GOVERNANCE GONE WILD

EPIC MISBEHAVIOR AT UBER TECHNOLOGIES

BY DAVID F. LARCKER AND BRIAN TAYAN

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INTRODUCTION

Despite its importance, there is surprisingly little consensus among researchers about the organizational attributes that are critical for "good" corporate governance. Research generally shows that the structural features of a governance system—the size and structure of the board and the implementation of so-called best practices for audit, risk, compensation, and succession—do not have a reliable (positive or negative) impact on firm performance and outcomes.[1] Some research finds that the human elements of governance—such as leadership, culture, and tone from the top—do influence outcomes, but these are difficult to measure and assess with accuracy.

Research also finds that companies that engage in misbehavior tend to exhibit repeated problems over time (known as recidivism).[2] This suggests that bad governance might be systemic. However, it is not clear what roles leadership and culture play in contributing to chronic misbehavior and the manner in which it spreads throughout an organization. Nor is it clear, once the culture is formed, how difficult chronic misbehavior is to correct.[3] To illustrate these issues, consider the case of Uber Technologies.

THE CULTURE AND GROWTH OF UBER

Uber Technologies was founded in 2009 by Travis Kalanick, Garrett Camp, and Ryan Graves. Kalanick was a serial entrepreneur with a computer science background, having founded two companies prior to Uber, the latter of which he sold to Akamai in 2007 for $15 million. In 2009, Kalanick and Camp conceived of the idea of a smartphone app that could be used to order rides from private drivers on demand after the two experienced difficulty catching cab rides in San Francisco. Graves was briefly brought on as CEO before Kalanick took over.

The company offered two levels of service: UberBlack, which connected passengers with professionally licensed vehicle drivers (such as limousines and towncars), and later a lower cost UberX (and UberPop in some international markets) that connected passengers to drivers who did not have a professional license and used their personal vehicle on a flexible basis to transport passengers. Other companies soon copied Uber's services, most notably Lyft which became Uber's largest competitor in the United States.

From the beginning, Kalanick embarked on an aggressive campaign to dominate the ride-sharing industry, expanding first across the U.S. and then internationally. By 2014—less than four years after launching its app—Uber was operating in more than 250 cities in 53 countries (see Exhibit 1). "It's probably the fastest international expansion that I've ever seen from a venture-backed company," observed an early investor.[4] Revenue, which was $125 million in 2013, rose to $6.5 billion three years later (see Exhibit 2). In the words of an early employee, Kalanick's focus was "growth above all else."[5] This mindset was reflected in the company's 14 cultural values, which encouraged behaviors such as "always be hustling,'" "make magic," and "toe-stepping" (see Exhibit 3).

Astronomic growth attracted high-profile investors. The company's earliest venture-capital investor was Benchmark Capital, which took at 20 percent stake at the time, investing $12 million in Uber in 2011 and giving it a $60 million valuation. As the company grew, Benchmark retained its position as the company's largest venture investor. Later rounds included big-name funds such as Summit Partners, Kleiner Perkins, Menlo Ventures, and Texas Pacific Group; mutual fund giants Fidelity, BlackRock, and Vanguard; technology companies Google, Alibaba, and Microsoft; sovereign wealth funds of Qatar and Saudi Arabia; and prominent individuals such as Jeff Bezos of Amazon. Uber's 2016 fundraising round gave the company a valuation of $68 billion, making it the largest pre-IPO company in the U.S. (see Exhibits 4). All the while, Kalanick and his co-founders retained control through a dual-class share structure that gave them outsized voting power and the ability to name a majority of members of the board of directors.

REGULATORY CHALLENGES

Uber's growth did not come without friction. Almost from the beginning, Uber encountered resistance in practically every market it entered from regulators, transit authorities, and established taxi, limousine, and private-car operators. For example, four months after launching its service in San Francisco, the company received a "cease and desist" order from city and state authorities. Because the existing framework was designed to regulate private car operators and not third-party service providers that connected passengers with licensed vehicles, it was Uber's position that it was not in violation of the rules. An early interview with the *Wall Street Journal* encapsulated the company's viewpoint:

WSJ: Did you ever cease?

Kalanick: No.

WSJ: Did you ever desist?

Kalanick: No.

WSJ: So you basically ignored them? [...]

Kalanick: The thing is, a cease and desist is something that says, 'Hey, I think you should stop,' and we're saying, 'We don't think we should.'[6]

The company repeated this formula in cities around the world: Build a critical mass of drivers and passengers. If local authorities challenge Uber's legality, continue to grow while arguing that your services should not be restricted by ambiguities and omissions in the regulatory framework. Eventually, the user base of passengers and drivers will achieve sufficient size that regulators will not be able to curtail operations.

Nevertheless, Uber's aggressive approach created local resistance in numerous markets. Taxi drivers in London, Paris, Berlin, and other European cities staged protests by refusing to provide services, converging in major traffic centers, and driving at very low speeds on thoroughfares to disrupt traffic. "These car services are doing the same work as taxis, but without the same constraints," said one driver. "It's unfair competition."[7] According to another, "In the 24 years I've been a cab driver, my future has never been in so much danger."[8] Protests had the unintended consequence of increasing public awareness of Uber's low-cost services, and in many cases usage soared.

