3)
1a) Bank has a superior security interest in the copier and phone system.

A security interest is created by attachment. Attachment requires that the creditor give value, that the debtor have rights in the property that is the collateral, and that there be a security agreement between them. A security agreement may be in a written instrument, or it may be shown by pledge (possession of collateral by the creditor) or control of the collateral. Suppliers has not security interest since there was no attachment. Although Travel had rights in the copier and phone system when it acquired them from Suppliers on credit, and although Suppliers gave value by allowing the purchase on credit, there was no security agreement. An oral security agreement not memorialized in a signed writing and not supproted by pledge or control does not suffice for attachment purposes, so no security interest existed.

Bank has a perfected security interest in these items. Travel had rights in its currently-owned equipment, inventory, and accounts receivable. Bank gave value by giving a line of credit. There was a signed security agreement specifying with reasonable specificity the collateral. Thus all requirements for attachment were satisfied. The security interest was perfected by filing, and the facts stipulate that the filings were proper and in all required offices. Because copies and phone systems are equipment and a security interest in equipment may be perfected by possession, the security interest was properly perfected.

Neither Furniture nor Budget acquired a security interest in these items.

Between a perfected secured creditor and an unsecured creditor, the eprfected secured creditor has a superior interest. Thus Bank has priority over unsecured Suppliers. A perfected secured creditor will also prevail over an unperfected secured creditor, so even if Suppliers' security interest has been created via attachment, Bank would still prevail.

1b) Bank has a superior secuirty interest in the office furniture.

Tangible goods are classified under Article 9 as consumer good,s farm products, inventory, or equipment. Office furniture is equipment of a business because it is used in the business and not held for sale to customers. As explained in 1a, Bank has a validly perfected security interest that covers all then-owned and after-acquired equipment. It is permitted to grant a security interest in after-acquired collateral.

Furniture sold the furniture to Travel on credit subject to a signed security agreement. All requisites for attachment were satisfied. This gives furniture a purchase money security interest (PMSI). A timely filed PMSI has superpriority over an earlier perfected secured creditor. There is a 20 day grace period for perfecting a security interest in goods other than inventory or livestock which allows perfection to relate back to the time of attachment if it occurs within the grace period. Here, attachment occurred on November 20 and perfection by filing did not occur until January 15, more than 20 days later.

As between two perfected secured creditors, the earlier to file or perfect prevails. Because Furniture failed to take advantage of the grace period it loses its superpriority, and thus is second in priority to Bank, which prevails because of its earlier filed and perfected security interest. No other creditor has an interest in the furniture.

1c) Budget has a superior security interest in the computers.

The computers are equipment because they are to be used in the travel agency business rather than sold to customers. (See 1b.) Bank has a properly perfected security interest in after-acquired equopment. (See 1a and 1b.)

Budget sold the computers to Travel on credit subject to a signed security agreement, so attachment occurred when these things had all happened, on December 1. As discussed in 1b, there is a 20 day grace period in which a PMSI may be perfected. A security interest in equipment may be perfected by filing a financing statement in the Texas Secretary of State's office, which happened here. Because this happened on December 12, it fell within the 20 day grace period, meaning perfection relates back to the time of attachment. Between a PSMI-holder that has perfected as of attachment and an earlier perfected secured creditor, the PMSI-holder prevails, so here Budget prevails over Bank. No other creditor has an interest in this collateral.

1d) Bank has a superior security interest in the accounts receivable.

As explained in 1a and 1b, Bank has a security interest that properly attached in then-owned and after-acquired ccounts receivable. A security interest in accounts recceivable may be perfected by appropriate filing, which was done here, making Bank a perfected secured creditor in the accounts.

Budget acquired a security interest in the accounts by attachment on December 1. It perfected this by appropriate filing on December 12. Although this interest was acquired alongside a PMSI in the computers, the special PMSI rules only apply to the collateral actually purchased with the credit given. Here, this is onlly the computers; the accounts receivable were already Travel's and merely constituted additional collateral. Thus the 20 day grace period and superpriority rules are inapplicable. Between two perfected secured creditors, the earlier to file or perfect prevails, and Bank both filed and perfected earlier than Travel (perfection in after-acquired collateral occurs whent he debtor obtains rights therein). Thus Bank prevails.

2) The computers are subject to Budget's security interest.

