

Technology Company Simplifies FAS 123R Compliance

And Enjoys the Collaboration Benefits for Free

CUSTOMER CASE STUDY



KEY BENEFITS

- Provides Increased Internal Control and Better Collaboration
- Streamlines the Audit Process and Improves FAS 123R Compliance
- Saved 5 Days of CFO Time Related to Due Diligence and Employee Questions
- Lowered Annual Audit Costs by \$7,000 to \$10,000
- Reduced Legal Fees by \$600 Per New Employee Grant

The Challenge: Reduce the Risks Associated with Manual Stock Plan Administration

Iconix, Inc. is the leading provider of email identification solutions that combat identity theft, commonly called “phishing.” Its anti-phishing tools are distributed by companies such as PayPal and Trend Micro. Chief Financial Officer Robert Zager sought a solution that would assist the company in complying with the rigorous new stock option valuation, expensing and tracking requisites created by FAS 123R.

At the same time, the company’s audit firm, Macias Gini & O’Connell LLP, emphasized the need for Iconix to reduce the risks associated with manually updating complex stock option spreadsheets. The annual audit reconciliation had become an onerous process that claimed at least three days of CFO time and often involved exchanging numerous spreadsheets, tedious retyping, reconciliation errors, hours of phone calls between lawyers and accountants, and time wasted searching file cabinets for missing minutes and supporting records.

Macias Gini & O’Connell suggested Zager attend a webinar hosted by Two Step Software to learn how their stock plan management product, Equity Focus™, could meet their needs.

The Solution: A Shift to Fast, Efficient Electronic Stock Data Management

Zager consulted his lawyers, Morrison & Foerster LLP, on the feasibility of moving the company’s stock and option data from its current repository within the firm to Two Step’s Equity Focus. To his surprise, he discovered that his lawyers were already using Two Step’s law firm focused product, Corporate Focus™, to track Iconix’s capitalization and corporate governance information. Therefore, the stock data could be easily transferred to Equity Focus.

Assured of a painless data transfer, Zager purchased Equity Focus. The web-based product, hosted by Two Step Software, didn’t require any software installation or ongoing maintenance by Iconix. With only minimal online training needed, Zager and his staff were up-and-running with the program in a matter of days.

Upon implementation of Equity Focus, Zager was impressed with the precision and speed with which the program calculates FAS 123R valuations and amortization schedules and generates complex capitalization tables. “Creating capitalization tables can be a nightmare,” he said. “Equity Focus is a fantastic tool for performing complex calculations and generating capitalization tables as of any date.”

Zager also discovered Equity Focus’ value in maintaining good internal controls that insure timely data entry for stock and option transactions and the related corporate governance documentation. He created a formal checklist to track and record the corporate and legal data related to each employee option grant, exercise or stock issuance. This checklist generated a structured approach to data collection and review for both equity compensation and corporate governance tracking.