



**SUMMATIVE (FORMAL) ASSESSMENT: MODULE 3A**  
**THE INSOLVENCY SYSTEM OF THE UNITED STATES**

This is the **summative (formal) assessment** for **Module 3A** of this course and is compulsory for all candidates who **selected this module as one of their compulsory modules from Module 3**. Please read instruction 6.1 on the next page very carefully.

If you selected this module as **one of your elective modules**, please read instruction 6.2 on the next page very carefully.

**The mark awarded for this assessment will determine your final mark for Module 3A.** In order to pass this module, you need to obtain a mark of 50% or more for this assessment.

## **INSTRUCTIONS FOR COMPLETION AND SUBMISSION OF ASSESSMENT**

**Please read the following instructions very carefully before submitting / uploading your assessment on the Foundation Certificate web pages.**

1. You must use this document for the answering of the assessment for this module. The answers to each question must be completed using this document with the answers populated under each question.
2. All assessments must be submitted electronically in MS Word format, using a standard A4 size page and a 11-point Arial font. This document has been set up with these parameters – **please do not change the document settings in any way. DO NOT** submit your assessment in PDF format as it will be returned to you unmarked.
3. No limit has been set for the length of your answers to the questions. However, please be guided by the mark allocation for each question. More often than not, one fact / statement will earn one mark (unless it is obvious from the question that this is not the case).
4. You must save this document using the following format: **[studentID.assessment3A]**. An example would be something along the following lines: 202122-514.assessment3A. **Please also include the filename as a footer to each page of the assessment** (this has been pre-populated for you, merely replace the words "studentID" with the student number allocated to you). Do not include your name or any other identifying words in your file name. **Assessments that do not comply with this instruction will be returned to candidates unmarked.**
5. Before you will be allowed to upload / submit your assessment via the portal on the Foundation Certificate web pages, you will be required to confirm / certify that you are the person who completed the assessment and that the work submitted is your own, original work. Please see the part of the Course Handbook that deals with plagiarism and dishonesty in the submission of assessments. **Please note that copying and pasting from the Guidance Text into your answer is prohibited and constitutes plagiarism. You must write the answers to the questions in your own words.**
- 6.1 If you selected Module 3A as one of your **compulsory modules** (see the e-mail that was sent to you when your place on the course was confirmed), the final time and date for the submission of this assessment is **23:00 (11 pm) GMT on 1 March 2022**. The assessment submission portal will close at 23:00 (11 pm) GMT on 1 March 2022. No submissions can be made after the portal has closed and no further uploading of documents will be allowed, no matter the circumstances.
- 6.2 If you selected Module 3A as one of your **elective modules** (see the e-mail that was sent to you when your place on the course was confirmed), you have a **choice** as to when you may submit this assessment. You may either submit the assessment by **23:00 (11 pm) GMT on 1 March 2022** or by **23:00 (11 pm) BST (GMT +1) on 31 July 2022**. If you elect to submit by 1 March 2022, you **may not** submit the assessment again by 31 July 2022 (for example, in order to achieve a higher mark).
7. Prior to being populated with your answers, this assessment consists of **8 pages**.

**ANSWER ALL THE QUESTIONS**

Commented [DB1]: 43.5/50 = 87%

**QUESTION 1 (multiple-choice questions) [10 marks in total]**

Commented [H(2)]: Total marks 9/10

Questions 1.1. – 1.10. are multiple-choice questions designed to assess your ability to think critically about the subject. Please read each question carefully before reading the answer options. Be aware that some questions may seem to have more than one right answer, but you are to look for the one that makes the most sense and is the most correct. When you have a clear idea of the question, find your answer and **mark your selection on the answer sheet by highlighting the relevant paragraph in yellow**. Select only **ONE** answer. Candidates who select more than one answer will receive no mark for that specific question.

**Question 1.1**

Commented [H(3)]: Correct, 1 mark

ABC Corp is filing for bankruptcy under chapter 11. Which of the following **is not** a party in interest in that proceeding?

- (a) A neighboring land owner who has leased equipment to ABC Corp.
- (b) ABC's government regulator.
- (c) A bank that has loaned money to ABC.
- (d) **A local advocacy group.**
- (e) All of the above.

**Question 1.2**

Commented [H(4)]: Incorrect, the correct answer is (a)

Which of the following statements regarding executory contracts is **false**?

