Council of Institutional Investors®
The voice of corporate governance

June 25, 2018

Matthew R. Cohler, Independent Director and Member, Nominating and Governance Committee
Fraser Bullock, Independent Director
Dana Even, Independent Director
Mark Gorenberg, Independent Director
Nehal Raj, Independent Director
Glenn Solomon, Independent Director
c/o Dan Stevenson, General Counsel
Domo, Inc.
772 East Utah Valley Drive
American Fork, UT 84003

Re: Domo's Unequal Voting Structure

Dear Messrs. Cohler, Bullock, Gorenberg, Raj, and Solomon and Ms. Even:

I am writing on behalf of the Council of Institutional Investors (CII) to express concern that Domo, Inc. is going public with a dual-class unequal voting structure that severely limits accountability to public shareholders over the long-term and lacks a meaningful sunset provision. As structured, Class A shares owned by Domo's founder, CEO, and chairman Joshua James will carry super-voting rights entitling him to 40 votes per share.

CII is a nonpartisan, nonprofit association of public, corporate, and union employee benefit funds, other employee benefit plans, foundations, and endowments with combined assets under management exceeding $3.5 trillion. Our member funds include major long-term shareholders with a duty to protect the retirement savings of millions of workers and their families. Our associate members include a range of asset managers with more than $25 trillion in assets under management, most also with long-term investment horizons.[1] CII members share a commitment to healthy public capital markets and strong corporate governance.

The principle of one share, one vote is a foundation of good corporate governance and equitable treatment of investors. CII believes public companies should provide all shareholders with voting rights proportional to their holdings. Due to Domo's dual-class structure—which, at 40 votes per share, far exceeds the customary ten votes per share—class A shares wield 86% of the vote despite comprising a mere 13% of Domo's equity. Non-insider public investors will own 72% of the company's shares following its IPO but cast less than 12% of the votes. No founder is infallible, and this severe misalignment of ownership and controlling interests undermines the health and fairness of capital markets.

[1] For more information about the Council of Institutional Investors (Council or CII) and our members, please visit the Council's website at http://www.cii.org/about_us.

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We strongly urge the Domo board to reconsider using a structure with unequal voting rights as a public company, or, failing that, to incorporate sunset provisions that revert to one share, one vote within seven years.[2]

When CII was formed in 1985, the first policy adopted was the principle of one share, one vote.[3] The importance of this approach has been underlined repeatedly by market participants since then, including recent moves by index providers to discourage dual-class structures. As structured, Domo will not be included in the S&P 1500 Composite or its component indices, including the S&P 500. The Russell 3000 and other FTSE Russell indices also exclude new listings that leave less than 5% of voting power in the hands of "unrestricted" investors. MSCI intends to substantially reduce the weight of multi-class listings like Domo that provide public investors little voting power in its indices as well.

As long-term investors, we believe a decision by Domo to go public with the dual-class structure will undermine confidence of public shareholders in the company. Independent boards accountable to owners should be empowered to actively oversee management and make course corrections when appropriate. Disenfranchised public shareholders have no ability to influence management or the board when the company encounters performance challenges, as most do at some point, particularly where management is accountable only to itself and the board that it appoints. This rings especially true at Domo, where the one person in possession of super-voting rights and majority control is the same person who serves as the company's founder, CEO, and chairman.

We would point out that Mr. James has generated negative publicity for Domo as filings revealed that he used company cash to lease an aircraft, pay for catering, and purchase furniture from other companies he also controls. Valued privately at well over $2 billion as recently as last year, Domo will debut in public markets as a $511 million company. A recent MarketWatch column argued, "A tech company that leases a private plane from its CEO, who also has total control of the company's voting power, raises red flags. Domo does not appear to care much about the interests of potential investors, so when it's out seeking funds from the public, perhaps investors should just give it a pass." Other financial press has similarly cautioned investors to the lack of accountability created by Domo's control structure ahead of its IPO.[4]

We acknowledge that in recent years, some technology companies with dynamic leadership and innovative products have attracted capital on public markets despite using dual-class structures. However, the performance record of these companies is decidedly mixed, with some studies finding a substantially lower total shareholder return compared to their one share, one vote

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[2] CII's member-approved Investor Expectations for Newly Public Companies: "Upon going public, a company should have a 'one share, one vote' structure…CII expects newly public companies without such provisions to commit to their adoption over a reasonably limited period through sunset mechanisms."

