

**Final Examination Introduction to Commercial Law/UCC
Dickinson
Spring 2007**

EXAM # _____

This is the Examination for the Spring 2007 the course Introduction to Commercial Law/UCC. This examination consists of three Parts [I, II&III] each followed by enumerated questions that you are to address with written responses.

The Rules are:

- 1) Record your response to each question in the examinations books provide
- 2) Write in ink on the right hand page only;
- 3) Number each response by part and number;
- 4) Write your examination number on each examination book you choose to submit;
- 5) You may have with you during the examination only writing implements and for your reference a copy of the Uniform Commercial Code marked however you wish. Citation to appropriate Code section [s] to justify your response may be important;
- 6) You must complete your consideration then recordation of your responses within three hours. This is likely too much time so do not fell compelled to exploit all of it.

Part I

John Buyer maintains a checking account with Small bank. On May 2 John purchased a precision metal lathe from Lathe seller after seller assured him that the new lathe could cut within 1/10-centimeter tolerances. John paid seller \$10,000.00 by check made out to "Lathe Seller". After set up completed the afternoon of May 3 John found that his new lathe could not cut within 1/10 centimeter. John called Small Bank and demanded that Bank stop payment on the check to Lathe Seller. Bank replied, "Too late it's already paid". Lathe seller had cashed the check at his bank["his bank"] which had then presented it to Small Bank who paid "his Bank". Buyer went to Small Bank and asked to examine the check. The back of the check was blank except for a stamp reading "His Bank". Lathe Seller's business now posts a sign reading: "Out of Business". Buyer demanded that Small Bank re credit his checking account the \$10,000.00 the bank debited that account when the check was presented by His Bank.

- a) Must Small Bank re credit Buyer's account? If yes, explain why, if No explain why not.
- b) Assume that instead of presenting Buyer's check to Small Bank "His Bank" stamped the back of the check "his Bank" and presented it to Saint Joseph's convent which was soliciting donations for its infant care program. Must Buyer pay the check if it is presented to him? If not, why not, if so Why?

Casebook: pp .658, 668.

Part II

International Seller exports shoes by the container load. Being a person loath to take untoward risks Seller will not ship using Documents of title to protect him. Instead he insists that international buyers have issued to him at his confirming bank "Home Bank" a letter of credit covering the purchase price. Seller has submitted a draft on the letter to Home Bank following shipment covered by the letter. Home bank has refused to pay claiming that because the issuing bank "far away bank" has closed it does not have to pay because it will not be able to obtain reimbursement.

- a) Is Home bank's position sound? If Yes, why? If No why not?

Casebook: pp.546.

Part III

Alice and Harris are domestic partners living on Harris' ancestral estate. The estate inherited by Harris came fully equipped for farming with domestic animals equipment and a fleet of antique automobiles. Alice's favorite car was the t-top, which she habitually used for errands in town and out and about. Because the Harris estate was not successfully productive one of those errands was often to see Bill Banker for small loans to pay the Estate's ongoing bills. Estate usually paid Bill when a crop or an animal was successfully sold. Alice went to see Bill for a loan on May 7, 2007 when because there was standing water in the Estate's field Bill knew there would not be a crop to sell to pay off the loan. Bill told Alice of his insecurity and said he would only lend Alice the money she sought if Alice would give him a security interest in the t-top (a car he had coveted from the first time he saw Alice park it in front of his bank office). He told Alice that the loan would be good for a year if Alice would secure it with the t-top. Alice calculated that sometime in the next year Estate would sell an animal for large money and be able to pay off the loan so she agreed to and did sign a security agreement granting Bill a security interest in the t-top which provided that Bill could declare a default and take the t-top if the loan was not fully paid by May 7, 2007. On October 31, 2007 Harris held a birthday party for Alice's 49th Birthday. Because there was no money Harris was hard put to come up with a suitable present for the occasion and his sentiment. His solution was to recognize Alice's attachment to the t-top. In the middle of the party Harris announced his gift of the t-top to Alice and with a flourish put a bundle of papers tied with ribbon in Alice's hand. In the Bundle was the title document to the t-top.

- a) If the loan made by Bill to Alice remains unpaid on May 8, 2008 can Bill take the car in satisfaction of the debt?
- b) Would Bill be able to take the car from a creditor of the estate who took possession of the car July 1, 2007 for default by Estate in payments due creditor pursuant to a security interest then perfected it had taken in all Estate equipment? If so, why? If not why not?

Casbook: pp. 838

END OF EXAMINATION