Council of Institutional Investors®
The voice of corporate governance

September 3, 2020

Co-founder and Chairman Peter Thiel
Co-founder and CEO Alexander Karp
Co-founder, President, Secretary and Director Stephen Cohen
Director Alexander Moore
Director Spencer Rascoff
Director Alexandra Schiff
c/o Chief Legal and Business Affairs Officer Ryan Taylor

Palantir Technologies
1555 Blake Street, Suite 250
Denver, Colorado 80202

Re: Palantir Technologies equity structure as a public company

Dear Chairman Theil and members of the board:

I am writing on behalf of the Council of Institutional Investors (CII) to request that Palantir Technologies (Palantir), in connection with any future direct listing or initial public offering, adopt a sunset provision ensuring equal voting rights for all classes of common stock by no later than the seventh anniversary of the direct listing.[1]

The Council of Institutional Investors (CII) is a nonprofit, nonpartisan association of U.S. public, corporate and union employee benefit funds, other employee benefit plans, state and local entities charged with investing public assets, and foundations and endowments with combined assets under management of approximately $4 trillion. Our member funds include major long-term shareowners with a duty to protect the retirement savings of millions of workers and their families, including public pension funds with more than 15 million participants – true "Main Street" investors through their pension funds. Our associate members include non-U.S. asset owners with about $4 trillion in assets, and a range of asset managers with more than $35 trillion in assets under management.

We read CEO Alexander Karp's open letter, included in the S-1 filing for direct listing, with great interest. [2] In particular, we noted Mr. Karp's view that Palantir shares "fewer and fewer of the technology sector's values and commitments," particularly surrounding the sale, collection and mining of data. The letter further asserts that many of Silicon Valley's largest technology firms obscure the fact that their business models are built upon monetizing others' "thoughts and inclinations, behaviors and browsing habits."

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[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]Palantir Technologies' S-1 filing

As an organization focused on corporate governance, CII does not espouse a position on appropriate conduct for data collectors. However, given Mr. Karp's views, we raise for your consideration that several of the companies to which Mr. Karp appears to be referring are founder-controlled due to the enshrinement of unequal voting rights in their registration statements.

We understand that Palantir has put forward a unique capital structure whereby founders will have the ability to control up to 49.999999% of total voting power. But at bottom, it is not substantially dissimilar from the unequal structures found at the companies from which Mr. Karp passionately seeks to distance Palantir. We respectfully ask why Palantir is contemplating a capital structure that in large part emulates the power dynamic of those firms, in contrast with American corporate governance norms.

Although a one-share, one-vote structure upon public listing would be optimal in our view, a time-based sunset provision set to trigger in seven years or fewer would at least ensure that Palantir is on a measurable path to achieving proportionate voting rights for all Palantir stockholders. Doing so would also put Palantir on track for eventual eligibility for the S&P 500 index.

Of companies that go public with differential voting rights, a growing number incorporate time-based sunsets into those structures. [3] This trend is generally supported by the findings of 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.[4] Another study found that dual-class structures correlate with more innovation and value creation in the period shortly after going public, 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."[5]

Lastly, the adoption of a time-based sunset provision of seven years or fewer would result in the immediate and permanent exclusion of your names from CII's "Dual Class Enablers" list, which CII members and investors can use to hold directors to account at other public company boards on which they serve.[6] We expect that public investors will increasingly use this resource and others like it to vote against directors who made pivotal decisions to limit the voice of public shareholders for the long term.

Mr. Karp describes Palantir's plan for direct listing as an opportunity to further separate itself from the "idiosyncrasies and excesses of the Valley." We respectfully urge the board to consider

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[3]CII's list of Companies with Time Based Sunsets on Dual Class Stock

[4] 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.

[5] 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.

[6] See https: http://www.cii.org/dualclassenablers

doing so by bestowing voting rights on shareholders in proportion to their equity stake within seven years of going public.

Sincerely,

Amy Borrus
Executive Director