

[Yelp Inc.: Rule 14a-8 Proposal, January 20, 2021]
[This line and any line above it – *Not* for publication.]
ITEM 4* — Transition to Public Benefit Corporation

RESOLVED: Shareholders request that our Board of Directors take steps necessary to amend our certificate of incorporation and, if necessary, bylaws (including presenting such amendments to the shareholders for approval) to become a public benefit corporation (a “PBC”).

SUPPORTING STATEMENT: The Company has committed to stand against racism and to support Black-owned businesses and its own Black employees, including by “fostering an inclusive culture.”¹

However, the Company is a conventional Delaware corporation, so that directors’ duties emphasize the Company and shareholders, but not stakeholders (except to the extent they create value for shareholders). Accordingly, when the interests of shareholders and stakeholders clash, the directors must prioritize shareholders. As one Delaware law firm reported, directors at a conventional corporation may consider stakeholder interests only if “*any decisions made with respect to such stakeholders are in the best interests of the corporation and its stockholders.*”²

At the Company, this unyielding focus on profit is reflected in recent reports detailing unethical business practices that undermine small businesses,³ as well as the Company’s high-pressure sales culture featuring heavy drinking, sex tapes and a pyramid scheme.⁴ The Company is not alone in pursuing shareholder wealth by damaging others. In 2018, listed companies created social and environmental costs of \$2.2 trillion.⁵ These costs have many sources, including employee stress, discrimination and financial instability.⁶

Conversion to a PBC would eliminate the shareholder-first model by requiring directors to “balance” the interests of shareholders, stakeholders and a specified benefit,⁷ allowing the Company to account for racial justice as well as financial return.

This distinction matters to our diversified shareholders, including mutual fund companies BlackRock and Vanguard, which are generally indexed or otherwise broadly diversified. Such shareholders and beneficial owners suffer when corporations impose costs on the economy that lower GDP, reducing overall equity value.⁸ Addressing racial disparity alone could add \$5 trillion to the U.S. economy over the next five years.⁹

¹ <https://blog.yelp.com/2020/08/an-update-on-our-commitment-to-change>

² <https://www.sec.gov/divisions/corpfin/cf-noaction/14a-8/2020/harringtonwellsfargo021220-14a8.pdf>

³ <https://www.vice.com/en/article/wjwebw/yelp-is-sneakily-replacing-restaurants-phone-numbers-so-grubhub-can-take-a-cut>

⁴ <https://www.businessinsider.com/yelp-insiders-disturbing-stories-high-pressure-corporate-sales-culture-2020-11>

⁵ <https://www.schroders.com/en/sysglobalassets/digital/insights/2019/pdfs/sustainability/sustainex/sustainex-short.pdf>

⁶ Id.

⁷ 8 Del C, §365.

⁸ See *Universal Ownership: Why Environmental Externalities Matter to Institutional Investors*, Appendix IV (demonstrating linear relationship between GDP and a diversified portfolio) available at https://www.unepfi.org/fileadmin/documents/universal_ownership_full.pdf; cf. <https://www.advisorperspectives.com/dshort/updates/2020/11/05/market-cap-to-gdp-an-updated-look-at-the-buffett-valuation-indicator> (total market capitalization to GDP “is probably the best single measure of where valuations stand at any given moment”) (quoting Warren Buffet).

⁹ Dana Peterson and Catherine Mann, *Closing the Racial Inequality Gaps: The Economic Cost of Black Inequality in the U.S.* (2020) available at

While the Company may profit by ignoring externalized costs, diversified shareholders will ultimately pay them. As long as the Company is legally required to prioritize shareholders, any commitment to inclusivity is likely to yield to the same pressures that led to the unethical practices detailed in the press. As a PBC, the Company could prioritize reducing these costs, including through the authentic prioritization of racial equity.

Please vote for: Transition to Public Benefit Corporation – Proposal [4*]
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Number 4* to be assigned by the Company