

Contents

CHAPTER 1 INTRODUCTION, TRANSITION, AND APPLICABLE LAW	1-1
1.1 Introduction	1-1
1.1.1 Definitions Generally	1-2
1.2 What Law Governs?	1-2
1.2.1 Governing Law for Perfection and Priority	1-2
1.2.2 Governing Law for Other Issues	1-7
1.3 Transactions with Native American Tribes	1-7
CHAPTER 2 OVERVIEW AND DEFINITIONS	2-1
2.1 Security Interest	2-1
2.1.1 Purchase-Money Security Interests	2-2
2.1.1.1 Application of Payments—Non-Consumer Goods Transactions	2-2
2.1.2 Agricultural Liens	2-3
2.1.3 Consignments	2-3
2.2 Parties	2-4
2.3 Exclusions from Article 9	2-5
2.4 Article 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
2.4.4 Supporting Obligation	2-12
2.4.5 Proceeds	2-13
2.5 Medium Neutral Terms	2-13
2.6 Good Faith	2-14
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
3.3.1 Rights in Collateral	3-4.1
3.4 Control	3-4.1
3.5 Attachment to Proceeds and Supporting Obligations	3-4.1
3.6 Attachment to Securities and Commodity Accounts	3-4.2
3.7 After-Acquired Property	3-5
3.8 Future Advances and Dragnet Clauses	3-5
3.9 Attachment of Security Interest to Lien Securing Right to Payment	3-6

CONTENTS

3.10 Leases of Goods 3-6

CHAPTER 4 PERFECTION 4-1

4.1 General Rule: All Security Interests Must Be Perfected
by Filing a Financing Statement. 4-2

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. 4-3

4.5 Exception 4: Filing a Financing Statement Is Not
Required or Effective for Security Interests in Property
Subject to a Certificate of Title or Other Statute 4-4

4.6 Exception 5: Filing a Financing Statement Is Not
Required for Security Interests Perfected by Possession 4-4.1

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

4.9 Perfection Chart by Collateral Type. 4-6

4.10 Perfection Chart by Article 9 Collateral Category 4-14

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

5.3.1 Multiple Secured Parties 5-4

5.4 Debtor's Name Rules 5-4

5.4.1 Non-Individual Debtors 5-5

5.4.2 Individual Debtors 5-7

5.5 How to Describe Collateral 5-8

5.6 When Filing Office Can Reject Filings 5-9

5.7 Mistakes 5-10

5.8 Who Can File? 5-11

5.8.1 Initial Financing Statements. 5-12

5.8.2 Amendments. 5-13

5.9 Duration of Financing Statements 5-14

5.10 Continuation Statements. 5-15

5.11 Termination Statements 5-15

5.12 The Filing Office. 5-16

5.13 Inaccurate or Wrongfully Filed Records 5-16

5.14 Filing Office Indexing Errors 5-18

5.15 Maintenance and Destruction of Records. 5-18

5.16 Information from Filing Office. 5-19

5.17	Fee	5-19
5.18	Filing Office Rules	5-19
5.19	Wrongfully Filed Termination Statements	5-19
5.20	UCC-9 Insurance Policies	5-20
5.21	Article 9 Searching and Filing Practices	5-21
	5.21.1 Pre-Closing Matters	5-21
	5.21.2 Searching	5-22
	5.21.3 Post-Closing	5-22
	5.21.3.1 Perfecting	5-22
	5.21.3.2 Other Considerations	5-23
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 in Chattel Paper and Instruments Perfected Earlier by Filing	6-2
	6.2.3 The Purchase-Money Security Interest Super-Priority	6-4
	6.2.3.1 PMSI in Goods	6-4
	6.2.3.2 PMSI in Inventory	6-4
	6.2.3.3 PMSI in Software	6-5
	6.2.3.4 Sellers versus Lenders	6-5
	6.2.3.5 Timing Requirements	6-5
	6.2.4 Future Advances	6-6
6.3	Transferees of Collateral	6-6
6.4	Buyers	6-7
6.5	Licensees and Lessees in Ordinary Course of Business	6-8
6.6	Rights under Titles 3, 7, and 8	6-8
6.7	Possessory Statutory Liens	6-8.1
6.8	Priority of Security Interest in Fixtures	6-8.2
	6.8.1 Secured Party versus Secured Party	6-8.2
	6.8.2 Secured Party versus Real Estate Claimant	6-9
	6.8.2.1 Exception 1: Purchase-Money Priority	6-9
	6.8.2.2 Exception 2: First to Record	6-9
	6.8.2.3 Exception 3: Removable Goods and Domestic Appliances	6-10
	6.8.2.4 Exception 4: Judicial Liens	6-10
	6.8.2.5 Exception 5: Manufactured Homes	6-10
	6.8.2.6 Subordination of Purchase-Money Security Interest in Fixtures to Construction Mortgage	6-10

