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**UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY**

In re:

WEWORK INC., *et al.*,

Debtors.¹

Chapter 11

Case No. 23-19865 (JKS)

(Jointly Administered)

**OMNIBUS DECLARATION OF DANIEL O'BRIEN IN
SUPPORT OF (A) DEBTORS' MOTION FOR ENTRY OF AN ORDER
(I) PURSUANT TO SECTION 365(D)(4) OF THE BANKRUPTCY CODE
EXTENDING DEBTORS' TIME TO ASSUME OR REJECT UNEXPIRED
LEASES OF NON-RESIDENTIAL REAL PROPERTY AND (II) GRANTING
RELATED RELIEF; AND (B) DEBTORS' MOTION FOR ENTRY OF AN ORDER
(I) EXTENDING THE DEBTORS' EXCLUSIVE PERIODS TO FILE A CHAPTER 11
PLAN AND SOLICIT ACCEPTANCES THEREOF PURSUANT TO SECTION
1121 OF THE BANKRUPTCY CODE AND (II) GRANTING RELATED RELIEF**

¹ A complete list of each of the Debtors in these chapter 11 cases may be obtained on the website of the Debtors' claims and noticing agent at <https://dm.epiq11.com/WeWork>. The location of Debtor WeWork Inc.'s principal place of business is 12 East 49th Street, 3rd Floor, New York, NY 10017; the Debtors' service address in these chapter 11 cases is WeWork Inc. c/o Epiq Corporate Restructuring, LLC 10300 SW Allen Blvd. Beaverton, OR 97005.

Pursuant to 28 U.S.C. § 1746, I, Daniel O'Brien, hereby declare as follows under penalty of perjury:

1. I am an Executive Vice President and Partner at Hilco Real Estate, LLC ("Hilco"), a real estate consulting and advisory firm, which maintains an address at 5 Revere Drive, Suite 410, Northbrook, Illinois 60062.

2. I submit this declaration (the "Declaration") in support of (i) the *Debtors' Motion for Entry of an Order (I) Pursuant to Section 365(d)(4) of the Bankruptcy Code Extending Debtors' Time to Assume or Reject Unexpired Leases of Non-Residential Real Property and (II) Granting Related Relief* [Docket No. 1453] (the "365(d)(4) Extension Motion") and (ii) the *Debtors' Motion for Entry of an Order (I) Extending the Debtors' Exclusive Periods to File a Chapter 11 Plan and Solicit Acceptances Thereof Pursuant to Section 1121 of the Bankruptcy Code and (II) Granting Related Relief* [Docket No. 1452] (the "Exclusivity Extension Motion").²

3. Except as otherwise noted, all statements set forth in this Declaration are based on my experience, my personal knowledge of the Debtors' operations, real estate portfolio, restructuring initiatives, information I have learned from my review of relevant documents, information supplied to me by members of the Debtors' management and/or their other advisors, or information that I have received from employees of Hilco working directly with me or under my supervision, direction, or control. I am not being compensated specifically for this testimony other than through payments received by Hilco as a professional that has been retained by the Debtors. If called to testify as a witness, I would testify competently as follows.

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the 365(d)(4) Extension Motion, the Exclusivity Extension Motion, or the *Debtors' Reply in Support of Debtors' Motion for Entry of an Order(I) Pursuant to Section 365(d)(4) of the Bankruptcy Code Extending Debtors' Time to Assume or Reject Unexpired Leases of Non-Residential Real Property and (II) Granting Related Relief*, filed contemporaneously herewith, as applicable.

Qualifications

4. Hilco is a diversified real estate consulting and advisory firm that evaluates, restructures, and facilitates the acquisition and disposition of various types of real estate assets both nationally and internationally. Hilco has extensive experience evaluating, negotiating, and restructuring real estate lease terms, and has significant experience serving as a real estate broker and real estate consultant in complex bankruptcy cases. As a senior member of the Hilco team advising the Debtors, I have worked closely with the Debtors' senior management and other advisors throughout these cases to assess the Debtors' real estate lease portfolio and negotiate lease amendments with the Debtors' landlords.