[3] CII Corporate Governance Policies (Section 3.3) provides that, "Each share of common stock should have one vote. Corporations should not have classes of common stock with disparate voting rights."

[4] Therese Poletti, Much-hyped cloud startup Domo looks like a tech IPO to avoid, *MarketWatch*, June 8, 2018. See also: Jordan Novet, Domo drops below billion-dollar valuation in lead-up to IPO, *CNBC*, June 18, 2018; Shira Ovide, Here's the Poster Child for Silicon Valley Excess: Software startup Domo and its founder put indulgence into overdrive, *Bloomberg*, June 1, 2018; Michael Hiltzik, Hype and plunder: This high-tech company may be setting a new low for self-indulgent IPOs, *Los Angeles Times*, June 4, 2018; Virginia Backaitis, This May Be the Scariest IPO Filing You've Ever Seen, *Seeking Alpha*, June 4, 2018.

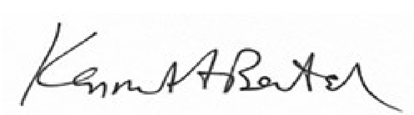
counterparts after 10 years.[5] Another study found that even at innovative companies where multi-class structures correlate to a value premium at the time of the IPO, that premium dissipates within six to nine years before turning negative.[6] Domo does not appear well-positioned to afford unnecessary hindrances to its long-term value. The evidence against dual-class structures enhancing company value beyond the short-term is also factor in our support for meaningful, time-based sunsets.

Recognizable companies like Yelp, Fitbit, Kayak, Mulesoft, and Smartsheet all went public with dual-class structures, but with reasonable time-based sunsets. Public shareholders at these companies knew that they would have a say in company matters equal to their ownership interests within reasonable periods of time. In 2016, Groupon collapsed its dual-class structure and adopted one share, one vote after a five-year sunset expired, and in 2017, MaxLinear did the same after its seven-year sunset lapsed. More companies went public with time-based sunsets in 2017 than in any other year, and 2018 is on pace to set a new record.[7] As SEC Commissioner Robert Jackson said in a February 2018 speech, "If you run a public company in America, you're supposed to be held accountable for your work—maybe not today, maybe not tomorrow, but someday."[8]

Public company investors have demonstrated time and again that they will support innovation and investment for the long-term, as has been the case for many years at Amazon and many other companies. While establishing accountability to new owners does not always maximize comfort and compensation for management, we believe accountability is important for performance longer-term, especially through bumps in the road that every company, including Domo, has experienced.

Thank you for considering CII's views. If you have any questions or would like to discuss this further, please contact me at ken@cii.org or (202) 822-0800.

Sincerely,



Kenneth A. Bertsch
Executive Director

[5] Average annual TSR at multi-class companies over 10 years was 5.7 percent, compared with 8.5 percent at non-controlled companies and 7.4 percent at controlled companies with single-class structures. The 2016 study concludes that "Controlled companies featuring multiple classes of stock generally underperformed on a broad swath of financial metrics over the long term [and] are perceived as having more financial risk" than non-controlled firms. IRRC Institute, *Controlled Companies in the Standard & Poor's 1500: A Ten Year Performance and Risk Review*, October 2012; and *Controlled Companies in the Standard & Poor's 1500: A Follow-Up Report of Performance & Risk*, March 2016.
[6] Martijn Cremers, et al., *The Life-Cycle of Dual Class Firms*, November 2017, "We find that the initial dual class valuation premium is temporary and disappears within 6 to 9 years after the IPO…The declining valuations of dual- versus single-class firms suggests that potentially increased agency problems at mature dual class firms may be mitigated by a mandatory sunset provision for dual class structures, as advocated by Bebchuk and Kastiel;" See Lucian Bebchuk and Kobi Kastiel, *The Untenable Case for Perpetual Dual-Class Stock*, April 2017.
[7] CII List of Companies with Time-Based Sunset Approaches to Dual-Class Stock.
[8] Robert Jackson, *Perpetual Dual-Class Stock: The Case Against Corporate Royalty*, February 15, 2018.