In New York City, local officials sought to impose a cap on the number of Uber drivers, arguing that Uber vehicles were responsible for worsening traffic. Officials proposed a cap of 200 new Uber licenses per year. At the time, over 20,000 Uber vehicles were operating in the city, already larger than the 13,600 yellow taxis.[9] Uber instigated a grassroots campaign of passengers to complain that wait times would soar, and the city backed down. Meanwhile, the price of medallions required to operate a taxi fell from a peak of over $1 million to $500,000 in just a few years (see Exhibit 5).

In Paris, officials sought to contain Uber by enacting a rule that required car services (other than licensed taxis) to wait at least 15 minutes before picking up a passenger. Exceptions were made for pickups at four-and five-star hotels.[10] Uber flouted the rule and offered to pay fines and provide legal support to drivers who were caught. A government representative said, "Uber simply doesn't respect regulation."[11] According to a competitor, "They don't even make any effort to comply with what they think are bad laws."[12] An Uber lobbyist responded: "If every time somebody wants to ban us, we just go along with that, we wouldn't be in business."[13] Fed up, the French government declared that operating a ride-sharing vehicle without a professional license was illegal, punishable by two years in prison and a €300,000 fine. Prosecutors indicted Uber's two top executives in Paris, convicting them of violating transportation laws and fining the company €800,000. A French lawmaker told Uber, "We're not going to let you come in here like cowboys."[14] Uber capitulated and suspended its UberPop services.

Still, the company's challenges compounded. Germany imposed a nation-wide ban on UberPop. South Korean officials indicted Kalanick and other Uber executives for violating public transportation laws. Johannesburg impounded the vehicles of 33 Uber drivers. London officials declared Uber unfit to operate, citing a "general lack of corporate responsibility."[15] Uber pulled out of Austin, Texas after residents voted to keep in place restrictive regulatory measures. The company suspended operations in China and swapped its business for a 20 percent stake in its largest competitor.

REPUTATIONAL AND OTHER CHALLENGES

Uber's challenges, however, were not limited to endless battles with regulators. Over time, competitive, operating, and governance problems popped up like a game of whack-a-mole that the company struggled to keep down, including the following:

Relation with Drivers. Uber's relation with drivers deteriorated following a decision to alter the company's revenue-sharing formula—with Uber taking as much as 30 percent of gross fare revenue (depending on driver volume), up from 20 percent previously. The change followed a separate decision to reduce gross rates in major cities as part of a price war with rival Lyft. The dual moves translated into a significant reduction in the effective hourly rate that drivers could earn. Thousands of drivers sued the company in a class-action lawsuit alleging that they should be classified as employees, rather than contractors, and as such were entitled to benefits. The company's proposed $100 million settlement was thrown out by the courts, but drivers continued to pursue claims individually through arbitration.

Self-Driving Technology. In 2014, Uber poached 40 researchers from Carnegie Mellon's robotics department to bolster its self-driving vehicle program. A few years later, it purchased a company founded by the former head of Google's self-driving vehicle division, Waymo. Waymo sued Uber, alleging that the company knowingly colluded with the executive to steal 14,000 confidential documents from Waymo before leaving to start his own venture.[16] The judge overseeing the case took the highly unusual step of recommending that federal prosecutors open a criminal probe, a decision that opened the door to potentially severe individual and corporate punishment.[17]

Regulatory Evasion. In 2017, the *New York Times* reported that Uber secretly used information from its app and other data to identify and thwart officials attempting to cite drivers in cities that did not authorize UberX or UberPop. The tool—called Greyball—allowed Uber to show that no cars were available for pickups in specified locations. In a statement, Uber said that Greyball "denies ride requests to fraudulent users who are violating our terms of service—whether that's people aiming to physically harm drivers, competitors looking to disrupt our operations, or opponents who collude with officials on secret 'stings' meant to entrap drivers."[18] Uber curtailed the program.

Cybersecurity. Uber's driver registration system was hacked in 2014, exposing the names and driver's license numbers of 50,000 Uber drivers. In 2016, the company's systems were hacked again, compromising the names, emails and phone numbers of 57 million riders and 600,000 drivers. The data breach was hidden from the pubic for a year; furthermore, Uber paid the hackers $100,000 to conceal the data breach. The company settled with the Federal Trade Commission and agreed to undergo a third-party audit every 2 years for 20 years to certify that it was in compliance with data-privacy protection requirements.

Passenger Safety. The company battled a string of headlines involving crimes committed by Uber drivers, including the sexual assault of a passenger in Washington, D.C. and a shooting spree in Michigan in which an Uber driver killed six people and injured two others. The most high-profile incident involved the rape of a female passenger in New Delhi, India, which sent shockwaves through the country and led state authorities to ban Uber and other ride-sharing apps in the country. Worse, it was discovered that a local executive illegally obtained the woman's medical records and shared them with Kalanick and other Uber executives under suspicion that her depiction of the crime was not accurate and the story was being exaggerated by a local rival to tarnish Uber's reputation. The executive was fired and the woman sued Uber for breach of privacy.

Following these and other public mishaps, a grassroots public campaign spread through social media to #DeleteUber. During this period, Uber rival Lyft gained significant market share (see Exhibit 6) and received a $500 million strategic investment from General Motors.

