

Contents

| | |
|---|------------|
| PREFACE | viii |
| CHAPTER 1 TRANSITION AND APPLICABLE LAW | 1-1 |
| 1.1 Transition Rules | 1-1 |
| 1.1.1 General Rule: New 9 Applies to Pre- and Post-July 1, 2001, Transactions | 1-1 |
| 1.1.2 Exceptions to the General Rule | 1-2 |
| 1.1.2.1 Law Suits | 1-2 |
| 1.1.2.2 Five-Year Safe Harbor for Financing Statements | 1-3 |
| 1.1.2.3 One Year for Everything Else | 1-4 |
| 1.2 How to Continue Financing Statements Filed Properly under Old 9, but in the Wrong Place under New 9, after July 1, 2001 | 1-5 |
| 1.3 How to Continue Financing Statements Filed in the Right New 9 State and Filing Office after July 1, 2001 (i.e., the Old 9 and New 9 Locations Are the Same) | 1-6 |
| 1.3.1 How to Continue Financing Statements Filed Both in the Right New 9 State and Filing Office and the Wrong New 9 State and Filing Office | 1-6 |
| 1.4 Amendments to Financing Statements Originally Filed before July 1, 2001 | 1-7 |
| 1.5 Transition Priorities | 1-7 |
| 1.6 What Law Governs? | 1-8 |
| 1.6.1 Governing Law for Perfection and Priority | 1-9 |
| 1.6.2 Governing Law for Other Issues | 1-11 |
| CHAPTER 2 OVERVIEW AND DEFINITIONS | 2-1 |
| 2.1 Security Interest | 2-1 |
| 2.1.1 Purchase-Money Security Interests | 2-1 |
| 2.1.1.1 Application of Payments | 2-2 |
| 2.1.2 Agricultural Liens | 2-3 |
| 2.1.3 Consignments | 2-3 |
| 2.2 Parties | 2-4 |
| 2.3 Exclusions from New 9 | 2-5 |
| 2.4 New 9 Collateral Categories | 2-8 |
| 2.4.1 Intangible and “Semi-Tangible” Property | 2-8 |
| 2.4.2 Tangible Personal Property—Goods | 2-11 |
| 2.4.3 Investment Property-Related Definitions | 2-12.1 |

CONTENTS

2.4.4 Supporting Obligation 2-13
2.4.5 Proceeds 2-13
2.5 Medium Neutral Terms 2-14
2.6 Good Faith 2-14
2.7 Special Consumer Rules 2-15

**CHAPTER 3 CREATING A SECURITY INTEREST —
ATTACHMENT — MAKING THE SECURED
PARTY’S RIGHTS ENFORCEABLE AGAINST
THE DEBTOR 3-1**

3.1 Elements of Attachment 3-1
3.2 Security Agreement 3-2
3.3 Possession 3-4
3.4 Control 3-4
3.5 Attachment to Proceeds and Supporting Obligations 3-5
3.6 Attachment to Securities and Commodity Accounts 3-5
3.7 After-Acquired Property 3-5
3.8 Future Advances 3-6
3.9 Attachment of Lien Securing Right to Payment 3-6
3.10 Bailed Goods Evidenced by Documents 3-6

CHAPTER 4 PERFECTION 4-1

4.1 General Rule: All Security Interests Must Be Perfected by
Filing a Financing Statement 4-1
4.2 Exception 1: Filing a Financing Statement Doesn’t
Work at All 4-2
4.3 Exception 2: Filing a Financing Statement Is an Optional
Method of Perfection 4-2
4.4 Exception 3: Automatic Perfection 4-2
4.5 Exception 4: Filing a Financing Statement Is Not Required
for Security Interests in Property Subject to a Certificate of
Title or Other Statute 4-3
4.6 Exception 5: Filing a Financing Statement Is Not Required
for Security Interests Perfected by Possession 4-4
4.7 Exception 6: Filing a Financing Statement Is Not Required
for Security Interests Perfected by Control 4-5
4.8 Exception 7: Temporary Perfection 4-5

