Council of Institutional Investors®
The voice of corporate governance

August 2, 2019

Michael Gross, Vice Chairman of the Board
Bruce Dunlevie
Ronald Fisher
Lewis Frankfort
Steven Langman
Mark Schwartz
Linghuan Zhao

The We Company
115 W 18th St., 4th Floor
New York, NY 10011

Re: Equity structure as a public company

Dear Vice Chairman Gross and non-executive members of the board:

I am writing on behalf of the Council of Institutional Investors (CII) to request that The We Company, in connection with its initial public offering, adopt either a "one share, one vote" stock structure or a sunset provision ensuring equal voting rights for all classes of common stock by no later than the seventh anniversary of the IPO.[1]

CII is a nonprofit, nonpartisan association of U.S. asset owners, primarily pension funds, state and local entities charged with investing public assets and endowments and foundations, with combined assets of $4 trillion. Our associate members include non-U.S. asset owners with more than $4 trillion in assets and a range of asset managers with more than $35 trillion in assets under management.[2] CII members share a commitment to healthy public capital markets and strong corporate governance.

The large majority of U.S. companies go public with one-share, one-vote structures. Of those that go public with differential voting rights, a growing number put time-based sunsets on those structures. This trend is generally supported by the findings a recent study of dual-class company performance, which found that even at innovative companies where unequal voting structures correlate to a value premium at the time of the IPO, that premium dissipates within six to nine years before turning negative.[3] Another study found that dual-class structures correlate

[1] CII is committed to the principle of one-share, one-vote in public equity markets. Where a board decides to create differential voting rights, we urge a time-based sunset that would convert the structure to one-share, one-vote within seven years of IPO, absent approval by each class of shareholders, voting separately, to extend such a structure.
[2] 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.
[3] 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

with more innovation and value creation in the period shortly after an IPO, but within six to 10 years, the costs of the unequal voting structures outweigh the benefits. The study's authors conclude, "Our findings lend credence to the recent call from shareholder advocacy groups that if dual class structures should be allowed at all, they should face rigorous sunset provisions and be eliminated in a certain period post-IPO."[4]

Establishing accountability does not always maximize comfort for management. Yet as SEC Commissioner Robert Jackson said in a speech last year, "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."[5]

We would be pleased to have the opportunity to discuss these matters with you. I can be reached at ken@cii.org or 202-261-7098.

Sincerely,

Kenneth A. Bertsch
Executive Director

cc: Adam Neumann, Chief Executive Officer
cc: Miguel McKelvey, Chief Culture Officer

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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.

[4] Lindsay Baran, et al., *Dual Class Share Structure and Innovation*, May 2018.
For more research, see CII's Summaries of Key Academic Literature on Multi-Class Structures and Firm Value.

[5] Robert Jackson, *Perpetual Dual-Class Stock: The Case Against Corporate Royalty*, February 15, 2018.