

# Contents

About the Author .....	vii
Preface .....	ix
Forms Disk Instructions .....	xi
<b>CHAPTER 1 TRANSITION AND APPLICABLE LAW .....</b>	<b>1-1</b>
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 .....	1-1
1.1.2.1 Law Suits .....	1-2
1.1.2.2 Five-Year Safe Harbor for Financing Statements .....	1-2
1.1.2.3 One Year for Everything Else .....	1-2
1.2 How to Continue Financing Statements Filed Properly under Old 9, but in the Wrong Place under New 9, after July 1, 2001 .....	1-4
1.3 How to Continue Financing Statements Filed in the Right New 9 State and Filing Office after July 1, 2001 ( <i>i.e.</i> , the Old 9 and New 9 Locations Are the Same) .....	1-5
1.4 Amendments to Financing Statements Filed before July 1, 2001 .....	1-5
1.5 Transition Priorities .....	1-6
1.6 What Law Governs? .....	1-6
1.6.1 Governing Law for Perfection and Priority .....	1-7
1.6.2 Governing Law for Other Issues .....	1-10
<b>CHAPTER 2 OVERVIEW AND DEFINITIONS .....</b>	<b>2-1</b>
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 .....	2-3
2.3 Exclusions from New 9 .....	2-5
2.4 New 9 Collateral Categories .....	2-7
2.4.1 Intangible and “Semi-Tangible” Property .....	2-7
2.4.2 Tangible Personal Property — Goods .....	2-11
2.4.3 Investment Property-Related Definitions .....	2-12
2.4.4 Supporting Obligation .....	2-13
2.4.5 Proceeds .....	2-13

## CONTENTS

2.5	Medium Neutral Terms . . . . .	2-14
2.6	Good Faith . . . . .	2-14
2.7	Special Consumer Rules . . . . .	2-14
<b>CHAPTER 3 CREATING A SECURITY INTEREST— ATTACHMENT—MAKING THE SECURED PARTY’S RIGHTS ENFORCEABLE AGAINST THE DEBTOR . . . . .</b>		<b>3-1</b>
3.1	Elements of Attachment . . . . .	3-1
3.2	Security Agreement . . . . .	3-2
3.3	Possession . . . . .	3-3
3.4	Control . . . . .	3-4
3.5	Attachment to Proceeds and Supporting Obligations . . . . .	3-4
3.6	Attachment to Securities and Commodity Accounts . . . . .	3-4
3.7	After-Acquired Property . . . . .	3-5
3.8	Future Advances . . . . .	3-5
3.9	Bondable Transition Property . . . . .	3-5
<b>CHAPTER 4 PERFECTION . . . . .</b>		<b>4-1</b>
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
<b>CHAPTER 5 FINANCING STATEMENT MECHANICS . . . . .</b>		<b>5-1</b>
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 . . . . .	5-3
5.6	When Filing Office Can Reject Filings . . . . .	5-4
5.7	Mistakes . . . . .	5-5
5.8	Who Can File? . . . . .	5-6
5.9	Amendments to Financing Statements . . . . .	5-6

## CONTENTS

5.10	Duration of Financing Statements . . . . .	5-7
5.11	Continuation Statements . . . . .	5-8
5.12	Termination Statements . . . . .	5-8
5.13	The Filing Office . . . . .	5-8
5.14	Inaccurate or Wrongfully Filed Records . . . . .	5-9
5.15	Filing Office Indexing Errors . . . . .	5-9
5.16	Maintenance and Destruction of Records . . . . .	5-9
5.17	Information from Filing Office . . . . .	5-10
5.18	Fee . . . . .	5-10
5.19	Filing Office Rules . . . . .	5-10
<b>CHAPTER 6 PREVAILING AGAINST OTHERS . . . . .</b>		<b>6-1</b>
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 in 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	Licenseses and Lessees in Ordinary Course of Business . . . . .	6-7
6.6	Rights under Titles 3, 7 and 8 . . . . .	6-7
6.7	Possessory Statutory Liens . . . . .	6-8
6.8	Priority of Security Interest in Fixtures and Crops Against Real Estate Claimants . . . . .	6-8
6.8.1	Exception 1: Purchase-Money Priority . . . . .	6-8
6.8.2	Exception 2: First to Record . . . . .	6-9
6.8.3	Exception 3: Removable Goods and Domestic Appliances . . . . .	6-9
6.8.4	Exception 4: Judicial Liens . . . . .	6-9
6.8.5	Exception 5: Manufactured Homes . . . . .	6-10
6.8.6	Subordination of Purchase-Money Security Interest in Fixtures to Construction Mortgage . . . . .	6-10
6.8.7	Crops . . . . .	6-10
6.8.8	Priority Based on Consent . . . . .	6-10
6.9	Accessions . . . . .	6-11
6.10	Commingled Goods . . . . .	6-11
6.11	Contractual Subordination . . . . .	6-11
<b>CHAPTER 7 PARTICULAR TYPES OF COLLATERAL . . . . .</b>		<b>7-1</b>
7.1	Investment Property . . . . .	7-1