CHAPTER 5 FINANCING STATEMENT MECHANICS 5-1

5.1 What Kinds of Records Are Filed? 5-1
5.2 Where to File? 5-1
5.3 Contents of a “Sufficient” Financing Statement 5-2
5.4 Debtor’s Name Rules 5-3

| | | |
|--|---|------------|
| 5.5 | How to Describe Collateral | 5-4.2 |
| 5.6 | When Filing Office Can Reject Filings | 5-5 |
| 5.7 | Mistakes | 5-6 |
| 5.8 | Who Can File? | 5-7 |
| | 5.8.1 Initial Financing Statement | 5-7 |
| 5.9 | Amendments to Financing Statements | 5-8 |
| 5.10 | Duration of Financing Statements | 5-9 |
| 5.11 | Continuation Statements | 5-10 |
| 5.12 | Termination Statements | 5-10 |
| 5.13 | The Filing Office | 5-11 |
| 5.14 | Inaccurate or Wrongfully Filed Records | 5-11 |
| 5.15 | Filing Office Indexing Errors | 5-12 |
| 5.16 | Maintenance and Destruction of Records | 5-12 |
| 5.17 | Information from Filing Office | 5-12.1 |
| 5.18 | Filing Fee | 5-12.1 |
| 5.19 | Filing Office Rules | 5-13 |
| 5.20 | Wrongfully Filed Termination Statements | 5-13 |
| 5.21 | New 9 Searching and Filing Practices | 5-14 |
| CHAPTER 6 PREVAILING AGAINST OTHERS | | 6-1 |
| 6.1 | General Rules of Priority among Creditors | 6-1 |
| 6.2 | Exceptions to the “First-to-File-or-Perfect” Rule | 6-2 |
| | 6.2.1 Control Prevails over Filing | 6-2 |
| | 6.2.2 Some Security Interests Perfected by Possession or Control Prevail over Security Interests on Chattel Paper and Instruments Perfected Earlier by Filing | 6-2 |
| | 6.2.3 The Purchase-Money Security Interest Super-Priority | 6-4 |
| | 6.2.4 Future Advances | 6-5 |
| 6.3 | Transferees of Collateral | 6-6 |
| 6.4 | Buyers | 6-6 |
| 6.5 | Licensees and Lessees in Ordinary Course of Business | 6-7 |
| 6.6 | Rights under Titles 3, 7 and 8 | 6-8 |
| 6.7 | Possessory Statutory Liens | 6-8 |
| 6.8 | Priority of Security Interest in Fixtures and Crops Against Real Estate Claimants | 6-9 |
| | 6.8.1 Secured Party versus Secured Party | 6-9 |
| | 6.8.2 Exception 1: Purchase-Money Priority | 6-9 |
| | 6.8.3 Exception 2: First to Record | 6-9 |
| | 6.8.4 Exception 3: Removable Goods and Domestic Appliances | 6-10 |

CONTENTS

| | | |
|---|--|------------|
| 6.8.5 | Exception 4: Judicial Liens | 6-10 |
| 6.8.6 | Exception 5: Manufactured Homes | 6-10 |
| 6.8.7 | Subordination of Purchase-Money Security Interest in Fixtures to Construction Mortgage . . . | 6-10 |
| | 6.8.7.1 Priority Based on Consent | 6-11 |
| 6.8.8 | Crops | 6-11 |
| 6.8.9 | Priority Based on Consent | 6-11 |
| 6.9 | Accessions | 6-11 |
| 6.10 | Commingled Goods | 6-12 |
| 6.11 | Contractual Subordination | 6-12 |
| CHAPTER 7 PARTICULAR TYPES OF COLLATERAL | | 7-1 |
| 7.1 | Investment Property | 7-1 |
| | 7.1.1 Stock Options and Warrants | 7-4 |
| | 7.1.2 Partnership and LLC Interests | 7-5 |
| 7.2 | Deposit Accounts | 7-5 |
| 7.3 | Letter-of-Credit Rights | 7-8 |
| 7.4 | Commercial Tort Claims | 7-10 |
| 7.5 | Agricultural Liens | 7-10 |
| 7.6 | Software | 7-10.2 |
| 7.7 | Motor Vehicles | 7-11 |
| 7.8 | Electronic Chattel Paper | 7-13 |
| 7.9 | Aircraft | 7-14 |
| 7.10 | Patents | 7-15 |
| 7.11 | Trademarks and Service Marks | 7-16 |
| 7.12 | Copyrights | 7-16 |
| 7.13 | Watercraft | 7-17 |
| CHAPTER 8 PROCEEDS | | 8-1 |
| 8.1 | General Rule — Attachment and Continuation of Security Interest in Original Collateral and Proceeds | 8-1 |
| 8.2 | Twenty-Day Automatic Perfection for Proceeds | 8-1 |
| 8.3 | How a Security Interest in Proceeds Remains Perfected for More than 20 Days | 8-2 |
| 8.4 | Priority in Proceeds | 8-3 |
| CHAPTER 9 CHANGES AFTER CLOSING | | 9-1 |
| 9.1 | Secured Party Changes | 9-1 |
| 9.2 | Debtor’s Location or Status Changes | 9-2 |
| 9.3 | Collateral Location Changes | 9-3 |
| 9.4 | Location of Bank, Issuer, Nominated Person, Securities Intermediary or Commodity Intermediary Changes | 9-3 |
| 9.5 | Financing Statements and Changes | 9-4 |
| | 9.5.1 Debtor’s Name Changes | 9-4 |