5. I have over fifteen years of experience advising both healthy and distressed companies across a variety of industries on real estate matters. I specialize in lease renegotiations and terminations, real estate optimization and dispositions, and facilitation of growth opportunities. I have advised clients in numerous major bankruptcy cases, including *In re Cyxtera Techs. Inc.*, No. 23-14853 (JKS) (Bankr. D.N.J. 2023); *In re L'Occitane, Inc.*, No. 21-10632 (MBK) (Bankr. D.N.J. 2021); *In re Cineworld Grp plc*, No. 22-90168 (Bankr. S.D. Tex. 2022); *Chinos Holdings Inc. (J. Crew Group, Inc.)*, No. 20-32181 (Bankr. E.D. Va. 2020).

6. 6. Prior to joining Hilco in 2008, I served as a regional director of leasing for General Growth Properties. I hold a Juris Doctor from Loyola University's School of Law and passed the Illinois bar in 2015. I received a Bachelors of Political Science from the University of Northern Iowa.

7. Since before the Petition Date, Hilco has worked with the Company to conduct a comprehensive review of the Company's real estate lease portfolio and engaged with substantially all of the Company's landlords in negotiations to reduce the Company's rent burden. As a result,

I am generally familiar with the Debtors' real estate portfolio, lease negotiations, day-to-day operations, business and financial affairs, and books and records. Members of the Hilco team and I have assisted the Debtors with their ongoing assessment of their lease portfolio and lease negotiations, among other things. On February 22, 2024, Hilco was retained as real estate consultant and advisor to the Debtors pursuant to an order of this Court [Docket No. 1410].

The Debtors' Lease Rationalization Process

8. The Debtors entered chapter 11 with over 290 leases in the United States and Canada. The Unexpired Leases are the most important assets of the Debtors' estates—without them, the Debtors do not have a business. The Unexpired Leases are also the Company's largest liability other than its funded debt obligations. Prior to the Petition Date, the Company began a process to rationalize its lease portfolio and has been working around-the-clock, with the assistance of Hilco and the Debtors' other advisors, to renegotiate substantially all their leases.

9. Notably, the Debtors' lease rationalization process in the context of these chapter 11 cases in the United States and Canada constitutes only part of WeWork's efforts to rationalize its global real estate portfolio. Indeed, concurrently with these chapter 11 cases, WeWork's international affiliates who are not debtors in these cases are engaged in similar negotiations with dozens of landlords around the world. The multinational nature of this process has rendered it all the more burdensome to complete.

10. The Debtors designed a deliberate, multi-step lease evaluation and amendment process to ensure that each executed lease amendment meets WeWork's underwriting standards and is consistent with the Debtors' go-forward business plan:

- ***First***, the Debtors and Hilco identify leases they believe can support profitable and sustainable WeWork locations. This process involves coordination among Hilco and WeWork's real estate, finance, and sales teams to address all relevant variables, including but not limited to

(i) WeWork's market-specific strategy and performance; (ii) historical location-specific performance; (iii) operational complexities related to the specific location; (iv) the "SKU mix" (*i.e.*, types and sizes of available WeWork offices) at a specific location; (v) sales pipelines and retention probability for existing WeWork customers; and (vi) the quality of the real estate asset, including the WeWork buildout of the space. The Debtors and Hilco, based on this analysis, then decide whether a lease should be assumed as is, rejected, or renegotiated.

