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Mechanic’s Lien. Ironwood Exploration, Inc. (Ironwood) owned a lease on oil and gas property located in Duchesne County, Utah. Ironwood contracted to have Lantz Drilling and Exploration Company, Inc. (Lantz), drill an oil well on the property. Therafter, Lantz rented equipment from Graco Fishing and Rental Tools, Inc. (Graco), for use in drilling the well. Graco billed Lantz for these rentals, but Lantz did not pay. Graco filed a notice of mechanic’s lien on the well in the amount of $19, 766. Ironwood, which had paid Lantz, refused to pay Graco. Graco sued to forclose on its mechanic’s lien. Who wins? Graco Fising and Rental Tools, Inc. v. Ironwood Exploration, Inc., P. 2d 1074, 98 Utah Adv. Rep. 28. Web 1998 Utal Lexis 125 (Supreme Court of Utah)

Foreclosure Atlantic Ocean Kampgrounds, Inc. (Atlantic) borrowed $60, 000 from Camden National Bank (Camden National) and executed a note and mortgage on property located in Camden, Maine, securing that amount. Maine permits strict foreclosure. Atlantic defaulted on the loan, and Camden commenced strict foreclosure proceedings pursuant to state law. After the one-year period of redemption, Camden National sold the property to a third party in an amount in excess of the mortgage and costs of the foreclosure proceeding. Atlantic sued to recover the surplus from Camden National. Who wins? Atlantic Ocean Kampgrounds, Inc. v. Camden National Bank, 473 A. 2d 884, Web 1984 Me. Lexis 666 (Supreme Judicial Court of Maine)

Redemption Elmer and Arletta Hans, husband and wife, owned a parcel of real property in Illinois. They borrowed $100, 000 from First Illinois National Bank (First Illinois) and executed a note and mortgage to First Illinois, making the real estate security for the loan. The security agreement authorized First Illinois to take possession of the property upon the occurrence of a default and required the Hanses to execute a quitclaim deed in favor of First Illinois. The state of Illinois recognizes the doctrine of redemption. When the Hanses defaulted on the loan, First Illinois filed a lawsuit, seeking an order requiring the Hanses to immediately execute a quitclaim deed to the property. Must the Hanses execute the quitclaim deed before the foreclosure sale? First Illinois National Bank v. Hans, 143 Ill. App. 3d 1033, 493 N. E. 2d 1171, Web 1986 Ill. App. Lexis 2287 (Appellate Court of Illinois)

Consumer Leasing Joyce Givens entered into a rental agreement with Rent-A-Center, Inc. (Rent-A-Center), whereby she rented a bar and an entertainment center. The agreement provided that she must pay in advance to keep the furniture for periods of one week or one month. Givens could terminate the agreement at any time by making arrangements for the furniture’s return. Givens made payments for four months. After that, she failed to make any further payments but continued to posses the property. When Rent-A-Center became aware that Givens had moved and taken the furniture with her, in violation of the rental agreement, it filed a criminal complaint against her. Thereafter, Givens agreed to return the furniture, and Rent-A-Center dropped the charges. After Rent-A-Center recovered the furniture, Givens sued the company, claiming that the agreement she had signed violated the Consumer Leasing Act. Who wins? Givens v. Rent-A-Center, Inc., 720 F. Supp. 160, Web 1988 U. S. Dist. Lexis 16039 (United States District Court for the Southern District of Alabama)

Fair Debt Collection Stanley M. Juras was a student at Montana State University (MSU). During his four years at MSU, Juras took out several student loans from the school under the National Direct Student Loan program. By the time Juras left MSU, he owed the school more than $5, 000. Juras defaulted on these loans, and MSU assigned the debt to Aman Collection Services, Inc. (Aman), for purposes of collection. Aman obtained a judgment against Juras in a Montana state court for $5, 015 on the debt and $1, 920 in interest and attorneys’ fees. Juras, who at the time lived in California, still refused to pay these amounts.

Subsequently, a vice president of Aman, Mr. Gloss, telephoned Juras twice in California before 8: 00 A. M. Pacific Standard Time. Gloss told Juras that if he did not pay the debt, he would not receive a college transcript. Juras sued Aman, claiming that the telephone calls violated the Fair Debt Collection Practices Act. Gloss testified at trial that he made the calls before 8: 00 A. M. because he had forgotten the difference in time zones between California and Aman’s offices in South Dakota. Who wins? Juras v. Aman Collection Services, Inc., 829 F. 2d 739, Web 1987 U. S. App. Lexis 12888 (United States Court of Appeals for the Ninth Circuit)

Financing Statement C&H Trucking, Inc. (C&H), borrowed $19, 747. 56 from S&D Petroleum Company, Inc. (S&D). S&D hired Clifton M. Tamsett to prepare a security agreement naming C&H as the debtor and giving S&D a security interest in a new Mack truck. The security agreement prepared by Tamsett declared that the collateral also secured: any other indebtedness or liability of the debtor to the secured party direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, including all future advances or loans which may be made at the option of the secured party.

