Three years ago, Printco, a printing company, borrowed $250,000 from Bank and entered into an enforceable agreement giving Bank a security interest in "all Printco's equipment, whether now owned or hereafter acquired." Bank promptly filed a proper financing statement in the appropriate state office, listing itself as the secured party, listing Printco as the debtor, and indicating "all debtor's equipment, whether now owned or hereafter acquired" as collateral.

Two years after signing the security agreement with Bank, Printco entered into a signed agreement with Leaseco, a leasing company, pursuant to which Leaseco agreed to purchase a $100,000 printing press and to immediately lease the press to Printco. The agreement provided that Leaseco retained title to the printing press and required Printco to pay Leaseco $2,500 per month for five years for the use of the press. The agreement also provided that it could not be terminated by Printco for any reason. At the conclusion of the five-year lease, Printco was required to return the press to Leaseco or to purchase the press for $10. Printco's full compliance with the agreement would allow Leaseco to recover rental payments equal to the full cost of the press plus an annual return of about 10%. Leaseco delivered the printing press to Printco. Bank was unaware of Printco's agreement with Leaseco, and Leaseco never filed a financing statement covering the printing press.

Recently, Printco defaulted on its obligations to Bank. At the time of the default, Printco owed $150,000 to Bank. Bank promptly and peacefully took possession of all of the equipment on Printco's premises, including the printing press. After giving proper notice of the sale to Printco, Bank sold all of Printco's equipment at a public auction for a total of $75,000. Purchaser, acting in good faith, bought the printing press for $50,000. All aspects of the auction and sale were commercially reasonable.

One week after the sale, Leaseco contacted Bank and informed Bank that the printing press was Leaseco's property, not Printco's, and that Bank had no right to sell it. Leaseco demanded that Bank pay Leaseco $50,000, the amount that Bank received for the press. Leaseco also contacted Purchaser and demanded that Purchaser return the press to Leaseco.

1. **What is the nature of Leaseco's interest in the printing press? Explain.**

2. **Did Bank have a right to repossess and sell the printing press? Explain.**

See if you can guess the answers to the final two questions, based on what we've seen so far in the course outline …

3. **As between Bank and Leaseco, which has a superior interest in the proceeds of the sale of the printing press? Explain.**

4. **Does Leaseco have the right to recover the printing press from Purchaser? Explain.**