| | | |
|--|--|-------------|
| 9.5.2 | New Debtors | 9-4 |
| 9.6 | “Double Debtors” | 9-5 |
| 9.7 | Goods Covered by Certificates of Title | 9-6 |
| CHAPTER 10 THIRD PARTIES — ACCOUNT DEBTORS .. | | 10-1 |
| 10.1 | Account Debtors | 10-1 |
| 10.2 | Terms Restricting Assignment | 10-3 |
| 10.2.1 | Accounts, Chattel Paper and Security Assignments of Payment Intangibles and Promissory Notes | 10-3 |
| 10.2.2 | Health-Care-Insurance Receivables, Certain General Intangibles, Including Contracts, Permits, Licenses and Franchises, and Sales of Payment Intangibles and Promissory Notes | 10-4 |
| 10.2.3 | Assignment of Letter-of-Credit Rights | 10-5 |
| CHAPTER 11 ENFORCEMENT | | 11-1 |
| 11.1 | Options | 11-1 |
| 11.2 | Waiver and Variance of Debtor’s and Obligor’s Rights and Secured Party’s Duties | 11-2 |
| 11.3 | Unknown Debtor or Secondary Obligor | 11-3 |
| 11.4 | “Commercially Reasonable” | 11-3 |
| 11.5 | Fixtures | 11-4 |
| 11.6 | Collection and Enforcement of Collateral Consisting of Rights to Payment | 11-4 |
| 11.7 | Application of Proceeds of Collection and Enforcement of Collateral Consisting of Rights to Payment | 11-6 |
| 11.8 | Repossession | 11-7 |
| 11.9 | Disposition of Collateral after Default | 11-7 |
| 11.10 | Notices before Disposition | 11-9 |
| 11.11 | Content and Form of Notice | 11-10 |
| 11.11.1 | Non-Consumer-Goods Transactions | 11-10 |
| 11.11.2 | Consumer-Goods Transactions | 11-11 |
| 11.12 | Application of Proceeds | 11-11 |
| 11.13 | Accounting | 11-13 |
| 11.14 | Transferees of Collateral | 11-13 |
| 11.15 | Transfers to Secondary Obligors | 11-13 |
| 11.16 | Transfer Statement | 11-14 |
| 11.17 | Acceptance of Collateral in Full or Partial Satisfaction of Obligation—Strict Foreclosure | 11-15 |
| 11.18 | Mandatory Disposition of Consumer Goods | 11-17 |
| 11.19 | Right of Redemption | 11-17 |

