Anonymous Examination No.
---------------------------

# FINAL EXAMINATION SECURED TRANSACTIONS § W Professor John D. Wladis December 10, 2001

### GENERAL INSTRUCTIONS: READ CAREFULLY!!!!!

- 1. Write your <u>anonymous number</u> in the place provided at the top of this page.
- 2. If you are a Graduating Senior write "GRADUATING SENIOR" on the cover of your essay answer booklets.
- 3. This is a limited open book examination. During the examination you may consult only your <u>Selected Commercial Statutes</u> books.
- 4. <u>If you wish to leave the room during the examination</u>, you must give your test questions, bluebooks, and answer sheet to the proctor before leaving. You may not speak with any member of the class while outside the room.
- Assume that all relevant jurisdictions have enacted the U.C.C. REVISED ARTICLE
   9.
- 6. Wherever any U.C.C. subsection contains several alternatives, assume that all relevant jurisdictions have enacted the <u>First Alternative</u>.
- 7. You have three (3) hours in which to complete the examination.
- 8. <u>Turn in your copy of this examination</u> with your examination papers at the end of the examination.

Happy Holidays!

# **PART II - ESSAY QUESTIONS - 64 Points**

(Suggested Time: 2 hours)

## Instructions: READ CAREFULLY!!!!

In answering the essay question:

- a. Identify clearly each issue you discuss
- b. Take time to think through and organize your answer before writing it.
- c. <u>Cite text and comments</u> of the U.C.C. and other statutes where relevant.

#### ESSAY I 36 Points

(Suggested Time: 1 hour, 15 minutes)

Herschel Krustoffsky owned Krustylu Studios, Co., Inc. ("Krustylu"), a corporation that produced movies. Krustylu contacted Monty Burns to borrow money to finance <u>Hairy Plodder</u>, a documentary about Krusty's walk across America to raise money for indigent stand-up comics. Burns said he would consider loaning the money if Krustylu would secure the loan with its collection of antique clown noses. Krusty agreed and okayed Burns filing a financing statement.

The financing statement listed the debtor as "Krustylu Studios, Inc." and described the collateral as "Antique clown nose collection". By oversight, Krusty neglected to sign the financing statement on behalf of Krustylu. Burns filed the financing statement on April 1, 2001 in the proper filing office.

Several weeks passed and Burns still had not decided whether to make the loan. Consequently Krusty approached Ned Flanders about financing the documentary and giving Flanders a security interest in Krustylu's assets to secure the loan. Flanders weighed the deal and decided to go ahead.

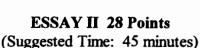
On May 15 Flanders disbursed the money to Krustylu after getting Krusty to sign a security agreement and financing statement on behalf of Krustylu. The financing statement listed the debtor as "Krustylu Studios Co., Inc." and described the collateral as "all personal property of debtor". Flanders filed the financing statement in the proper filing office on May 16.

Later Burns decided to make the loan. Krusty said nothing to Burns about the Flanders loan when he signed the security agreement for Krustylu and received the funds from Burns on June 8.

Production of the documentary flopped when Krusty broke his toe soon after starting his trek. When Burns learned that the documentary would not be made and Krustylu would not repay the loan he acted. The night of July 8, after Krustylu was closed, entered the studio by an unlocked window and took the clown nose collection. Later he informed Krustylu of what he had done.

On August 1 Krustylu filed for bankruptcy. Lionel Hutz was appointed trustee. Hutz found the Burns and the Flanders financing statements when he conducted a search under Krustylu Studios' full name. Burns, Flanders and Hutz all claim the antique clown nose collection. Answer these questions:

- 1. As between Burns and Flanders, who is entitled to the clown nose collection? Explain.
- 2. As between Burns and Hutz, who is entitled to the clown nose collection? Explain.



Titan Corporation (Titan) was in financial trouble. Consequently it decided to sell \$2.5 million worth of paintings and objets d'art that graced its corporate headquarters. Titan consigned the paintings to B. Gumble Gallery (Gumble), a retailer of fine art. Gumble was to display and sell the paintings.

Since Gumble did not normally take paintings on consignment, the parties entered into a written consignment agreement, which both parties signed. The agreement listed the paintings and required Gumble to obtain Titan's prior approval of the terms of sale for each painting before finalizing the sale. Gumble was entitled to keep a fixed percentage of the sale price and was to remit the remainder of the price to Titan. The agreement also stated that Titan retained title to each painting until its sale had been approved by Titan

Gumble arranged a sale of one of Titan's paintings, Whistler's Lawyer, to Moe Syslak. Moe agreed to buy the painting for \$750,000 to be paid in this unorthodox fashion: Moe would give Gumble an antique bust of Homer worth \$100,000 and satisfy a \$200,000 loan Gumble owed Moe. The balance of \$450,000 was to be paid by Moe over three years.

Gumble did not seek Titan's approval for the sale; nor did Gumble remit any money to Titan. Gumble is now insolvent. When Titan learned what Gumble had done it sued Moe for the painting. Who wins? Explain.

**END OF EXAM** 

•
[Essay I]: 36 Pts. Burns u flanders u Hutz
(3) 1. List Clown Nose collect = Eq. 9-102(a)(33
(6) 2. Id. Borns a. SI 1-201(37) psc4/1 b. Cr Agrt, Corrob (Signed Agrt) 9-203 Wel. Rts in collat C. Perf - Filing 3/0(a)
Dueed not sign 502+ cmt 3 Duame ok ?- Sta seaven logic 5061 Descript ok 504 Place ok 501(a)
(3) { Flanders ST PSC 5/16 Cr. Hut2 = Tee Pent - descriptor 504
(6) 3. Burns v Flandets psc 4/1 psc 5/16
Burns wins - 1st to pert 9-322(a)(1)
(6) 4. Burns v Hutz (a) Clibet's of D- Proper repo?
(c) c) 547 -No-No.A.D. 618 bebt Cr.
e) satisty No-B beats perf 618
EssayII 28 Pts Titoen V. Moe for painting
(C) 1 1 ct Dawn - Tall
(5) 2-Id. Titain SI - Either: CIAS-No of the ret 1-201(37) (ST sen
(5) 2-Id. Titain SI - Either: SITTIVE Cansign cov. by Art 9 9-102(a)  (5) 2-Id. Titain SI - Either: SITTIVE Cansign cov. by Art 9 9-102(a)  (5) Cot imperasc Cr signed Agrit (consign agrit)  Wal given  Dhas 178.  Dert? No - no filing or poss
perf? No - no filing or poss
(7) Noe Boyer
not BIOCOB - Sale did not follow usual practices 1-2019
(6) 3. Titan v Moe - Moe wins 317(b)
[320(a) of Blocob]