CONTENTS

6.8.2.7	Priority Based on Consent	6-10.1
6.8.3	Crops	6-10.1
6.9	Accessions	6-10.1
6.10	Commingled Goods	6-11
6.11	Contractual Subordination	6-11
6.12	Federal Tax Liens	6-12
6.12.1	Where to Search	6-12.1
6.12.2	Rules for Priority of Security Interests Relating to Certain After-Acquired Property and Future Advances	6-13
6.12.2.1	Future Advances	6-13
6.12.2.2	After-Acquired Property	6-15
6.12.3	Purchase Money Collateral	6-15
6.12.4	Inventory	6-16
6.12.5	Proceeds	6-17
6.12.6	Nonjudicial Foreclosure Sales	6-17
6.12.7	<i>Spearing Tool</i> Case	6-17
CHAPTER 7	PARTICULAR TYPES OF COLLATERAL	7-1
7.1	Investment Property	7-1
7.1.1	Stock Options and Warrants	7-4
7.2	Deposit Accounts	7-5
7.3	Letter-of-Credit Rights	7-8
7.4	Commercial Tort Claims	7-9
7.5	Agricultural Liens	7-10
7.6	Software	7-11
7.7	Motor Vehicles	7-12
7.8	Electronic Chattel Paper	7-15
7.9	Patents	7-16
7.10	Trademarks and Service Marks	7-16
7.11	Copyrights	7-16.1
7.12	Agricultural Collateral	7-16.1
7.12.1	Types of Agricultural Collateral	7-17
7.12.2	Financing Statement Filing Location	7-18
7.12.3	Priority Issues for Agricultural Collateral	7-19
7.13	Bailed Goods Covered by Documents	7-20
7.14	“As-Extracted Collateral”—Oil, Gas and Minerals	7-20
CHAPTER 8	PROCEEDS	8-1
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

CHAPTER 9	CHANGES AFTER CLOSING	9-1
9.1	Secured Party Changes	9-1
9.2	Debtor’s Location Changes	9-2
9.3	Collateral Location Changes	9-3
9.4	Location of Bank, Issuer, Nominated Person, Securities Intermediary, or Commodity Intermediary Changes	9-4
9.5	Financing Statements and Changes	9-4
	9.5.1 Debtor’s Name Changes	9-4
	9.5.2 New Debtors	9-4.1
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	11-4.1
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	11-6
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	11-10.1
11.13	Accounting	11-11
11.14	Transferees of Collateral	11-11
11.15	Transfers to Secondary Obligors	11-12

