

**QUESTION 4 THE ANSWER TO THIS QUESTION SHOULD GO IN BLUEBOOK II  
OR IN SOFTEST ANSWER SCREEN 4**

Jamie was a third-year law student. She was short of money but wanted a laptop computer for her personal use. She approached her brother Mike to lend her \$2,000 to buy a high-end laptop. Knowing Jamie's spendthrift ways, Mike agreed to lend her the money, but insisted on security for the loan. Jamie agreed and they entered into a written agreement that provided: Mike loans Jamie \$2,000 to purchase the Toshiba laptop she desires; Jamie uses the money to purchase it; Jamie agrees to repay Mike \$50/month for 40 months and grants Mike a security interest in the laptop. The agreement, which identified the Toshiba, was signed by both parties and Jamie immediately got her laptop.

Following graduation from law school and passage of the bar exam, Jamie immediately began her legal career as a sole practitioner. She purchased from Office Supply a large conference table to place in a conference room which she would use to confer with clients. The conference table cost \$3,000. She gave Office Supply a small down payment, gave Office Supply a security interest in the conference table, and agreed to repay the balance of the purchase price at \$100/month. A purchase agreement describing the table was committed to writing and signed by Jamie and Office Supply. Office Supply promptly delivered the conference table to Jamie's law office.

Neither Mike nor Office Supply bothered filing any financing statements with any governmental agency.

Six months into her legal career, Jamie found it difficult attracting clients and developed serious cash flow problems. To alleviate the situation, she obtained a loan from Local Financing. The financing company agreed to loan Jamie \$10,000 with Jamie's repayments being \$200/month. The company demanded as collateral Jamie's personal Toshiba computer, conference table, and other items. Jamie agreed to these terms and they entered into a mutually signed agreement reciting these terms and identifying the collateral. Local Financing filed a financing statement with the appropriate state agency.

Despite the cash infusion, Jamie's law practice soon failed. She stopped making payments to Mike, Office Supply, and Local Financing. Each demanded satisfaction.

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Identify which of Jamie's creditors has first priority in the computer, and in the conference table, and the reasons why. Explain why the other creditors do not have first priority.

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