March 1, 2012

Financial Accounting Standards Board 401 Merritt 7 P. O. Box 5116 Norwalk, CT 06856-5116

Attn: Technical Director

Via email: director@fasb.org

File Reference No. 2011-30

Re: FASB's Proposed Accounting Standards Update- (Revised)--*Revenue Recognition (Topic 605): Revenue from Contracts with Customers* (hereinafter referred to as the "Proposal").

Dear Ladies and Gentlemen:

As representatives of the Cloud Computing industry, we thank the Board for the opportunity to comment on the revised proposed revenue recognition exposure draft issued on November 14, 2011.

The Cloud Computing companies ('the Group"), all of whom are cosignatories, thank the Board for its views and recommendation to capitalize the costs of obtaining a revenue contract (paragraphs 94-97 of the Proposal)

We are supportive of the Board's proposal relating to the incremental costs of obtaining a contract and this letter is specific to that topic.

Exhibit A provides a brief overview of each of the co-signatories.

Overview of the Cloud Computing industry:

Cloud Computing is the delivery of computing as a service rather than a product, whereby shared resources, software, and information are provided to computers and other devices (such as smart phones) as a metered service on demand over the Internet. A consequence of this business

model is the method of revenue recognition. Revenue is generally recognized ratably over the non-cancelable subscription services contract.

The public cloud market is divided into various submarkets, according to the resources used: an infrastructure market (infrastructure-as-a-service [laaS]); a software platform market (platform-as-a-service [PaaS]) and an application market (Software –as-a-service [SaaS]).

Discussed below are some key views and statistics that underscores the growing relevance of Cloud Computing as a crucial industry within the service industry:

- By 2015, there will remain no business computing category that hasn't moved to the Cloud - with 65% or more of all NEW business application / solution decisions Cloud-Based or Hybrid by 2015. (Source: Saugatuck, Key SaaS, PaaS and laaS Trends Through 2015 - Business Transformation via the Cloud, January 18, 2011)
- 80% of new software offerings will be available as Cloud services; by 2014, over one-third of software purchases will be via the cloud. (Source: IDC, 2011 Predictions preview & the effect on software, technology & partnering, January 2011)
- 40% say they have implemented or are pursuing Cloud-Based alternatives, at least for some users, while only 14% have rejected external cloud-based workplace services. (Source: Gartner, Inc., Workplace IT Survey 2010 Reveals Cloud, Social Software and E-Mail Turbulence, Nov. 10, 2010)
- Cloud spending is accelerating; more than a third of end users surveyed will increase spending by more than 20% next year. (Source: The 451 Group, IT IS CLOUD, June 2010)
- Looking through a growth-oriented lens, Cloud services will certainly have a major impact on the IT market over the forecast's time frame. Of the \$27 billion in net new IT revenue in 2013, 27% will come from IT cloud services. Given the 6X growth advantage of Cloud Services offerings over traditional ones, that percentage will grow very quickly in subsequent years – meaning that suppliers who don't position

themselves as IT cloud services leaders over the next several years, will forfeit larger and larger portions of the highest-growth markets (Source: IDC, IDC's New IT Cloud Services Forecast: 2009-2013, Oct. 5, 2009)

 By year end 2014, an average of 50% of new software deployments worldwide will be made in the Cloud. (Source: Saugatuck Technology, 2010 Cloud Business Solutions SaaS, June 30, 2010)

Views of the Group

Paragraph 94 of the exposure draft states that

An entity shall recognize as an asset the incremental costs of obtaining a contract with a customer if the entity expects to recover those costs, subject to the practical expedient in paragraph 97.

Paragraph 97 also states that 'an entity may recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.'

We support the Board's conclusions for the following reasons:

1) The Proposal is consistent with other standards

The Proposal is consistent with the tentative conclusions in the Board's leasing and insurance contracts projects and the final consensus reached in ASU 2010-26, Financial Services--Insurance (Topic 944): *Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts*, which requires the capitalization of costs of obtaining a contract. We believe the decision to require capitalization of contract acquisition costs reached by the board in this proposal is consistent with the above noted guidance.

