Grading scheme:

* Question 1 a) is worth 15 points.
* Question 1 b) is worth 15 points.
* Question 1 c) is worth 5 points: they are supposed to realize that things may change if Williams defaults. Give them 5 points if they mention that.
* Question 2 is worth 30 points. There are three issues that lenders are worried about:
  + Asymmetric information
  + Agency conflict
  + Wealth transfers

Students must address how the terms in the contract address this problem.