Final Review Problems

1. Shortly after passing the State X bar examination and being admitted to the bar, a lawyer decided to open her own practice in her state of residence, State X. The lawyer wanted a couch for her new office's waiting room and went to a furniture store in State X where she found a couch that she liked. She asked if she could buy the couch on credit, saying, "This is for the waiting room of my new law office." The salesperson responded that the store would sell the couch to her on credit if her obligation to pay was secured by the couch. The lawyer agreed and bought the couch on those terms.

As part of the sale, both the lawyer and the salesperson (who had authority to sign on behalf of the store) signed a "Credit Sales Agreement" that stated that the lawyer granted the store a security interest in the couch (specifically described in the agreement) to secure the lawyer's obligation to pay the purchase price.

On her way out of the store, the lawyer saw a table that she thought would be ideal for her home. She asked the salesperson if she could buy the table on credit, saying, "This would look great in my dining room." This time, the salesperson said, "This is a popular model, so we have a special financing deal. You can get the table on credit and have it delivered tomorrow, but we retain title to the table until you finish paying for it. Does that work for you?" The lawyer said that it worked for her and bought the table on the terms outlined by the salesperson. She signed an agreement that described the table by manufacturer and model number and that stated that the store would retain title to the table until she finished paying for it.

The next day, the store delivered the couch to the lawyer's office and delivered the table to the lawyer's home. The furniture store in State X did not file a financing statement with respect to either the couch transaction or the table transaction.

Six months later, the lawyer passed the bar examination in State Y, where her parents had a home at which she stayed for a few weeks each year. After being admitted to the State Y bar, the lawyer decided she wanted to be able to represent clients in State Y while she was staying at her parents' home. The lawyer decided to furnish a room in her parents' home as an office and to buy a desk for the office.

She went to a furniture store in State Y and agreed to buy a desk on credit, with her payment obligation secured by a security interest in the desk. She signed an agreement granting the store a security interest in the desk (specifically described in the agreement). The store immediately filed a financing statement in the State Y central filing office for financing statements. The financing statement listed the lawyer as the debtor, named the furniture store as the secured party, and indicated the desk (described by manufacturer and model number) as the collateral.

The store delivered the desk to the lawyer's State Y office in her parents' home the next day. The desk was used by the lawyer only in conjunction with her law practice.

At all relevant times, the lawyer's principal residence was in State X.

1. **Does the State X furniture store have an enforceable and perfected security interest in the couch used by the lawyer in her office waiting room in State X? Explain.**
2. **Does the State X furniture store have an enforceable and perfected security interest in the table used by the lawyer in her dining room in State X? Explain.**
3. **Does the State Y furniture store have an enforceable and perfected security interest in the desk used by the lawyer in her office in her parents' home in State Y? Explain.**

2. On April 1, Debtor authenticates a security agreement granting to A security interest in all of Debtor's existing and after-acquired inventory. That same day A files a financing statement covering the inventory. On May 1, Debtor authenticates a Security Agreement granting B a security interest in all of Debtor's existing and future accounts. That same day B files a financing statement covering the accounts. On June 1, Debtor sells inventory to a customer on 30-day unsecured credit basis.

Which secured party, A or B, has a first priority security interest in the amount owed the Debtor by the purchaser of inventory?

3. ABC Co. ("ABC") is an Illinois corporation that owns and operates a supply store in Chicago. The store and the land on which it is situated are owned by ABC. ABC sells and leases various types of office products. To finance its operations, ABC obtains loans from First Bank ("Bank") under a $500,000 line of credit. That line of credit is secured by a Security Agreement executed three years ago by ABC in favor of Bank, affecting all "accounts, inventory and fixtures, whether now owned or hereafter acquired by ABC." The Security Agreement describes the secured indebtedness as "all indebtedness of ABC to Bank that may exist now or arise in the future under the $500,000 line of credit." Immediately after execution of this agreement, Bank filed with the Illinois Secretary of State's office a UCC-1 Financing Statement correctly identifying the debtor and creditor and listing the collateral exactly as described in the security agreement.

Today, ABC is in default under the $500,000 line of credit. In a meeting with Bank, you are informed that: (1) six months ago, ABC changed its name to Big Store Supply, Inc. ("Big Store"); (2) five months ago, the largest account debtor of ABC (now Big Store) paid in cash all amounts then owed to ABC; and (3) ABC, upon collecting that cash payment from its largest account debtor, used that cash to purchase a Miró painting valued at $350,000, which painting is on display at the Chicago supply store.

Does Bank have a continuously perfected security interest in the Miró painting?