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CII, Investors Say 'No" to Snap's "No-Vote" Shares

Washington, D.C., Feb. 3, 2017 — The Council of Institutional Investors (CII) today sent a letter to the founders and chairman-designate of Snap Inc. urging them to reconsider plans to take the company public with shares that have no voting power. The letter was co-signed by 18 of CII members and other institutional investors.

"We are concerned that Snap Inc. plans to go public with a structure denying outside shareholders any voice in the company, and request to meet with you to discuss our concerns," Ken Bertsch, CII's executive director, said in the letter. "We strongly urge Snap to reconsider the proposed structure, and instead go to market with a single-class voting structure."

Snap, parent of the Snapchat disappearing-message app, disclosed details February 2 on its initial public offering (IPO). Its IPO filing indicates that the firm will have a structure that gives public shareholders zero votes; insiders will continue to control more than 90 percent of votes even as their ownership interest declines over time. According to the filing, the only scenario in which Snap will have a "one share, one vote" structure is nine months after both co-founders die or decide to transfer their superior holdings to a non- co-founder.

While other companies have gone public with dual class share structures that give public investors lesser voting power than insiders, Snap is believed to be the first company to go public with shares that give investors *no* say at all in the company's governance.

CII and institutional investors generally oppose differential share structures with unequal voting power because they deny shareholders a means to hold management accountable if the company stumbles.

"Snap's founders are dynamic leaders who have built a promising company, but no leader is infallible," Bertsch said. "Dual class structures like Snap is proposing rob shareholders of the power to press for change when something goes wrong. Shareholders will have no say in electing the directors who are supposed to oversee management."

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The Council of Institutional Investors (CII) is a nonprofit association of pension funds, other employee benefit funds, endowments and foundations, with combined assets that exceed $3 trillion. CII's non-voting members include asset management firms with more than $20 trillion under management. CII is a leading voice for effective corporate governance and strong shareowner rights. CII educates its members, policymakers and the public about corporate governance, shareowner rights and related investment issues, and advocates on its members' behalf.