As between a purchaser and a perfected secured creditor, the secured creditor will ordinarily prevail. The secured creditor will not prevail if the debtor has permission to sell the collateral. Such permission will usually be found where the collateral is inventory, since the creditor must intend the debtor to continue its business and sell its inventory in order to service the debt. Here, the collateral is equipment, and there is no indication that the security agreement allowed for sale, so this exception will not apply.

As explained in 1c, Budget is a perfected secured creditor with respect to the computers. A purchaser will prevail over a perfected secured creditor if the purchaser qualifies as a buyer in the ordinary course of business. Such a buyer is onewho takes in good faith (honesty in fact and observance of reasonable comemrcial standards of fair dealing), for value, and in the ordinary course of the seller's business, if the security interest was created by the seller and if the goods are not farm products and are not perfected by possession in the hands of the secured creditor. Here, Travel is a travel agency. The computers are business equipment. A sale of business equipment, as opposed to inventory, to a fellow business is not a sale in the ordinary course of business. Thus Wanderings is not a buyer in the ordinary course of business and will not prevail. Nor is this a sale in which both parties are consumers, for both are in fact businesses, so that consumer-consumer sale rules cannot apply. Wanderings is merely a bona fide purchaser, and will not prevail over a secured creditor. Thus the computers purchased remain subject to Budget's security interest in Wanderings's hands.

3)
1. As among Suppliers, Bank, Furniture, and Budget; Bank holds a superior security interest in the copier and phone system, the office furniture, and the accounts recievabel, while Budget hold the superior interest in the computers.

a) Under the UCC a creditor gains rights in a debtor's collateral by attachement. Attachment occurs when the creditor gives value, the debtor signs a security agreement, and the debtor has rights in the collateral. Here, Travel took delivery of a copier and phone system from Suppliers on September 15, 2016. Travel purchased these items on credit from Suppliers which would give Suppliers a purchase money security interest in this collateral. However, Travel nevery signed any agreement with Suppliers and therefore attachement never occured with regard to Suppliers and they do not have a secured claim in the copier or phone system. Because attachement never occured for Supplier, Bank takes the superior interest in the copier and phone system. On, October 16, 2016, Travel went to First Bank and obtained a line of credit for his business, Travel also signed a security interest giving Bank an interest in all of his currently owned and after-acquired equipment, inventory, and accounts recievable. Attachement has occured here becuase Bank gave value in the form of the line of credity, Travel signed a security agreement, and Travel has rights in his currently owned property and will have rights in his after-acquired property. Bank has a secured interest in any equipment, inventory, and accounts recievable that Travel acquires. Also Bank, properly filed a financing statement in all the required public offices meaning that Bank has perfected their secuirty interest, and have put third parties on notice as to their rights in some of Travel's property. Because Bank has properly attached and perfected its security interest which includes equipment, they have the superior interst in the copier and phone system. Under the UCC, equipment is defined as any items used in the ordinary course of business. Here, Travel is a travel agent so a copier and phone system would be items he would use in the oridinary course of business and therefore fall under the definition of equipment. Because the copier and phone system are equipment and Bank's secuiry interest includes currently owned equipment, Bank will have the superior interst in these items.

b) As mentioned above, Bank has a perfected security interest in all currently owned and after-acquired equipment, inventory, and accounts recievable. Here, on November 20, 2016, Travel went and purchased office furniture on credit from Furniture World and signed a note and security agreement granting Furniture a secuirty interest in the furniture. Furniture has a PMSI in this office furniture. A PMSI arises when the creditor provides the funds or credit which the debtor uses to buy certain items and the creditor takes a security interest back in that collateral. Here, Furniture provided the credit so Travel can purchase the office furnituer therefore a PMSI formed. Under the UCC, a PMSI has special priority rules. When a PMSI involves equipment, as it does in this case, a creditor has temporary perfection for 20 days before they have to file a financing statment. If that financing statment is filed within those 20 days then the date of perfection relates back to when the debtor was delivered the items. Here, the office furniture was acquired on November 20th, however Furniture did not file their financing statment until January 15, 2017. This is outside of the 20 day temporary perfection and therefore Furniture loses their super priority over competing secured creditors. Here, Bank is a comepting secured creditor because the office furniture is after-acquired equipment. Because Furniture failed to properly file their PMSI financing statement within the 20 day temporary perfection period, Furniture is a junior interest compared to Bank. If Furniture would have filed within that 20 day time period they would have super priority over any other secured creditor, Bank in this case, but because that did not happen here, Bank has the suprior interest in the office furniture.

