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**622 Commercial Transactions IIe-Negotiable Instruments
Fall Semester 2006**

**UNM School of Law
Final Examination
Three Credits**

**Professor Gerding
Friday, December 8 2006
9:00-12:00 p.m.(3 hours)**

**Examination Format
Essay Answers**

1. **Laptop** computer users: Start the Securexam program entering your examination number, course name, professor's name, & date of examination. Click "proceed" to enter the program. Type START in the next window that is displayed but do NOT press the enter key until the proctor says to begin the exam.

2. **Bluebooks** for writing: write on every-other line and only on the front page of each sheet. On the front of bluebook record the class name, professor's name, date of exam, and your examination number. Make sure to number each bluebook in order. **DO NOT WRITE YOUR NAME ON BLUEBOOKS.**

A five-minute warning will be given prior to the conclusion of the examination. When time is called, stop immediately. If you are handwriting, lay down your pen & close bluebook immediately. If using a laptop, save & exit the program.

Go to the exam check-in table at the conclusion of the exam & fill out an examination receipt.

Professor's Instructions

Estimated time to complete: 1 to 2 hours.

This is an **OPEN BOOK** exam.

Please answer the questions below very concisely. Please cite to any provision of the UCC, other statute or court cases that you feel answer the question (*including for any true or false or multiple choice questions*). You do not need to cite to cases not included the case book.

MAKE SURE TO TYPE OR WRITE THE EXAM QUESTION NUMBER AND THEN ANSWER THE QUESTION.

EXAMINATION

1. If a bank customer writes a check, but there are insufficient funds in his account to cover the amount of the check, must the payor bank dishonor the check?
2. Briefly, what are the policy reasons behind the rule in question 1?
3. Multiple choice: At what point, is the determination made under the UCC whether a customer has sufficient funds available to pay a check:
 - a. When the check is written;
 - b. When the check is first deposited with the depository bank;
 - c. On the midnight deadline;
 - d. When the payor bank is presented with the check;
 - e. When the payor bank evaluates the check;
4. After a customer writes a check, she issues a stop payment order to the payor bank. When is stop payment order effective? For how long?
5. Natalia writes a check to Alfredo to buy his recipe for sauce. Natalia has buyer's remorse and decides to issue a stop order payment to her bank. Assume the stop order is timely but the bank loses the stop order payment and honors the check to Alfredo. What are the bank's obligations now vis a vis Natalia? How does UCC § 4-407 impact your answer?
6. Explain the policy behind why the basic availability rules in Regulation CC makes the following two distinctions: (i) between local and non-local checks being deposited into a customer's account, and (ii) between whether the customer is seeking to make a withdrawal of cash or non-cash (like writing another check) against the checks she deposited.
7. If a bank wrongfully dishonors a check, what is the bank's potential liability to its customer?
8. Multiple choice: Under Regulation CC, a payor bank that dishonors a check must comply with which of the following in sending notice of dishonor:
 - a. The "two-day/four-day" rule;
 - b. The "forward collection" test;
 - c. Neither (a) nor (b);
 - d. Both (a) and (b);
 - e. Either (a) or (b);
9. What liability does a payor bank incur if it does not comply with the rule or rules in your answer to the previous question?
10. Why does Regulation CC (§ 229.30(c)(1)) extend the UCC midnight deadline?
11. Explain the difference between the legal effect of me making following the endorsements on a check:
 - a. I sign my name "Erik Gerding" *versus*
 - b. I sign my name "Erik Gerding payable to Evil Knieval" *versus*
 - c. I sign my name "Erik Gerding for deposit only" *versus*

d. I sign my name "Erik Gerding without recourse"

12. Who can enforce a presentment warranty? Against whom can presentment warranties be enforced?
13. Who can enforce a transfer warranty? Against whom can transfer warranties be enforced?
14. How is the transfer warranty on the authenticity of signatures different from the analogous presentment warranty? Why?
15. Cite to one of the transfer warranties that cover forged indorsements.
16. Why should you not leave open spaces when you write a check?
17. Muffin alters the amount of a check written by Sergei from \$10 to \$1,000. Sergei doesn't notice the alteration until he reviews his bank statement 14 months later. His bank decides to recredit Sergei's account because he such a nice guy. Sergei's bank turns around and pursues the depository bank for breach of a presentment warranty. Cite to a UCC provision (or two provisions) that gives the depository bank the principal argument to use against Sergei's bank.
18. True or False: The Truth in Lending Act applies to my purchase of cement with my corporate credit card for my cement business.
19. While in New York, I buy a watch as a holiday present using my Chase Visa credit card. Once my auntie opens her present on December 25, she notices the watch is defective. Does the Truth in Lending Act give me a right to get my money back from Chase?
20. Does your answer to the above question change if I paid my Chase credit card bill with the watch item on it on December 15?
21. You notice an item on your credit card statement from a store that you have never patronized. Under the Truth in Lending Act, what is the deadline for you to challenge the item with your card issuer?
22. Fill in the blank: under the Truth in Lending Act, a cardholder's liability for unauthorized credit charges is capped at \$_____.
23. Briefly, define the "independence principle" with respect to letters of credit.
24. Fill in the blank: the UCP and UCC standard for how closely beneficiaries must comply with the terms of a letter of credit in providing documentation to draw on the letter of credit is _____ compliance.
25. What damages can a beneficiary claim under the UCC for wrongful dishonor of a letter of credit?