

Anonymous Number: _____

This is a 40-minute exam. When time is up, turn in this exam and your answers. Although this exam must be turned in, any writing on it will not be graded.

You may set your Exam4 exam software to the open + network mode so you can access your computer and the internet. You may also look at any written “hard copy” material during the exam. You may not talk, or otherwise communicate, with anyone except me.

Write your Anonymous Number in the space provided above. One point on this exam is available for timely submission of this exam with your correct anonymous grading number, and another point is available for timely submitting your answers with your correct anonymous grading number. A third point is available for inserting an answer separator (“Tools” on the top menu of Exam4) before your answer to each of the four questions. Doing so does not add to your word count.

Your word limit on this exam is 1250. You will not earn any points for any words beyond 1250. (To display the word count in Exam4, select the Tools menu at the top of the page and then select “Show Exam Statistics”. The word count will be displayed on the right side of the page.)

In answering the questions on the following page, if you identify an issue on which more than one party has a strong argument, or for which you need more facts, then write the rest of your analysis in the alternative. If-then statements helpfully show issue-spotting and 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.

Good luck!

Ollie's Plumbing has prospered for 40 years by providing reliably good work at a reasonable price. When Ollie Ozbourn started the business in 1983, it was just him. But it has now grown to ten full-time employees plus some other workers during busy times. Ollie pays them and others from his own bank account because Ollie is still a sole proprietor who never took friends' advice to consult a lawyer or form a business entity. "I don't need a lawyer," Ollie says. "I don't have disputes because I treat people right. And when they don't treat me right, I just stop interacting with them. Better to lose a little money and move on with life in peace."

When asked what his business has, Ollie says: "Seven vehicles all of which are painted with 'Ollie's Plumbing' in big letters, a bunch of other equipment and inventory in the warehouse we rent from Landmark Properties, plus of course terrific relationships with our customers, suppliers, and workers."

While the original customers of Ollie's Plumbing were mostly homeowners needing minor repairs, the growth of Ollie's Plumbing came from a steadily increasing number of larger and more profitable business and industrial customers. For example, several manufacturers often use Ollie's Plumbing for big dollar jobs, as do some construction firms. Unlike residential customers though, who typically pay for plumbing work the day it is performed, business customers typically have 60 days to pay after work is performed. Sometimes the price for one of these jobs is over \$100,000. Waiting for such a big payment, Ollie says, "is a sad reality of this industry."

Nova has been Ollie's most trusted co-worker for many years. In addition to her skill as a plumber, Nova has a head for business. Now that Ollie has reached retirement age, he has agreed to sell his business to Nova for \$400,000. While that agreement is just a handshake, it rests on years of increasingly serious conversations between Ollie and Nova and both individuals are committed to it.

Nova paid a small fee to a lawyer to form ONo Plumbing, LLC, which Nova owns, and which Nova hopes will buy the business from Ollie. The same lawyer is representing Nova in this transaction.

Nova has \$70,000 she can spend to buy Ollie's business. Bank is willing to lend the remaining \$330,000 if it is oversecured and likely to remain so. Nova and Bank have tentatively agreed on an interest rate and payment schedule for this loan.

If Bank lends \$330,000, what must occur for Bank to be, and then remain, oversecured? Answer this question in

1. One sentence; and then
2. Several paragraphs discussing documents Bank wants signed (by whom? in what capacity?) and the terms of those documents.

Suppose Bank follows your advice in **2**, and lends \$330,000. If ONo Plumbing, LLC, then loses customers and breaches its contract with Bank,

3. What can Bank do to collect what it is owed?
4. If Bank's debtors file for bankruptcy, how does that change your answer to **3**?