2) <u>Capitalization provides more transparent information.</u>

Many companies in the Cloud industry enter into contracts to provide service over an extended period of time and incur sales commissions (or other significant costs) to originate those contracts. As the Cloud industry continues to grow, many new Cloud vendors have concluded that they should capitalize and amortize such costs. As a group, we believe that capitalization is the preferable method of accounting as the commission charges are so closely related to the revenue from the non-cancelable customer contracts that they should be charged to expense over the same period as the subscription services revenue is recognized.

3) <u>Managing the effort to capitalize and amortize such costs is NOT</u> operationally burdensome.

Each member of the Group has been capitalizing and amortizing commission costs for years. We believe that the benefit of the information provided to investors is far in excess of the costs. Additionally, we do not believe that the effort is operationally burdensome. Capitalizing and amortizing sales commissions is conceptually simple and founded on the same principles as capitalizing and depreciating fixed assets.

We agree though with the practical expedient described in Paragraph 97 for companies where their revenue contracts are one year or less.

We once again respectfully thank the Board for carefully considering our views and the points in our previous Joint letter dated November 19, 2010 (attached for your reference as Exhibit B) and revising its conclusion on the accounting for contract acquisition costs.

Thank you.

Very truly yours,

/s/ Frank Pelzer, Chief Financial Officer CONCUR TECHNOLOGIES, INC

/s/ Jason Lund, Vice President –Finance DEMANDTEC, INC

/s/ Steve Sordello, Senior Vice President and Chief Financial Officer LINKEDIN CORPORATION

/s/ Ronald Gill, Chief Financial Officer NETSUITE INC

/s/ Michael P. Johns, Director Financial Reporting RIGHTNOW TECHNOLOGIES, INC

/s/Joseph C. Allanson, Senior Vice President, Chief Accountant and Controller SALESFORCE.COM

/s/Chris Watts, Vice President – Finance WORKDAY, INC

Exhibit A

Overview of Co-signatories

Concur Technologies, Inc (Market cap approximately \$3.3 billion, Nasdaq Ticker: CNQR)

Concur Technologies, Inc. is a leading global provider of on-demand Employee Spend Management solutions. The company's software solutions enable organizations to control costs by automating the processes used to manage employee spending. The Company sells its solutions and services primarily on a subscription basis and delivers them on-demand. The Company has over 10,000 customers in over 100 countries.

2) DemandTec, Inc (IBM)

DemandTec is a company that provides pricing, promotion, and other demand optimization solutions for retailers and consumer product (CP) manufacturers. DemandTec is headquartered in San Mateo, California, with regional offices in London (covering the UK), Paris (covering Europe), and India. The Company also has a domestic office located in Cerritos, California.

3) LinkedIn Corporation (Market cap approximately -\$9 billion, NYSE Ticker: LNKD)

Founded in 2003, LinkedIn connects the world's professionals to make them more productive and successful. With more than 150 million members worldwide, including executives from every Fortune 500 company, LinkedIn is the world's largest professional network on the Internet. The company has a diversified business model with revenues coming from member subscriptions, marketing solutions and hiring solutions. Headquartered in Silicon Valley, LinkedIn has offices across the globe.

4) NetSuite Inc (Market cap approximately -\$3.3 billion, NYSE Ticker: N)

NetSuite Inc. is the industry's leading provider of cloud-based financials/ERP software suites. NetSuite enables companies to manage core key business operations in a single system, which includes Enterprise Resource Planning (ERP), Accounting, Customer Relationship Management (CRM), and Ecommerce. NetSuite's "real-time dashboard" technology provides an easy-to-use view into up-to-date, role-specific business information.