CHALLENGES AT THE TOP

2017 was the year that Uber's governance challenges spread to the boardroom. It began in February, when a former employee accused Uber of failing to act against a manager who made unwanted sexual advances: "It was clear that he was trying to get me to have sex with him, and it was so clearly out of line that I immediately took screenshots of these chat messages and reported him to HR," she wrote. "Upper management told me that he 'was a high performer' (i.e., had stellar performance reviews from his superiors) and they wouldn't feel comfortable punishing him for what was probably just an innocent mistake on his part."[19]

Kalanick responded by saying, "We seek to make Uber a just workplace and there can be absolutely no place for this kind of behavior at Uber, and anyone who behaves this way or thinks this is OK will be fired."[20] He called the allegations "abhorrent and against everything Uber stands for and believes in."[21] Uber hired law firm Perkins Coie to investigate claims of harassment and separately hired former Attorney General Eric Holder and law firm Covington & Burling to run a parallel investigation into the company's culture and practices.

Ten days later, Kalanick landed in hot water when Bloomberg published a video of him arguing with an Uber driver about the company's rate reductions. The driver told Kalanick that, "People are not trusting you anymore," to which Kalanick replied, "Some people don't like to take responsibility for their own s***. They blame everything in their life on somebody else."[22] Subsequently, Kalanick issued an apology: "I must fundamentally change as a leader and grow up. This is the first time I've been willing to admit that I need leadership help and I intend to get it."[23] Uber announced plans to hire a chief operating officer to help Kalanick run the company.

Shortly thereafter, the two law firms announced the results of their investigations. Perkins Coie reviewed 215 staff complaints relating to discrimination, sexual harassment, unprofessional behavior, and bullying since 2012. It recommended Uber take disciplinary action in 58 of those cases (27 percent); more than 20 employees were terminated.[24] Separately, Covington completed its report on Uber's workplace environment and culture—which was based on more than 200 interviews with current and former employees and a database review of over 3 million internal documents—and made public its recommendations for leadership, governance, and workplace changes, including recommendations to reallocate some of Kalanick's responsibilities to other senior executives, increase the number of independent directors, increase the authority of the chief diversity officer, offer leadership coaching to senior executives, and implement mandatory sensitivity training to employees (see Exhibit 7). It also recommended that Uber "reformulate" its 14 cultural values (see Exhibit 8).[25]

Uber's board of directors voted unanimously to adopt Covington's recommendations. It also announced that Kalanick would take a leave of absence, during which time his responsibilities would be shared among a committee of 14 direct reports: "If we are going to work on Uber 2.0, I also need to work on Travis 2.0 to become the leader that this company needs and that you deserve."[26] Kalanick reserved the right to intervene on major strategic decisions.

It did not end there. Concurrent with Kalanick's leave, board member David Bonderman was forced to resign after making a sexist comment during a company-wide meeting to discuss the findings of the Covington report.[27] Soon after, board member Bill Gurley—partner at Benchmark Capital and long-time confidant of Kalanick—also resigned.[28] He was replaced on the board by another Benchmark representative. Two weeks later, Benchmark, despite continued board representation, took the unprecedented step of suing Kalanick, accusing him of breach of fiduciary duty and seeking his removal from the board. The lawsuit sought to undo an agreement made between Kalanick and Uber investors in 2016 that expanded the board from 8 to 11 as part of a fundraising round and gave Kalanick control over those seats. Benchmark cited "gross mismanagement and other misconduct at Uber," including Uber's intellectual property violations against Waymo, the India rape incident, and sexual harassment allegations.[29] The lawsuit took on particular importance because Kalanick had not yet filled those three seats, which were still empty. The board issued a statement that it was "disappointed that a disagreement between shareholders has resulted in litigation" and it "urged both parties to resolve the matter cooperatively and quickly."[30] Kalanick called the lawsuit "riddled with lies and false allegations."[31]

With the lawsuit ongoing, Uber announced that Dara Khosrowshahi, CEO of Expedia, would replace Kalanick as chief executive officer and assume one of the vacant board seats. Rumors circulated that Khosrowshahi was a compromise candidate, with Kalanick and supporters favoring former General Electric CEO Jeffrey Immelt, and Benchmark Capital and its supporters favoring HP Enterprise CEO Meg Whitman. Khosrowshahi had a long track record of success. During his 10-year tenure at Expedia, the company's stock price increased more than six-fold; Khosrowshahi was one of the most highly compensated chief executives of an S&P 500 company, with a 2015 compensation package valued at $95 million (comprised largely of long-term stock awards).[32] Perhaps more important, he was known for a diplomatic temperament. Upon accepting the job, he said, "This company has to change. What got us here is not what's going to get us to the next level. […] If culture is pushed top down, then people don't believe in it. Culture is written bottoms up."[33]

Change, however, came with one last curve ball. Kalanick made the unexpected announcement that he was appointing two directors to fill the remaining vacant board seats that he controlled: Ursula Burns, former CEO of Xerox, and John Thain, former CEO of CIT Group. "I am appointing these seats now in light of a recent board proposal to dramatically restructure the board and significantly alter the company's voting rights. It is therefore essential that the full board be in place for proper deliberation to occur, especially with such experienced board members as Ursula and John."[34] Khosrowshahi responded that Kalanick's actions were "disappointing." … "Anyone would tell you that this is highly unusual."[35] The proposal Kalanick was referring to included the following provisions, which were to be made in conjunction with a pending strategic investment from Softbank:

- The Class B shares that Kalanick and other investors held would lose their supervoting rights (10 votes per share) and would instead receive one vote per share.
- Any person previously serving as an officer of the company (such as Kalanick) could only be appointed CEO if approved by two-thirds of the board and shareholders.
- The company would adopt a staggered board structure.
- Khosrowshahi gained the right to name successors to three existing seats on the board of directors, subject to board and shareholder approval.
- Kalanick would retain his board seat. Of the other two board seats that Kalanick controlled, one would be transferred to Softbank; the second would be filled with the CEO of a Fortune 100 company, subject to Khosrowshahi, board, and shareholder approval.
- The company would commit to an initial public offering (IPO) by 2019. To force an IPO should one not occur, directors representing one-third of the board would be given the right to appoint additional directors until they attained majority control of the board and could initiate the IPO process.[36]

