

Former WeWork CEO officially sued SoftBank for canceling the \$ 3 billion agreement

Adam Neumann officially sued SoftBank after the group canceled a deal to buy back his shares and other shareholders in WeWork worth 3 billion USD.

Adam Neumann has officially declared war on SoftBank.

On 4/5, the co-founder and former CEO of WeWork filed a lawsuit against SoftBank Group of Masayoshi Son to Delaware Court.

The move pushed Neumann into a legal battle, starting when the company's special board, representing We Company, filed a similar lawsuit last month. Neumann's case is considered a step to strengthen the previous complaints. This is also one of Neumann's first public actions since he was removed from his position as CEO in September last year, after the company failed to conduct an IPO.



The lawsuit, considered unthinkable six months ago, is the latest turning point in the unexplained scandals of the coworking space startup.

On 1/4, SoftBank decided to cancel the plan to buy back US \$ 3 billion of WeWork shares from retail investors. The deal was part of an extended bailout package for WeWork in October 2019 after the failed IPO. The cancellation of the plan prevented Neumann from earning \$ 970 million from the sale of shares to Japanese investors.

The complaint reads ' After gaining control of WeWork and the Council, SBG (SoftBank) and SBVF (SoftBank Vision Fund) did not fulfill their promise to pay for the profits they have earned. " Basically, the complaint shows that Softbank's financial situation is "worsening".

SoftBank's legal director, Rob Townsend, said that the above statements were 'ridiculous' and said, `` Under the terms of the signed Adam Neumann agreement, SoftBank has no obligation to perform the stock repurchase, in which Mr. Neumann - the biggest beneficiary - sold nearly 1 billion USD of stocks " .

SoftBank invested US \$ 3 billion in WeWork in March 2017, after just 12 minutes of exchanges between Son and Neumann with co-founder Miguel McKelvey. The investor led two huge rounds of funding, valuing WeWork \$ 47 billion and Neumann's stake at \$ 4 billion in January 2019, spurring the company's rapid but unsustainable expansion. .

When making his first investment decision, Son told Neumann that 'You and Miguel are not crazy enough.'

In September, the WeWork board removed Neumann from the position of CEO. Under his management, the company recorded huge losses and failed IPOs, exposing governance issues throughout the organization. The *Wall Street Journal report* said that Neumann's use of marijuana and confusing actions pushed the company to a final decision.

Needing capital, the WeWork board voted to agree with SoftBank's bailout, instead of a competing \$ 5 billion loan package from JPMorgan. SoftBank's agreement is equivalent to a loan package from JPMorgan, but it is more convenient for Neumann's individual, because if the stock acquisition takes place, a consulting fee of USD 180 million and a credit of USD 500 million will be paid. Used to pay for other debts.

Neumann has not made an official statement since leaving the CEO seat and spending time in his hometown of Israel. At New York, the company leader, led by WeWork executive chairman and COO SoftBank, Marcelo Claure, is trying to stabilize the startup. The company laid off more than 2,650 employees, including many last week, at the same time selling off many businesses and real estate acquired during the peak.

In mid-March, when the outbreak of the Covid-19 epidemic forced many WeWork locations to close, Son announced to investors that SoftBank had grounds to re-negotiate a stock repurchase agreement, pointed to unmet conditions, including legal investigations aimed at WeWork and the company's failure to consolidate business in China. Just before the April 1 deadline, SoftBank informed investors that it would not implement the deal.

On April 7, longtime board member Bruce Dunlevie of Benchmark and Lew Frankfort, former CEO of Coach, representing minority shareholders, filed a lawsuit with Delaware Court. They set up a special committee, which was set up to evaluate competitive relief proposals from SoftBank and JPMorgan.

It alleged SoftBank executives took steps to sabotage the acquisition as soon as the deal was signed. According to *Forbes* , Benchmark, owning 8% of WeWork, could have made \$ 350 million from this public tender deal. SoftBank questioned the motives and filing rights of Frankfort and Dunlevie, calling it a "false attempt to rewrite the agreement and to rewrite the history of the past six months."

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