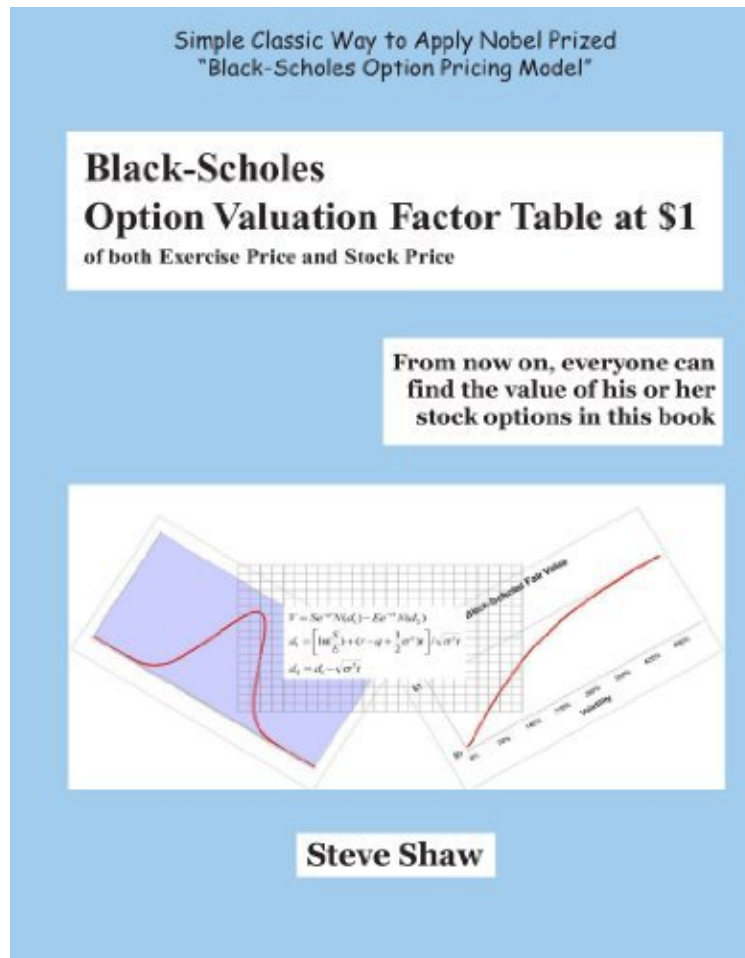


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## Black-Scholes Option Valuation Factor Table at \$1

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BLACK-SCHOLES OPTIONS VALUATION FACTOR TABLE AT \$1 OF BOTH STOCK PRICE AND EXERCISE PRICE" provides you with a simple classic way to use Nobel prized "Black-Scholes Option Pricing Model" in valuing stock options granted at the market price. The basic assu

About the Author Steve Shaw, a senior financial analyst in NY, Steve Shaw is a member of the National Association of Certified Valuation Analysts (NACVA) and an affiliate member of New York Society of Security Analysts (NYSSA). He has an MBA degree from Pace University, NExcerpt. copy; Reprinted by permission. All rights reserved. Part I - INTRODUCTION Chapter 1 (What is Valuation Factor?) briefly introduces the concept of valuation factor, which is

the per share value of options, assuming such options are granted at the market price of \$1, by using Black-Scholes Option Pricing Model. As long as the exercise price equals the market price of the underlying stock, the per share fair value of options can be obtained by multiplying the valuation factor by either the exercise price or the stock price. Chapter 2 (Why it works?) mathematically explains why the Valuation Factor works. It sounds pretty complicated to prove it, but all I needed was a basic mathematical background and some common sense. Chapter 3 (How to use it?) is a one-page instruction on how to use the tables included in this book. It provides a three-easy-to-follow-step instruction and the big picture of tables for step 1. At the bottom of every table, an example is given for better understanding valuation factors as well as Black-Scholes Option Pricing Model. Part II - BLACK-SCHOLES OPTION VALUATION FACTOR TABLE AT \$1 This part provides 130 tables of valuation factors under different combinations of assumptions of expected dividend yields, expected lives of options, estimated risk free interest rates and estimated volatilities of the underlying stock, assuming both the stock price and the exercise price are \$1. The scenarios for each of these four inputs are made with an intention to cover the majority of market based on my experience and research. Dividend yield rates are ranged from 0% to 10%, expected lives of options from 3-month to 10 years, risk free interest rates from 1% to 15.75%, and estimated volatilities from 0.00001% to 400%. APPENDIX Appendix I (Introduction to Black-Scholes Option Pricing Model) briefly introduces the history of Black-Scholes Option Pricing Model, and also includes analysis of impacts of each of the six inputs on the value of options. Appendix II (How to Make Assumptions?) provides simple guidance on how to make assumptions on the required inputs: risk free interest rate, expected dividend yield, expected life of option and estimated volatility. Appendix III (How to Calculate Historical Volatility?) provides you with a practical spreadsheet model to calculate historical volatility of the underlying stock.