In the end, the proposals were unanimously approved by the board and Kalanick's nominees Burns and Thain were seated to the board. Softbank announced that it would invest between $1 billion and $1.25 billion in Uber at the company's current valuation of $68 billion. In addition, it would purchase approximately $9 billion in shares through a tender offer to existing shareholders and employees at a discounted valuation of $48 billion. If fully accepted, the tender would give Softbank an ownership stake of at least 14 percent. The board also agreed to add as many as 6 new directors—three independent, one new chairman, and two designated to Softbank—increasing the board size from 11 to 17. Softbank had the right to terminate the agreement if did not receive sufficient shares through the tender offer at the discounted price.

WHY THIS MATTERS

1. Uber Technologies had a long history of aggressively entering markets and challenging regulators in order to achieve its operating goals. Did this risk-seeking behavior *cause* larger problems down the road? Did a willingness to skirt regulations create a precedent that guided future behavior and led to further governance violations? Would Uber have been less successful operationally had it not been as aggressive in new markets?
2. Kalanick set the tone for the company with an emphasis on growth. How important is CEO personality and behavior in influencing the collective behavior of an organization? Can it lead to cultural and widespread organizational problems? If so, is this more true for founder-led companies than companies managed by professional CEOs? How difficult is it to change culture, once it is established? Can the business model of Uber succeed with a distinctly new management and firm culture?
3. The Covington report recommended that Uber implement a series of leadership, board-related, and operational changes to fix its culture. Separately the board agreed to a series of governance changes in conjunction with the investment from Softbank. What impact will these changes have on the culture and operations of the company? Will they *improve* the governance of Uber? What would prevent the Uber culture from returning to its original culture?
4. Upon joining Uber, Khosrowshahi made the statement that "culture is written bottoms up." Is this accurate? To what extent is culture created top down, and to what extent bottom up? What implications does this have on governance and leadership? Does Uber need a substantial turnover of management and key non-management employees to successfully complete a cultural shift? ■

[1] See David F. Larcker and Brian Tayan, *Corporate Governance Matters: A Closer Look at Organizational Choices and Their Consequences*, 2nd Edition (Old Tappan, NJ: Pearson Education, 2014).

[2] Seminal studies include Edwin H. Sutherland, *White Collar Crime* (New York: Holt, Reinhart & Winston, 1949); Edwin H. Sutherland, *White Collar Crime: The Uncut Version* (New Haven: Yale University Press, 1983); and Marshall B. Clinard and Peter C. Yeager, *Corporate Crime* (New York: The Free Press, 1980). Among organizational researchers, Frank, Lynch, and Rego (2009) find that companies that engage in aggressive financial reporting practices continue to do so over time. They also find that aggressive financial reporting is associated with aggressive investment, financing, and operating policies. Biggerstaff, Cicero, and Puckett (2015) find that companies whose CEOs engage in stock option backdating are more likely to manipulate earnings and engage in financial reporting fraud. See Mary Margaret Frank, Luann J. Lynch, and Sonja Olhoft Rego, "Are Corporate Risk-Taking Practices Indicative of Aggressive Reporting Practices?" *Journal of American Taxation Association* (forthcoming); and Lee Biggerstaff, David C. Cicero, and Andy Puckett, "Suspect CEOs, Unethical Culture, and Corporate Misbehavior," *Journal of Financial Economics* (2015).

[3] See David F. Larcker and Brian Tayan, "Governance Aches and Pains: Is Bad Governance Chronic?" Stanford Closer Look Series (April 14, 2016).

[4] Evelyn M. Rusli and Douglas MacMillan, "Uber Fetches $18.2 Billion Valuation—Car Service App Worth More Than Hertz," *The Wall Street Journal* (June 7, 2014).

[5] Mike Isaac, "Uber Tallies the Costs of Its Leader's Drive to Win at Any Price," *The New York Times* (April 24, 2017).

[6] Kalanick further used the analogy of airline travel to defend the company's position: "Are we American Airlines or are we Expedia? It became clear, we are Expedia." See Andy Kessler, "The Weekend Interview with Travis Kalanick: The Transportation Trustbuster," *The Wall Street Journal* (January 26, 2013).

[7] Sam Schechner, "Uber in French Street Fight: Online Car-Service Firms to Oppose New Rule as Apps Shake up Taxi Business," *The Wall Street Journal* (December 31, 2013).

[8] Matthias Verbergt and Sam Schechner, "Fight Between Uber and Taxis Spills into Streets as New French Law Draws a Battle Line," *The Wall Street Journal* (June 26, 2015).

[9] Mara Gay, "Stringer Joins the Uber Fight: City Comptroller Goes Against Mayor Urging Council to Delay a Vote on Curbing Car Services," *The Wall Street Journal* (July 22, 2015).

[10] Sam Schechner, "Uber in French Street Fight: Online Car-Service Firms to Oppose New Rule as Apps Shake up Taxi Business," loc. cit.

[11] Sam Schechner, "Uber Tries to Thwart Ban in French Court," *The Wall Street Journal* (November 29, 2014).