Tamsett failed to file a financing statement or the executed agreement with the appropriate government office. C&H subsequently paid off the original debt, and S&D continued to extend new credit to C&H. Two years later, when C&H owed S&D more than $17, 000, S&D learned that (1) C&H was insolvent, (2) the Mack truck had been sold, and (3) Tamsett had failed to file the security agreement. Does S&D have a security interest in the Mack truck? Is Tamsett liable to S&D? S&D Petroleum Company, Inc. v. Tamsett, 144 A. D. 2d 849, 534 N. Y. S. 2d 800, Web 1988 N. Y. App. Div. Lexis 11258 (Supreme Court of New York)

Priority of Security Agreements World Wide Tracers, Inc. (World Wide), sold certain of its assets and properties, including equipment, furniture, uniforms, accounts receivable, and contract rights, to Metropolitan Protection, Inc. (Metropolitan). To secure payment of the purchase price, Metropolitan executed a security agreement and financing statement in favor of World Wide. The agreement, which was filed with the Minnesota secretary of state, stated that “ all of the property listed on Exhibit A (equipment, furniture, and fixtures) together with any property of the debtor acquired after” the agreement was executed was collateral. One and one-half years later, State Bank (Bank) loaned money to Metropolitan, which executed a security agreement and financing statement in favor of Bank. Bank filed the financing statement with the Minnesota secretary of state’s office one month later.

The financing statement contained the following language describing the collateral: “ All accounts receivable and contract rights owned or hereafter acquired. All equipment now owned and hereafter acquired, including but not limited to, office furniture and uniforms.” When Metropolitan defaulted on its agreement with World Wide six months later, World Wide brought suit, asserting its alleged security agreement in Metropolitan’s accounts receivable. Bank filed a counterclaim, asserting its perfected security interest in Metropolitan’s accounts receivable. Who wins? World Wide Tracers, Inc. v. Metropolitan Protection, Inc., 384 N. W. 2d 442, Web 1986 Minn. Lexis 753 (Supreme Court of Minnesota)

27. 4)Priority of Security Interests Paul High purchased various items of personal property and livestock from William and Marilyn McGowen. To secure the purchase price, High granted the Mc-Gowens a security interest in the personal property and livestock. Two and one-half months later, High borrowed $86, 695 from Nebraska State Bank (Bank) and signed a promissory note, granting Bank a security interest in all his farm products, including but not limited to all his livestock. Bank immediately perfected its security agreement by filing a financing statement with the county clerk in Dakota County, Nebraska. The McGowens perfected their security interest by filing a financing statement and security agreement with the county clerk three months after the Bank filed its financing statement. Three years later, High defaulted on the obligations owed to the McGowens and Bank. Whose security interest has priority? McGowen v. Nebraska State Bank, 229   
Neb. 471, 427 N. W. 2d 772, Web 1988 Neb. Lexis 290 (Supreme Court of Nebraska)

Purchase Money Security Interest Prior Brothers, Inc. (PBI) began financing its farming operations through Bank of California, N. A. (Bank). Bank’s loans were secured by PBI’s equipment and after-acquired property. Bank immediately filed a financing statement, perfecting its security interest. Two years later, PBI contacted the International Harvester dealership in Sunny-side, Washington, about the purchase of a new tractor. A retail installment contract for a model 1066 International Harvester tractor was executed.

PBI took delivery of the tractor “ on approval,” agreeing that if it decided to purchase the tractor, it would inform the dealership of its intention and would send a $6, 000 down payment. The dealership received a $6, 000 check. The dealership immediately filed a financing statement concerning the tractor. Subsequently, when PBI went into receivership, the dealership filed a complaint, asking the court to declare that its purchase money security interest in the tractor had priority over Bank’s security interest. Does it? In the Matter of Prior Brothers, Inc., 29 Wn. App. 905, 632 P. 2d 522, Web 1981 Wash. App. Lexis 2507 (Court of Appeals of Washington)

Buyer in the Ordinary Course of Business Heritage Ford Lincoln Mercury, Inc. (Heritage) was in the business of selling new cars. Heritage entered into an agreement with Ford Motor Credit Company (Ford), whereby Ford extended a continuing line of credit to Heritage to purchase vehicles. Heritage granted Ford a purchase money security interest in all motor vehicles it owned and thereafter acquired and in all proceeds from the sale of such motor vehicles.

Ford immediately filed its financing statement with the secretary of state. When the dealership experienced financial trouble, two Heritage officers decided to double finance certain new cars by issuing dealer papers to themselves and obtaining financing for two new cars from First National Bank & Trust Company of El Dorado (Bank). The loan proceeds were deposited in the dealership’s account to help with its financial difficulties. The cars were available for sale. When the dealership closed its doors and turned over the car inventory to Ford, Bank alleged that it had priority over Ford because the Heritage officers were buyers in the ordinary course of business. Who wins? First National Bank and Trust Company of El Dorado v. Ford Motor Credit Company, 231 Kan. 431, 646 P. 2d 1057, Web 1982 Kan. Lexis 280 (Supreme Court of Kansas)