



Bottomline Technologies
325 Corporate Drive
Portsmouth, NH 03801-6808
www.bottomline.com
P 603.436.0700
F 603.436.0300

June 18, 2004

Letter of Comment No: 4395
File Reference: 1102-100

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

Re: File Reference No. 1102-100

Bottomline Technologies appreciates the opportunity to respond to the FASB's Proposed Statement of Financial Accounting Standards, *Share-Based Payment, an amendment of FASB Statements No. 123 and 95* (the "Proposed Amendment"). We strongly support the efforts of the FASB to improve the quality and comparability of financial reporting. However, we have certain concerns regarding the Proposed Amendment, which we discuss further below.

Issue 1 – Transparency of Financial Statements

We question whether the Proposed Amendment will truly be successful towards making financial statements more comparable. It is widely held that option pricing models are not reliable and were never designed for non-traded options. In addition, the binomial valuation model, or lattice model, is highly subjective. The variable nature of this model will not enhance comparability, but rather provide the opportunity to distort it. Literally hundreds of different outcomes can be derived, based on changes to the input variables, all of which are subjective. We believe reasonable people will reach differences of opinion over which estimates, or range of estimates, are appropriate. We also believe that there will be an opportunity to manipulate the valuation inputs to manage the expense results; obviously, this would compromise, rather than promote, financial statement comparability.

Issue 2 – Effect on Earnings

We question whether the Proposed Amendment will alter how investors currently analyze financial statements. Many believe that the true cost of broad based employee stock options is their dilutive effect. All publicly held companies are already required to report the dilutive effect of stock options, and their estimated impact to earnings, under existing disclosure requirements. In recent years, steps were taken to further improve this aspect of financial reporting by requiring that such disclosure be prominently displayed at the beginning of the financial statement footnotes and requiring that such disclosure accompany quarterly, not just annual, filings. We supported such initiatives.

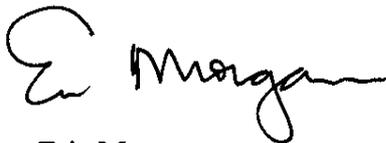
Issue 3 – Costs

We question whether the Proposed Amendment will overly burden many businesses from a cost perspective. If adopted, the proposal is likely to require companies to add internal resources, and in many cases new internal software systems, to ensure compliance. Given the enormous costs that all public companies are incurring to comply with all of the provisions of the Sarbanes Oxley Act, we are concerned with the prospect of an even greater expenditure requirement. As a smaller public company, we can personally attest to the impact of such an expense drain.

In conclusion, it is important that the FASB proposal be thoroughly evaluated and understood before a change with potentially damaging results is implemented. There are currently broad differences of opinion among accounting experts on not only the appropriateness of expensing stock options but also the methodology under which to do so. We ask that these concerns and differences be vetted. We particularly request that a thorough analysis of the impact of this proposal on small and medium sized public companies be performed, since we expect the cost of compliance to be significant.

We thank you for the opportunity to express our views on this important matter. Please do not hesitate to contact us if we can be helpful in any way as the proposal is deliberated.

Regards,

A handwritten signature in black ink, appearing to read "Eric Morgan". The signature is fluid and cursive, with a large initial "E" and "M".

Eric Morgan
Vice President and Global Controller



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Robert A. Eberle
Chief Operating Officer
Chief Financial Officer



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Regards,

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Joe Mullen
President and Chief Executive Officer



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A handwritten signature in black ink, appearing to be 'Kevin Donovan', with a large, stylized initial 'K' and a long horizontal line extending to the right.

Kevin Donovan
VP – Finance and Treasurer