

1. Issue: true lease or disguised sec int
Rule: 1-201(37): option to own for nominal consideration
Application:
 - not within safe harbor/not FMV
 - 2 yrs left of economic life
 - straight depreciation - \$10,000
 - rental value - \$19,200Conclusion: so rental is 30% to 50% of FMV & likely a disguised security interest

2. Issue: whether rentals are accounts or chattel paper
Rule: 9-102(2) ans (11)
Application:
 - agreements are both obligation and lease of specific good = chattel paper
 - so FWB has no security interest at all
 - and CB has a perfected (by possession) sec int in paper
 - and that continues to cash proceedsConclusion: CB has priority

3. Issue: whether relocation created “gap” and loss of priority
Rule: 9-322 - first to file or perfect
9-316 - failure to refile in 4 mo grace period loses to “purchaser”
1-201(32) - purchaser includes s.p.
Application: National was first to file (prior of 6/1) v. Local (10/1)
But after Floor Art relocated Nat did not refile within 4 mo grace period
Local was a s.p./purchaser
Conclusion: Local has priority

4. Issue: Whether a PMSI has proirity over a subsequent buyer
Rule: 9-317(e)
Application: OO has a PMSI in the computer (reservation of title = s.i., 9-103)
That PMSI continues despite sale to Connie 9-315
Connie is a buyer for value w/o knowledge But not a BIOC
OO filed (9/30) within 20 days of delivery to Bob (9/19)
Conclusion: OO has priority over Connie

5. Issue: Priority between 2 PMSIs
Rule: 9-324(a)/9-315 - SI continues into identifiable proceeds
9-315(d)(3) - perfection continued beyond 20 days as original FS covers new
9-324(g) - two sellers’ PMSIs determined by first to file/perfect
Application: OO’s si continued to cash Bob got from Connie and then to new computer
This si was perfected beyond the 20 days because the original FS said equipment
and so covered the new computer
NexGen also has a PMSI in the new computer
Both are PMSIs
Both are sellers
Conclusion: NexGen has priority as it was first to file and perfect (9/28 v. 9/30 for OO)