## CONTENTS

7.2	Deposit Accounts . . . . .	7-4
7.3	Letter-of-Credit Rights . . . . .	7-7
7.4	Commercial Tort Claims . . . . .	7-8
7.5	Agricultural Liens . . . . .	7-9
7.6	Computer Programs Including Software . . . . .	7-10
7.7	Motor Vehicles . . . . .	7-11
7.8	Electronic Chattel Paper . . . . .	7-12
<b>CHAPTER 8 PROCEEDS . . . . .</b>		<b>8-1</b>
8.1	General Rule—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
<b>CHAPTER 9 CHANGES AFTER CLOSING . . . . .</b>		<b>9-1</b>
9.1	Secured Party Changes . . . . .	9-1
9.2	Debtor’s Location Changes . . . . .	9-1
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 . . . . .	9-3
	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 . . . . .	9-5
<b>CHAPTER 10 THIRD PARTIES — ACCOUNT DEBTORS . . . . .</b>		<b>10-1</b>
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
<b>CHAPTER 11 ENFORCEMENT . . . . .</b>		<b>11-1</b>
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

## CONTENTS

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	11-5
11.8	Repossession	11-6
11.9	Disposition of Collateral	11-7
11.10	Notices before Disposition	11-8
11.11	Forms of Notice	11-9
	11.11.1 Non-Consumer-Goods Transactions	11-9
	11.11.2 Consumer-Goods Transactions	11-10
11.12	Application of Proceeds	11-11
11.13	Accounting	11-12
11.14	Transferees of Collateral	11-12
11.15	Transfers to Secondary Obligors	11-12
11.16	Transfer Statement	11-13
11.17	Acceptance of Collateral in Full or Partial Satisfaction of Obligation — Strict Foreclosure	11-13
11.18	Mandatory Disposition of Consumer Goods	11-15
11.19	Right of Redemption	11-15
<b>CHAPTER 12 SECURED PARTY’S OBLIGATIONS</b>		<b>12-1</b>
12.1	Care of Collateral	12-1
12.2	Release of Account Debtor	12-1
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	12-4
<b>CHAPTER 13 PENALTIES AGAINST SECURED PARTIES</b>		<b>13-1</b>
13.1	Damages	13-1
13.2	Rebuttable Presumption Rule	13-1
13.3	Insider Dispositions	13-2
<b>CHAPTER 14 FORMS</b>		<b>14-1</b>
Form 14-1	New 9 Collateral List for Security Agreement—9-108 (Transaction other than Consumer Transaction as defined in—9-102(27))	14-1
Form 14-2	New 9 Collateral List 9-108 (Consumer Transactions as defined in—9-102(27))	14-3
Form 14-3	Secured Party’s Release of Control over Deposit Account—9-209(b)(1)	14-4
Form 14-4	Secured Party’s Release of Securities Intermediary/Commodity Intermediary—9-209(b)(4)	14-5

## CONTENTS

Form 14-5	Secured Party's Release of Control over Letter-of-Credit Right—9-209(b)(5) . . . . .	14-6
Form 14-6	Debtor's Request for an Accounting—9-211(a)(2) . . . . .	14-7
Form 14-7	Debtor's Request Regarding a List of Collateral—9-211(a)(3) . . . . .	14-8
Form 14-8	Debtor's Request Regarding a Statement of Account—9-211(a)(4) . . . . .	14-9
Form 14-9	Party's Response to Request for Accounting—9-211(b)(1) . . . . .	14-10
Form 14-10	Secured Party's Response to Debtor's Request Regarding a List of Collateral—9-211(b)(2) . . . . .	14-11
Form 14-11	Secured Party's Response to Debtor's Request Regarding a Statement of Account—9-211(b)(2) . . . . .	14-12
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—9-211(c) . . . . .	14-13
Form 14-13	Notice of Exclusive Control of Securities Account . . . . .	14-14
Form 14-14	Notice of Disposition of Consumer-Goods Transaction—9-614 . . . . .	14-15
Form 14-15	Notice of Disposition of Non-Consumer-Goods—9-613 . . . . .	14-17
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 . . . . .	14-18
Form 14-17	Exclusion of Warranties by Secured Party Selling Collateral—9-610 . . . . .	14-19
Form 14-18	Notice of Purchase-Money Security Interest in Inventory—9-324(b) . . . . .	14-20
Form 14-19	Notice to Bailee in Possession of Goods Who Has Issued a Non-negotiable Document Covering the Goods—9-312(d) . . . . .	14-21
Form 14-20	Consent of Owner of Real Property to Creation of Security Interest in Fixtures—9-334(f) . . . . .	14-22
Form 14-21	Notice from Consignor to Secured Party—9-324(b) . . . . .	14-23
Form 14-22	Waiver of Disposition Notification—9-602(7), 9-611, 9-624(a) . . . . .	14-24
Form 14-23	Mandatory Disposition of Consumer Goods—Agreement of Debtor and Secondary Obligor to Longer Period of Time—9-620(e) and (f) . . . . .	14-25
Form 14-24	Description of Commercial Tort Claim for Purposes of Security Agreement and Financing Statement—9-108, 9-504, 9-203(b)(3)(A) . . . . .	14-26