c) Here, Budget properly filed their financing statement within the 20 day temporary perfection time period and have gained superior priority over the six computers because they hold a PMSI. As mentioned above a PMSI arises when the creditor in the financing statment gives the debtor the means in which to purchase the collateral and then takes a secuirty interst back in that same collateral. Here, on December 1, 2016 Travel purchased on credit from Budget Computer six computers for use in his buisiness. That same day Travel took possession of the computures and Budget filed their financing statement on December 12. Budget filed their financing statement within the 20 day temporary perfection period reagrding PMSI's in equipment and therefore their perfection dated relates back to December 1. Bank does not have the superior interest in the computers even though they are equipment and Bank's financing statement was filed first, because Budget holds a PMSI in these six computers and therefore has super priority over any other secured party, which includes Bank. Therefore Budget holds the superior interest in the computers.

d) There are two competing secured parties with regard to Travel's accounts receivable. Bank and Budget both hold perfected secured interests in Travel's accounts recievable. Here, Travel's PMSI does not cover the accounts recievable because Travel did not provide the financing for that collateral, they just took a normal secuirty interest in the accounts recivable. Bank, also took a normal security interst in the accounts recievable. Under the UCC when there is a priority contest between two secured parties the first to file or perfect is the one who has the suprior interest. In this case, Bank filed their financing statment on October 16, 2016, while Budget filed their financing statement on December 12, 2016. Here, Bank was the first to file or perfect and therfore holds the suprerior interest in the accounts recievable.

2. The computers purchased by Wanderings are subject to Budget's security interst. At issue here, is whether a subsequent purchaser takes free of any security interests in the property. Under the UCC, there are two different types of purchasers who can take free of a secuirty interest: a buyer in the ordinary course of business, and a bona fide purchaser. A BIOCOB is one who purchases property from a merchant who deals in selling those kinds of goods. Here, Travel and Wandering are both travel agents and are not in the business of selling computers, therefore Wanderings will not qualify as a BIOCOB. A BFP situation usually arises in a garage sale situation, where both the seller and the buyer are not merchants or in the course of selling things on a daily basis. Wanderings will try to argue that they count as a BFP, but that argument will most likley fail because Travel and Wanderings are not consumers in the ordinary sense in which BFP protection comes in. Therefore Wanderings will take the two computers subject to Budget's PMSI.

3)

**1) Bank has priority in the copier and phone systems, the office furniture, and the accounts receivable; Budget has priority in the computers.** At issue is determning priority between multiple secured and perfected credtitors.

Under UCC Article 9 "something always beats nothing." This means that between a secured and an unsecured creditor the secured creditor will always prevail in terms of priority. As between two secured creditors if one credtitor is perfected and one creditor is unperfected, the perfected creditor has priority. As between two secured perfected creditors, the first to file *or* perfect will win the priority battle. There is, however, an exception for Purchase Money Security Interests (PMSI's). A PMSI is when a creditor lends a debtor money to purchase the very thing that the security agreement names as collateral. A holder of a PMSI in equiptment can perfect within 20 days of giving the PMSI to defeate prior perfected creditors with regard to the PMSI collateral. A holder of a PMSI in inventory must notify the other creditors of its intent to take a PMSI in inventory and must file for perfection before the debtor takes possession fo the collateral. Whether collateral is "equiptment" or "inventory' is determed from the debtors point of view and how the debtor plans to use the collateral.

Under UCC Article 9 in order to become a secured creditor attachment of the security agreement must occur. In order for attachment to occur there are three requirements. First, there must be a written and signed security agreement between the debtor and the creditor (unless the creditor perfects by perfection, in which case an oral agreement is fine). The contract must reasonably identify the collateral. Second, the creditor must give value. Third, the debtor must have rights in the collateral. Once the three elements are met, the creditor's security interest attaches. In order to perfect by filing, as is relevant here, the creditor must file a financing statement with the Secretary of State in Austin, Texas.