[12] Douglas MacMillan, Sam Schechner and Lisa Fleisher, "Investors Push Uber's Valuation Past $40 Billion," *The Wall Street Journal* (December 5, 2014).

[13] Ibid.

[14] Sam Schechner, "Uber Collides With France—Company's Growth Snarled by Entrenched Business Culture; 'A Mockery of the French Republic,'" *The Wall Street Journal* (September 19, 2015).

[15] Sam Schechner, "Uber Seeks to Appease London—Ride-Hailing Service Was Blindsided by Decision That It Was Unfit to Serve City," *The Wall Street Journal* (September 25, 2017).

[16] Daisuke and Wakabayashi and Mike Isaac, "Suit Accuses Uber of Using Stolen Tech," *The Wall Street Journal* (February 24, 2017).

[17] According to one law professor, "This is a big deal. There are lots of trade-secret cases filed and litigated every day. It's the most common

type of IP [intellectual property] case. But very few make it to the stage that they could constitute a criminal investigation." Criminal charges tried under the Economic Espionage Act carry penalties of up to 10 years in prison for individuals and corporate fines up to three times the value of the trade secret stolen. See Jack Nicas and Greg Bensinger, "Uber Faces Probe Over Driverless Car Effort," *The Wall Street Journal* (May 13, 2017).

[18] See "Uber Used Secret Tool to Evade Authorities," *Reuters News* (March 4, 2017); and Mike Isaac, "Uber Uses Tech to Deceive Authorities Worldwide," *The New York Times* (March 4, 2017).

[19] Susan Fowler, "Reflecting on One Very, Very Strange Year at Uber," blog posting (February 19, 2017).

[20] "Uber CEO Orders 'Urgent Investigation' on Sexual Harassment Claims," *Reuters News* (February 20, 2017).

[21] Ibid.

[22] Eric Newcomer, "In Video, Uber CEO Argues with Driver Over Falling Fares," *Bloomberg* (February 28, 2017).

[23] "Uber CEO Says He Must 'Grow Up' After Argument with Driver," *Reuters News* (March 1, 2017).

[24] "Uber Fires 20 Employees After Harassment Probe," *Reuters News* (June 6, 2017).

[25] Greg Bensinger, "Uber CEO Takes a Break as Scandals Roil Firm," *The Wall Street Journal* (June 14, 2017).

[26] At least one leadership expert was skeptical of the power sharing structure, saying, "A committee is very implausible. You can't make decisions that way." See Greg Bensinger, "Uber CEO Takes a Break as Scandals Roil Firm," *The Wall Street Journal* (June 14, 2017); and Greg Bensinger and Kelsey Gee, "Uber Picks 14 Bosses to Run Company," *The Wall Street Journal* (June 15, 2017).

[27] In the meeting, fellow director Arianna Huffington made the statement, "There's a lot of data that shows when there's one woman on the board it's much more likely that there will be a second woman on the board." Bonderman replied, "Actually, what it shows is that it's much more likely to be more talking," to which Huffington said, "Oh, come on, David." Bonderman later apologized and resigned: "I directed a comment to my colleague and friend Arianna Huffington that was careless, inappropriate, and inexcusable." Bonderman's seat was filled by another Texas Pacific Group representative. See Greg Bensinger, "Board Member Steps Down After Sexist Remark," *The Wall Street Journal* (June 14, 2017).

[28] Gurley led Benchmark's original investment in Uber in 2011 and joined the board that year.

[29] Greg Bensinger, "Investor Sues Uber Ex-CEO Kalanick," *The Wall Street Journal* (August 11, 2017).

[30] "Uber, Beset by Scandal, Faces Battle Over 'Destructive' Lawsuit," *Reuters News* (August 12, 2017).

[31] Greg Bensinger, "Investor Sues Uber Ex-CEO Kalanick," loc. cit.

[32] Expedia, Form DEF-14A, filed with the Securities and Exchange Commission (August 23, 2016).

[33] Greg Bensinger, "Uber's New CEO Is Aiming For an IPO as Soon as 2019," *The Wall Street Journal* (August 31, 2017).

[34] "Uber's Kalanick Rekindles Power Struggle, Names Two to Board," *Reuters News* (September 30, 2017).

[35] Katie Benner and Mike Isaac, "A Look Inside Uber Board's Maneuvers For Control," *The New York Times* (October 2, 2017).

[36] Ibid.