5) RightNow Technologies, Inc (Oracle)

Founded in 1997, RightNow Technologies provides RightNow CX, an on demand ("cloud-based") suite of customer experience software and services that help consumer-centric organizations improve customer experiences, reduce costs and increase revenue. The Company has approximately 1,900 corporations and government agencies as its customers

6) Salesforce.com (Market cap approximately -\$20 billion, NYSE Ticker: CRM)

Salesforce.com, inc. is a leading provider of enterprise cloud computing applications. The Company was incorporated in February 1999 and provides a comprehensive hosted customer and collaboration relationship management service to businesses of all sizes and industries worldwide, and provides a technology platform for customers and developers to build and run business applications.

7) Workday, Inc. (privately held)

Founded in 2005, Workday, Inc., is a leading provider of cloud-delivered enterprise business software with a focus on human capital management, payroll and financial management applications. The company's customer base is comprised principally of large enterprises with global operations. Workday is headquartered in Pleasanton, California.

EXHIBIT B -- Joint Letter, November 19, 2010

November 19, 2010

Financial Accounting Standards Board 401 Merritt 7 P. O. Box 5116 Norwalk, CT 06856-5116

Attn: Technical Director

Via email: director@fasb.org

File Reference No. 1820-100

Re: FASB's Proposed Accounting Standards Update—Revenue Recognition (Topic 605): Revenue from Contracts with Customers (hereinafter referred to as the —'Proposal').

Dear Ladies and Gentlemen:

As representatives of the Cloud Computing industry, we thank the Board for the opportunity to comment on the proposed revenue recognition exposure draft, on which the comment period concluded on October 22, 2010.

The Cloud Computing companies ('the Group'), all of whom are cosignatories, request the Board to re-consider its views on the costs of obtaining a revenue contract (e.g., sales commissions). Exhibit A provides a brief overview of each of the co-signatories.

Overview of the Cloud Computing industry:

Cloud Computing is internet-based computing, whereby shared resources, software, and information are provided to computers and other devices (such as smart phones) on demand over the Internet.

The following extracts from the reports of leading research firms underscores the growing relevance of Cloud Computing as a crucial

industry within the service industry. The IDC defines Software as a Service (SaaS) which is a part of Cloud Computing

"Software as a Service is a service delivery model made up of a utility computing environment in which unrelated customers share a common application and infrastructure that is managed by an ISV or a third-party service provider, and code, or intellectual property (IP), of the service is typically owned by the SaaS ISV. The model provides access to and consumption of software and application functionality built specifically for network delivery and which is hosted, provisioned, and accessed by users over the Internet."

Further the Gartner report (dated June 2, 2010: ID No. G00200833) states:

Interest in cloud computing and cloud services has continued to growCloud computing and cloud services (in combination) was the No. 1 search term on gartner.com and the No. 1 inquiry topic asked of Gartner in 2009.

Key findings of this report which highlights the growing importance of the cloud computing industry are summarized below

- The worldwide market for cloud services was worth \$58.6 billion in 2009.
- By 2014 the market will be worth \$148.8 billion.
- North America is the largest country/regional market representing 60% of the worldwide figure in 2009. During the next five years, North America will continue to be — by some distance — the largest market.
- The high-tech and financial services sectors and the public sector will be the most aggressive adopters of cloud services through 2014

Key concern of the Group

The provisions of Para 59 (a) of the exposure draft states that

"An entity shall recognize the following costs as expenses when incurred:
(a) costs of obtaining a contract (for example, the costs of selling, marketing, advertising, bid and proposal, and negotiations);

A number of Cloud Computing companies currently defer and amortize sales commissions. The Group therefore collectively takes exception to this view and requests that the Board reconsider its current view on contract acquisition costs for the following reasons:

1) Material distortion to the trend of operating results.

The Board's decision to expense contract acquisition costs, specifically sales commissions, as incurred will cause a material distortion to the trend of financial results for service companies that enter into annual and multi-year revenue contracts and pay sales commissions upfront based on such arrangements.

If these new rules were enacted and all service companies (especially Cloud Computing companies) had to expense their sales commissions, which are sometimes a noticeable portion of the total contract value, it would seem counter-intuitive that these companies would report large losses in periods of strong new customer acquisition activity.

