- Any f between 100 M. and 140 M. forces the borrower into liquidation when the project returns 100 M. and is paid in full when the project returns 140 M..
- This gives the lender an expected return of ....., because nothing is received when liquidation.
- Solving for the minimum value of f , f = ...

Let $V = \begin{cases} H & \text{million with probability } (1\text{-}\pi), \\ L & \text{million with probability } \pi. \end{cases}$

The lender would receive expected payment of

$(1-\pi)f + \pi(0) = (1-\pi)f \geq (1+r) \times$ principal amount.

The minimum value of $f = \dfrac{(1+r) \times \text{the principal amount}}{(1-\pi)}$