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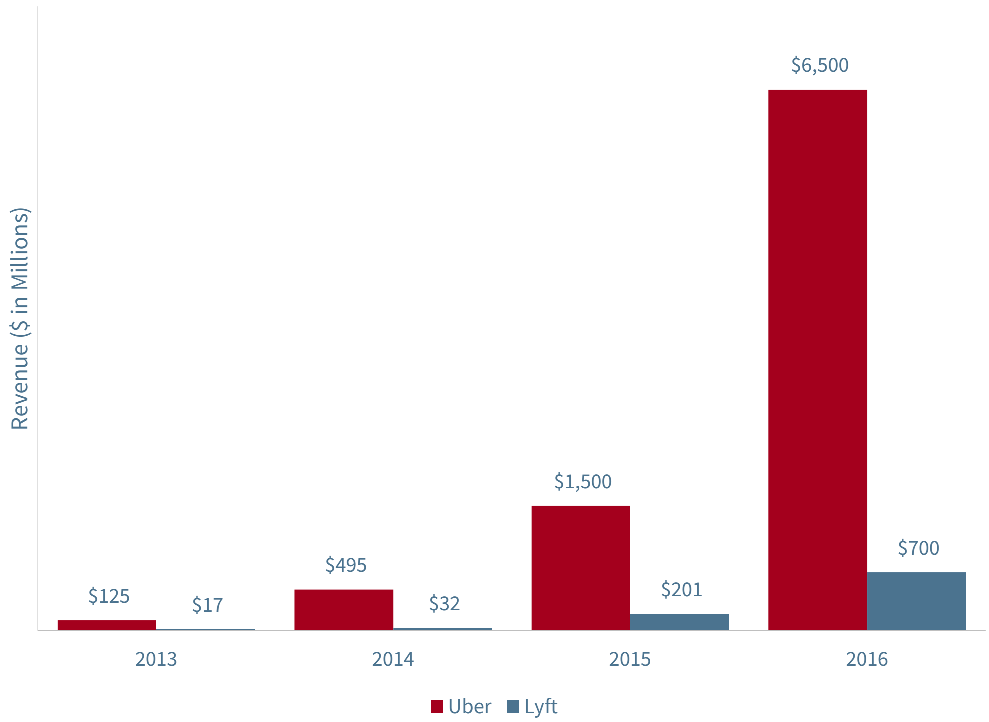
EXHIBIT 1 — UBER U.S. AND INTERNATIONAL EXPANSION (SELECTED CITIES)

Source: Adapted from Chris Sacca on Twitter, "Despite having been involved with @Uber since its early days, this international growth chart blows my mind" (March 7, 2014).

EXHIBIT 2 — UBER AND LYFT REVENUE GROWTH



Source: Privco.

EXHIBIT 3 — UBER'S 14 CULTURAL VALUES

14 CORE CULTURAL VALUES

1. Uber Mission
2. Celebrate Cities
3. Meritocracy and Toe-Stepping
4. Principled Confrontation
5. Winning: Champion's Mindset
6. Let Builders Build
7. Always Be Hustlin'
8. Customer Obsession
9. Make Big, Bold Bets
10. Make Magic
11. Be an Owner, not a Renter
12. Be Yourself
13. Optimistic Leadership
14. Just Change or Inside Out or Avoid Politics or The Best Idea Wins

