LOUISIANA CIVIL LAW:
SECURITY RIGHTS
Professor Trahan

Problems:
Attachment of Security Interests to
After-Acquired Property & Proceeds

1. Pascal, owner of an auto parts shop, borrowed $10,000 from Evangeline Bank (EB). Along with the promissory note, Pascal signed a document entitled “Security Agreement” whereby he purported to grant EB a security interest in his “equipment, inventory, and accounts”.

Most of the time, Pascal sells his auto parts for cash, which he promptly deposits in his “business” checking account at Bayou Bank (BB). But to trusted customers, such as his friends Olide and Jean Sot, he’ll sometimes sell the auto parts on credit. On a couple of occasions, when Olide has found himself unable to pay off his “tab” with cash, Olide has “paid” Pascal with nutria pelts instead.

Not long ago, Pascal was forced to buy a new filing cabinet to replace one that had fallen apart. To pay the price, he used funds from his checking account at BB.

Recently, Pascal defaulted on his loan from EB. The EB loan officer now wants to know whether EB has a security interest in any of the following things: (1) the funds in Pascal’s business checking account at BB; (2) Pascal’s claim against Jean Sot for the $200 worth of auto parts Pascal had sold to him on credit; (3) the nutria pelts that Pascal received in satisfaction of what Olide had owed him for the auto parts Pascal had sold him on credit; (4) the new filing cabinet. What is your answer? Why?

2. The same as before, except that the description of the collateral in the security agreement mentioned only “inventory” (not “equipment” or “accounts”). Would your answer to the EB loan officer’s question be any different now? Why or why not?