G. Flint

ST. MARY'S UNIVERSITY
SCHOOL OF LAW

Summer term
August 12, 1992
Id. No. ________

FINAL EXAMINATION
SECURED TRANSACTIONS
MR. FLINT

4 pages

PLEASE READ CAREFULLY

ALL ANSWERS ARE TO BE WRITTEN IN THE BLUE BOOKS PROVIDED WITH THIS EXAMINATION. THE EXAMINATION IS TO BE TURNED IN WITH THE ANSWERS AT THE END OF THE EXAMINATION AND ARE NOT TO BE KEPT BY THE TESTEE. NO COPY OF THIS EXAMINATION MAY BE REMOVED FROM THE EXAMINATION ROOM DURING THE EXAMINATION.

There are six questions of equal value. The time for completing the examination is three hours.

1. This examination is "closed book." Assume that all action takes place in a jurisdiction in which the Uniform Commercial Code, the Bankruptcy Code, the Internal Revenue Code, and the Uniform Fraudulent Conveyance Act is in effect.

2. Be sure to answer the specific question that is asked. Information supplied relating to some unasked question will not increase your score, consumes your time needed to answer the asked questions, and will lower your score.

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 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.

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I.

[16.67%--30 minutes]

New York Bank lends money on the basis of New Jersey Trailer Retailer's inventory and establishes a field warehouse. As part of a scheme to get revenge on Bank for denying him credit and in cahoots with Retailer, Buyer purchases a trailer from Retailer and it is delivered to Buyer in New York, where the trailer stays. Buyer, a resident of New Jersey, then borrows from New York Finance Company and uses his new trailer as collateral. Buyer signs a written security agreement and Finance Company makes an Article 9 filing in New Jersey. Several months pass by. Then both Buyer and Retailer disappear.

A loan officer of Bank enters your associate's office at Grab'Em and Keep'Em, P.C., for advice as to Bank's rights to the trailer? What is your advice and its reasoning.

II.

[16.67%--30 minutes]

On January 1, the IRS assesses Debtor $10,000 for overdue taxes. On February 1, Bank sells on credit its old microcomputer to Debtor for $10,000, secured by the microcomputer. Bank makes no filing. The IRS files a notice of the tax lien against Debtor on March 1 in the proper location. On April 1, Debtor trades its microcomputer in on a new one (an even swap). The microcomputer is worth $10,000. On June 1, Bank learns of the federal tax lien filing.

A loan officer of Bank enters your associate's office at Grab'Em and Keep'Em, P.C., for advice as to Bank's rights to the new microcomputer? What is your advice and its reasoning.

III.

[16.67%--30 minutes]

In 1980, First Bank loaned Debtor $100,000 and took and properly recorded a mortgage in Debtor's real property. In 1981, Finance Company loaned Debtor $100,000 so Debtor could buy a large drill press. Finance Company files a financing statement covering the equipment. Shortly, thereafter Debtor changes its corporate name, and borrows $50,000 from Second Bank, granting a security interest in all its equipment, including after-acquired. Debtor acquired the drill press in late 1981. The drill press became a fixture shortly after Debtor acquired in it 1981. In 1982, Finance Company recognized that the drill press might be considered a fixture, and

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it made a proper fixture filing. In 1983, Debtor began extensive renovations of its plant, and borrowed $100,000 from Third Bank to finance the construction. Third Bank took and properly recorded a mortgage in Debtor's real property to support its loan.

The Vice-President of the Finance Company has come into your associate's office at Grab'Em and Keep'Em, P.C., for advice as to Finance Company's rights to the drill press. What is your advice and its reasoning.

IV.

[16.67%--30 minutes]

Debtor receives $10,000, represented by five checks in the amount of $2,000 each, from the sale of drill presses on January 1, in which Finance Company has a perfected security interest. Debtor endorses one check over to Finance Company, leaves one check at his place of business, and places the rest of this money in his bank account, which before the deposit had a balance of $100. On January 2, Debtor withdraws $4,000 from the account, goes to Las Vegas and loses it all playing baccarat. On January 6, Debtor receives a $8,000 check from his mother as a birthday present. Debtor deposits it in his account. Debtor files a bankruptcy petition on January 8.

The bankruptcy trustee has come into your associate's office at Grab'Em and Keep'Em, P.C., for advice as to its rights in the deposit account. What is your advice and its reasoning.

V.

[16.67%--30 minutes]

Finance Company lends $10,000 to Debtor in 1985 and takes a security interest in all of Debtor's assets, including its inventory, accounts receivable, furniture, and equipment. In the space on the financing statement that requires a description of the collateral is the notation, "See attached List." There is no attached list. In 1986 Bank lends $10,000 to Debtor on an unsecured basis after examining the files for financing statements under Debtor's name. In 1987 Debtor defaults on both loans. Bank sues, reduces its claim to judgment. In June 1987 Finance Company takes possession of everything in Debtor's store pursuant to the security agreement. In July 1987 Bank levies and garnishes on Debtor's assets.

The Vice-President of the Finance Company has come into your associate's office at Grab'Em and Keep'Em, P.C., for advice as to Finance Company's rights to Debtor's assets. What is your advice and its reasoning.

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VI.

[16.67%--30 minutes]

Leasing, located in New York, leases to Manufacturer five drill presses for three years, for use in Manufacturer's New Jersey plant, at $1000 per drill press per year. The drill presses have a purchase price of $7000 each and a useful like of more than ten years. Manufacturer has no option to buy and no option to renew. Leasing then borrows money from Bank and gives Bank, as security, all of Leasing's rights in the drill presses and lease.

Bank loan officer enters your associate's office at Grab'Em and Keep'Em, P.C., for advice as to what Bank should do to protect its security interest. What is your advice and its reasoning.