CONTENTS

| | |
|--|--------------|
| CHAPTER 12 SECURED PARTY'S OBLIGATIONS | 12-1 |
| 12.1 Care of Collateral | 12-1 |
| 12.2 Release of Account Debtor | 12-2 |
| 12.3 Duty to Provide Information | 12-2 |
| 12.4 Obligation to Terminate | 12-3 |
| 12.5 Penalties for Failure to Comply with These Obligations | 12-5 |
| CHAPTER 13 PENALTIES AGAINST SECURED PARTIES .. | 13-1 |
| 13.1 Damages | 13-1 |
| 13.2 Rebuttable Presumption Rule | 13-2 |
| 13.3 Insider Dispositions | 13-2 |
| CHAPTER 13A EVALUATING A WORKOUT SITUATION: ISSUES AND OPTIONS | 13A-1 |
| 13A.1 Non-Litigation vs. Litigation | 13A-1 |
| 13A.1.1 Bankruptcy Issues to Consider | 13A-1 |
| 13A.1.2 Prepackaged Plans | 13A-2 |
| 13A.2 Basic Workout Elements | 13A-2 |
| 13A.3 Audit of Key Loan Documentation Prior to Enforcement or Negotiation | 13A-2 |
| 13A.4 Bankruptcy as Affirmative Strategy | 13A-3 |
| 13A.4.1 Pros of Bankruptcy | 13A-3 |
| 13A.4.2 Cons of Bankruptcy | 13A-4 |
| 13A.4.3 Debtor in Possession Financing | 13A-4 |
| 13A.5 Avoiding Liability to Borrower in Workouts | 13A-5 |
| 13A.5.1 Pre-Workout Agreement | 13A-5 |
| 13A.5.2 Breach of Contract | 13A-5 |
| 13A.5.3 Implied Covenants of Good Faith and Fair Dealing | 13A-6 |
| 13A.5.4 Equitable Subordination | 13A-7 |
| 13A.5.5 Breach of Fiduciary Duty | 13A-8 |
| 13A.5.6 Tortious Interference with Contractual Relations and Corporate Governance | 13A-9 |
| 13A.5.7 RICO | 13A-9 |
| 13A.5.8 Fraud | 13A-10 |
| 13A.5.9 Negligent Misrepresentation | 13A-10 |
| 13A.5.10 Securities Fraud | 13A-11 |
| 13A.5.11 Duress | 13A-11 |
| 13A.5.12 Intentional Infliction of Emotional Duress | 13A-12 |
| 13A.5.13 Prima Facie Tort | 13A-12 |
| 13A.5.14 Suggestions to Avoid Liability | 13A-12 |
| 13A.6 Avoiding Liability to Other Trade Creditors and Lenders ... | 13A-14 |
| 13A.6.1 Misrepresentation and Subordination | 13A-14 |
| 13A.6.2 Marshaling of Collateral or Guarantees | 13A-15 |

| | | |
|-------------------|---|-------------|
| 13A.6.3 | Protective Measures with Respect to Other Lenders | 13A-15 |
| 13A.6.4 | Avoiding Liability to Employees and Labor Unions | 13A-16 |
| 13A.6.5 | Avoiding Liability to Governmental Agencies | 13A-17 |
| 13A.6.6 | Dealing with Problems in Disclosure of Credit and Deposit Information | 13A-18 |
| CHAPTER 14 | FORMS | 14-1 |
| FORM 14-1 | New 9 Collateral List for Security Agreement — 9-108 (Commercial Credit) | 14-1 |
| FORM 14-2 | New 9 Collateral List — 9-108 (Consumer Credit) | 14-2 |
| FORM 14-3 | Secured Party’s Release of Control over Deposit Account — 9-208(2)(a) | 14-3 |
| FORM 14-4 | Secured Party’s Release of Securities Intermediary/ Commodity Intermediary — 9-208(b)(4) | 14-4 |
| FORM 14-5 | Secured Party’s Release of Control over Letter-of-Credit Right — 9-208(2)(e) | 14-5 |
| FORM 14-6 | Debtor’s Request for an Accounting — 9-210(1)(b) | 14-6 |
| FORM 14-7 | Debtor’s Request Regarding a List of Collateral — 9-210(1)(c) | 14-7 |
| FORM 14-8 | Debtor’s Request Regarding a Statement of Account — 9-210(1)(d) | 14-8 |
| FORM 14-9 | Secured Party’s Accounting — 9-210(2)(a) | 14-9 |
| FORM 14-10 | Secured Party’s Response to Debtor’s Request Regarding a List of Collateral — 9-210(2)(b) | 14-10 |
| FORM 14-11 | Secured Party’s Response to Debtor’s Request Regarding a Statement of Account — 9-210(2)(b) | 14-11 |
| FORM 14-12 | Secured Party’s Response to Debtor’s Request Regarding a List of Collateral when Secured Party Claims an Interest in All of a Particular Type of Collateral Owned by the Debtor — 9-210(3) | 14-12 |
| FORM 14-13 | Notice of Exclusive Control of Securities Account | 14-13 |
| FORM 14-14 | Notice of Disposition of Consumer-Goods — 9-614 | 14-14 |
| FORM 14-15 | Notice of Disposition of Non-Consumer-Goods — 9-613 | 14-16 |
| FORM 14-16 | Secured Party’s Request for Consent of Issuer or Nominated Person to Assignment of Letter-of-Credit Proceeds and Issuer or Nominated Person’s Consent — 9-107 | 14-17 |
| FORM 14-17 | Exclusion of Warranties by Secured Party Selling Collateral — 9-610 | 14-18 |

