Letter of Comment No: 5042 PEOPleClick

File Reference: 1102-100

works for me!

Dear FASB Representative,

I am writing this letter in strong opposition to the March 31, 2004 stock option expensing proposal. I am the CEO of Peopleclick, Inc., a private software company located in Raleigh, NC. My company has employed more than 300 U.S. employees since its inception and nearly every employee is an equity owner in the business as a result of stock option grants. Stock options are an important part of our total compensation structure and are critical in helping Peopleclick to attract and retain good employees.

Peopleclick has achieved revenue growth every year since we introduced our product in 1998. Our annual revenue has grown to over \$42 million in 2003 which represents a compound annual growth rate of 126% since 1999. Our revenue growth accomplishment was recognized by Deloitte & Touche in their 2003 Technology Fast 500 program, a list of the 500 fastest growing technology companies in America. Peopleclick ranked 30th on the Fast 500 list and was the third fastest growing technology company in the State of North Carolina. This accomplishment would certainly not have been possible without a group of dedicated, talented and loyal employees. Our stock option program has played an important part in our ability to attract these employees, retain them and provide incentive to ensure that their interests are aligned with the goals of the Company.

There has been substantial debate over the issue of expensing stock options, but the focus on large private companies has overshadowed the impact that the proposal would have on small companies like mine. In particular there are three issues that are particularly pertinent to my business and must be addressed before the approval of any legislation:

- 1) Cost of Implementation: We have a broad-based stock option plan that provides equity ownership to nearly every employee in the company. Currently, I have a CFO and a small staff of people who are responsible for all aspects of the financial health of the company, including the administration of our stock option program. While they are able to handle all of their responsibilities today, the complexity of implementing the FASB proposal will overwhelm them and would likely force us to hire outside auditors or consultants to administer our stock option plan. Based on our small size, this incremental expense will have a meaningful impact on our profitability and our ability to hire employees in revenue-generating areas of our business.
- 2) Masking of Operating Results: We do not report our results to a large base of stockholders. We do, however, need to present our financial statements to partners, suppliers, and customers and prospects. Since we have only a few years of operating history and minimal cash on the balance sheet, many of these partners rely on our income statement to determine our viability risk. In fact, 2003 marked the first time that Peopleclick recorded a profit in a fiscal year. We believe that the investments made resulting in losses in prior years have now positioned the company to experience consistent revenue growth and to be consistently profitable with positive cash flow. Introducing stock option expense to our income statement will not only confuse our partners, but it will mask the true health of our business. Our success relies on a small number of supplier and customer relationships and therefore we cannot afford to lose one of these relationships because of income statement changes that are simply the result of granting options to our employees.



3) Stock Options are Essential for Startups: It is not easy to attract high quality employees to an early stage company that, by its nature, has very little employment stability. In order to attract this talent, we must make our employees equity owners and give them a vested interest in the outcome of the company. We currently have 265 employees, so every employee can make a meaningful impact on the results of our company and we must reward them for doing so. Expensing of stock options would make it difficult to implement the broad-based stock option plans that have driven our company, and almost every other successful early stage company.

As a CEO, board member and employee, I urge you to reconsider your proposal and to continue to investigate these issues. Rushing to implement this proposal without working through the issues addressed above could have a detrimental affect on my company and the hundreds of others in the U.S. that rely on stock options as a means to grow in a difficult economic environment.

Sincerely,

Stephen A. Sasser President and CEO