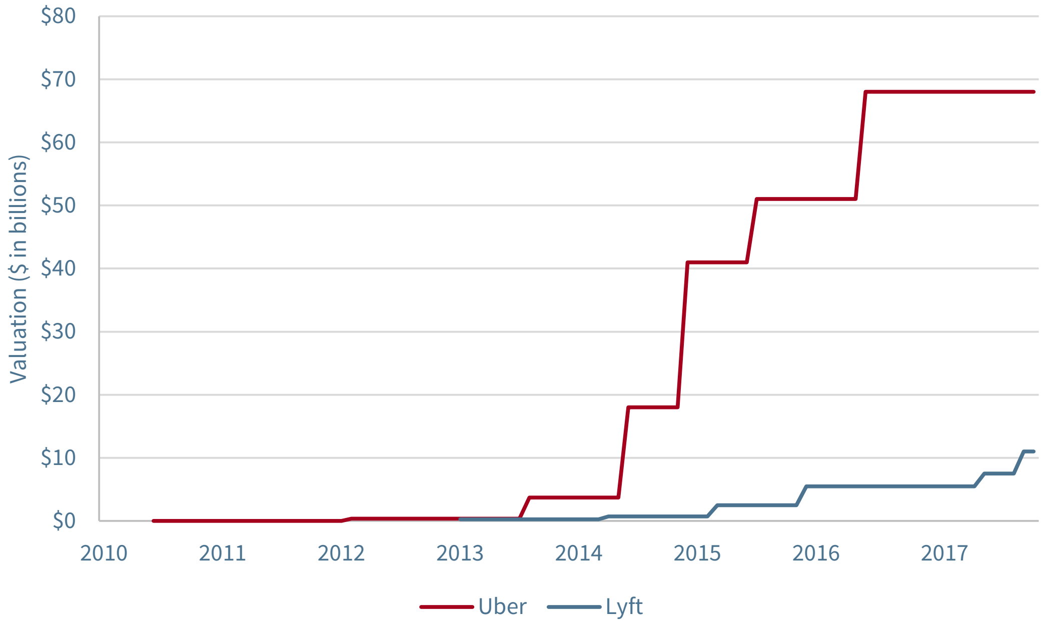
8 QUALITIES ALL UBER EMPLOYEES ARE EXPECTED TO POSSESS

1. Vision
2. Quality Obsession
3. Innovation
4. Fierceness
5. Execution
6. Scale
7. Communication
8. Super Pumpedness

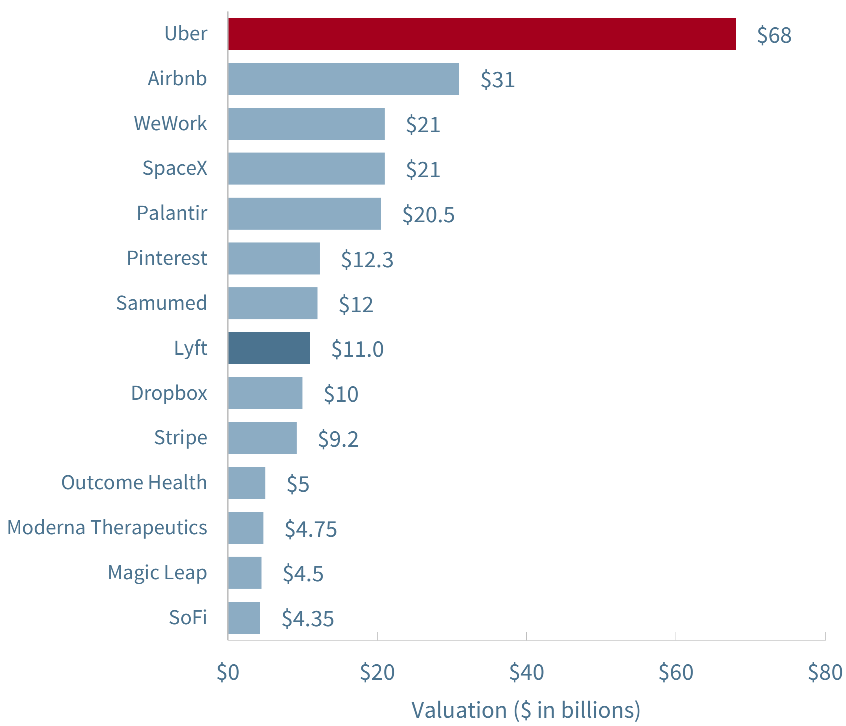
Note: Compiled from public sources. Precise definitions of these values are not available.

Source: Alex Terry, "What are Uber's 14 core/cultural values?" Quora.

EXHIBIT 4 — UBER VALUATION



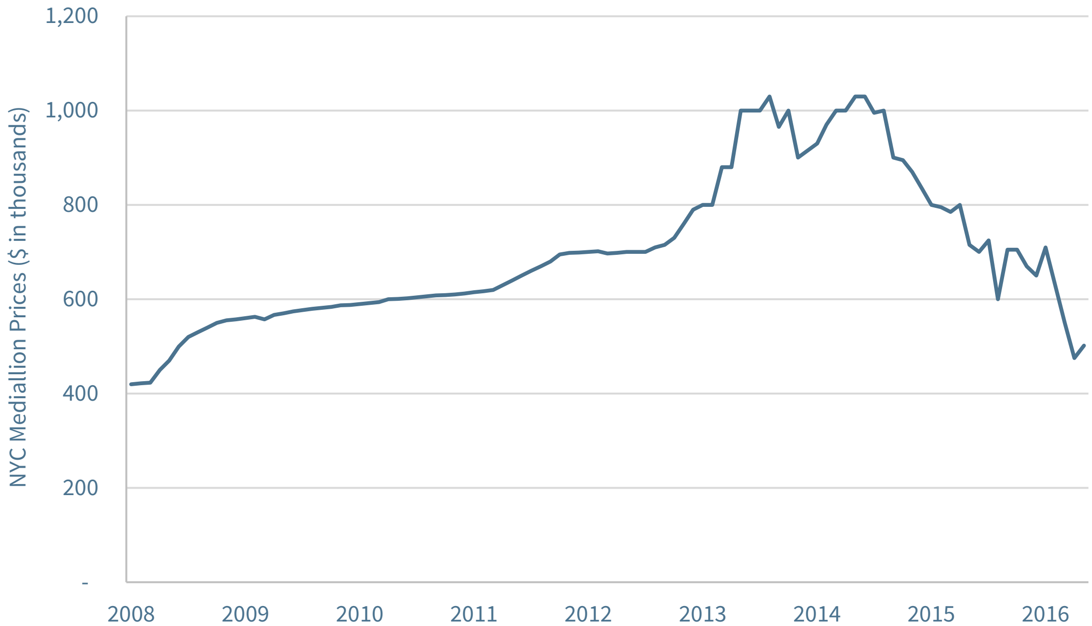
Source: Pitchbook.



Notes: As of October 2017. Valuations based on most recent funding round. Does not include Theranos ($9 billion) and Zenefits ($4.5 billion) which are considered unlikely to retain their previous valuations.

Source: Pitchbook.

EXHIBIT 5 — PRICE OF INDIVIDUAL NEW YORK CITY TAXI MEDALLIONS



Source: Adapted from AEI; New York City Taxi and Limousine Commission.

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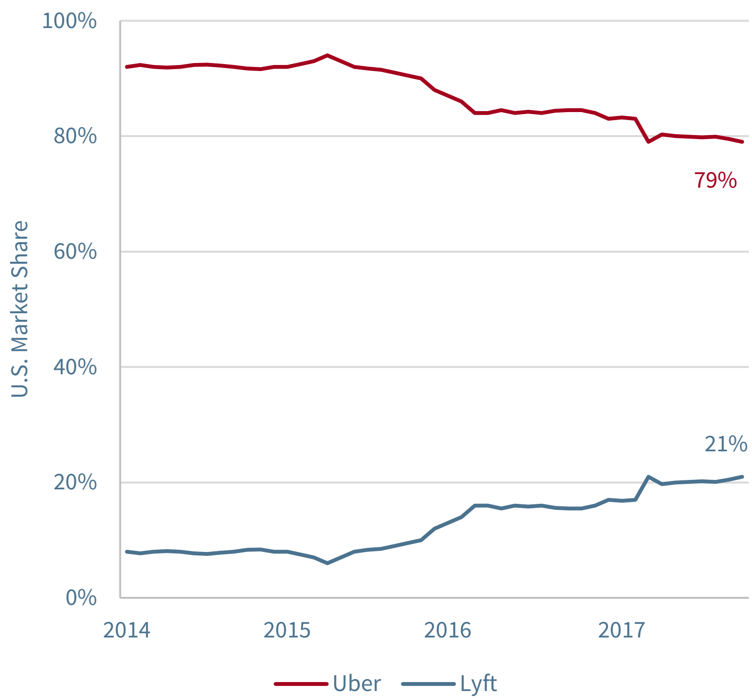
EXHIBIT 6 — U.S. MARKET SHARE, UBER AND LYFT



Note: Based on credit card transactions.