**<u>Copier and Phone System: Bank holds a superior security interest</u>**

*Bank:* Bank is a perfected secured creditor. First, Bank has a security interest in all of Travels "currently owned and after-acquired equiptment, inventory, and accounts receivable." Travel signed this agreement. This is sufficient for a written and signed agreement that reasonbly describes the collateral. Descriptions such as "all equiptment, inventory, and accounts receivable" are allowable descriptions. Second, value was given by Bank to Travel because Bank gave Travel a line of credit. Third, Bank has the security interest in property now owned by Travel that Travel has rights in by stating "currently owned." Further, security interests can have an "after-acquired clause." This is also called a floating lien (discussed below), and allows for the Bank's rights to attached to after-acquired equiptment, inventory, and accounts receivable as well. Because the three elements of attachment are met, Bank is a secured creditor. Bank also filed a financing statement "in all required public offices." Bank filed this on Oct. 16, 2016. This means that bank is perfected as well as of Oct. 16. The copiers and phone system are equiptment. Equiptment are goods purchased for use in the business. Here, the copier and phone system, from the debtor's point of view is equiptment. Bank's security interest includes "currently owned equiptment." Travel acquired the copier and Phone system a month before Bank obtained its security itnterest and thus is "currently owned equiptment." As the first perfected security interst, Bank will prevail on the Copier and Phone System.

*Suppliers:* Suppliers could have had a PMSI in the copier and phone system. However, due to missing requirments of attachment Suppliers is an unsecured creditor. Suppliers gave Travel credit to purchase the copier and phone system. Travel gave Suppliers a security interest in the aforementioned equiptment. This means that Suppliers would have had a PMSI because the credit that was given to Travel was to purchas the very things that were names as collateral in the security agreement. However, Travel never signed any agreement with Suppliers (he only agreed to grant Suppliers on). Due to the fact that there was no written *and signed* contract, the first element of attachement is not met. This means that Suppliers security interst did not attach and Suppliers is an unsecured creditor. Even if this were not an issue and the security agreement had attached, because value was given (credit to purchase equiptment) and Travel has rights in the collateral (he purchased them on credit and they are now in Travels possession). Suppliers never filed a financing statement with the secretary of state. This means that, even if they were secured, they would be unperfected. Based on the rules above, even if Suppliers had been secured they still would have lost superior title to Bank because was perfected first and Suppliers was unperfected.

Between a perfected creditor and the unsecured creditor, a perfected creditor has the superior interest. Bank has the superior interest.

*Furniture and Budget: T*hey have no right to the copier and phone system because it is not listed in their security agreements as collateral (discussed below).

**Office Furniture: Bank holds a superior security interest**

*Bank:* As stated above, Bank has a secured security interest that was perfected as of October 16, 2016. The perfected security interst is in "currently owned and after equiptment, inventory, and accounts recievable." The office furniture is equiptment as classified from the debtors perspective. Equiptment is defined as goods bought for the furtherance of the business. It is also the default category. A busniess needs furniture to run and therefore the furniture is equiptment. Because of the after acquired clause, Bank has a floating lien on this property. It cannot attach until the Travel has rights in it. However, once it does attach it relates back to Bank's original perfection date. Thus, when Travel purchased the furnature on Nov. 20, 2016, Bank had a perfected security interest in it as after-acquired equiptment that attached on Nov. 20 and related back to the original Oct. 16 date.

*Furniture:* Furniture sold Travel $25,000 worth of office furniture on credit. The rules of PMSI are stated above. This is a PMSI because Furniture gave credit to buy the collateral that Travel named in the security interest. Furniture had 20 days from granting the PMSI to perfect in order to overcome Bank's suprior interest and take advantage of the PMSI exception. If it had done that it would have overcome Bank for superior title. Furniture granted to credit on Nov. 20 and that is when he obtained the security itnerest. However, Furniture did not file until Jan. 15. This is more than 20 days after Nov. 20. Because Furniutre filed outside of the 20 days he loses the PMSI status exception to overcome bank for superior title. This means that Furnatire is secured because there was attachment (credit was given, Travel took rights in the furniture, and there was a written and signed security agreement) and perfected as of Jan. 15, 2017.

Between two secured perfected creditors, the first to file or perfect wins subject to the PMSI exception. Here, Bank perfected on Oct. 16 and Furniture perfected on Jan.15. This means that Bank has superior interest for reasons stated above.

*Suppliers and Budget:* They have no interest in this collateral because it is not listed in the security agreement.