- **Second**, once a lease is identified for renegotiation, Hilco and WeWork's real estate and finance teams underwrite the financials, including rent pricing, downsizing of space, and/or shortening of term, that would result in WeWork's target profit margin for a particular location.
- **Third**, Hilco (or the Company, depending on the landlord relationship) negotiates with each landlord based on discussions between Hilco and the Company to meet the Company's underwriting standards. To reach deals with landlords, Hilco, at the Company's direction, or the Company, as applicable, negotiates a wide variety of highly complex and bespoke arrangements with landlords that typically include the following types of terms and various combinations thereof: (i) lease term adjustments, (ii) rent reductions, (iii) revenue or profit share agreements, (iv) premises reductions, (v) conversion to management agreements, and (vi) adjustments to lease security. This process often takes multiple weeks and involves the exchange of numerous proposals and counterproposals as well as input from various stakeholders, including landlords (many of which are governed by complex and, in some cases, international ownership structures) and their lenders.
- **Fourth**, once Hilco and/or the Company reaches agreement in principle with landlords on terms that meet WeWork's strict underwriting standards, WeWork's real estate, finance, and sales teams prepare a detailed "deal memo" and present the proposed revised deal terms to WeWork's real estate investment committee led by its Chief Executive Officer, David Tolley. The real estate investment committee spends approximately ten hours each week, with approximately thirty minutes dedicated to each lease, discussing proposed lease amendments. Based on feedback received from Mr. Tolley, a lease may then be sent back for further negotiation or approved and then sent to WeWork's legal team for documentation. It is not uncommon for a lease to be presented to the real estate investment committee multiple times prior to approval. Thus far, WeWork's real estate investment committee has approved 183 lease amendments globally, 133 of which are leased by Debtor entities.
- **Fifth**, after the revised deal terms of a lease are approved, WeWork's legal team works with the landlords and their real estate and bankruptcy counsel to document the parties' agreement. While WeWork's legal team utilizes a

form lease amendment with standard and consistent language to minimize the time spent documenting each amendment, many landlords and their counsel provide detailed and complex redlines that are time consuming and burdensome to negotiate. WeWork has approximately six in-house attorneys working on these amendments and has also engaged several outside law firms to keep this process moving efficiently. Depending on the circumstances, this step can take anywhere from ten days to several weeks. In addition, landlords sometimes take an equal or longer time in responding to the Debtors, thereby adding additional delay to the process. WeWork's legal team is currently working to finalize around 129 lease amendments globally, ninety-seven of which are leased by Debtor entities.

- *Sixth*, once the amendment has been fully executed, the Debtors submit finalized deals to the Master Notice Parties as required by the Assumption Rejection Procedures Order³ for signoff before filing a notice of assumption for the amended lease.

11. As expected given the number and complexity of the Debtors' leases, this process has been extremely time consuming and demanding on the Debtors' work force. Each of the Company's leases goes through the iterative process discussed above, which requires substantial time of both the Debtors' outside advisors and members of WeWork's legal, finance, sales, and real estate teams. The Debtors' senior management and advisors have collectively dedicated countless hours to this process while balancing many other time-sensitive and competing demands that are also critical to a successful restructuring. I believe that this process is appropriately tailored to permanently fix the cost structure of their lease portfolio and emerge from these chapter 11 cases as a profitable enterprise.

12. Moreover, many of the factors resulting in delay are beyond the Debtors' control. For example, the Debtors must constantly reevaluate their lease portfolio, and the individual deals struck at each building, based on actual sales and agreements reached to ensure appropriate

³ As used herein, "Assumption Rejection Procedures Order" means the *Order (I) Authorizing and Approving Procedures to Reject or Assume Executory Contracts and Unexpired Leases and (II) Granting Related Relief* [Docket No. 289].

availability for their members across each market and consistency with the Debtors' business plan. In addition, landlords and their counsel occasionally require weeks if not months to review and provide comment on the lease amendments regardless of how quickly the Debtors are able to move.

13. Given the comprehensive and time-consuming lease amendment process and the paramount importance that the Debtors rationalize their lease portfolio in a value maximizing way, it is imperative that the Debtors receive the time necessary to execute lease amendments and make final assumption and rejection decisions.