CONTENTS

11.16	Transfer Statement	11-12
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
CHAPTER 12 SECURED PARTY’S OBLIGATIONS		12-1
12.1	Care of Collateral	12-1
12.2	Release Account Debtor	12-2
12.3	Duty to Provide Information.	12-2
12.4	Obligation to Terminate	12-3
12.4	Penalties for Failure to Comply with These Obligations	12-4
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 14 FORMS		14-1
Form 14-1	Article 9 Collateral List for Security Agreement 9-108 (Commercial Credit).	14-1
Form 14-2	Article 9 Collateral List 9-108 (Consumer Credit).	14-2
Form 14-3	Secured Party’s Release of Control over Deposit Account 9-208(b)(1).	14-3
Form 14-4	Secured Party’s Release of Securities Intermediary/ Commodity Intermediary 9-208(b)(4).	14-3
Form 14-5	Secured Party’s Release of Control over Letter-of-Credit Right 9-208(b)(5).	14-4
Form 14-6	Debtor’s Request for an Accounting 9-210(a)(2)	14-5
Form 14-7	Debtor’s Request Regarding a List of Collateral 9-210(a)(3)	14-5
Form 14-8	Debtor’s Request Regarding a Statement of Account 9-210(a)(4).	14-6
Form 14-9	Secured Party’s Accounting 9-210(b)(1)	14-7
Form 14-10	Secured Party’s Response to Debtor’s Request Regarding a List of Collateral 9-210(b)(2)	14-8
Form 14-11	Secured Party’s Response to Debtor’s Request Regarding a Statement of Account 9-210(b)(2).	14-9
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(c).	14-10
Form 14-13	Notice of Exclusive Control of Securities Account	14-10

Form 14-14	Notice of Disposition of Consumer Goods 9-614	14-11
Form 14-15	Notice of Disposition of Non-Consumer Goods 9-613	14-13
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	14-14
Form 14-17	Exclusion of Warranties by Secured Party Selling Collateral 9-610	14-15
Form 14-18	Notice of Purchase-Money Security Interest in Inventory 9-324(b)	14-15
Form 14-19	Notice to Bailee in Possession of Goods Who Has Issued a Non-Negotiable Document Covering the Goods 9-312(d)	14-16
Form 14-20	Consent of Owner of Real Property to Creation of Security Interest in Fixtures 9-334(f)	14-16
Form 14-21	Notice of Purchase-Money Security Interest Consignment Goods	14-17
Form 14-22	Waiver of Disposition Notification 9-602(7), 9-611, 9-624(a)	14-18
Form 14-22A	Waiver of Right of Redemption 9-623 and 9-264(c)	14-18.1
Form 14-23	Mandatory Disposition of Consumer Goods— Agreement of Debtor and Secondary Obligor to Longer Period of Time 9-620(e) and (f)	14-18.1
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)	14-19
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)	14-19
Form 14-26	Secured Party’s Proposal to Accept Collateral in Full Satisfaction of Debt 9-620	14-20
Form 14-27	Secured Party’s Proposal to Accept Collateral in Partial Satisfaction of Debt 9-620	14-21
Form 14-28	Secured Party’s Notice That Strict Foreclosure Has Occurred	14-22
Form 14-29	Secured Party’s Notice That Partial Strict Foreclosure Has Occurred	14-23
Form 14-30	Governing Law Choices	14-24
Form 14-31	Application of Payments	14-24
Form 14-32	Bailee Acknowledgment That It Holds Possession of Collateral for Secured Party’s Benefit 9-313(c)	14-24

