

June 7, 2004

Director of Major Projects
File Reference No. 1102-100
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Director of Major Projects:

I am writing to you on behalf of Akamai Technologies, Inc. regarding our concerns with FASB's Exposure Draft ("ED") which would require the expensing of stock options. As outlined more thoroughly below, the ED will create unnecessary expense, complexity, and administrative burden for companies like Akamai.

Akamai is a dynamic and innovative company that has actively used stock options to attract and retain talented employees. Specifically, Akamai is the global leader in distributed computing solutions and services, offering solutions designed to make the Internet predictable, scalable, and secure for customers seeking to conduct profitable e-business. Akamai, the Business Internet, serves Internet content for hundreds of today's most successful enterprises and government agencies around the globe.

Akamai was founded in 1998 by Dr. Tom Leighton and Danny Lewin (who was murdered during the terrorist attacks on September 11th). Our technology originated from research that our founders began developing at the Massachusetts Institute of Technology, MIT, in 1995. In April 1999, we introduced commercially our service for delivery of Internet content. In October 1999, Akamai completed an initial public offering of 9,000,000 shares of its common stock for net proceeds of \$215.4 million. We are headquartered in Cambridge, MA and have 18 offices worldwide. At March 31, 2004, we had a total of 565 full-time and part-time employees.

Broad-reaching employee ownership has been critical to our success. Akamai has been successful in attracting and retaining talented employees around the globe. Although we offer competitive salaries and benefits, most employees, especially our engineers, are attracted to Akamai by our equity packages, including stock option programs. The Akamai culture promotes pride in an ownership interest in the company and rewarding employees' efforts that benefit the strength of our company through such ownership, especially as the company has turned the path from survival to profitability. We have experienced headcount increases to 1,400 employees and back down to 519. Meanwhile, our stock price has gone from a high of \$355 per share to a low of \$0.56 per share. We're currently trading around \$16 per share. Approximately 30% of our pre-IPO

employees are current employees. In fact, two-thirds of stock options have been granted to employees below the Vice President level.

Adoption of the ED will create a negative EPS impact twice, which would be particularly devastating to a company like Akamai. Stock options are not an expense, they are merely an opportunity cost to the company. Upon exercise, share count would increase. If stock options were expensed previously, EPS would be negatively impacted twice. Also, granting of stock options does not create a liability or out-of-pocket costs to the company. Under GAAP, the creation of a liability is necessary to generate an expense.

Even if we could reconcile the double EPS impact, which we can't, the valuation models proposed by FASB produce inaccurate, unreliable and inconsistent measurements of the fair value of a stock option. Given all the concerns raised by Sarbanes-Oxley about managements' estimates, it seems naïve to consider valuation models that make assumptions about future behavior that result in potentially significant unsupportable expenses recorded.

Akamai is particularly concerned with predicting volatility. The ED requires companies to predict volatility for the life of the option. Given that most of our options have a ten year life and that during the five years that Akamai has been public its volatility has fluctuated between 70% and 130%, it is virtually impossible for newer companies like us accurately to predict ten year volatility.

Given the magnitude of the potential expense, the complexity of the calculation, the degree of judgment, and the significant administrative burden, Akamai has already begun to reduce grant size for new employees and restructure compensation plans for existing employees. While we will continue to endeavor to attract and retain talented employees, the adoption of the ED would dramatically undermine our efforts on a macro level to do so and ultimately will harm individual employees who would be deprived many of the fruits of their labors.

I urge you to reconsider the expensing of stock options until there is at least sufficient, comprehensive field-testing that will identify the real world challenges and implications of the proposal.

I look forward to the opportunity to discuss this further at the upcoming FASB Roundtable on June 29th in Norwalk, CT. In the meantime, please let me know if I can provide any additional information.

Sincerely,

Julie M.B. Bradley, CPA
Vice President of Finance
Akamai Technologies, Inc.