

May 21, 2019

Gerhard Watzinger  
Chairman of the Board  
CrowdStrike Holdings, Inc.  
150 Mathilda Place, Suite 300  
Sunnyvale, CA 94086

*Re: Strengthening CrowdStrike's long-term prospects through a sunset on dual class structure*

Dear Mr. Watzinger:

I am writing on behalf of the Council of Institutional Investors (CII) with regard to the board's decision, reflected in a now-public SEC filing made April 17, to change its plans from listing with a one-share, one-vote share structure to a dual-class share structure with super-voting rights for certain shareholder(s), including Mr. George Kurtz. We respectfully request that the board consider time-limiting this structure to seven years or less with a so-called "sunset" provision, potentially renewable by shareholders.

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 of \$4 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 \$35 trillion in assets under management, most also with long-term investment horizons.<sup>1</sup> CII members share a commitment to healthy public capital markets and strong corporate governance.

The principle of one-share, one-vote is a foundation of good corporate governance and equitable treatment of investors. CII believes public companies should provide all shareholders with voting rights proportional to their holdings. While the first policy adopted by CII in 1985 endorsed one-share, one-vote, CII members have since approved a statement on expectations for newly public companies that calls for those using unequal voting structures to adopt sunset mechanisms that revert to one-share, one-vote within a reasonably limited period.<sup>2</sup>

Most U.S. companies go public with one-share, one-vote structures. Of those that IPO with differential voting rights, in recent years a significant number have put in place sunsets of from

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<sup>1</sup> 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](http://www.cii.org/about_us).

<sup>2</sup> 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."

CII's member-approved [Investor Expectations for Newly Public Companies](#) states, "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."

three to 20 years. In or view, this moderate step would substantially mitigate the adverse effects of misalignment between ownership and control. Seven years offers a figure both commonly chosen by recent IPO companies and supported by empirical studies of dual-class company performance.

Last year, EVO Payments, Bloom Energy and Smartsheet held dual-class IPOs with three, five and seven year sunsets respectively. Other recognizable technology companies to take this approach include Groupon, which went public in 2011 with a five-year sunset and successfully collapsed its unequal voting structure in 2016; MaxLinear, which went public in 2010 with a seven year sunset and reverted to one-share, one-vote in 2017; Yelp, which went public in 2012 with a seven year sunset and collapsed its dual-class structure two years early in 2017; and Mulesoft, Kayak, Apptio and Mindbody, all of which went public with sunsets of seven years or less and were acquired before those provisions were triggered.<sup>3</sup>

One recent study of dual-class company performance 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.<sup>4</sup> Another study found that dual-class structures correlate 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."<sup>5</sup>

Based on the experience of numerous dual-class companies specifically, and the results of empirical research generally, we believe a sunset of seven years offers an appropriate period to harness whatever benefits of innovation and control a dual-class structure may provide while mitigating the agency costs it imposes over time. We remain convinced that one-share, one-vote is the best model for sustainable value creation in the long term. 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."<sup>6</sup>

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 decades at Amazon, Apple and many other single-class 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, especially through bumps in the road that every company will experience.

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<sup>3</sup> See CII's [List of Companies with Time-Based Sunset Approaches to Dual-Class Stock](#).

<sup>4</sup> 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.

<sup>5</sup> 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](#).

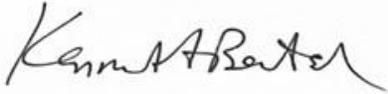
<sup>6</sup> Robert Jackson, *Perpetual Dual-Class Stock: The Case Against Corporate Royalty*, February 15, 2018.

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I would request that you share our letter with all outside board members (Ms. Austin and Messrs. Davis, O'Leary, Gandhi, Landy, Sexton and Sullivan). Thank you for considering our views. If you have any questions or would like to discuss this further, please contact me at [ken@cii.org](mailto:ken@cii.org) or (202) 822-0800.

Sincerely,

A handwritten signature in black ink that reads "Kenneth A. Bertsch". The signature is written in a cursive style with a large initial "K" and a long, sweeping underline.

Kenneth A. Bertsch  
Executive Director