Source: Adapted from Cat Zakrzewski and Patience Haggin, "Lyft's Goal: Gain from Uber's Stumbles without Gloating," *The Wall Street Journal* (June 22, 2017).

EXHIBIT 7 — RECOMMENDATIONS OF COVINGTON & BURLING

RECOMMENDATIONS

We recommend that Uber focus on four prevailing themes with regard to taking the following remedial measures: tone at the top, trust, transformation, and accountability.

I. Changes to Senior Leadership

A. Review and Reallocate the Responsibilities of Travis Kalanick.
B. Use the Chief Operating Officer Search to Identify Candidates Who Can Help Address These Recommendations.
C. Use Performance Reviews to Hold Senior Leaders Accountable.
D. Increase the Profile of Uber's Head of Diversity and the Efforts of His Organization.
E. Employment Actions.

II. Enhance Board Oversight

A. Enhance the Independence of the Board.
B. Install an Independent Chairperson of the Board.
C. Create an Oversight Committee.
D. Use Compensation to Hold Senior Leaders Accountable.
E. Nominate a Senior Executive Team Member to Oversee Implementation of any Recommendations.

III. Internal Controls

A. Implement Enhancements to the Audit Committee.
B. Implement Enhancements to Uber's Internal Controls.
C. Human Resources Record-Keeping.
D. Track Agreements with Employees.

IV. Reformulate Uber's 14 Cultural Values.

V. Training

A. Mandatory Leadership Training For Key Senior Management/Senior Executive Team Members.
B. Mandatory Human Resources Training.
C. Mandatory Manager Training.
D. Interview Training.

VI. Improvements to Human Resources and the Complaint Process

A. An "Owner" of Resources-Related Policies Should be Identified or Hired.
B. Increase Management Support for Human Resources.
C. Provide a Robust and Effective Complaint Process.
D. Establish Protocols with Respect to Escalating Complaints.
E. Devote Adequate Staff and Resources to Human Resources.

EXHIBIT 7 — CONTINUED

VII. Diversity and Inclusion Enhancements

A. Establish an Employee Diversity Advisory Board.
B. Regularly Publish Diversity Statistics.
C. Target Diverse Sources of Talent.
D. Utilize Blind Resume Review.
E. Adopt a Version of the “Rooney Rule.”
F. Adopt and Promote a Sponsorship Program.
G. Recognize and Support Employee Diversity Efforts.
H. Recognize Managers for their Diversity Efforts.
I. Review Benefits Offerings.
J. Unconscious Bias Review.
K. Coordinate Efforts.
L. Solicit Feedback from Employees.

VIII. Changes in Employee Policies and Practices

A. EEO [Equal Employment Opportunity] Policies.
B. Prohibit Romantic or Intimate Relationships Between Individuals in a Reporting Relationship.
C. Institute and Enforce Clear Guidelines on Alcohol Consumption and the Use of Controlled Substances.
D. Remove [Internal] Transfer Barriers.
E. Modify Uber’s Performance Review Process.
F. Make Promotion Requirements Clearer.
G. Flexible Work.
H. Catered Dinner.
I. Even Application of Policies and Practices.

IX. Address Employee Retention.

X. Review and Assess Uber’s Pay Practices.

Note: The Rooney Rule is a National Football League rule requiring each pool of candidates interviewed for a position to include at least one member of an underrepresented minority group; the modified version recommended here would include at least one member of a minority group and at least one woman. The recommendation for “catered dinner” is explained as follows: “Uber should consider moving the catered dinner it offers to a time when this benefit can be utilized by a broader group of employees, including employees who have spouses or families waiting for them at home, and that signals an earlier end to the work day.”

Source: Uber press release, “Statement on Covington & Burling Recommendations,” (June 14, 2017).

EXHIBIT 8 — RECOMMENDATIONS OF COVINGTON & BURLING: IMPROVE CULTURE

IV. Reformulate Uber's 14 Cultural Values

Uber should reformulate its written cultural values because it is vital that they reflect more inclusive and positive behaviors. To achieve this reformulation of the values, there are several steps Uber should undertake: work with an established and respected organization that is experienced in organizational change to restate the values with significant input from employees; consider further defining the values in a manner more accessible to and more easily understood by employees; adopt values that are more inclusive and contribute to a collaborative environment, including emphasizing teamwork and mutual respect, and incorporating diversity and inclusiveness as a key cultural value, not just as an end in itself, but as a fundamental aspect of doing good business; reduce the overall number of values, and eliminate those values which have been identified as redundant or as having been used to justify poor behavior, including Let Builders Build, Always Be Hustlin', Meritocracy and Toe-Stepping, and Principled Confrontation; and encourage senior leaders to exhibit the values on a daily basis and to model a more collaborative and inclusive Uber culture. Leaders who embody these values should be part of the process of redefining Uber's values and should be role models for other leaders within the company. All of Uber's senior leaders should be responsible for embracing and communicating the reformulated values to employees.

Source: Uber press release, "Statement on Covington & Burling Recommendations," (June 14, 2017).