

FINAL EXAMINATION
COMMERCIAL PAPER
PROFESSOR G. FLINT

ESSAY
PLEASE READ CAREFULLY

**ALL ANSWERS ARE TO BE WRITTEN ON THE BLUE BOOKS
PROVIDED WITH THIS EXAM**

There are three questions (time and percent indicated). The time for completing the examination is three hours.

1. This examination is "open book". You may use your casebook, statutory supplement, and class notes. Use of calculators and cleansed laptops is permitted.
2. Be sure to answer the specific question that is asked. Information supplied relating to some unasked question will not increase your score and consumes you time needed to answer the asked questions.
3. If additional facts are necessary to resolve an issue, specify what additional facts you believe to be necessary and why they are significant. You may not make an assumption that changes or contradicts the stated facts.
4. Quality, not quantity, is desired. Think through and briefly outline your answer before you begin to write.
5. Write legibly. Be sure to formulate your answers in complete sentences and paragraphs with proper grammar. Failure to do so will result in an appropriately lower score.
6. Do not seek an interpretation of language in the question from anyone. If you sense ambiguity or typographical error, correct the shortcoming by shaping the question in a reasonable way and by recording your editorial correction in your answer.

Under the Honor Code, when you turn in this examination, you affirm that you have neither given, received, nor obtained aid in connection with this examination, nor have you known of any one so doing. If you cannot make this affirmation, you shall note such fact on your examination and must immediately advise the Dean of the reason therefore.

I. (33.3 %--1 hour)

Otha Gasaway Supplier Company extended credit of \$80,000 to Draper Voshell Manufacturing Company to buy inventory from Otha Gasaway Supplier Company, represented by a promissory note bearing interest of 6% payable in one lump sum on May 1, 2004, and secured by a security interest on Draper Voshell Manufacturing Company's inventory. The note indicates that it is secured under a separate security agreement, refers to the security agreement for additional rights of the holder of the note, provides for recovery of attorney's fees if sued on, and is payable to Otha Gasaway Supplier Company. Draper Voshell Manufacturing Company fails to sell sufficient numbers of its product due to the defective quality of the inventory sold to it, and so is having trouble making payments on the note. Otha Gasaway, president of Otha Gasaway Supplier Company fears that Draper Voshell Manufacturing Company will become bankrupt. So Otha Gasaway Supplier Company files a financing statement on Draper Voshell Manufacturing Company's inventory on February 1, 2004, a date that turns out to be two months before Draper Voshell Manufacturing Company files a bankruptcy petition. (This means the security interest will be void in bankruptcy.) Otha Gasaway Supplier Company then discounts the \$80,000 note to Kidd Turner Life Insurance Company for \$75,000, endorsing the note "without recourse, Otha Gasaway". Kidd Turner, president of Kidd Turner Life Insurance Company learns of Draper Voshell Manufacturing Company's bankruptcy filing and so sells the note to Franz Joseph Stainer Automobile Insurance Company for \$10,000. Franz Joseph Stainer learns of the bankruptcy filing and sells the note for \$50,000 to Andrew Melvin Casualty Insurance Company endorsing the note "Franz Joseph Stainer, president of Franz Joseph Stainer Automobile Insurance Company."

Andrew Melvin discovers the bankruptcy filing and has entered your associate's office at The Graft and Bribe Law Firm, P.C., and wants you to advise him whether he can recover anything on the note. Provide your response and its support. Be sure to give an explanation of the complete rights, claims and defenses of each party to the transactions with relevant code sections and case law.

II. (33.3 %--1 hour)

Michael Sweetman purchased a snazzy bedroom suite from Davis Flint Furniture, Inc., on February 15, 2004, giving Davis Flint Furniture, Inc., a check dated May 31, 2004, and drawn on the Francis Burpee National Bank in the amount of \$2000, the purchase price for the bedroom suite, leaving the word line blank. Davis Flint, President of Davis Flint Furniture, Inc., adds a zero to the check amount and writes in twenty thousand as the amount. Davis Flint endorses on behalf of Davis Flint Furniture, Inc., "for deposit only" and deposits the check in the Arunah Hubbell State Bank. The Arunah Hubbell State Bank allows Davis Flint to immediately withdraw some of the funds. Chauncy Hubbell, an employee of Arunah Hubbell State Bank encodes the check to read \$200,000, deposits \$200,000 into the Davis Flint Furniture, Inc., account. Arunah Hubbell State Bank sends the check to the Francis Burpee National Bank, where Michael Sweetman has his checking account. Francis Burpee National Bank debits Michael Sweetman's account. Michael Sweetman's other checks start to bounce and he must pay \$500 to various retailers and \$400 in overdraft fees to Francis Burpee National Bank.

Michael Sweetman has entered your associate's office at The Blue Stocking Law Firm, P.C., on September 28, 2001. Michael Sweetman wants you to advise him what he should do now the situation. Provide your response and its support. That response should include an explanation of the complete rights, claims and defenses of each party to the check, with relevant code sections and case law.

III. (33.3 %--1 hour)

Joseph Baker had entered into an option to purchase real estate from John Hartt for a price of \$30,000 to be wired to John Hartt's account number 12345 at the Samuel Davis State Bank, by May 1, 2004. On April 2, 2004, Joseph Baker directed his bank, the James Madison Rogers National Bank to wire \$30,000 to account 12345 at the Samuel Davis State Bank on April 30. James Madison Rogers National Bank wired the money through the Federal Reserve System on April 10, 2004, to account 56789 at the Samuel Davis State Bank, debiting the money from Joseph Baker's account. The Samuel Davis State Bank credited account 56789 with the money. On April 25, 2004, Joseph Baker decided not to exercise the option and cancelled the order. On May 2, 2004, Joseph Baker started to receive notices from James Madison Rogers National Bank that his checks were bouncing.

James Madison Rogers, president of James Madison Rogers National Bank has entered your associate's office at Suem & Stickem, P.C. James Madison Rogers wants you to advise him what he should do now the situation. Provide your response and its support. That response should include an explanation of the complete rights, claims and defenses of each party with relevant code sections and case law.