ESO Fair Value Case Study

Exhibit 1

Compariative Valuation of an Employee Stock Option After FAS 123R Illustration 4 Under Various Assumptions and Valuation Techniques

	Base Case													
	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7	Case 8	Case 9	Case 10	<u>Case 11</u>	Case 12	Case 13	
	ETO CT10	OTC VP3	OTC CT10	OTC CT10	ESO VP3	ESO VP3	ESO VP3	ESO VP3	ESO ER3	ESO SAB107	ESO VP3	ESO VP0	ESO VP0	
Input:	CRR Amer	CRR Ber	CRR Eur	BSM Eur	LAT SOEF500	LAT SOEF2.5	LAT SOEF2.0	BSM IET7	LAT SOEF2.0	BSM ET6.5	LAT SOEF1.5	LAT SOEF2.0	LAT SOEF1.5	
Stock Price	30	30	30	30	30	30	30	30	30	30	30	30	30	
Exercise Price	30	30	30	30	30	30	30	30	30	30	30	30	30	
Value Date	01/01/04	01/01/04	01/01/04	01/01/04	01/01/04	01/01/04	01/01/04	01/01/04	01/01/04	01/01/04	01/01/04	01/01/04	01/01/04	
Expiration Date	01/01/14	01/01/14	01/01/14	01/01/14	01/01/14	01/01/14	01/01/14	01/01/11	01/01/14	01/01/11	01/01/14	01/01/14	01/01/14	
Volatility	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	
Interest Rate	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	
Yield Rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	
Early-Exercise Date (Vesting)	01/01/04	01/01/07	01/01/14	01/01/14	01/01/07	01/01/07	01/01/07	01/01/07	01/01/07	01/01/07	01/01/07	01/01/04	01/01/04	
Lattice Type					3	3	3		3		3	3	3	
Suboptimal Exercise Factor					500	2.5	2.0		2.0		1.5	2.0	1.5	
Exit Rate Pre-Vesting							_							
Exit Rate Post-Vesting					0.00%	0.00%	0.00%		3.00%		0.00%	0.00%	0.00%	
Model or Iterations	1000.5	1000.5	1000.5	1	1000	1000	1000	1	1000	1	1000	1000	1000	
Output:								_						
Fair Value (FV)	16.93	16.93	16.58	16.58	16.58	15.58	14.69	14.69	14.39	14.29	13.13	12.97	9.24	
							_							
FV Relative to ESO Case 7	115%	115%	113%	113%	113%	106%		100%	98%	97%	89%	88%	63%	
Description:														
Case 1	Exchange traded option, contractual term 10 years, American-style exercise, time to early exercise 0 years, Cox-Ross-Rubinstein Binomial model													
Case 2	Over-the-counter option, contractual term 10 years, Bermudan-style exercise, time to early exercise 3 years, Cox-Ross-Rubinstein Binomial model													
Case 3	Over-the-counter option, contractual term 10 years, European-style exercise, time to early exercise 10 years, Cox-Ross-Rubinstein Binomial model													
Case 4	Over-the-counter option, contractual term 10 years, European-style exercise, time to early exercise 10 years, Black-Scholes-Merton model													
Case 5	Employee stock option, contractual term 10 years, Bermudan-style exercise, time to vesting 3 years, suboptimal exercise factor 500, Trinomial Lattice Exercise Behavior model													
Case 6	Employee stock option, contractual term 10 years, Bermudan-style exercise, time to vesting 3 years, suboptimal exercise factor 2.5, Trinomial Lattice Exercise Behavior model													
Case 7 - Base Case	Employee stock option, contractual term 10 years, Bermudan-style exercise, time to vesting 3 years, suboptimal exercise factor 2.0, Trinomial Lattice Exercise Behavior model													
Case 8	Employee stock option, implied expected term 7 years, European-style exercise, time to vesting 3 years, Black-Scholes-Merton model													
Case 9	Employee stock option, contractual term 10 years, Bermudan-style exercise, time to vesting 3 years, suboptimal exercise factor 2.0, exit rate 3%, Trinomial Lattice Exercise Behavior model													
Case 10	Employee stock option, SAB 107 expected term 6.5 years, European-style exercise, time to vesting 3 years, Black-Scholes-Merton model													
Case 11	Employee stock option, contractual term 10 years, Bermudan-style exercise, time to vesting 3 years, suboptimal exercise factor 1.5, Trinomial Lattice Exercise Behavior model													
Case 12	Employee stock	Employee stock option, contractual term 10 years, American-style exercise, time to vesting 0 years, suboptimal exercise factor 2.0, Trinomial Lattice Exercise Behavior model												
Case 13	Employee stock	option, contrac	tual term 10 vea	ars. American-si	tyle exercise. tim	e to vesting 0 v	ears, suboptimal	exercise factor	1.5. Trinomial L	attice Exercise	Behavior model			