**Computers: Budget hold a superior security interest**

*Bank:* All rules and analysis from above apply here. As stated above, Bank has a secured security interest that was perfected as of October 16, 2016. The perfected security interst is in "currently owned and after acquired equiptment, inventory, and accounts recievable." As discussed below, the computers are equiptment and thus Bank's floating lien attaches to them when Travel acquires rights in them and the perfection date is still Oct. 16

*Budget:* On Dec. 1 Travel purchased on Credit six computers for his business from Budget. Travel took possession of those computers. Travel also signed a security agreement granting Budget a security interest in the six computers and the accounts recievable (discussed below). At that point Budget was a secured creditor because there was a signed agreement, value was given (the credit for computers), and Travel had rights in the computers (he took possession). Budget filed a financing statement in the corrrect office on Dec. 12, 2016. Budget has a PMSI in the computers. The computers are equiptment, because they are goods purchased for the busienss. Thus Budget needs to file the PMSI Equiptment rules stated above. Meaning he must file within 20 days. He gave Travel credit to buy the computers and then those computers were named as collateral in the security agreement. This means that Budget has 20 days to file his financing statement and if it does so in those 20 days, it gains priority over previously perfected creditors. Budget filed on Dec. 12, this was 11 days after giving the credit (Dec. 1). Budget filed within 20 days because he filed before Dec. 21. This means that under the PMSI exception, Budget has a superior interest to other perfected creditors (such as Bank).

Budget has the superior interest.

*Furniture and Suppliers:* They have no interest in the computers because the computers are not mentioned in either of their security agreements.

**Acocunts Recievable: Bank has a superior security interest**
*Bank:* As stated above, Bank has a secured security interest that was perfected as of October 16, 2016. The perfected security interst is in "currently owned and after acquired equiptment, inventory, and accounts recievable." Thus, as of Oct. 16 Bank is perfected with regard to accounts recievable.

*Budget:* Budget was also given a security interest in the accounts recievable. As stated above the security interest attached so Budget is a secured creditor. Budget also perfected. However, the PMSI exception does not apply to the accounts recievable because there was no PMSI in the accounts recievable. Therefore, with regards to the accounts recievable Budget was perfected as of Dec. 12.

Between two perfected secured creditors the one who filed or perfected first has the superior title. Bank was perfected on Oct. 16. Budget was perfected as of Dec. 12. Therefore, Bank perfected first and has superior title.

*Furniture and Suppliers:* They have no interest in the computers because the computers are not mentioned in either of their security agreements.

**2) The computers purchased by Wanderings are subject to Budgets security interst.**
The issue here is derivitive title and when a secuirty interest will "travel with the goods."

Under UCC Article 9, the starting point for determining if a secuirty interest travels with the goods, is derivitive title. That is, a purchaser who purchases goods subject to a security interest does so with the goods remaining subject to the interst. Although there are a number of exceptions, such as the "garage sale exception," ordinary purchase in the course of business, or a purchase where the creditor is unperfected, none of them apply here. The only exception that Wanderings could argue applies is the purchaser in the ordinary course of business (the other two clearly do not apply because Budget is perfected and the "garage sale" exception is between solely consumer goods). The ordinary course of busines exception requires 1) good faith 2) purchase in the ordnary course of business 3) of non farm products 4) without knowledge of a security interest violation 5) that the seller gave the initial security interest and 6) that the creditor has not perfected by filing.

In this case, Wander did purchse in good faith (there are no facts to suggest otherwise), and without notice of a security interest violation (it is stated that Travel did not tell wanderings about Budget's security intereset at all, so there could be no knowledge of a violation of it), of non farm products (computerst) where the seller (Travel) gave the initial security interest (to Budget) and Budge has not perfected by possession.  The issue is whether this was a sale in the ordinary course of business. Here, Travel Agent started a new business in Sept. 2016, and although we don't know from the facts exactly what it does, it appears to be a Travel Agent. Travel Agents are not in the business of selling computers.  Thus, the purchase by Wanderings was not a purchase in the ordinary course of business because it is not normal for Travel Agents (or this Travel Agent) to sell computers.

The computers were specificlly named in Budget's security agreement.  This means that the security intereset travels with the collateral and does not become a security interest in the proceeds from the sale.

Because there is no exception that Wanderings purchase falls into, Wandering takes the computers subject to Budget's security interest.