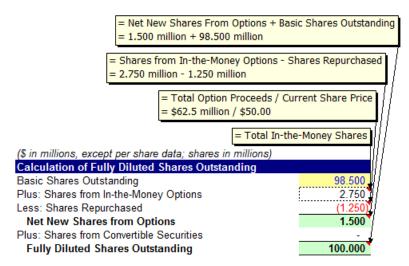
2 ANSWERS

## **CHAPTER 1 ANSWERS AND RATIONALE**

1) Calculation of fully diluted shares outstanding



## Options/Warrants

Options/War	rants			
	Number of	Exercise	In-the-Money	_
Tranche	Shares	Price	Shares	Proceeds
Tranche 1	1.250	\$10.00	1.250	\$12.5
Tranche 2	1.000	30.00	1.000	30.0
Tranche 3	0.500	40.00	0.500	20.0
Tranche 4	0.250	60.00	- {	-
Tranche 5	-	-	-	-
Total	3.000	-	2.750	\$62.5
	= 1.250 million + 1.000 million + 0.500 million  = IF(Weighted Average Strike Price < Current Share Price, display Number of Shares, otherwise display 0)  = IF(\$10.00 < \$50.00, 1.250, 0)			
	= Tranche 1 In-the-Money Proceeds + Tranche 2 In-the-Money Proceeds + Tranche 3 In-the-Money Proceeds = \$12.5 million + \$30.0 million + \$20.0 million			
	= IF(In-the-Money Shares > 0, then In-the-Money Shares x Weighted Average Strike Price, otherwise display 0) = IF(1.250 > 0, 1.250 x \$10.00, 0)			