- (a) Executory contracts are clearly defined by the bankruptcy code.
- (b) Chapter 11 debtors have greater flexibility than chapter 7 debtors on when they may assume, assign or reject an executory contract.
- (c) In the most common formulation, executory contracts are defined as those where both sides to a contract have material unperformed obligations.
- (d) **A court will generally defer to a debtor's business judgment regarding whether to assume or reject an executory contract.**
- (e) Under the hypothetical test, a debtor cannot assume an executory contract if the debtor could not also assign the contract.

**Question 1.3**

Commented [H(5)]: Correct, 1 mark

In which of the following scenarios does a bankruptcy court have constitutional authority to issue a final order? Assume in each that the counterparty to the dispute has not consented to the bankruptcy court's exercise of jurisdiction.

- (a) A counterclaim against the estate that introduces a question under state law.
- (b) Since the list of core proceedings is non-exhaustive, a bankruptcy court may issue a final determination on any matter that comes before it.

(c) A creditor's claim against an affiliate of the debtor that has guaranteed the debtor's obligation to the creditor

(d) A debtor's motion to dismiss an involuntary bankruptcy petition.

(e) None of the above.

**Question 1.4**

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Which of the following statements about "pre-packs" is **false**?

(a) A pre-pack cannot be used if the debtor wishes to reject executory contracts.

(b) Creditors must have sufficient information about the debtor and the plan to make an informed voting decision.

(c) A pre-pack debtor may spend as little as a single day in bankruptcy.

(d) The proposed plan of reorganization is submitted to the bankruptcy court together with the voluntary petition.

(e) Creditors' commitment to vote in favor of the plan may be memorialized in a restructuring support agreement.

**Question 1.5**

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Which of the following statements regarding cramdowns is **true**?

(a) If one insider creditor approves of the plan of reorganization, all other impaired classes may be crammed down.

(b) Because cramdowns do not require the consent of all classes, the plan of reorganization may not be fair and equitable to all impaired classes.

(c) Differential treatment of different classes is permitted if there is a reasonable, good faith basis for doing so and such treatment is required for the plan of reorganization to be successful.

(d) Class definition is rarely a battleground when a debtor tries to cramdown classes.

(e) Dissenting creditors are not permitted to challenge the classification of a creditor supporting the cramdown.

**Question 1.6**

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Which of the following statements about the plan exclusivity period is **true**?

(a) The exclusivity period is 1 year.

(b) The exclusivity period cannot be extended.

(c) The exclusivity period cannot be shortened.

(d) During the exclusivity period, only a creditor may propose a plan of reorganization.

(e) During the exclusivity period, only the debtor may propose a plan of reorganization.

**Question 1.7**

Commented [H(9)]: Correct, 1 mark

Which of the following statements about chapter 15 is **false**?

(a) The automatic stay applies upon the filing of a petition for recognition.

(b) A debtor cannot be subject to an involuntary chapter 15 proceeding.

(c) A chapter 15 petition must be filed by a foreign representative.

(d) The automatic stay applies only to property within the territorial jurisdiction of the United States.

(e) Recognition may be granted to a foreign proceeding as either foreign main or foreign non-main.

**Question 1.8**

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Which of the following statements about 363 sales is **false**?

(a) A 363 sale permits a debtor to sell an asset free and clear of encumbrances.

(b) A creditor's lien on assets sold in a 363 sale attaches to the proceeds of the sale.

(c) A 363 sale must be conducted as an auction with a stalking horse bidder.

(d) Purchasers may pay a higher price for assets sold in a 363 sale than in an out-of-court transaction.

(e) Sophisticated parties will insist on a 363 sale if there is any question regarding whether the sale is "in the ordinary course of business".

**Question 1.9**

Commented [H(11)]: Correct, 1 mark

If a debtor rejects an executory trademark license agreement under which it licenses a trademark to its counterparty, which of the following is **true**?

(a) The counterparty has a claim for damages for breach of contract.

(b) The counterparty must immediately stop using the trademark.

(c) The counterparty can continue using the trademark for the remaining period of the license.

(d) Both (a) and (b).

(e) Both (a) and (c).

**Question 1.10**

Who may serve as a foreign representative to seek recognition of a foreign proceeding under chapter 15?