Harm to the Debtors From the Deemed Rejection of Their Leases

14. The Company expects to emerge from chapter 11 with approximately 175 locations in the United States and Canada. As of the date hereof, the Debtors have assumed or have filed papers to assume forty-two leases and have rejected or have filed papers to reject 117 leases.

15. The Company has also reached agreements in principle for an additional ninety-seven leases, which, together with the leases that the Debtors have already or intend to assume, comprise over ninety percent of the Company's go forward lease portfolio in the United States and Canada. The progress to date has been tremendous, and the Company simply needs the time to finish what they've started. Over the next five weeks, the Debtors expect to finish documenting and execute the lease amendments necessary to complete the lease rationalization process.

16. Further, WeWork is not a traditional commercial tenant who can reject and abandon its leases with few externalities. Indeed, because hundreds of thousands of members rely on WeWork for their own commercial office space needs, WeWork must not only explore every possible avenue to retain locations but must also allow customers time to transition to a new location if a deal cannot be reached. While the Debtors always try to mitigate such adverse effects,

the risk of member disruption and employee job loss is real with each rejected lease, and such consequences would be dramatically exacerbated in the event of a poorly planned or forced rejection. It is therefore imperative that the Debtors receive more time to execute lease amendments and make final assumption and rejection decisions as they work to bring these cases to a value-maximizing conclusion.

17. Deeming the Specified Leases rejected as of March 5, 2024, as the Objecting Landlords request, would be disruptive for the reasons set forth above, but would also be particularly value destructive given what I understand to be the importance of each of the Specified Leases to the Debtors' business enterprise:

- **CoStar:** The CoStar lease comprises approximately 64,700 square feet of office space atop the tallest building in Arlington, Virginia and offers breathtaking panoramic views of the surrounding greater Washington D.C. area, and retention thereof is critical for the Company's brand equity in that critical market;
- **Kato:** The Kato lease houses the Debtors' corporate headquarters in midtown Manhattan and serves over 2,800 members;
- **Simon:** The Simon lease is for the Debtors' trophy property in Fort Worth, Texas—a strategic market for WeWork and one of the Debtors' top performing locations; and
- **IQHQ:** The IQHQ Lease is the Debtors' is both highly profitable and the only WeWork location in the La Jolla Village area of San Diego, California, and rejection thereof would likely result in the total loss (as opposed to relocation) of over 500 members.

18. Given their considerable value, the Debtors have filed notices to assume the IQHQ Lease and CoStar Lease unamended,⁴ are in the process of finalizing a lease amendment with Simon, and remain in active negotiations with Kato regarding the future of the Debtors' lease in the building, which is particularly complex given the Debtors' footprint in the building comprises

⁴ See Docket Nos. 1734.

over 300,000 square feet, which makes it one of the largest and most expensive in the Debtors' lease portfolio. If the Landlord Objections are sustained and the Specified Leases are deemed rejected, the Debtors' estates would be wholly deprived of these assets, which would cost the Debtors' estates millions of dollars and undermine or eliminate their ability to operate in certain submarkets.

19. It is my understanding that the Debtors have paid all of their postpetition obligations for the Specified Leases other than the Kato lease, and Kato has access to a \$12.5 million letter of credit which can be drawn for payment of any outstanding obligations under its lease.⁵ Accordingly, the Objecting Landlords will not be prejudiced by an extension of the deadline to assume or reject their leases to the earlier of (i) confirmation of the Debtors' chapter 11 plan or (ii) June 3, 2024.

20. Finally, as noted above, a deemed rejection of the Objecting Landlords' leases would deprive the Debtors' members of their office space and impact the Debtors' employees staffed at these locations, which would further disrupt operations, harm WeWork's brand, and diminish employee morale.

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⁵ Even with respect to the Kato lease the Debtors have paid the vast majority of outstanding rent and continue to negotiate a consensual path forward with Kato.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my information and belief.

Dated: April 26, 2024

/s/ Daniel O'Brien

Name: Daniel O'Brien

Title: Executive Vice President & Partner

Hilco Real Estate, LLC