

The highlighted in RED fragment below shows the language that triggered D.A.T.A.'s **-46.7%** DATA**RED**line Score, its worst in the entire S-1 [Note: for clarity a little bit of language before and after the fragment is excerpted.]:

BEGINNING OF EXCERPT

(1) During 2018, a venture in which the Company owns a 10% equity interest closed on the acquisition of a commercial real estate portfolio located in London, United Kingdom ("DSQ"). The investment balance as of June 30, 2019, includes a note receivable with an outstanding balance of \$25.0 million that accrues interest at a rate of 6.08% and matures in April 2028. The remaining \$25.2 million investment is the carrying value of the Company's equity method investment. The Company was a tenant in one of the properties within DSQ prior to the acquisition by the joint venture and subsequent to the acquisition the Company has signed new leases for additional space in other locations within DSQ. See Note 22 for additional details.

(2) During 2017, the Company subscribed for a total of \$27.0 million in capital commitments to a new real estate investment fund (the "WPI Fund"), including its commitments as a 50% owner of the unconsolidated entity that is the general partner of the WPI Fund and its commitments as a limited partner of the WPI Fund. The Company is also a 50% owner in the unconsolidated entity that is the asset manager for the WPI Fund. The other 50% owner of both the general partner and the asset manager of the WPI Fund is an affiliate of Rhone Group LLC. Rhone Group LLC is also a shareholder of the Company and Rhone Group LLC's controlling member is also a director of the Company. Of the total capital commitments, the Company had funded approximately \$15.5 million as of June 30, 2019. During 2018, the Company also funded an additional \$50.0 million in exchange for a convertible note to a wholly-owned subsidiary of the WPI Fund. In February 2019, this note converted into a 17.4% equity interest in the Company's consolidated 424 Fifth Venture as discussed in Note 7. The WPI Fund's focus is acquiring, developing and managing office assets with current or expected vacancy suitable for WeWork occupancy, currently primarily focusing on opportunities in North America and Europe.

(3) During 2017, the Company acquired a 25% interest, comprised of common and preferred shares, in Refresh Club, Inc. ("The Wing") for \$38.0 million, which was accounted for as an equity method investment. The Wing is a network of co-working and community spaces for women and its mission is to

create space for women to advance their pursuits and build community together. During 2018, the Company acquired an additional \$14.0 million of preferred shares in connection with a new round of financing by The Wing, which resulted in the Company's ownership decreasing to 23%. The preferred shares, including both the preferred shares acquired during 2017 and the preferred shares acquired during 2018, were determined to be equity securities without a readily determinable fair value and are measured using the measurement alternative. The common shares acquired during 2017 remained an equity method investment. As this additional round of financing in 2018 represented an orderly

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WEWORK COMPANIES INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

(UNAUDITED)

market transaction, the December 31, 2018 carrying value of the preferred shares acquired during 2017 include an unrealized gain of \$8.0 million based primarily on level 3 inputs of the fair value hierarchy, including the enterprise value implied by the 2018 round of financing and other inputs.

(4) During 2018, the Company acquired a 5% interest in Waller Creek, through WeWork Waller Creek, for \$6.5 million. Waller Creek is a joint venture established to acquire a parcel of land in Texas and develop, manage, operate, and eventually sell the developed property. Waller Creek closed on the \$126.0 million acquisition of land in December 2018. During 2019, the Company acquired an additional 2.5% interest in Waller Creek, through WeWork Waller Creek, for \$3.3 million.

(5) During 2018, the Company launched the Creator Fund that will make investments in recipients of WeWork's Creator Awards and other investments through use of a venture capital strategy. The Creator Fund is a consolidated subsidiary owned 99.99% by related party noncontrolling interest holders. The Creator Fund has invested in other companies through Simple Agreements for Future Equity ("SAFE"), equity securities, or convertible notes. SAFE investments will convert into equity issued in the subject entity's next qualifying equity financing round, typically, at either the issue price or a discount to the issue price. The SAFE is also senior to any equity claims upon a change of control and/or dissolution of the subject entity prior to the conversion of the security. As the Creator Fund does not have significant influence over these investees and the investments do not have a readily determinable fair value, these investments are recognized at the initial cost basis, subject to impairment and remeasured using the measurement alternative. Under the measurement alternative, changes in fair value are recognized in connection with orderly market transactions. During the six months ended June 30, 2018 and 2019, the Creator Fund made investments totaling \$3.2 million and \$13.7 million respectively.

(6) In 2016, the Company entered into an agreement with WeWork India Services Private Limited ("IndiaCo"), an affiliate of Embassy Property Developments Private Limited ("Embassy"), to subscribe for convertible debentures to be issued by IndiaCo in an aggregate principal amount of INR, which equated to \$5.5 million as of June 30, 2019. The Company fully funded this investment in April 2017. The debentures will earn interest at a coupon rate of 6% per annum and have a maximum term of twenty years. The Company also has a buy-out option that it may exercise to purchase Embassy's equity shares in IndiaCo, at fair value, after June 30, 2021 or earlier upon the occurrence of certain triggering events. The debentures are convertible into equity shares of IndiaCo upon certain trigger events which include: (i) changes in control, and (ii) defaults in regards to certain agreed upon provisions. IndiaCo will construct and operate workspace locations in India using WeWork's branding, advice, and sales model. Per the terms of the agreement, the Company will also receive a management fee from IndiaCo based on an agreed upon profit allocation. The Company earned \$1.6 million and \$3.5 million, in management fee income from IndiaCo during the six months ended June 30, 2018 and 2019, respectively. Management fee income is included within service revenue as a component of total revenue in the accompanying condensed consolidated statements of operations.

(7) During 2019, the Company formed a new global real estate acquisition and management platform (“ARK”) and ARK sponsored the “ARK Master Fund”. ARK secured from a third-party investor \$500 million in limited partner capital commitments to the ARK Master Fund and an additional \$500 million in capital commitments to related future real estate ventures that ARK expects to form in the future (“Additional ARK Funds”). As of June 30, 2019, the Company has committed \$12.5 million to the ARK Master Fund, which amount may increase (up to a maximum aggregate amount of \$25.0 million) in proportion to additional third-party capital commitments secured by the ARK Master Fund. Of the total capital commitments, the Company had funded approximately \$0.7 million as of June 30, 2019. The ARK Master Fund and the Additional ARK Funds will pursue real estate and real estate-related investments that we expect would benefit from the Company’s occupancy or involvement or the involvement of the limited partners of the ARK Master Fund or the Additional ARK Funds, either on a global basis or, in the case of the Additional ARK Funds, pursuant to more-targeted investment mandates.

During the six months ended June 30, 2019, the ARK Master Fund closed on the acquisition of a commercial real estate building in which the Company was the only tenant in the building upon its acquisition by the ARK Master Fund, pursuant to a lease agreement that commenced originally in January 2018. The Company’s lease was not amended subsequent to the acquisition, see Note 22 for additional details.

END OF EXCERPT