

(1) Walter has superior interest in the gold collection. A security interest attaches when creditor gives value to debtor, creditor receives rights in collateral, and there is an agreement coupled with an authenticated agreement, possession, or control. Here, Walter gave value (\$8,000) to Hilbert, received rights with the security agreement and there was an authenticated document that states Walter gets rights to "Hilbert's personal gold coin collection". The description "personal gold coin collection in Hilbert's safe deposit box" was sufficient identification of the collateral. But the language "all other assets" was too vague and general of a description so Walter only received a security interest in the gold coin collection.

Bank did not receive an interest in the coin collection because there description of "all other assets" was also too vague and general of a description. A consumer good is item for personnel, fairly, or house hold use. The gold collection is a consumer good because it's personal. Although Bank properly attached and filed its security agreement (gave \$10,000 value), its' security interest only covered equipment and accounts. As stated, the "all other assets" language is too vague so it is disregarded. Since Bank did not have a security interest in the consumer goods of Hilbert, and coin collection is a consumer good, Bank has no interest.

Ruth did not have security interest in the coin collection either. Perfection can be met if there is an attachment plus possession. Here Ruth took possession of the pizza oven subject to her agreement, and thus has not other interest in Hilbert's collateral. Will discuss Ruth's rights more below.

(2) Hilbert had superior interest in food inventory. Inventory is goods stored and kept in the furtherance of business. As stated, Ruth had interest in the oven (equipment for the business). Walter only had interest in the gold coin collection, and Bank only had interest in the equipment and accounts. Accounts are intangibles and do not fall under goods so they cannot be inventory. Therefore, since nobody had interest in inventory, Hilbert's interests are superior.

(3) Ruth has superior interest in pizza oven because she perfected by possession first (before Bank). Perfection can be achieved by attachment plus a method of perfection (filing finance statement or having possession) Here Ruth perfect in April when she attached her security interest and received possession of the pizza oven. The pizza oven is equipment because Hilbert is a caterer and uses the oven in furtherance of his business (just like a lawyer would use a fax machine). Bank did not perfect until May 2010 when it filed its finance statement and attached (gave money, received security and rights in accounts in equipment). As between to perfected creditors, first to file or attach wins. Here, Ruth attached in April when she received possession therefore she has superior interest in oven.

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1. Walter has the superior interest in the coin collection. Although no facts indicate that Walter perfected by any means (possession, filing) on the coin collection, his security interest was the only one to attach to the collection. Attachment occurs when a creditor gives value, there is a valid security agreement, and the owner has rights in the collateral. Here, Walter's interest attached to the coin collection because he gave Hilbert value (\$8000), Hilbert signed a security agreement describing the property, and it appears from the facts that Hilbert had rights in the coin collection. Bank may argue that its interest attached and was perfected on May 6, prior to Walter's attachment, because Hilbert gave Bank a security agreement listing "all accounts, equipment, and all other assets owned by Hilbert." However, this argument will fail for two reasons. First, the coin collection cannot be classified as either accounts or equipment. The coin collection would most likely be classified as consumer goods. Second, part of the security agreement purporting to list "all other assets" is not valid because a security agreement cannot describe collateral by supergeneric terms. A description must adequately indicate what property the security interest attaches to. A description using categories of assets is valid. Here, "all other assets" is too generic and Bank's security agreement cannot attach to the coin collection. Because Walter was the only one to attach, the fact that he has not perfected is irrelevant and Walter has priority in the coin collection over Hilbert and the other creditors.

2. Hilbert has superior interest in the food inventory because nobody (Ruth, Bank, and Walter) attached to the food inventory. Attachment determines the rights between a debtor and a creditor. Here, nobody attached to the food inventory. Ruth cannot make a claim on the inventory because there is no agreement between her and Hilbert regarding the inventory. Ruth's interest only attached to the mobile propane oven. Bank again may try to argue that its interest attached, but the supergeneric description is not sufficient. Furthermore, the inventory can not be covered by the description of all accounts and equipment because inventory is a separate category altogether. Therefore, Bank's interest did not attach to the food inventory. Finally, Walter's interest did not attach for the same reason that Bank's did not. Walter also used a supergeneric description in his agreement of "all other assets owned by Hilbert". Therefore, Walter's interest did not attach to the food inventory. Because none of Hilbert's creditors' interests attached to the food inventory, Hilbert has the superior interest.