- (a) The board of directors of the debtor if it is a debtor-in-possession in the foreign proceeding.
- (b) An insolvency professional appointed by a creditor where the foreign proceeding is an involuntary receivership.
- (c) An officer of the debtor if it is a debtor-in-possession in the foreign proceeding.
- (d) An insolvency professional appointed by the court overseeing the foreign proceeding.

(e) All of the above.

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**QUESTION 2 (direct questions) [10 marks]**

Commented [H(13)]: Total marks 7/10

**Question 2.1 (2 marks)**

Commented [H(14)]: Total marks 2/2

What is the difference between a voluntary petition for bankruptcy and an involuntary petition for bankruptcy?

Creditors can file an involuntary petition under Chapter 7 or Chapter 11. Also, the automatic stay comes into effect upon the filing of an involuntary petition, without any need for action by the court.

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The Debtor can file a voluntary petition for bankruptcy under any chapter. In many cases, the Debtor can stay in control of the business under a voluntary petition. Also, the Debtor does not need to be insolvent to file a voluntary petition for bankruptcy.

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**Question 2.2 (2 marks)**

Commented [H(17)]: Total marks 1/2

What are two potential consequences of a violation of the automatic stay?

Potential consequences of violating an automatic stay include payment of the debtors' attorneys' fees, the imposition of contempt sanctions, or coercive contempt sanctions (in cases where the court is concerned the violator may not act promptly, such as paying daily fines to the court until the stay violation has been rectified).

Commented [H(18)]: Correct, 1 mark, also the act itself is void or voidable depending on the circuit

**Question 2.3 (3 marks)**

Commented [H(19)]: Total marks 1/3

In what circumstances is a claim considered "impaired"? When is a holder of an impaired claim not entitled to vote on a proposed plan of reorganization and what happens instead?

A claim is considered to be impaired unless the plan of reorganization leaves the holder's legal, equitable, and contractual rights unaltered. It is noted that only impaired classes have the right to vote on the plan. An impaired claim is not entitled to vote on a proposed plan of reorganization if a plan is confirmed by way of "cramming down" any dissenting impaired classes. This tool is used to mitigate the potential problem of a holdout that would occur if all

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Commented [H(21)]: Incorrect, in that circumstance they vote but their vote is disregarded. They cannot vote if they will receive nothing under the plan and instead are deemed to reject the plan.

impaired classes of creditors would not approve a plan. In a cramdown, at least one impaired class (not counting any insiders) must vote to accept the plan.

#### Question 2.4 (3 marks)

Answer the following questions about preferences, actual fraudulent conveyances and constructive fraudulent conveyances:

(1) Which cause of action applies only to transfers made on account of antecedent debt?

Preferences only arise where the debtor is paying a creditor for a pre-existing debt, or in other words, for or on account of an antecedent debt owed by the debtor before such transfer was made.

(2) Which cause of action requires that the debtor be presumed or proven to have been insolvent at the time of the transfer?

One of the elements of a preference claim is that the transaction was made while the debtor was insolvent or presumed to have been insolvent on and during the 90 days prior to the petition date.

(3) Which cause of action requires that the debtor be proven to have intended to frustrate creditors' recoveries?

An actual fraudulent conveyance is proven by showing that the debtor made a transfer or incurred an obligation with the actual intent to hinder, delay, or defraud any entity to which the debtor was or became indebted.

#### QUESTION 3 (essay-type questions) [15 marks in total]

##### Question 3.1 (3 marks)

How did *Stern v Marshall* change the law of bankruptcy court jurisdiction and authority to enter a final order?

It is noted that the bankruptcy courts are not established by Article III of the US Constitution, such as most of the other federal courts, but instead were brought about by federal legislation such as the 1978 Bankruptcy Code. The US Supreme Court ruled that judges who have not been appointed pursuant to Article III cannot exercise jurisdiction over matters subject to Article III. Following a dispute over the Bankruptcy Code in relation to Article III, a referral statute was enacted which created a distinction between core and non-core proceedings and permitted bankruptcy judges to hear and determine core proceedings. For non-core proceedings, the bankruptcy court may hear the proceedings if they are sufficiently related to a bankruptcy proceeding but cannot make a final determination.

