PURCHASE MONEY PRIORITY DRILLS

1. Debtor (D) borrows $100 from Creditor 1 (C1) at time T1 and, thereafter, $200 from Creditor 2 (C2) at time T1 plus two days. C2 makes its loan to D to permit D to buy equipment and D buys equipment consisting of a drill press and takes delivery at T1 plus three days. At T1, D signs a security agreement naming all equipment as collateral, whether now owned or hereafter acquired, for C1. C1 properly files a financing statement against D at time T1. D signs a security agreement naming the drill press as collateral for C2 at T1 plus two days and C2 properly files a financing statement against D at time T1 plus 25 days. D files for bankruptcy at T1 plus 10 months.

   a . C2 has an unperfected security interest that may be defeated by the bankruptcy trustee for D because its purchase money security interest was not timely filed.

   b. C1 has a security interest in the drill press that defeats the security interest of C2 in the drill press.

   c . C2 has a perfected security interest in the drill press that defeats the bankruptcy trustee and is prior to the security interest of C1.

   d. C2 has a perfected security interest in equipment that defeats the banktruptcy trustee and, with respect to the drill press, is prior to the security interest of C1.

2 . Debtor (D) borrows $100 from Creditor 1 (C1) at time T1 and, thereafter, $200 from Creditor 2 (C2) at time T1 plus two days. C2 makes its loan to D to permit D to buy inventory and D buys inventory consisting of 10 drill presses. At T1, D signs a security agreement naming all accounts, inventory and equipment as collateral, whether now owned or hereafter acquired, for C1. C1 properly files a financing statement against D at time T1. D signs a security agreement naming the drill press inventory as collateral for C2 at T1 plus two days and takes delivery. C2 properly files a financing statement naming inventory as collateral against D at time T1 plus 10 days. D files for bankruptcy at T1 plus 10 months.

   a . The security interest of C1 in the inventory financed by C2 is prior to the purchase money security interest of C2 in inventory.

   b . C2 has a perfected purchase money security interest in the inventory it sold to D that is prior to the security interest of C1.

c . If D sells the equipment financed by C2 prior to its bankruptcy filing, generating accounts, C1 will have priority in the accounts as the first to file against accounts and C2 will be unperfected as against the bankruptcy trustee.

d . If all the inventory financed by C2 is sold to customers prior to the bankruptcy filing by D, and accounts are generated pursuant to which D's customers owe the purchase price for the equipment, C2 is an unsecured creditor in D's bankruptcy because C2 does not have an interest in any collateral owned by D.

3 . Debtor (D) borrows $100 from Creditor 1 (C1) at time T1 and, thereafter, $200 from Creditor 2 (C2) at time T2. C2 makes its loan to D to permit D to buy equipment and D buys equipment consisting of a drill press. At T1, D signs a security agreement naming all equipment as collateral, whether now owned or hereafter acquired, for C1. C1 properly files a financing statement against D at time T1. D signs a security agreement naming the drill press as collateral for C2 and C2 properly files a financing statement against D at time T2.

a . Both C1 and C2 have a perfected security interest in the equipment of D, with C2 having priority over C1 in the drill press and C1 having priority over C2 in all other equipment.

b. Both C1 and C2 have a perfected security interest in the drill press, with C2 having priority over C1 because C2 has a purchase money security interest in the drill press.

c. Both C1 and C2 have a perfected security interest in the drill press, with C1 having priority over C2 because C1 filed its financing statement before C2 filed its financing statement.

d. C1 does not have a perfected security interest in the drill press because C2 has a purchase money security interest in the drill press.