3. Ruth has superior interest in the oven. Ruth both attached and perfected by giving value (\$1000) and taking possession of the oven. Possession of the oven can constitute both attachment and perfection and is known as a "pledge". This is true because Ruth's possession of the oven fairly puts all other creditors

on notice that she has an interest in the oven, similar to the notice that a filing provides. Therefore, Ruth's interest attached and was perfected in April 2010. However, if Ruth gives up possession of the oven, she loses perfection and would be an unsecured creditor. Nothing in the facts indicates that this has occurred. Bank would try to argue that its interest attached and was perfected in the oven because it is equipment covered by Bank's security agreement. Equipment is tools and other goods used in a business but not consumed in the business...a pizza oven would definitely qualify. Bank will not have the superior interest, however, because Bank perfected after Ruth. As between two perfected creditors, the general rule is first to file or perfect. Here, Ruth was the first to perfect because Bank did not file and perfect until May 6.

END OF EXAM

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1. Walter has a superior interest in the gold coin collection. An interest in collateral attaches when the debtor has rights in the collateral, when an authenticated security agreement has been executed, and when the creditor gives value for the security interest. Here all of these elements have been established: Walter gave value (the \$8,000), signed a security agreement, and Hilbert had rights in his gold coin collection. Attachment determines the rights of the creditor against the debtor, while perfection determines the rights of the creditor against other secured parties. Walter never perfected his interest in the gold coins; however, no other party has a security interest in the coins, leaving Walter with the superior interest in the coins. Ruth's security was only the pizza oven, so she does not have rights in the coins. The security interest from Bank gave a security interest in "all accounts, equipment, and all other assets owned by Hilbert." The description of the security agreement as to the accounts and equipment is valid, however the description of "all other assets" is too vague to be enforceable. Note that a description of "all other assets" is sufficient for a filing statement, but the description on the security agreement must be more precise so as to reasonably identify the collateral covered by the agreement. The coins are a consumer good, and are not covered under the description of "accounts" or "equipment." Because of this, there are no perfected parties to compete with Walter's security interest in the coins. Therefore, Walter has a superior interest in the coins.

2. As discussed above, the Bank's security interest is limited to the accounts and equipment of the pizza business. The food inventory is classified as "inventory" because it is consumed in the normal operations of the business. Therefore, it is not covered by the Ruth's security interest in the pizza oven or the Bank's interest in the accounts and equipment. Furthermore, Walter's interest in "all other assets owned by Hilbert" is also not valid based on the reasoning presented in the previous paragraph. Therefore, Hilbert has the superior interest in the food inventory because none of the creditors have a security interest in the inventory.

3. Ruth has the superior interest in the pizza oven. Generally for a security interest to attach, the creditor must give value, sign an authenticated security agreement, and the debtor must have rights in the collateral. Here, Hilbert has rights in the pizza oven and Ruth has given value. However, Ruth did not sign an authenticated security agreement. This need for an authenticated security agreement can be waived when the creditor takes possession of an item, because the creditor's rights in the item are not easily subject to dispute. Ruth is also perfected by possession of the pizza oven. Because the possession of the item waives the need for a written security agreement, Ruth has attached and perfected her rights in

the pizza oven, and he has a superior interest in the item. Because the pizza oven is classified as equipment, the Bank has also perfected in the pizza oven. When two parties have a perfected security interest in an item, the "first to file or perfect" rule applies. Because Ruth perfected by possession first, she has a superior interest in the pizza oven.

If a court were to hold that Ruth's interest in the pizza oven were not valid because possession of the item was not sufficient to establish attachment, then the Bank would have the superior interest in the oven, as it would be the only perfected party with regard to that item.

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