With that background in place, the *Stern v. Marshall* US Supreme Court case was a blow to bankruptcy practitioners as it ruled that the bankruptcy court cannot make rulings that invade Article III jurisdiction, even in core proceedings. In essence, the ruling on *Stern* held that the bankruptcy court's issuance of a final order over a state law claim was unconstitutional under Article III. In present times, the US Supreme Court has held that a bankruptcy court may

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Commented [H(29)]: Correct, 1 mark

handle a core proceeding in the same manner as a non-core proceeding, or, with the consent of the parties, may issue final orders.

Commented [H(30)]: Correct, 1/2 mark, also can issue final orders on challenges to petition

### Question 3.2 (3 marks)

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What provisions of the Bankruptcy Code may not be invoked by a foreign representative in a chapter 15 proceeding? What are two ways that the foreign representative can obtain equivalent relief?

Chapter 15 does not allow a foreign representative to invoke the use of avoidance powers provided by the Bankruptcy Code. To expand, this provision has applied to avoidance of preferences and fraudulent conveyances, however, it does not bar a foreign representative from seeking to avoid pre-petition transactions under other applicable US or foreign law.

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Commented [H(33)]: Correct, 1 mark

It is also noted that a foreign representative can only invoke the Bankruptcy Code avoidance powers in a plenary proceeding such as a Chapter 7 or 11. In rarer cases, the foreign representative can choose to commence a plenary proceeding under the Bankruptcy Code after recognition of the foreign proceeding under Chapter 15; however, the scope of these proceedings is limited to the debtor's US assets.

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A foreign representative can also use the section 363 sale process as equivalent relief; however, coordination problems can arise when a foreign court attempts to approve the sale of US assets in parallel proceedings. Section 363 sales are automatically applicable under foreign main proceedings.

### Question 3.3 (4 marks)

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Describe the differences between interlocutory and final orders and how an appeal may be taken from each. Which courts hear direct appeals from bankruptcy court orders?

Interlocutory orders resolve only some issues or claims and may be appealed only with leave of the appellate court. Final orders are those that dispose of all issues, leaving nothing further to be decided, and can be appealed as of right.

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Commented [H(37)]: Correct, 1/2 mark

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Commented [H(39)]: Correct, 1/2 mark

With regards to bankruptcy orders resolving a discrete dispute, the US Supreme Court has held that these orders are final for the purposes of appeals.

In situations where broad applicability is at play, it can be difficult to differentiate between interlocutory and final orders, such as the case of post-petition interest rates applicable to debtors' obligations.

The court that hears bankruptcy appeals in certain circuits is called the Bankruptcy Appellate Panel (BAP). Generally, however, the bankruptcy appeals are heard by the district court based on the sitting district.

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### Question 3.4 (5 marks)

Commented [H(42)]: Total marks 5/5

What fiduciary duties do directors of Delaware corporations owe and to whom are the duties owed in the ordinary course of business? To whom are duties owed when the corporation is potentially or actually insolvent?

It is noted that the duties of directors are owed to the corporation and its shareholders, as opposed to creditors, even in circumstances where the corporation is potentially insolvent. In

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Commented [H(45)]: Correct, 1 mark



these cases, the shareholders would end up receiving nothing in bankruptcy. However, the Supreme Court of Delaware has affirmed that directors do not owe duties to creditors even when a company is insolvent or near insolvent.

The Trenwick case in the Delaware courts notes that Delaware law imposes no absolute obligation on the board of a company that is unable to pay its bills to cease operations and to liquidate. When the corporation is potentially or actually insolvent, this case ruled that the board of directors may pursue strategies to maximize the value of the firm, as long as they are acting in good faith.

As a matter of Delaware law, and therefore US law as the presiding US jurisdiction for corporate law, there is no concept of directors taking actions to deepen a company into insolvency (taking actions to further crater a company into bankruptcy whilst acting on behalf of creditors), because directors should be always attempting to maximize value for the firm by using sound business judgment.

Directors can be shown to be not guilty of wrongdoing for the breach of **duty of care**, but not for the **breach of duty of loyalty**, as they are always meant to be maximizing firm value. It is very difficult to prosecute a director on not taking sound business judgment, in the United States and also in other jurisdictions such as the Cayman Islands, unless it is proven that they acted with gross negligence at a minimum.

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#### **QUESTION 4 (fact-based application-type question) [15 marks in total]**

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##### **Question 4.1 [4 marks]**

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Gambling Corporation is incorporated and has a principal place of business in Greece and it operates casinos and betting parlors in many international cities, including Athens, Las Vegas, London and Macau. Gambling Corp's bonds (governed by English law) are due to mature in one (1) year, but it is unable to repay or refinance them. Gambling Corp is considering using an English scheme of arrangement to restructure the bonds.