## CONTENTS

Form 14-25	Grant of Security Interest in Deposit Account to Depository Bank to Include in Deposit Account Signature Card—9-203(b)(3)(D) . . . . .	14-27
Form 14-26	Secured Party's Proposal to Accept Collateral in Full Satisfaction of Debt—9-620 . . . . .	14-28
Form 14-27	Secured Party's Proposal to Accept Collateral in Partial Satisfaction of Debt—9-620 . . . . .	14-29
Form 14-28	Secured Party's Notice That Strict Foreclosure Has Occurred . . . . .	14-31
Form 14-29	Secured Party's Notice That Partial Strict Foreclosure Has Occurred . . . . .	14-32
Form 14-30	Governing Law Choices . . . . .	14-33
Form 14-31	Application of Payments—9-103 . . . . .	14-34
Form 14-32	Bailee Acknowledgment That It Holds Possession of Collateral for Secured Party's Benefit—9-313(c) . . . . .	14-35
Form 14-33	Notice of Assignment to Include on Chattel Paper or an Instrument—9-330(a)(2) . . . . .	14-36
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(b) . . . . .	14-37
Form 14-35	Notice to Account Debtor of Assignment of Account—9-406 . . . . .	14-38
Form 14-36	Agreement of Account Debtor Not to Assert Claims and Defenses Against Assignee of Account—9-403(b) . . . . .	14-39
Form 14-37	Secured Party's Release of Account Debtor—9-209(b) . . . . .	14-40
Form 14-38	Proof Offered by Assignee That Account Has Been Assigned—9-406(c) . . . . .	14-41
Form 14-39	Secured Party Affidavit in Recordable Form Regarding Default—9-607(b) . . . . .	14-42
Form 14-40	Instruction by Secured Party to Bank to Pay out Deposit Account Collateral after Default—9-607(a)(5) . . . . .	14-44
Form 14-41	Transfer Statement—9-619 . . . . .	14-45
Form 14-42	Notice to Secured Party of a Claim or Interest In the Collateral—9-611(c)(3)(A) . . . . .	14-46
Form 14-43	Demand by Subordinate Secured Party for Proceeds—9-608(a)(1)(C), 9-615(a)(3)(A) . . . . .	14-47
Form 14-44	Demand by Secured Party of Proof of Subordinate Interest—9-608(a)(2), 9-615(b) . . . . .	14-48
Form 14-45	Deficiency/Surplus Explanation—9-616 . . . . .	14-49
Form 14-46	Security Agreement (Consumer) . . . . .	14-51
Form 14-47	Security Agreement (all assets) . . . . .	14-63

## CONTENTS

Form 14-48	Pledge Agreement (Certificated Security) . . . . .	14-89
Form 14-49	Guaranty Security Agreement (Corporate Guarantor) . .	14-100
Form 14-50	Account Control Agreement (Joint Control, No Withdrawals or Distributions of Dividends) . . . . .	14-131
Form 14-51	Account Control Agreement (Exclusive Creditor Control) . . . . .	14-136
Form 14-52	Investment Property Security Agreement (Joint Control) . . . . .	14-141
Form 14-53	Investment Property Security Agreement (Exclusive Creditor Control) . . . . .	14-149
Form 14-54	Deposit Account Agreement . . . . .	14-157
Form 14-55	UCC Financing Statement . . . . .	14-162
Form 14-56	UCC Financing Statement Addendum . . . . .	14-163
Form 14-57	UCC Financing Statement Amendment . . . . .	14-164
Form 14-58	UCC Financing Statement Amendment Addendum . . .	14-165
Form 14-59	Continuation Financing Statement Legend—9-706c . .	14-166
Form 14-60	Financing Statement Legend—Disclosing Debtor Agreement Not to Grant Junior Security Interests in Collateral . . . . .	14-167
Form 14-61	Waiver of Right to Redeem—9-624(c) . . . . .	14-168
Form 14-62	Secured Party's Disclaimer of an Interest in Collateral or Obligations—9-211(d) and (e) . . . . .	14-169
Form 14-63	Debtor's Correction Statement—9-518(b) . . . . .	14-170

**INDICES**

<i>Table of New Jersey Laws</i> . . . . .	INDEX-1
<i>Subject Index</i> . . . . .	INDEX-17
<i>Forms Index</i> . . . . .	INDEX-30