

FINAL EXAMINATION
SECURED TRANSACTIONS
PROFESSOR G. FLINT

ESSAY
PLEASE READ CAREFULLY

ALL ANSWERS ARE TO BE WRITTEN ON THE BLUE BOOKS PROVIDED WITH THIS EXAMINATION.

There are two questions of equal value (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 classnotes. Use of calculators and cleansed laptops are 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 your time needed to answer the asked questions.
3. If additional facts are necessary to resolve an issue, specify what addition 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 so do will result in an appropriately lower score.
6. Do not seek an interpretation of language in the questions 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 corrections 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 therefor.

I.
(50% — 90 minutes)

You are a in-house counsel for The Arunah Hubbell State Bank (the "Bank"). One of the loan officers has brought into your office documents relating a loan to Benjamin Rockwell Incorporated (the "Company"). The loan officer wants to know whether everything is in order for tomorrow's closing to release the loan money to the Company. What are your recommendations with respect to the Benjamin Rockwell Incorporated loan? Be sure to support your recommendations with support, including Code sections and relevant case law.

The following is a recitation of the information regarding the Benjamin Rockwell Incorporated loan (the "Loan") that the loan officer has provided.

The Loan is in the amount of \$10,000,000 to be used for operations. The Company operates a TV station. Its assets consist of real estate leases for the operational premises, numerous contracts concerning the right to show various TV programs, movies, and cartoons, numerous contracts with advertisers to show their advertisements on TV, preferred stock in Clear Channel, a San Antonio public corporation, office equipment; key man insurance policies listing the Company as the insured; motor vehicles, electronic equipment, some of which is attached to the leased premises; and a checking account at the Bank that usually averages \$1,000,000 every month. All of the Company's property is located in Texas. Texas has a motor vehicle certificate of title statute. The security agreement grants a security interest in all personally of the Company. The financing statement listing "all personalty" was filed with the Secretary of State of Texas on November 19, 1998. A UCC search with the Secretary of State of Texas shows only the above financing statement on file under the name of "Benjamin Rockwell Incorporated" and the financing statement of Joseph Baker Electronic Corporation filed on July 20, 1997. Company records indicate a purchase of camera equipment from Joseph Baker Electronic Corporation on July 3, 1997, on credit. The purchase agreement grants Joseph Baker Electronic Corporation a security interest in the camera equipment sold. The camera equipment is worth about \$100,000.

II.
(50%--90 minutes)

You are bankruptcy trustee for Joseph Irwin, Inc. (the "Bankrupt"). You are liquidating the Bankrupt. You have received all the claims of various creditors. You are ready to determine the rights of various creditors to the Bankrupt's estate. You are now preparing your report. What priorities would you give the various creditors? Be sure to support your priorities with support, including Code sections and relevant case law.

The following is a recitation of the information regarding the Bankrupt's creditors gleaned from the claims.

The Bankrupt was an interstate manufacturer of solar panels with plants in California and

Texas. The bankruptcy filing occurred on July 7, 1998. The solar panels consisted of a copper plate backing with tubes to conduct the heat, a wood frame, and a glass covering. The panels sold for \$260 with the plate costing \$150, the glass \$25, and the wood \$10. The Bankrupt's estate has 1000 of completed solar panels, and 500 each of the copper plates, wood frames, and glass covers in its inventory, all located at the Texas plant. Thomas Gasaway, Inc., the supplier of the copper plates on credit has a security interest in the copper plates to secure credit in the amount of \$300,000. Thomas Gasaway, Inc.'s, financing statement was filed on January 3, 1995, with the Secretary of State of Texas. Rebecca Turner Corporation, supplier of the glass covers has a security interest in the Bankrupt's inventory in the amount of \$20,000. Rebecca Turner Corporation's financing statement was filed on February 8, 1996, with the Secretary of State of Texas.

The Bankrupt was unable to pay its federal income taxes for the year 1995, and on August 8, 1997, the Internal Revenue Service assessed a deficiency for those income taxes in the amount of \$50,000. The Internal Revenue Service filed its tax lien in the District Court of the Western District of Texas on August 20, 1997.

The Bankrupt sold 500 solar panels to residential consumers in the three months before the bankruptcy filing for \$260 per panel. These sales were done on credit, with a down payment of \$10 and payments to begin on the remainder after 90 days.

On June 8, 1998, the Bankrupt paid Rebecca Turner Corporation \$5,000 for glass covers previously supplied.