

Patricia P. Watt
Consultant, Actuary

1044 Belvedere Lane
San Jose, California 95129-2901

Office: (408) 996-2145
Fax: (408) 446-4907

April 19, 2005

Ms. V

RE: Marriage of L and G

Dear Ms. V and Ms. M:

At your request, I have calculated the community interest in the five stock option grants of Mr. L. Mr. L received the options from T. He is a consultant whose compensation is at least partially through options. The couple's date of marriage was September 16, 1984, and the date of separation was September 16, 2001. I have valued the options in accordance with both the *Nelson* and *Hug* valuation rule for stock options, for your convenience.

This is how I have implemented the *Nelson* calculations: On each vesting date, the number of shares of community property is equal to the number of shares vesting on that date multiplied by a fraction not greater than one. The numerator of the fraction is the number of days the couple was married **after date of grant**. The denominator is the number of days from date of grant to date of vesting.

This is how I have implemented the *Hug* calculations: On each vesting date, the number of shares of community property is equal to the number of shares vesting on that date multiplied by a fraction not greater than one. The numerator of the fraction is the number of days the couple was married **after date of hire**. The denominator is the number of days from date of hire to date of vesting.

The closing price of T common stock as of the end of trading date was \$18.95 per share.

Summary

The total value of the community property is:

Item	Date of Grant	<i>Nelson</i> Option Valuation Method	<i>Hug</i> Option Valuation Method
		Community Value	Community Value
Stock Option #147	5/12/1997	\$ 1,153,321.80	\$ 1,153,321.80
Stock Option #219	10/3/1997	275,566.70	275,800.50
Stock Option #357	2/15/1999	66,759.00	68,594.15
Stock Option #460	3/27/2000	348,092.60	406,323.25
Stock Option #582	10/3/2000	160,324.45	227,494.85
Total		\$ 2,004,064.55	\$ 2,131,534.55

Stock Option #147

This option was granted May 12, 1997 as an option for 66,666 shares at \$1.65.

The option vests 25% on May 12, 1998, and 1/48 of the original amount vests each following month for the next 47 months.

Only a whole number of shares can be exercised.

If the *Nelson* method is applied, I calculate that 66,666 shares of this option are community property. The net value to the community after the cost of exercise is \$1,153,322. The detailed calculations are attached.

If the *Hug* method is applied, I calculate that 66,666 shares of this option are community property. The net value to the community after the cost of exercise is \$1,153,322. The detailed calculations are attached.

Stock Option #219

This option was granted October 3, 1997 as an option for 16,666 shares at \$2.25.

The option vests 25% on April 1, 1999, and 1/48 of the original amount vests each following month for the next 47 months.

Only a whole number of shares can be exercised.

If the *Nelson* method is applied, I calculate that 16,501 shares of this option are community property. The net value to the community after the cost of exercise is \$275,567. The detailed calculations are attached.

If the *Hug* method is applied, I calculate that 16,515 shares of this option are community property. The net value to the community after the cost of exercise is \$275,801. The detailed calculations are attached.

Stock Option #357

This option was granted February 15, 1999 as an option for 5,000 shares at \$4.50.

The option vests 1/48 immediately on March 18, 1999, and 1/48 of the original amount vests each following month for the next 47 months.

Only a whole number of shares can be exercised.

If the *Nelson* method is applied, I calculate that 4,620 shares of this option are community property. The net value to the community after the cost of exercise is \$66,759. The detailed calculations are attached.

If the *Hug* method is applied, I calculate that 4,747 shares of this option are community property. The net value to the community after the cost of exercise is \$68,594. The detailed calculations are attached.

Stock Option #460

This option was granted March 27, 2000 as an option for 26,666 shares at \$1.50.

The option vests 1/48 on March 13, 2000, and 1/48 of the original amount vests each following month for the next 47 months.

TO: Ms. V and Ms.M
RE: Marriage of L and G

Page 3

April 19, 2005
From: Patricia P. Watt

Only a whole number of shares can be exercised.

If the *Nelson* method is applied, I calculate that 19,948 shares of this option are community property. The net value to the community after the cost of exercise is \$348,093. The detailed calculations are attached.

If the *Hug* method is applied, I calculate that 23,285 shares of this option are community property. The net value to the community after the cost of exercise is \$406,323. The detailed calculations are attached.

Stock Option #582

This option was granted October 3, 2000 as an option for 30,000 shares at \$9.60.

The option vests 1/48 on November 3, 2000, and 1/48 of the original amount vests each following month for the next 47 months.

Only a whole number of shares can be exercised.

If the *Nelson* method is applied, I calculate that 17,147 shares of this option are community property. The net value to the community after the cost of exercise is \$160,324. The detailed calculations are attached.

If the *Hug* method is applied, I calculate that 24,331 shares of this option are community property. The net value to the community after the cost of exercise is \$227,495. The detailed calculations are attached.

Please note that the values shown are the total of the community property with one-half belonging to each spouse. I believe this is the information that you requested for your negotiations. Please let me know if anything is not clear. Thank you for this opportunity to serve you.

Sincerely,

Patricia P. Watt
Fellow of the Society of Actuaries
Enrolled Actuary