CONTENTS

| | | |
|-------------|--|---------|
| FORM 14-18 | Notice of Purchase-Money Security Interest in Inventory — 9-324(2) | 14-18 |
| FORM 14-19 | Notice to Bailee in Possession of Goods Who has Issued a Non-Negotiable Document Covering the Goods — 9-312(4) | 14-19 |
| FORM 14-20 | Consent of Owner of Real Property to Creation of Security Interest in Fixtures — 9-334(6) | 14-20 |
| FORM 14-20A | Form of Landlord Waiver | 14-20.1 |
| FORM 14-21 | Notice from Consignor to Secured Party — 9-324(2) | 14-21 |
| FORM 14-22 | Waiver of Disposition Notification — 9-602(g), 9-611, 9-624(a) | 14-22 |
| FORM 14-23 | Mandatory Disposition of Consumer-Goods — Agreement of Debtor and Secondary Obligor to Longer Period of Time — 9-620(5) and (6) | 14-23 |
| FORM 14-24 | Description of Commercial Tort Claim for Purposes of Security Agreement and Financing Statement — 9-108, 9-504, 9-203(2)(c)(i) | 14-24 |
| FORM 14-25 | Grant of Security Interest in Deposit Account to Depository Bank to Include in Deposit Account Signature Card — 9-203(2)(c)(iv) | 14-24 |
| FORM 14-26 | Secured Party’s Proposal to Accept Collateral in Full Satisfaction of Debt — 9-620 | 14-25 |
| FORM 14-27 | Secured Party’s Proposal to Accept Collateral in Partial Satisfaction of Debt — 9-620 | 14-26 |
| FORM 14-28 | Secured Party’s Notice That Strict Foreclosure Has Occurred | 14-27 |
| FORM 14-29 | Secured Party’s Notice That Partial Strict Foreclosure Has Occurred | 14-28 |
| FORM 14-30 | Governing Law Choices | 14-29 |
| FORM 14-31 | Application of Payments | 14-29 |
| FORM 14-32 | Bailee Acknowledgment That It Holds Possession of Collateral for Secured Party’s Benefit — 9-313(3) | 14-29 |
| FORM 14-33 | Notice of Assignment to Include on Chattel Paper or an Instrument — 9-330(1)(b) | 14-30 |
| FORM 14-34 | Notice to Include on Chattel Paper Financing Statement That Purchase of Chattel Paper from Debtor Would Violate the Rights of the Secured Party — 9-330(2) | 14-31 |
| FORM 14-35 | Notice to Account Debtor of Assignment of Account — 9-406 | 14-31 |
| FORM 14-35A | Notice of Assignment — 9-406 | 14-32 |
| FORM 14-36 | No Offset Agreement | 14-32.2 |
| FORM 14-37 | Secured Party’s Release of Account Debtor — 9-209(2) | 14-32.4 |

