

THE UNIVERSITY OF BRITISH COLUMBIA
PETER A. ALLARD SCHOOL OF LAW

FINAL EXAMINATION – APRIL 2020

LAW 438.001
Secured Transactions

Professor Bruce MacDougall

EXAMSOFT PASSWORD:
EXAMSOFT RESUME CODE:

TOTAL MARKS: 100

WRITING TIME ALLOWED: 2 HOURS 30 MINUTES
PREPARATION TIME ALLOWED: 10 MINUTES

Preparation Time has been given to download/print/set up for your exam once the exam has been made available online through Canvas. This time cannot be used for writing exam answers. All exam answer uploads will be monitored to ensure that typing of answers only occurred for the allotted Writing Time.

This is an open book examination.

Any exam answers that raise suspicion of breaking any restrictions outlined on this cover page may be subject to being processed through academic integrity software.

If you think you have discovered an error or potential error in a question on this exam, please make a realistic assumption, set out that assumption clearly in writing for your professor, and continue answering the question.

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Your Exam Code, Course Number, Name of Course, and Instructor Name
i.e., **9999 LAW 100.001 Law of Exam Taking (Galileo)**

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LAW 438.001- THIS EXAM HAS ONE QUESTION**MARKS
(100)**

1. Dieter runs a sofa, chair and cushion shop. Dieter also deals in fabric to be used for upholstery and also deals in tools and supplies for D.I.Y. upholstery. The more expensive items, Dieter attempts to sell on consignment. Dieter prefers to sell for cash. Sometimes he sells on credit (but never on secured credit) and occasionally he takes an interesting item in trade as part payment.

On 2 January, Dieter has in stock sofas A, B and W.

On 15 May, Dieter gets access to bolts of fabric E and F from Thomas. Thomas is an antiques dealer who has had E and F lying about unsold for some time. Thomas thinks Dieter might be able to sell the fabric for him or even want to buy it for himself. Thomas and Dieter agree on 15 May that Dieter will try to sell E and F for Thomas over the next two years. If Dieter does, then Dieter can keep 10% of the take. If Dieter gets a written offer for E or F, Dieter can buy E or F himself for 80% of that offer, so long as six months have passed since 15 May. Thomas and Dieter agree to this orally, but in any event, on 15 May Thomas files a financing statement saying that he has a security interest, in "E and F" but Thomas spells Dieter as "Deiter". For the time being Thomas keeps F but gives Dieter a sample of it to show potential customers. Dieter gets possession of all of E on 15 May.

On 1 September, Dieter reaches a written agreement with Thomas whereby Dieter agrees to pay \$800 in five months time to get $\frac{1}{4}$ of E for his own use now. Thomas will keep ownership of this $\frac{1}{4}$ of E until the \$800 is paid. Dieter, on 1 September, takes the $\frac{1}{4}$ of E and uses it to reupholster chair Q.

Dieter got chair Q on 10 July. On that day he sold chair A to Verena. In payment for A, Verena gave chair Q, a promise to pay \$500 in one year, a dog called Marien and desk O (which desk Dieter will use as his business desk). Verena is a real estate agent. On 15 March, she gave a security agreement in "all present and after-acquired office equipment" to Johannes to secure repayment of \$900. Their written agreement of 15 March and the financing statement Johannes filed that same day both use this language.

Rosamund, a lender, enters into a written agreement with Dieter on 1 April taking a security interest in "all present and after-acquired property except equipment and, in accounts only as proceeds". This secures advances made by Rosamund under a line of credit for Dieter. Advances are made under this line of credit on 1 April (\$2000), 1 May (\$2000), 1 August (\$2000), 1 November (\$2000) and 1 December (\$2000). On 1 April Rosamund files a financing statement using the same collateral description as in the written agreement.

On 24 August, Petra sells sofas X, Y and Z to Dieter for \$500 each, after Dieter gives Petra a \$900 part payment. To ensure she is paid the outstanding amount, Petra, according to their written agreement and the financing statement filed on 24 August, gets an interest in “all inventory and all office equipment”. On 23 August, Petra sent a notice to Rosamund saying that Petra was financing the purchase of X and Y for \$500 each. (Only on 24 August do Petra and Dieter agree to include Z in the deal.) Dieter gets X, Y and Z on 24 August.

The \$900 Dieter used as the part payment for X, Y and Z came from Loritz who lent Dieter the money for that purpose. Their written agreement and the financing statement Loritz filed on 23 August say Loritz has an interest in all Dieter’s present and after-acquired property. Loritz sent a notice to Rosamund on 23 August saying Loritz was getting from Dieter a purchase money security interest in N, X, Y and Z.

Rosamund and Petra enter into an agreement on 1 September whereby Petra agrees to subordinate her interest in X, Y and Z to Rosamund to the extent of half of the amount owed by Dieter to Rosamund.

On 12 December, Dieter sells Y to Hedwig, another furniture dealer, for \$2000 which Hedwig pays by giving Dieter: G (a sofa) and U (a display unit for fabric). On 13 November, according to their oral agreement, Hedwig gave a security interest in U to Stefan, to secure repayment of \$1,000 by Hedwig to Stefan. On 13 November, Stefan took possession of U and kept possession up until 8 December when Stefan gave over possession of U to Hedwig so she could show it to Dieter (who, as we know, obviously liked it).

It is now 15 December. Describe the priorities as they exist on this date.

You may make the following assumptions:

- All financing statements indicate registration for “Infinity” unless otherwise indicated.
- No permission is sought by Dieter to deal with any collateral unless the facts expressly state otherwise
- All dates given are in the same year
- There are no other parties or personal property involved
- There are no carrying costs or interest charges relating to any amount lent
- Nothing is repaid unless the facts specifically indicate otherwise
- Any obligation to send notices of registration of financing statements has been met.
- All facts happen in B.C. and the law of B.C. governs.

END OF EXAMINATION