

ANSWER TO QUESTION NO. 8

Bounty Bank: Bounty Bank's security interest in Big Bobs' inventory, including the big screen television purchased by Joe Spartan, was perfected by timely filing an appropriate finance statement. MCL 440.9310(1).

Joe Spartan: A buyer in the ordinary course of business takes free of a security interest created by the buyer's seller, even if the security interest is perfected and the buyer knows of its existence. MCL 440.9320(1).

A buyer in the ordinary course of business is a buyer from a person in the business of selling goods of that kind. MCL 440.1201(9). Since Big Bobs is in the retail business of selling televisions, Joe Spartan took free of Bounty Bank's perfected security interest.

City Bank: City Bank has a purchase money security interest in the big screen television, since it loaned the money to Joe Spartan to purchase the television. MCL 4450.9103(1).

A purchase money security interest in a consumer good is perfected when it attaches. MCL 440.9309(a). A consumer good is defined as a good that is used or bought for use primarily for personal, family, or household purposes. MCL 440.9102(1)(w). Joe Spartan purchased the big screen television for family use, so it is a consumer good.

A security interest attaches when value is provided, the debtor has rights in the collateral, and a security agreement exists that includes the collateral. MCL 440.9203(2).

Since City Bank's purchase money security interest in the big screen television attached, the security interest is perfected, even though City Bank did not file a finance statement.

City Bank has priority over Bounty Bank to the television, even though Bounty Bank's security interest was perfected first. The general priority rule of first to perfect does not apply because Joe Spartan purchased the big screen television free of Bounty Bank's perfected security interest because he purchased the television from Big Bobs in the ordinary course of business. MCL 440.9320(1). As a result, City Bank's security interest has priority over Bounty Bank's security interest, even if City Bank does not have a perfected security interest.

National Bank: National Bank's security interest was perfected

when it timely filed an appropriate finance statement. MCL
9310(1). National Bank does not have a purchase money security
interest.

City Bank's purchase money security interest has priority over
National Bank's security interest since it was the first to perfect
its security interest.

Order of Priority: The order of priority from highest to
lowest to the big screen television is as follows: City Bank,
National Bank, and Joe Spartan. Bounty Bank and Big Bobs have no
legal right in the big screen television, and, therefore, no
priority, because Big Bobs sold the big screen television in the
ordinary course of business.