1. Read the Freemark Abbey Winery case attached to hardcopy versions of this assignment. In the second-to-last paragraph, I interpret the text as stating that if the storm does not strike, there is 40% chance of getting $3.50/bottle wholesale, a 40% chance of getting $3.00/bottle wholesale, and a 20% chance of getting $2.50/bottle wholesale.

(a) Assume that if the storm strikes but there is no botrytis mold, you will sell the wine for $2.00/bottle wholesale. From an expected monetary value standpoint, should you harvest before the storm or not? Show your work.

(b) Now assume that selling substandard bottles of wine will harm your reputation at an estimated cost of \( R \) dollars, but you have the option of selling the wine in bulk at the equivalent of $1.00 per bottle to avoid this possibility. Is there any value of \( R \) that would change your initial harvesting decision from part (a)?

(c) Should Freemark Abbey apply the expected value criterion to this decision, should they be risk averse, or should they be risk seeking? Answer in a brief paragraph.

2. Problem 1 on page 141 of the text.

3. Problem 6 on page 142 of the text.

4. Problem 2 on page 145 of the text.