

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. BE SURE TO NUMBER EACH RESPONSE.

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 cell-phones, calculators and laptops and other electronic devices is not permitted.
2. **Be sure to answer the specific question that is asked. No question asks for a general recitation about a topic from your notes.** Information supplied relating to general material from your notes or 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. (50 %--1 ½ hour)

Davis Flint wanted to buy a used computer from John Hartt, a used computer dealer, telling John Hartt that he wanted the computer to download tunes from the internet. Since Davis Flint lacked sufficient funds John Hartt would allow Davis Flint to purchase and remove the computer by paying \$25 and signing a promissory note in the amount of \$450, co-signed by Davis Flint's father-in-law Samuel Davis, and signing a separate installment purchase agreement. John Hartt's form note says that it is payable to John Hartt on demand and subject to the provisions of the installment purchase agreement. The installment agreement provides for monthly payments of \$25, that Hartt will not demand payment on the note unless a monthly payment is missed, and grants a security interest in the computer to John Hartt until the note is paid. The next day John Hartt sells the note to Henry Adams, a local financier, for \$200, endorsing the note with "without recourse, John Hartt". Henry Adams adds to the reverse side of the note "payable to Henry Adams". Two days later Davis Flint has attempted to download tunes and was unable to get the computer to work as desired. Three days later Henry Adams turns the note over to Cornelius Waldo as payment for a debt. The next day Cornelius Waldo approaches Davis Flint for payment on the note. Davis Flint refuses to pay the note, stating that his debt is with John Hartt, not Cornelius Waldo, that Davis Flint owes nothing on the note since the computer was defective, and that Davis Flint does not have any money to pay the whole note.

The next day Cornelius Waldo has entered your associate's office at Suem & Stickem, P.C. Cornelius Waldo wants to know how to recover on the note. What is your advice and its reasoning? Provide support.

III. (255 %--45 minutes)

Arunah Hubbell, a computer whiz, breaks the security code at Joseph Baker State Bank. Arunah Hubbell also learns that Moses Smith Manufacturing Company owes Michael Sweetman Steel Company \$10 million for metal plates supplied for Moses Smith Manufacturing Company's operations. Arunah Hubbell opens an account at Benjamin Rockwell National Bank in the name of Michael Sweetman Steel Company, notifies Benjamin Rockwell National Bank to expect a \$10 million wire transfer, issues a payment order to Joseph Baker State Bank in the name of Moses Smith Manufacturing Company, and upon completion of the wire transfer, withdraws the money and flies to Martinique to spend the rest of his days. Moses Smith, President of Moses Smith Manufacturing Company, learns of the action of Arunah Hubbell shortly after receiving another bill from Michael Sweetman Steel Company indicating the account of Moses Smith Manufacturing Company is overdue.

Moses Smith has entered your office at Readem & Weap, P.C. Moses Smith wants to know how to satisfy Moses Smith Manufacturing Company's debt with Michael Sweeman Steel Company. What is your advice and its reasoning? Provide support.

If this transaction was a consumer transaction, what changes would you make to your answer?