

FINAL EXAMINATION  
SECURED TRANSACTIONS  
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 two questions of equal time and percent. 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. 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 hours)

You are in-house counsel for Otha Gasaway Finance Company, an entity experienced in providing financing to stockmen. Andrew Melvin, one of the account officers at Otha Gasaway Finance Company, has brought into your office documents relating a loan to Garrett Voshell, a cattle rancher in Live Oak County, Texas. The purpose of the loan is to provide operational capital to Garrett Voshell. Andrew Melvin wants to know what additional work he needs to do for the closing, the moment in time when the loan money will be released to Garrett Voshell. Andrew Melvin also wants to know how effective any security interests you might propose will be. What are your recommendations with respect to the loan to Garrett Voshell? Be sure to support your recommendations with Code sections and relevant case law. The following is a recitation of the information regarding the ten-year \$300,000 revolving loan (the "Loan") to Garrett Voshell that the account officer has provided.

Garrett Voshell generally breeds Herefords, selling any resulting steers to various feed lots after fattening them on his the grass on his 1000 acre ranch, which he leases from William Hatton. The ranch operation has a few tractors, trucks, and mowers to keep the pastures in adequate shape for the Herefords along with grass seed and hay. Garrett Voshell has long-term employment contracts with his key people, namely Frank Stainer, his foreman, and George Christian, his veterinarian. Garrett Voshell lives in a mansion-like ranch house with luxurious furniture. Garrett Voshell also has life insurance policies on his key employees. Garrett Voshell maintains his only bank account with Otha Gasaway Finance Company.

II. (50--1 ½ hours)

[NOTE: The facts listed in Problem I still apply in this Problem II. Whatever you recommended be done in Problem I was not done unless provided for below.]

You are an associate lawyer of the Bankruptcy Trustee for Garrett Voshell (the "Bankrupt"), who operated the business described above. (You are not, nor have you ever been, the lawyer that represented Otha Gasaway Finance Company described above.) The bankruptcy filing occurred on June 2, 2010. The Bankruptcy Trustee is liquidating the Bankrupt under chapter 7. There are no exempt assets of the Bankrupt. The Bankruptcy Trustee has received all the claims of the various creditors. The Bankruptcy Trustee is ready to determine the rights of various creditors to the Bankrupt's estate. You are now preparing a report of the division of the Bankrupt's estate for the Bankruptcy Trustee. How much would you allow 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 petition and claims.

The Bankruptcy Trustee has offers to buy the entire business of Garrett Voshell for \$175,000, allocated as follows: \$50,000 for installment sales agreements, and promissory notes generated by sales of Hereford heifers, \$80,000 for the Hereford cattle, \$20,000 for the tractors, and mowers, \$20,000 for trucks, and \$5,000 for the checking account at Otha Gasaway Finance Company containing only money not derived from sales of cattle, with any remaining assets being of negligible worth.

On October 12, 2009, Garrett Voshell transferred title to his three prize Hereford bulls with a value of \$50,000 to his wife, Deborah Ann Melvin, for love and affection.

Garrett Voshell neglected to file a tax return for the 2008 year. The Internal Revenue Service discovered the absence, assessed \$50,000 in back taxes and penalties, and filed a tax lien against Garrett Voshell with the County Clerk in Live Oak County, Texas, on January 2, 2010.

Otha Gasaway Finance Company at the time the bankruptcy petition was filed had outstanding on its revolving loan \$200,000. On December 1, 2009, Otha Gasaway Finance Company filed a financing statement against Garrett Voshell with the Texas Secretary of State on "livestock" and sent a notice of their interest to John Queen, the feed lot operator to whom Garrett Voshell usually sells.

On February 1, 2010, Garrett Voshell bought some Hereford heifers from James Madison Rogers for \$30,000. James Madison Rogers reserved title to the sold Herefords until Garrett Voshell paid the \$30,000, filing a financing statement on "Livestock" on February 3, 2010, sending a notice of the reservation to Otha Gasaway Finance Company on February 3, 2010 for which the return receipt requested card indicates Otha Gasaway Finance Company received on February 8, 2010, and delivered the Herefords to Garrett Voshell on February 10, 2010.

On March 4, 2010, Garrett Voshell bought more Hereford heifers, this time from Joseph Moon for \$20,000. Joseph Moon reserved title to the sold Herefords until Garrett Voshell paid the \$20,000. When Garrett Voshell failed to make the first installment payment on April 4, 2010, Joseph Moon filed a lawsuit against Garrett Voshell, obtained a default judgment on May 20, 2010, obtained a writ of execution on May 20, 2010, had it delivered to the sheriff of Live Oak County, Texas, on May 25, 2010, and the sheriff levied it on some of Garrett Voshell's cattle on June 10, 2010.

On May 1, 2010, Garrett Voshell sold some fattened Herefords to John Queen for \$50,000, denoted in money, installment contracts, and promissory notes.

As of the bankruptcy filing, Garrett Voshell owes \$10,000 in rent to William Hatton for three months under Garrett Voshell's lease of William Hatton's ranch where Garrett Voshell has been raising the cattle.