2) Consistent guidance for the accounting of contract acquisition costs within the service industry

The recent Exposure Draft on lease accounting, the IASB's proposal on insurance contracts and the final consensus reached in EITF Issue No. 09-G, "Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts" permits capitalization of costs of obtaining a contract. We believe the accounting conclusions reached in the above noted guidance have been carefully considered and should be consistently applied to the Cloud Computing industry.

We request the Board to carefully evaluate the points in this letter.

Thank you.

Very truly yours,

/s/ Sujan Jain, Vice President – Finance NETSUITE INC

/s/ Carol Richwood, Principal Accounting Officer TALEO CORPORATION

/s/ Paul Henderson Senior Director, Worldwide Revenue Controller SUCCESSFACTORS

/s/ Michael P. Johns, Director Financial Reporting RIGHTNOW TECHNOLOGIES, INC

/s/ Jason Lund, Vice President –Finance DEMANDTEC, INC

/s/ Frank Pelzer, Chief Financial Officer CONCUR TECHNOLOGIES, INC

/s/Joseph C. Allanson, SVP and Controller SALESFORCE.COM

/s/Chris Watts, Vice President – Finance WORKDAY, INC

Exhibit A

Overview of Co-signatories

1) NetSuite Inc (Market cap approximately -\$1.4 billion, NYSE Ticker: N)

NetSuite Inc. is the industry's leading provider of cloud-based financials/ERP software suites. NetSuite enables companies to manage core key business operations in a single system, which includes Enterprise Resource Planning (ERP), Accounting, Customer Relationship Management (CRM), and Ecommerce. NetSuite's "real-time dashboard" technology provides an easy-to-use view into up-to-date, role-specific business information.

2) Taleo Corporation (Market cap approximately -\$1.3 billion, Nasdaq Ticker: TLEO)

Founded in 1999, Taleo provides leading on-demand talent management solutions with the industry's largest ecosystem of customers, partners and candidates. Taleo's solutions and ecosystem together provide businesses of all sizes the Talent Intelligence necessary to better know their people and grow their businesses. More than 5,100 organizations use Taleo for talent acquisition, performance and compensation management, including nearly half of the Fortune 100, across 200 countries and territories.

3) SuccessFactors, Inc (Market cap approximately -\$2.1 billion, Nasdaq Ticker: SFSF)

SuccessFactors is a global leader in Business Execution Software. The SuccessFactors Business Execution (BizX) Suite, which is delivered through the cloud, improves business alignment, team execution and people performance to drive results for companies of all sizes. Across 168 countries and 34 languages, more than 8 million users and 3,000 companies leverage SuccessFactors every day, up from approximately 300,000 users and 100 companies in 2003.

4) RightNow Technologies, Inc (Market cap approximately \$0.9 billion, Nasdaq Ticker: RNOW)

Founded in 1997, RightNow Technologies provides RightNow CX, an on demand (—cloud-basedII) suite of customer experience software and services that help consumer-centric organizations improve customer experiences, reduce costs and increase revenue. The Company has approximately 1,900 corporations and government agencies as its customers.

5) DemandTec, Inc (Market cap approximately \$0.4 billion, Nasdaq Ticker: DMAN)

DemandTec is a publicly traded company that provides pricing, promotion, and other demand optimization solutions for retailers and consumer product (CP) manufacturers. DemandTec is headquartered in San Mateo, California, with regional offices in London (covering the UK), Paris (covering Europe), and India. The Company also has a domestic office located in Cerritos, California.

6) Concur Technologies, Inc (Market cap approximately \$2.6 billion, Nasdaq Ticker: CNQR)

Concur Technologies, Inc. is a leading global provider of on-demand Employee Spend Management solutions. The company's software solutions enable organizations to control costs by automating the processes used to manage employee spending. The Company sells its solutions and services primarily on a subscription basis and delivers them on-demand. The Company has over 10,000 customers in over 100 countries. Concur was incorporated in the state of Washington in 1993 and commenced operations during 1994.