April 18, 2018

William D. Green
Marcy S. Klevorn
Khozema Z. Shipchandler
Independent Directors
c/o Andrew M. Cohen, General Counsel and Corporate Secretary
Pivotal Software, Inc.
875 Howard St., Fifth Floor
San Francisco, CA 94103

Re: Pivotal Software's Dual-Class Structure

Dear Ms. Klevorn and Messrs. Green and Shipchandler,

I am writing on behalf of the Council of Institutional Investors (CII) to express concern that Pivotal Software, Inc. is going public with a dual-class structure that severely limits accountability to public shareholders over the long-term and lacks a meaningful sunset provision (notwithstanding that Class B shares convert to Class A shares upon transferring to a non-Dell owned entity).

CII is a nonpartisan, nonprofit association of public, corporate, and union employee benefit funds, other employee benefit plans, foundations, and endowments with combined assets under management exceeding $3.5 trillion. Our member funds include major long-term shareholders with a duty to protect the retirement savings of millions of workers and their families. Our associate members include a range of asset managers with more than $25 trillion in assets under management, most also with long-term investment horizons.[1] CII members share a commitment to healthy public capital markets and strong corporate governance.

The principle of one share, one vote is a foundation and core value of good corporate governance and equitable treatment of investors. CII believes public companies should provide all shareholders with voting rights proportional to their holdings. Dell itself recognized and upheld this principle during its 25 years as a public company. Without the dual-class structure, Dell already owns in excess of 70% of Pivotal Software's outstanding shares, sufficient to exercise control in the near-term. Due to the dual-class structure, however, public shareholders will control just 4% of voting power despite owning 30% of the company. This misalignment of ownership and controlling interests undermines the health and fairness of capital markets.

We strongly urge the Pivotal Software board to reconsider using a dual-class structure as a public company, or, failing that, to incorporate sunset provisions that revert to one share, one vote within seven years.

[1] For more information about the Council of Institutional Investors (Council or CII) and our members, please visit the Council's website at http://www.cii.org/about_us.

When CII was formed in 1985, the first policy adopted was the principle of one share, one vote.[2] The importance of this approach has been underlined repeatedly by market participants since then, including recent moves by index providers to discourage multi-class structures. As structured, Pivotal Software will not be included in the S&P 1500 Composite or its component indices, including the S&P 500. The Russell 3000 and other FTSE Russell indices also exclude new listings like Pivotal that leave less than 5% of voting power in the hands of "unrestricted" investors. MSCI has proposed substantially reducing the weight of multi-class listings in its indices.

As long-term investors, we believe a decision by Pivotal Software to go public with the dual-class structure will undermine confidence of public shareholders in the company. Independent boards accountable to owners should be empowered to actively oversee management and make course corrections when appropriate. Disenfranchised public shareholders have no ability to influence management or the board when the company encounters performance challenges, as most companies do at some point, and especially where management is accountable only to itself and the board that it appoints. For these reasons, we are particularly concerned about the process of electing directors, the unequal voting structure, and the lack of a reasonable time-based sunset provision.[3]

In addition to receiving ten votes per share, Dell, the sole owner of Pivotal Software's Class B shares, elects at least 80% of the board. Given a full board of 11 directors, Dell selects 9. Class A shareholders, voting together with Dell on a one share, one vote basis, ostensibly possess the right to elect the remaining 2 directors (or no more than 20% of the board). But given Dell's total equity holding—again, already sufficient to exercise control without super-voting rights—"Dell will control the vote to elect all of our directors."[4] Pivotal's director elections are therefore structured to erode a defining feature of the corporation: a separation between the company's management and its owners.

