

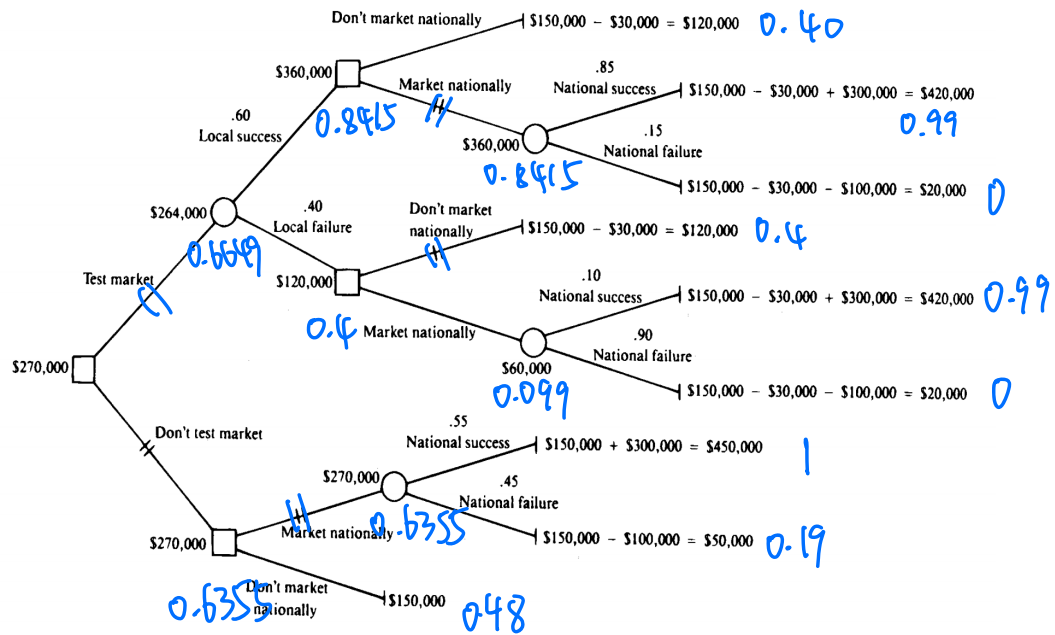
# Example 8

$$u(\$450,000) = 1, \quad u(\$420,000) = .99, \\ u(\$150,000) = .48, \quad u(\$120,000) = .40,$$

$$u(\$50,000) = .19, \quad u(\$20,000) = 0.$$

...

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$$u(226000) = 0.6649$$

$$\text{offer} = 226000 - 150000 \\ = 76000$$