

- 1) Northern Air would like to sell 700 shares of stock using the Dutch auction method. The bids received are as follows:

<u>Bidder</u>	<u>Quantity</u>	<u>Price</u>
A	200	\$44
B	300	\$43
C	500	\$42
D	300	\$40

Bidder B will receive \_\_\_\_\_ shares and pay a price per share of \_\_\_\_\_.

- 2) Mountaintop Market is offering 60,000 shares of stock to the public in a general cash offer. The offer price is \$30 a share and the underwriter's spread is 9 percent. The administrative costs are estimated at \$310,000. How much will Hilltop Market receive from this stock offering assuming the issue is completely sold?
- 3) The Alps Bike Co. is going public. They've hired Morgan Stanley as their lead underwriter and agreed to a firm commitment issue. Morgan Stanley charges a 5% spread and they have agreed on an offer price of \$40. Alps Bike Co. needs to raise \$30 million dollars to fund its new line of bikes. If SEC filing fees, lawyers, and administration fees total \$1,225,000, how many shares does Alps Bike need to sell? The stock price rose to \$47.30 in the first hours of trading. What is the flotation cost as a percentage of funds raised?
- 4) Ten years down the line Alps Bike Co has 780,000 shares outstanding trading at \$128 per share. What happens to the price and the shares outstanding if they do a:
- i) 2 for 1 stock split
  - ii) 3 for 2 stock split
  - iii) 15% stock dividend
  - iv) 4 for 5 reverse stock split
- 5) The Cyclone Clothing Co. has a market value of equity of \$324,000 and has announced a share repurchase worth \$11,200. There are currently 12,000 share outstanding and the company has a net income of \$24,000. After the repurchase, how many shares are outstanding and what is the stock price? What if they used that money to pay a dividend instead? What happens to EPS? P/E ratio?