

**THIS EXAMINATION CONSISTS OF FOUR PAGES  
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**THE UNIVERSITY OF BRITISH COLUMBIA  
FACULTY OF LAW**

**FINAL EXAMINATION – APRIL 2022**

**LAW 438  
Secured Transactions**

**Section 1  
Professor Bruce MacDougall**

**TOTAL MARKS: 100**

**TIME ALLOWED: 2-1/2 HOURS**

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**NOTE:** 1. This is an open book examination. Students may take any materials they wish into the examination room except library books.

**THIS EXAMINATION CONSISTS OF ONE QUESTION**

**Marks**

100

1. Doris is the seller of antique porcelain and cabinets for porcelain. She owns her own building and has already given a mortgage on it to Mona who has filed in the Land Title Office and has made an advance of \$10,000 under that mortgage. Mona makes another advance under this mortgage on 20 August.

Doris usually buys her stock outright (though often on credit) and then sells again retail. Occasionally, however, she takes items on consignment and has also been known to make one or two non-retail sales.

On 1 January, Doris has in stock plates S and T, both priced to sell at \$1000 each. On 20 May plate S is sold to Gordon and in exchange Gordon gives plate N and \$600 (which Doris puts in her general bank account) and a promise by Gordon to pay \$500 on 25 December.

On 3 March, Doris gets plate Y in inventory from Alta. This will be the first time Doris will ever have had silver plates, but Doris thinks these might be good items for her to carry in the future. Doris and Alta have an oral agreement whereby if Doris sells plate Y for Alta, Doris will get to keep 20% of the price. To ensure that Alta will be paid, Doris gives Alta a security interest in all Doris's present and after-acquired silver inventory. Doris does not get plate Y immediately from Alta, but rather gets a photo of it to show potential buyers. On 16 May, Doris thinks she has a buyer and actually gets Y from Alta and she keeps it for 6 weeks, but does not make the sale and so at the end of this period (on 28 June) Doris returns Y to Alta.

On 18 November, Doris gives a security interest to Barry in all present and after-acquired accounts. Their written agreement and Barry's filed financing statement to this effect are also done on 18 November.

On 12 February, pursuant to their written agreement entered into on that day, and the financing statement filed on that day, Doris gives Herbert a security interest in "all present and after-acquired property plus all present and after-acquired office and shop equipment". Herbert makes the following advances: \$3000 on 19 January (i.e. before their agreement was finalised), \$2000 on 12 February, \$1000 on 16 August, \$4000 on 13 November and \$5000 on 2 December. Their agreement specifically states that Doris can sell all porcelain and proceeds from porcelain free from Herbert's interest.

On 14 February, according to their written agreement dated that day between Doris and Juan, Juan gets an interest in all present and after-acquired property of Doris to secure repayment of 3 advances of \$2000 each made on 16 February, 18 August and 23 November. Juan files a financing statement covering the interest on 15 February. The agreement between Juan and Doris

(Question 1, continued)

says that Juan “agrees to subordinate any interest he has in equipment to any other existing secured party of Doris”.

On 15 November, Doris finds a buyer for Y. Y is sold to Quentin for \$4000. With Alta’s specific agreement to have Y sold this way, Quentin agrees to take Y subject to all existing security interests in Y until the full \$4000 is paid. On 15 November, Quentin pays \$1000 and gives porcelain plate K (valued at \$1000) to Doris. There is still \$2000 owing. On 13 February, Quentin had given and interest in all present and after-acquired property to Farah to secure repayment of advances made by Farah to Quentin. These advances are as follows: \$600 on 15 February, \$700 on 14 April, \$800 on 3 September, \$900 on 17 November and \$1000 on 3 December. Quentin and Farah have a written agreement covering all this, dated 12 February, and Farah registers a financing statement covering all present and after-acquired property on 13 February, but she spells Quentin’s name wrong (“Quenton”). Quentin gives another security interest in all present and after-acquired property to Reinhardt on 19 November, also the date of their written agreement and Reinhardt’s filing of a financing statement to this effect.

On 10 March, Doris uses part of the advance made by Juan on 16 February to buy L and P, both cabinets for porcelain. Doris puts both L and P in inventory, but on 14 June, Doris decides to use L for her own display purposes and, to this end, affixes it to the floor.

On 19 July, pursuant to their written conditional sales contract of 18 July, Xavier delivers mirror W to Doris, who owes \$200 for it. On 20 July Doris affixes W to a wall.

On 18 October, Doris sells cabinet P to Zarah for the following: \$300 cash, cabinet O and porcelain plate E. The transaction is unusual in Doris’s taking a cabinet as a trade-in. O is the subject of a written chattel mortgage Zarah gave to Uriah on 18 April. Uriah files a financing statement in “O and all proceeds from O” on 18 April.

On 30 October Doris sells O to Victor who gives, in exchange, a promise to pay \$800 on 1 December and a promise to pay \$400 on 31 December. On 23 November, Barry notifies Victor that Victor should pay these amounts to Barry. On 1 December, Victor sends the \$800 to Barry.

Assume it is now 15 December. Describe the priorities on that date, giving reasons. Also make the following assumptions:

(Question 1, continued)

- All financing statements indicate registration for “Infinity” unless otherwise indicated.
- No permission is sought by David 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
- All facts happen in B.C.
- Any document *in existence* that needs to be signed, is signed, and a copy of that signed document is given to whomever ought to receive such a copy.

**END OF EXAMINATION**