| | | |
|-------------|--|--------|
| FORM 14-38 | Proof Offered by Assignee That Account Has Been Assigned — 9-406(3) | 14-33 |
| FORM 14-39 | Secured Party Affidavit in Recordable Form Regarding Default — 9-607(2) | 14-34 |
| FORM 14-40 | Instruction by Secured Party to Bank to Pay out Deposit Account Collateral after Default — 9-607(1)(e) | 14-35 |
| FORM 14-41 | Transfer Statement — 9-619 | 14-36 |
| FORM 14-42 | Notice to Secured Party of a Claim or Interest in the Collateral — 9-611(3)(c)(i) | 14-37 |
| FORM 14-43 | Demand by Subordinate Secured Party for Proceeds — 9-608(1)(a)(iii), 9-615(1)(c)(i) | 14-38 |
| FORM 14-44 | Demand by Secured Party of Proof of Subordinate Interest — 9-608(1)(b), 9-615(2) | 14-39 |
| FORM 14-45 | Federal Trade Commission Holder-in-Due-Course Notice | 14-39 |
| FORM 14-46 | Deficiency/Surplus Explanation — 9-616 | 14-40 |
| FORM 14-46A | Secured Party Bill of Sale | 14-41 |
| FORM 14-47 | Security Agreement (Consumer) | 14-41 |
| FORM 14-48 | Security Agreement (Corporate Debtor) | 14-51 |
| FORM 14-49 | Pledge Agreement (Certificated Security) | 14-81 |
| FORM 14-50 | Guaranty Security Agreement (Corporate Guarantor) | 14-88 |
| FORM 14-51 | Investment Property Control Agreement (Joint Control, no withdrawals or distributions of dividends) | 14-118 |
| FORM 14-52 | Investment Property Control Agreement (Exclusive Creditor Control) | 14-122 |
| FORM 14-53 | Investment Property Security Agreement (Joint Control) | 14-125 |
| FORM 14-54 | Investment Property Security Agreement (Exclusive Creditor Control) | 14-133 |
| FORM 14-55 | Deposit Account Control Agreement (Joint Control) | 14-141 |
| FORM 14-56 | Deposit Account Control Agreement (Exclusive Creditor Control) | 14-144 |
| FORM 14-57 | Guaranty Agreement (Corporate Guarantor) | 14-147 |
| FORM 14-58 | Promissory Note (Commercial) | 14-163 |
| FORM 14-59 | Subordination Agreement | 14-173 |
| FORM 14-60 | Deposit Account Security Agreement and Control Agreement (Short Form, no waiver of setoff by Depository) | 14-182 |
| FORM 14-61 | Loan and Security Agreement (Commercial Loan) | 14-185 |
| FORM 14-62 | Pledge Agreement (Certificates of Deposit that are “instruments”) | 14-220 |
| FORM 14-63 | UCC Financing Statement | 14-226 |

CONTENTS

FORM 14-64 UCC Financing Statement Addendum 14-228
FORM 14-65 UCC Financing Statement Amendment 14-230
FORM 14-66 UCC Financing Statement Amendment Addendum . . . 14-232
FORM 14-67 Assignment of Mortgage 14-234
FORM 14-68 Continuation Financing Statement Legend —
9-706(3) 14-235
FORM 14-69 Construction Mortgage, Assignment of Rents
and Security Agreement — 9-502(3) 14-235
FORM 14-70 Financing Statement Legend — Disclosing Debtor
Agreement Not to Grant Junior Security Interests in
Collateral — 9-331 14-255
FORM 14-71 Waiver of Right to Redeem — 9-624(3) 14-256
FORM 14-72 Secured Party’s Disclaimer of an Interest in Collateral
or Obligations — 9-210(4) and (5) 14-256
FORM 14-73 New 9 Collateral List for Financing Statement —
9-504 (Commercial Credit) 14-257
FORM 14-74 Debtor’s Correction Statement — 9-518(2) 14-259
FORM 14-75 Methods of Perfection by New 9 Collateral
Category 14-260
FORM 14-76 Methods of Perfection Chart by Principal
Collateral Types 14-262
FORM 14-77 Surrender Agreement 14-265
FORM 14-78 Loan Purchase Agreement (Minimal Warranties) . . . 14-270
FORM 14-79 Basic Workout Checklists for Auditing Documents
Promissory Notes 14-278

INDICES

Table of Michigan Laws INDEX-1
Table of Cases INDEX-19
Subject Index INDEX-26
Forms Index INDEX-39