EXHIBIT 2
Example CompanyModified Binomial Option Pricing Model

FIN-.xls

	A	B	C	D	E	F	G
1	Example Company						
2	Modified Binomial Option Pricing Model						
3							
4							
5							
6							
7	Stock price	$ 6.00					
8	Exercise price	$ 6.00					
9	Interest rate	4.00%					
10	Volatility	10.0%					
11	Time to maturity of option (in years)	5.0					
12	Number of steps	5					
13	Exercise factor	1.10					
14	Minimum mkt price	$ 6.60					
15							
16	Parameters based on CRR approach:						
17	Time interval	1					
18	Up movement	1.1051709					
19	Down movement	0.9048374					
20	Up movement probability	67.873%					
21	Discount factor	0.9607894					
22							
23							
24							
25							
26	*Answer Section:*						
27							
28	Step	0	1	2	3	4	5
29	Time	0.00	1.00	2.00	3.00	4.00	5.00
30							
31	Stock Price	6.00	6.63	7.33	8.10	8.95	9.89
32			5.43	6.00	6.63	7.33	8.10
33				4.91	5.43	6.00	6.63
34					4.44	4.91	5.43
35						4.02	4.44
36							3.64
37							
38							
39							
40	Option Price	0.88	1.17	1.56	2.10	2.95	3.89
41			0.38	0.49	0.63	1.33	2.10
42				0.17	0.27	0.41	0.63
43					-	-	-
44						-	-
45							-

Input historical exercise factor.

The formula for the minimum amount which will cause immediate option exercise is B13*Exercise_price.

Binomial std | **Binomial Modified** | Blk Scholes

Ready | NUM