne Farlow and CEO/CIO Bill Ackman [in each case, paraphrasing]:

- PSH’s senior executives are “open-minded” when it comes to closing the yawning NAV discount (which, as of the most recent date of determination, was 31%)<sup>1</sup>
- The NAV discount is a “continued annoyance” to PSH’s board and management team
- There is no real plan to cause the NAV discount to close substantially in the near term, rather the status quo is “we’ll just wait for exceptional investment performance to convince market participants to close the discount for us”

Frankly, this flaccid, passive “strategy” (using the term loosely) is unacceptable and would never be tolerated by PSH with respect to any of its portfolio companies. **It is the responsibility of PSH’s leadership team to operationally force the NAV discount to close rather than hope that some day others come to their collective senses and act. Were the discount to close to a much more acceptable 10%, PSH shareholders would enjoy an immediate 30% increase in the market value of their holdings<sup>2</sup> (they deserve no less!).** Moreover, if waiting around and repurchasing stock from time to time hasn’t worked until now, why should shareholders expect it to work one month or one year from now? Please note that since the date of my Seeking Alpha article (June 12, 2018), despite vastly improved underlying NAV performance due to the spectacular performance of Mr Ackman and his PSH investment team, the discount has actually *widened* from 22% to 31%. While Mr Ackman (a billionaire) and the members of the PSH Board (all presumably independently wealthy) may perhaps be content to “wait around” some more and hope that things

<sup>1</sup> As of 15 February 2022, NAV stood at \$53.87, versus a share price of \$37.10. See [Pershing Square Holdings Weekly and Monthly NAVs](#)

<sup>2</sup> The share price with a 10% discount would be \$48.50, or 30% above its level of \$37.10 as of 2/15/22.



change for the better, they should be cognizant that outside PSH shareholders may not enjoy such a luxury<sup>3</sup>. WE NEED TO IMPLEMENT A "PLAN B" ASAP!

What could this Plan B look like? Consider the example of the restaurant industry, in which PSH and Mr Ackman are extremely well-versed<sup>4</sup>. If you were operating a restaurant and had certain customers who desired Chinese food, you wouldn't include only Italian food on the menu, you'd have some Chinese dishes on offer (and vice versa). In other words, if you give customers what they want, they'll come back for more (i.e., buy shares close to NAV). Some investors want PSH to be their cash cow (so they value dividends above reinvestment of profits), while others want it to be a compounding machine (and have no desire to receive dividends). **WHY NOT OFFER EACH GROUP WHAT THEY DESIRE VIA THE FOLLOWING OPTIONS?**

**OPTION A:** Issue a floating dividend tied to NAV, in concert with a dividend reinvestment plan. In other words, make the default scenario the automatic reinvestment of all dividends in new PSH shares, but allow PSH shareholders to opt out (if desired) and receive a dividend equal to a fixed percentage of TTM NAV (e.g., 2 or 3%). If NAV goes up over time, so does the dividend (a "win-win" for shareholders). Leaving the dividend at the current fixed \$0.40/share (seemingly) permanently does nobody any good, rather it encourages PSH's holders to think of PSH as a bond-like instrument rather than a stock with a dynamic underlying value (NAV). Further, PSH's bylaws (Article 49) specifically permit this option (see Exhibit A attached hereto).

**OPTION B:** Allow PSH investors (at their option) to redeem up to 2 or 3% of their shares every year (at year-end) at NAV (i.e., a yearly mini-tender offer). Similar to Option A, this option allows PSH shareholders to periodically receive a return of capital at NAV in the form of a mini-redemption, if they so choose. Investors who want PSH to be their cash cow can constructively "create their own dividend" by selling a small percentage of their holdings back to the company each year (but at NAV, rather than at a distressed valuation). Alternatively, holders who wish to continue compounding their holdings can simply not tender any stock.

By tying each of these options to NAV, new and existing PSH investors will know they have an ultimate exit strategy which is not at the whim of mercurial marginal sellers and buyers. PSH shareholders who value "cash back" can get these through either option, while those who prefer continued compounding can opt for that alternative. This incentivizes market participants (A) to buy closer to NAV and (B) NOT to sell when the NAV discount is large (as it is currently), thereby causing (in reality, *forcing*) the discount to close over the short term (and, more importantly, over the longer term). In practice, most PSH investors will likely opt for the "compounding" option, since (1) 25% of the stock is held by insiders and (2) many outside investors probably own PSH because they believe in Mr Ackman's long-term investing acumen.

In conclusion, it is incumbent on PSH's leadership team to be pro-active in closing the NAV discount. Throwing up one's hands and saying "Well, we tried and it didn't work, so we give up" is **NOT** a viable or acceptable strategy. **The answer is "Let's try something else that might just work"** (preferably, something along the lines set forth in this letter). Please act quickly and decisively, however; time is of the essence for PSH's loyal (but frustrated) shareholders! Thank you very much for your consideration of this letter.

Sincerely,

Scott Klarquist

CIO, Seven Corners Capital Management, LLC

<sup>3</sup> For example, retail shareholders may need to sell all or a portion of their holdings to fund life expenses (like buying a house or paying for their children's education); in addition, shareholders holding PSH in retirement accounts may be forced to sell due to tax or other applicable rules upon reaching a certain age.

<sup>4</sup> E.g., see PSH's current investments in Chipotle (CMG) and Restaurant Brands (QSR).



EXHIBIT A

**49. DIVIDENDS**

49.1 Subject to compliance with Section 304 of the Law and the prior consent of the Investment Manager and notwithstanding Article 49.4, the Board may at any time declare and pay such Dividends in proportion to the Net Asset Value per Public Share, Management Share and the Special voting Share, as applicable, as well as declare and pay such Dividends on any other shares in issue at any time as appear to be justified by the position of the Company (on whatever basis determined by the Board). The Board shall, with the prior consent of the Investment Manager, also be entitled to declare and pay any fixed Dividend which is payable on the Public Shares, the Management Shares or the Special Voting Share, as applicable, half-yearly or otherwise on fixed dates whenever the position in the opinion of the Board so justifies.



49.2 The method of payment of Dividends shall be at the option of the Board.



49.3 No Dividend shall be paid in excess of the amounts permitted by the Law or approved by the Board.

49.4 Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, and except as provided pursuant to Article 49.1, all Dividends shall be declared and paid pro rata within each class of shares according to the number of shares of such class held by each Member.

49.5 The Board shall be entitled to deduct from any Dividend payable to any Member on or in respect of a share all sums of money (if any) presently payable by such member to the Company on account of calls or otherwise.

49.6 The Board shall be entitled to retain any Dividend or other monies payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the liabilities or obligations in respect of which the lien exists.

49.7 The Board shall be entitled to retain Dividends payable upon shares in respect of which any person is entitled to become a Member until such person has become a Member.

49.8 Any Dividend may be paid at the discretion of the Board wholly or in part by the distribution of specific assets and, in particular, of paid-up shares of the Company. Where any difficulty arises in respect of such distribution, the Board shall be entitled to