THIS EXAMINATION CONSISTS OF 4 PAGES

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THE UNIVERSITY OF BRITISH COLUMBIA

PETER A. ALLARD SCHOOL OF LAW

FINAL EXAMINATION - DECEMBER 2022

LAW 438

Secured Transactions

Section 2

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 written material into the examination room except UBC library books

**THIS EXAMINATION CONSISTS OF 1 QUESTION WORTH 100 POINTS**

**MARKS**

 (100) 1. Doriss has a business where she buys and sells “early Nova Scotian furniture” - the language used on her letterhead and on her place of business. On 1 January, Doriss has in inventory table Z.

 Manuel and Doriss enter into a written security agreement on 5 February for Manuel to sell to Doriss chairs A and B on credit for $2000 each. Manuel checks the registry and finds that nobody has registered an interest against Doriss’s name. So, on 5 February, Manuel delivers A and B to Doriss and files a financing statement taking an interest in “A and B” and “all tables”. Manuel sends notices to nobody. Manuel and Doriss’s security agreement provides that Doriss is to hold any proceeds from the sale of A or B in trust for Manuel exclusively.

 Doriss gets a loan of $4500 from Quique on 10 April. This loan is meant to allow Doriss to acquire tables E and F which cost $1100 each. Quique and Doriss enter into a written security agreement which gives Quique an interest in “all present and after acquired computer equipment, all present and after acquired light fixtures, all present and after acquired tables and chairs and all proceeds from E and F including other tables and accounts”. Quique sends out notices of his interest in E and F to Leila. Then (on 10 April) Quique files a financing statement stating his interest. Then (later on 10 April) Quique lends the $4500 to Doriss who goes out immediately and gets E and F.

 The agreement between Doriss and Quique specifically says that Doriss may not sell E or F free of Quique’s security interest without Quique’s consent. As of 10 April, Doriss has three light fixtures, only two of which are installed. She installs the other one on 30 April.

 The reason Quique sends a notice to Leila is because Leila files a financing statement naming Doriss as debtor on 4 March. This financing statement sets out a security interest in “all present and future furniture and all proceeds therefrom”. On 14 March, Leila and Doriss enter into a written agreement relating to this security interest. Leila agrees to provide Doriss with a line of credit for $80,000. Leila makes the first advance on 20 March ($1000). There are also advances on 1 April ($700), 1 June ($1300), and 1 September ($2000). Doriss uses all this money for general operating expenses and for salaries. The written security agreement says the security is also for a $2000 unsecured loan Leila had made to Doriss on 1 February.

 On 10 January Javier allows Doriss to buy tables K and P on credit for $1200 each. Javier and Doriss have a written security agreement giving Javier a security interest in K and P. Javier does not give Doriss K or P and says he will not do so until Doriss pays the $1200 which Doriss is supposed to do on 1 November. Until then, Javier says he will give K and P to his friend Xavier to keep, which he does. Xavier, however, gets tired of keeping K and P and so, on 14 March, Javier files a financing statement stating that Javier has a security interest in K, P and Z and then, the next day, gives K and P to Doriss. Doriss has not paid the $2400.

 Ursula has two pieces of old Nova Scotian cut glass, which Ursula calls “H” and “Y”. Doriss agrees to try to sell H and Y for Ursula. They put this in writing. Ursula brings the two pieces to Doriss’s shop on 10 September. H is sold to Verna on 12 September for $800. Verna has no ready cash so Doriss agrees to let her pay before the end of the year. Verna pays the $800 on 10 December. Doriss puts it in her general bank account. On 15 November, Doriss decides to keep Y for herself and puts it in her office where it now rests.

 On 1 August, Doriss gets a loan from Nathan for $5000. Doriss and Nathan have a written security agreement that gives Nathan an interest in all present and after-acquired property. Nathan files a financing statement to this effect on 1 August. On 5 August Doriss and Leila enter into an agreement which provides that “where Leila and Nathan’s security interests compete, Leila agrees to allow Nathan priority to the collateral to the extent of $2000 if at the relevant time $2000 is owed by Doriss to Nathan”. Nathan registers his financing statement against “Dorris” instead of “Doriss”, but the correct spelling is used in Nathan’s security agreement and in the agreement between Doriss and Leila relating to Nathan. On 10 August, Doriss uses part of the money from Nathan to buy painting C which costs $3000. When Nathan files the financing statement on 1 August, he files it for “4 months” [which you should assume is possible].

 Rajan “buys” F and B on 16 August. Rajan “pays” for them by agreeing to sing a madrigal for Doriss each Monday for three months. He also gives in exchange table G and a promise to pay $50 in one year. Rajan is another dealer (and amateur madrigalist) who has fallen on hard times. Rajan gave a security interest in all present and after-acquired property to Samantha (pursuant to their written security agreement). Samantha filed the relevant financing statement on 2 April.

 Doriss owns her business premises, but throughout the period we are concerned with, there is a properly registered mortgage on the real property. The mortgagee is Werner who has lent $10,000 to Doriss. Doriss gives another properly registered land mortgage for S9000 (on 14 October) to Tariq.

 It is now 14 December. Discuss the priorities in relation to the collateral in which Doriss’s creditors have an interest. Also, discuss, what Javier might do about Doriss’s non-payment of the $1200.

 Make the following assumptions:

* No permission is sought by Doriss to deal with any collateral unless the facts expressly state otherwise.
* All dates given are the same year.
* There are no other parties involved except those mentioned.
* 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.

**END OF EXAMINATION**