We acknowledge that in recent years, some innovative technology companies with dynamic leadership and products, like Pivotal Software, have attracted capital on public markets despite having multi-class structures. However, the performance record of multi-class companies is decidedly mixed, with some studies finding a substantially lower total shareholder return compared to their single-class counterparts after 10 years.[5] Another study found that even at

---

[2] CII Corporate Governance Policies (Section 3.3) provides that, "Each share of common stock should have one vote. Corporations should not have classes of common stock with disparate voting rights. Authorized, unissued preferred shares that have voting rights to be set by the board should not be issued without shareowner approval."
[3] CII's member-approved Investor Expectations for Newly Public Companies: "Upon going public, a company should have a 'one share, one vote' structure…CII expects newly public companies without such provisions to commit to their adoption over a reasonably limited period through sunset mechanisms."
[4] Pivotal Software Form S-1, filed April 9, 2018, p. 41, https://www.sec.gov/Archives/edgar/data/1574135/000104746918002636/a2235132zs-1a.htm.
[5] Average annual TSR at multi-class companies over 10 years was 5.7 percent, compared with 8.5 percent at non-controlled companies and 7.4 percent at controlled companies with single-class structures. The 2016 study concludes that "Controlled companies featuring multiple classes of stock generally underperformed on a broad swath of financial metrics over the long term [and] are perceived as having more financial risk" than non-controlled firms. IRRC Institute, *Controlled Companies in the Standard & Poor's 1500: A Ten Year Performance and Risk Review*, October 2012; and *Controlled Companies in the Standard & Poor's 1500: A Follow-Up Report of Performance & Risk*, March 2016.

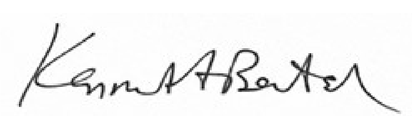
innovative companies where multi-class structures provide a value premium at the time of the IPO, that premium dissipates within six to nine years before turning negative.[6] The evidence against multi-class structures enhancing company value beyond the short-term is a factor in our support for meaningful, time-based sunsets.

Recognizable companies like Yelp, Fitbit, Kayak, Twilio, and Mulesoft all went public with time-based sunsets. Public shareholders at these companies know that they will have a say in company matters equal to their ownership interests within reasonable periods of time. In 2016, Groupon collapsed its dual-class structure and adopted one share, one vote after a five-year sunset expired, and in 2017, MaxLinear did the same after its seven-year sunset lapsed. More companies went public with time-based sunsets in 2017 than in any other year.[7] As SEC Commissioner Robert Jackson said in a recent speech, "If you run a public company in America, you're supposed to be held accountable for your work—maybe not today, maybe not tomorrow, but someday."[8]

Public company investors have demonstrated time and again that they will support innovation and investment for the long-term, as has been the case for many years at Amazon—and for a period of substantial growth at Dell—as well as at many other companies. While establishing accountability to new owners does not always maximize comfort and compensation for management, we believe accountability is important for performance longer-term, including through bumps in the road that every company will experience. The IPO is a pivotal milestone in the corporate lifespan, and Pivotal Software should cultivate this opportunity to show prospective public investors that it will trust them as owners of the company.

Thank you for considering CII's views. If you have any questions or would like to discuss this further, please contact me at ken@cii.org or 202.822.0800.

Sincerely,



Kenneth A. Bertsch
Executive Director

[6] Martijn Cremers, et al., *The Life-Cycle of Dual Class Firms*, November 2017, "We find that the initial dual class valuation premium is temporary and disappears within 6 to 9 years after the IPO…The declining valuations of dual- versus single-class firms suggests that potentially increased agency problems at mature dual class firms may be mitigated by a mandatory sunset provision for dual class structures, as advocated by Bebchuk and Kastiel;" *See* Lucian Bebchuk and Kobi Kastiel, *The Untenable Case for Perpetual Dual-Class Stock*, April 2017.
[7] CII List of Companies with Time-Based Sunset Approaches to Dual-Class Stock.
[8] Robert Jackson, *Perpetual Dual-Class Stock: The Case Against Corporate Royalty*, February 15, 2018.