

Final Exam

This two-hour exam is due at 4:00 PM. Your Exam4 may be set to Open + Network, and you may look at any written material during the exam. However, you may not talk, or otherwise communicate, with anyone except me. Copying and pasting into your answer is allowed, but doing much of that can distract from what earns points, which is following the instructions below to answer the questions on the following pages.

This exam consists of four problems. Each problem is preceded by the suggested time to be allocated to it. The number of points a problem is worth is in proportion to its suggested time, and the suggested time for reading these instructions is 10 minutes.

As you respond to each problem's questions, remember that organization counts. Start a new paragraph when you start discussing a new topic. Paragraph breaks (hard returns) between topics helpfully show your organization with white space.

If you need more facts or see an issue on which more than one party has a strong argument, then write the rest of your analysis in the alternative. "If, then" statements helpfully show organized reasoning.

References to relevant statutes, case law and other authority are valuable. Assume that all relevant jurisdictions are in the United States and have adopted the Official Text of the Uniform Commercial Code and the Uniform Motor Vehicle Certificate of Title and Anti-Theft Act.

Good luck!

Problem 1

Suggested Time 40 minutes

Runch Plumbing, LLC (Runch), has three employees and has long provided various plumbing services to homes and businesses. In 2019, Runch borrowed from Fidelis Finance Co. (Fidelis) and signed Fidelis's form contract, which includes the following language.

To secure payment of all Runch's current or future debts to Fidelis, whether under this Agreement or any current or future guaranty or other agreement, Runch grants Fidelis a security interest in all Runch's inventory, equipment, fixtures, accounts, contract rights, chattel paper, instruments, reserves, documents, and general intangibles, whether now owned or hereafter acquired, all attachments, accessories, accessions, substitutions, and replacements thereto and all proceeds thereof. All such assets are as defined in the Uniform Commercial Code and referred to herein as the "Collateral."

Question 1.A How should Fidelis have perfected its security interest?

Last week, Runch defaulted on its obligations to Fidelis and now owes Fidelis \$180,000. Runch's property—nearly all of which is described in the above block quote—is probably worth about \$130,000 if sold as a package to a plumbing business, but worth much less if sold in pieces. Runch's only other creditor is C, the issuer of Runch's (unsecured) credit card. Runch owes C \$1843.

Runch's sole owner, Olga, who personally guaranteed Runch's debt to Fidelis, is 70 years old and has decided to retire to her cabin in the mountains rather than continue operating a plumbing business. Olga knows a lot about the plumbing business and has lots of great professional relationships and friendships with a variety of people who own plumbing companies. In contrast, Fidelis knows almost nothing about the plumbing business and lacks good connections with people involved in it.

Question 1.B If Fidelis perfected its security interest, then what do you expect will occur among these parties?

Problem 2

Suggested Time 10 minutes

The phrase "or future" appears twice in the contract language block quoted in Problem 1. This "or future" phrase will matter when? In other words, if both uses of "or future" were deleted from this contract, that would change the results of what sorts of cases? Provide examples of realistic transactions with enough detail to show you understand.

Problem 3**Suggested Time 40 minutes**

Three months ago, Kansas resident Callie Dorr bought a clothes-washer and dryer from a retail store owned by Hamox, LLC (Hamox). Dorr paid her seller (Hamox) no money at the time she received the goods, but she signed a contract obligating her to pay Hamox \$40 on the first day of each of the following thirty months, for a total of \$1200. This contract also granted Hamox a security interest in the clothes-washer and dryer to secure Dorr's obligations to Hamox. However, Hamox has done nothing else with respect to Dorr.

Three weeks ago, Dorr borrowed \$1000 from CashNow, Inc. (CN); to secure her promise to repay this loan with interest a week later, Dorr granted CN a security interest in the washer and dryer she had purchased from Hamox.

Dorr has paid nothing to either Hamox or CN. The washer and dryer are now worth about \$300 each.

What do you predict will happen to the washer and dryer if all parties remain out of bankruptcy?

Problem 4**Suggested Time 20 minutes**

Part 2 of this exam is a separate pdf.

Question 4.A. Based only on the information in Part 2 (do not do additional research), you suspect that which creditors have received security interests in which property of Wareham Enterprises, LLC?

Question 4.B. On the other hand, what realistic facts—entirely consistent with the information in Part 2 of this exam—would make your suspicion incorrect?