Discuss whether the English scheme of arrangement could be granted recognition under US chapter 15 as a foreign main or foreign non-main proceeding.

- It is noted that it is not easily ascertainable that England could be the centre of main interests ("COMI") of the debtor, Gambling Corp. In fact, it would be most obvious for the debtor's COMI to be in Greece, given that it is incorporated and has its principal place of business there. I will note, however, that given the facts of the question, the COMI could be placed in England dependant on what the creditors were aware of at the time of the petition (as for all we know, the bond creditors governed by English law are the only interested creditors).
- A COMI can include several relevant factors such as:
  - o Location of Headquarters: Greece;
  - o Location of Management: Greece (assumption, through principal place of business and incorporation)
  - o Location of primary assets: Greece (assumption, through principal place of business, but its primary assets could theoretically be in Athens, Las Vegas, London or Macau);
  - o Location of a majority of debtor's creditors or majority of creditors that will be affected by the relief: England (assuming the bonds are the debtor's primary debt obligations); and
  - o Jurisdiction whose law will apply to most disputes: England or Greece (dependant on COMI determination or where creditors believe the COMI to be).

- Further, various proceedings brought in cities such as Las Vegas, London, and Macau would be considered foreign non-main proceedings, as the debtor carried out non-transitory economic activity in those places and had places of operations (such as casinos and betting parlours) in those cities, which were not its COMI.
- The English scheme of arrangement would be granted recognition under US chapter 15 as a foreign non-main proceeding as it carried out non-transitory economic activity in London prior to the commencement of any chapter 15 proceedings.
- With the chapter 15 recognition, Gambling Corp could be granted certain provisions of the Bankruptcy Code automatically, as well as relief granted on a discretionary basis over the debtor's assets, affairs, and property.
- My conclusion is that the COMI would be determined to be Greece, based on analysis of the above determining factors in deciding the COMI of the debtor. Therefore, the English scheme of arrangement would be considered to be a foreign non-main proceeding. Following recognition of the non-main proceeding, the Bankruptcy Court may grant a stay or other assistance on an interim basis.

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Commented [H(51)]: Correct, 1 mark

Commented [H(52)]: Correct, 1 mark, and therefore recognition as a foreign main proceeding is not available

#### Question 4.2 [5 marks]

Oil Corporation is incorporated in Delaware and has its principal place of business in Texas. Oil Corp is facing a number of challenges to its business. First, ShipCo, one of its key customers, has filed a breach of contract lawsuit in Texas state court alleging that Oil Corp sold it contaminated oil that caused USD 1 billion in damage to ShipCo's container ships. Second, the US Department of Justice is investigating whether Oil Corp illegally purchased oil from countries subject to US sanctions. Third, Oil Corp. has missed a payment on its secured loan from USA Bank, and USA Bank is threatening to foreclose on an Oil Corp refinery located in the Philippines. Fourth, because of all these distractions, Oil Corp has forgotten to pay rent on its Houston, Texas office space and its landlord is threatening to evict it. What would be the effect of Oil Corp filing a chapter 11 petition on each of these four situations?

- Upon filing (in this case, voluntarily) for chapter 11, Oil Corporation would be granted an automatic stay which would be effective upon the filing of the petition.
- After an unsecured creditor committee ("UCC") is formed from the list of the 20 largest creditors, Oil Corporation would be granted an exclusivity period for 120 days from the petition date to negotiate with the UCC and other creditor groups to attempt to develop a plan. In this case, creditors in the UCC would most likely include ShipCo, USA Bank, and the landlord of the Houston, Texas office space.
- In the case of the ShipCo creditor, ShipCo would not be barred from continuing their lawsuit in state court whilst parallel proceedings carried on in district court in the form of the chapter 11 bankruptcy proceedings. It is noted that the US Supreme Court upheld in 2011 that a bankruptcy court cannot issue final orders that invade Article III jurisdiction, in core or non-core proceedings. Therefore, any order stemming from the bankruptcy proceedings would not interfere from a judgment ShipCo received from Oil Corporation in state court. It is noted that because an automatic stay would be in place, ShipCo would be barred from commencing a lawsuit outside the US court system, however, the lawsuit in this case would be brought in the US.
- In the case of the US Department of Justice investigation, the automatic stay granted to Oil Corp in the case of a chapter 11 would be subject to certain exceptions such as criminal proceedings or regulatory investigations. The US DOJ investigation would fall under this list of exceptions and permitted to continue as a continuation of a criminal action against the debtor.
- In the case of the USA Bank foreclosure, USA Bank would have a claim, or a legal or equitable right, against the debtor with special protection if Oil Corp were to propose to use or sell the collateral as a part of its bankruptcy plan. It is noted that secured creditors must be offered adequate protection such as an interest or some sort of

