

409A Option Pricing Method Example

		<u>Breakpoint 1</u>	<u>Breakpoint 2</u>	<u>Total</u>
	\$ -	\$ 2,000,000	\$ 7,000,000	
Equity Value	\$ 4,193,392	\$ 4,193,392	\$ 4,193,392	
Maximum Strike Price	\$ 0	\$ 2,000,000	\$ 7,000,000	
Expected Term (Years)	1.00	1.00	1.00	
Volatility	55.00%	55.00%	55.00%	
Risk Free Rate	1.00%	1.00%	1.00%	
Dividend Yield	0.00%	0.00%	0.00%	
Call Option Value	\$ 4,193,392	\$ 2,274,486	\$ 283,826	
Incremental Option Value (Tranche)	\$ 283,826	\$ 1,918,907	\$ 1,990,660	\$ 4,193,392

<u>Allocation of Incremental Value</u>	<u>Incr. Option</u>	<u>Pref Stock</u>	<u>Common Stock</u>	<u>Total</u>
	<u>Value</u>			
Strike Price 1	\$ 1,918,907	100.00%	0.00%	100%
Strike Price 2	\$ 1,990,660	0.00%	100.00%	100%
Strike Price 3	\$ 283,826	28.57%	71.43%	100%
Allocated Value		\$ 2,000,000	\$ 2,193,392	\$ 4,193,392
Shares		2,000,000	5,000,000	7,000,000
Value Per Share		\$ 1.0000	\$ 0.4387	