

**Secured Transactions**  
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**Optional HW Set #1**

**DEADLINE: If you choose to work these problems for credit, you must submit your answers no later than 6:15 p.m. (PST), Monday, March 28th.**

1. Consider the following items of property and decide which are exempt from (1) execution by unsecured creditors under Nevada law, and (2) inclusion in the bankruptcy estate under Bankruptcy Code § 522(d). Please cite the relevant provisions of Nevada law and the Bankruptcy Code supporting your answers to each subpart.
  - A. \$500 per month used to pay rent on an apartment.
  - B. A car worth \$5,500 that is subject to a \$2,500 security interest.
  - C. Furniture worth \$3,000 that is subject to a \$2,000 security interest.
  - D. A stereo worth \$750.
  - E. A radio worth \$500.
  - F. A television worth \$1,000.
  - G. \$2,000 worth of silverware and other kitchen utensils.
  - H. A \$250,000 house subject to a mortgage loan with an outstanding balance of \$150,000.
  
2. Sharon Hammacher, a close friend from law school, has been considerably more successful than you, and tries to steer business your way when she can. Sharon is redrafting the standard documents Sun Bank uses in routine commercial lending. After several cases in which loan officers have failed at the simple task of checking a few boxes on the security agreement to indicate the collateral covered, Sharon has an idea: The Bank's form security agreement should provide that the Bank takes a security interest in absolutely everything the debtor has, and then the loan officer and the debtor should check boxes to indicate what is *not* included. That way, any omissions will cut against the debtor, not the Bank. Sharon wants to know what you think of her idea. She would also like your suggestions on how to word the omnibus clause. What do you tell her?

3. Commodore National Bank is contemplating making a loan in the amount of \$20 million to superstation KROK-TV. Commodore wants to make sure it has a security interest in each of the following items. Can it get such an interest, and, if so, how should the security agreement describe the collateral?
  - A. The electronic equipment used in broadcasting.
  - B. The station's "peacock" logo, which cost \$15,000 to design and test and which is protected by federal and state trademark registrations.
  - C. The station's broadcast license, issued by the Federal Communications Commission.
  - D. The station's reputation for accurate news reporting, which the *Wall Street Journal* recently called "KROK-TV's greatest asset."
  - E. The station's cause of action for slander against a former employee who told CNN that KROK had faked new footage of a recent earthquake in Los Angeles.
  - F. The \$7.3 million in advertising revenues that KROK-TV is expected to earn from its operations in the remainder of the current year (all but a few hundred dollars of it will be for advertising services rendered before the advertiser pays for them).
  
4. You have been counsel for Ronald Silber, the owner of Sound Emporium, for several years. Silber tells you that the business is experiencing some temporary cash-flow problems and he would like your advice on how to deal with them. Silber wants to avoid filing bankruptcy because he believes Sound Emporium's business will pick up significantly in a few months. Please advise him regarding each of the following claims being pressed by his creditors:
  - A. The business owes about \$90,000 to Citizen's Bank. The loan is secured by the trade fixtures and equipment of the business. The loan is at 11 percent per year and the quarterly interest payment in the amount of \$2,575 is 45 days past due. The loan officer says it must be brought current or "legal action will be taken."
  - B. The utility bill is almost two months past due. The total amount owing for the two-month period is about \$1,200. Silber has received the standard form notice that unless payment has been made within ten days, utility service will be cut off.
  - C. Two suppliers are hounding Silber to pay invoices that are now more than 120 days old. Silber owes each about \$20,000. One supplier has a security interest in the inventory it sold to Sound Emporium; the other does not. Both suppliers have hired local attorneys and are threatening immediate legal action. Silber says he can purchase similar inventory elsewhere for cash.

5. Your client, Grizzly Bear Bank, is on a run of bad luck. The Bank recently repossessed what should have been a \$345,000 helicopter, only to find that the engine and all of the electronics had been removed by the debtor (in violation of the security agreement), leaving a hull with no resale value. The amount of the debt is currently \$345,000. Fortunately, the debt is personally guaranteed by four wealthy individuals.
  - A. Grizzly would like to know if it is all right to throw the hull away. If not, what is the Bank supposed to do with it?
  - B. Assume that Grizzly throws the hull away and the guarantors later prove that if Grizzly had spent \$245,000 to install electronics in the hull it would have been able to sell the helicopter for \$345,000. To what deficiency is Grizzly entitled?
6. Answer all subparts of Problem 15.4 on pp. 271-72 of LoPucki & Warren. Assume, for purposes of answering them, that Revised Article 9 was ineffect at all relevant times (even though, in fact, it would not have been in effect until July 1, 2001 or later).
7. Answer Problem 15.7 on p. 271 of LoPucki & Warren, making the same assumption as in the previous Question.