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Commented [H(54)]: Incorrect, the proceeding would be stayed as litigation on a pre-petition claim

Commented [H(55)]: Correct, 1 mark

alternative such as the retention of its lien on the collateral or deferred cash payments with a present value at least equal to the value of the collateral or nominal value at least equal to the amount of the claim. However, any act to obtain possession or control of the Oil Corp refinery would be prohibited under the automatic stay granted with a chapter 11. It should be noted that USA Bank would attach a lien to the property which would not encumber the asset in a Section 363 sale.

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- The landlord would have a claim into the bankruptcy estate, as an administrative (and unsecured) priority expense, due to Oil Corp's lack of payment of rent on its office space. Although it is noted that during the Covid-19 pandemic, some bankruptcy courts did not list rent on premises that were closed due to lockdown measures as administrative priority. Also, any attempt by the landlord to collect on the claim would be prohibited under the automatic stay. Depending on the size of the claim, the landlord could be admitted into the UCC which would allow it a seat at the negotiating table to form a plan with the debtor to reorganise its debts.

Commented [H(57)]: Correct, 1 mark, eviction would be stayed unless the lease expired pre-petition

#### Question 4.3 [6 marks]

Oil Corp has filed for bankruptcy and is planning to sell its plastic manufacturing business through a 363 sale. The plastic manufacturing business operates under the trademark "Interconnect", which is licensed from Plastic Corp. Oil Corp has invented several patented processes for plastic manufacturing, which it licenses to Plastic Corp. The main manufacturing facility for the plastic business is in Dallas, and Oil Corp has granted a lien on the facility to USA Bank to secure its USD 500 million loan.

Oil Corp thinks it will get the highest return for the plastics manufacturing business if it can (i) assume and assign the trademark license; (ii) reject the patent licenses so the purchaser has the exclusive right to use the patents; and (iii) sell the manufacturing facility free and clear of the USA Bank lien. Can Oil Corp achieve each of these goals without the consent of Plastic Corp and USA Bank? Why or why not?

i. The goal of assuming and assigning the trademark license would not be achievable because a trademark can not be assumed or assigned without the licensor's consent – in this case, Plastic Corp.

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Commented [H(59)]: Correct, 1 mark

ii. The goal of rejecting the patent licenses so the purchaser has the exclusive right to the use the patents is also not achievable. The licences provided by Oil Corp to Plastic Corp are protected and unable to be terminated as it relates to the proposed sale and the use of these licenses by another party, the purchaser, would require the consent of Plastic Corp to be allowed.

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Commented [H(61)]: Correct, 1 mark

iii. Oil Corp will be able to sell the manufacturing facility free and clear of the USA Bank lien as a section 363 sale allows for an asset to be sold free of liens or other claims. The bankruptcy court can grant the debtor or the debtor-in-possession ("DIP") the power to sell the asset even if there is an objection from more junior creditors. If the debtor/DIP proposes the sale to the bankruptcy court, and the judge rules that the transaction is in the best business judgment and best interests of the estate as a whole, the sale will be allowed to proceed. If the sale is completed (after the appropriate auction takes place - normally with a "stalking horse" bidder in these larger sales), USA Bank's creditor's interest will attach to the proceeds of the sale and it will receive priority in the distribution of the proceeds. However, USA Bank can also bid on the facility itself through a "credit bid" in the auction, due to its security interest in the facility, by offsetting a portion of the purchase price of the facility against its \$500 million lien. Therefore, USA Bank could purchase the facility from the debtor for the amount agreed to by Oil Corp over \$500 million (if the purchase price was \$1 million, USA Bank would only have to pay \$500 million).

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Commented [H(63)]: Correct, 1 mark

**\* End of Assessment \***