CONTENTS

Form 14-32.1	Preliminary Due Diligence Document Checklist . . .	14-25
Form 14-32.2	Perfection Checklist	14-26.8
Form 14-33	Notice of Assignment to Include on Chattel Paper or an Instrument 9-330(a)(2)	14-26.8
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)	14-26.9
Form 14-35	Notice to Account Debtor of Assignment of Account 9-406	14-26.9
Form 14-36	Agreement of Account Debtor Not to Assert Claims and Defenses against Assignee of Account 9-403(b)	14-26.10
Form 14-37	Secured Party’s Release of Account Debtor 9-209(b)	14-27
Form 14-38	Proof Offered by Assignee That Account Has Been Assigned 9-406(c)	14-27
Form 14-39	Secured Party Affidavit in Recordable Form Regarding Default 9-607(b)	14-28
Form 14-40	Instruction by Secured Party to Bank to Pay Out Deposit Account Collateral after Default 9-607(a)(5)	14-30
Form 14-41	Transfer Statement 9-619	14-30
Form 14-42	Notice to Secured Party of a Claim or Interest in the Collateral 9-611(c)(3)(A)	14-31
Form 14-43	Demand by Subordinate Secured Party for Proceeds 9-608(a)(1)(C), 9-615(a)(3)(A)	14-31
Form 14-44	Demand by Secured Party of Proof of Subordinate Interest 9-608(a)(2), 9-615(b)	14-32
Form 14-45	Federal Trade Commission Holder-in-Due-Course Notice	14-32
Form 14-46	Deficiency/Surplus Explanation 9-616	14-33
Form 14-47	Security Agreement (Consumer)	14-34
Form 14-47A	Formal Identification Statement (Consumer) 9-307 and 9-503	14-44.1
Form 14-48	Security Agreement (Corporate Debtor)	14-45
Form 14-49	Pledge Agreement (Certificated Security)	14-76
Form 14-50	Guaranty Security Agreement (Corporate Guarantor)	14-83
Form 14-51	Investment Property Control Agreement (Joint Control, No Withdrawals or Distributions of Dividends)	14-114
Form 14-52	Investment Property Control Agreement (Exclusive Creditor Control)	14-119
Form 14-53	Investment Property Security Agreement (Joint Control)	14-123

Form 14-54	Investment Property Security Agreement (Exclusive Creditor Control)	14-130
Form 14-55	Deposit Account Control Agreement (Joint Control)	14-139
Form 14-56	Deposit Account Control Agreement (Exclusive Creditor Control)	14-143
Form 14-57	Guaranty Agreement (Corporate Guarantor)	14-147
Form 14-58	Promissory Note (Commercial)	14-164
Form 14-59	Subordination Agreement	14-175
Form 14-60	Deposit Account Security Agreement and Control Agreement (Short Form, No Waiver of Setoff by Depository)	14-185
Form 14-61	Loan and Security Agreement (Commercial Loan)	14-187
Form 14-62	Pledge Agreement (Certificates of Deposit that are “Instruments”)	14-223
Form 14-63	UCC Financing Statement	14-229
Form 14-64	UCC Financing Statement Addendum	14-231
Form 14-64A	UCC Financing Statement Additional Party	14-233
Form 14-65	UCC Financing Statement Amendment	14-235
Form 14-66	UCC Financing Statement Amendment Addendum	14-237
Form 14-66A	UCC Financing Statement Amendment Additional Party	14-239
Form 14-67	UCC Information Statement	14-241
Form 14-68	UCC Information Request	14-243
Form 14-69	Assignment of Mortgages (Blanket)	14-245
Form 14-70	Construction Mortgage, Assignment of Rents, and Security Agreement 9-502(c)	14-246
Form 14-70A	Mortgage, Security Agreement and Financing Statement 9-502(c)	14-280.1
Form 14-71	Financing Statement Legend—Disclosing Debtor Agreement Not to Grant Junior Security Interests in Collateral 9-331	14-281
Form 14-72	Waiver of Right to Redeem 9-624(c)	14-281
Form 14-73	Secured Party’s Disclaimer of an Interest in Collateral or Obligations 9-210(d) and (e)	14-281
Form 14-74	Article 9 Collateral List for Financing Statement 9-504 (Commercial Credit)	14-282
Form 14-75	Authorization to File Financing Statement or Amendment	14-284
Form 14-76	Notice of Purchase-Money Security Interest in Livestock 9-324(b)	14-284
Form 14-77	Equipment Lease	14-285
Form 14-78	Intercreditor Agreement (Segregation of Collateral)	14-296

CONTENTS

Form 14-79 Response to Creditor’s Payoff Request 14-305
Form 14-80 Trademark Collateral Assignment and
Security Agreement 14-306
Form 14-81 Copyright Collateral Assignment and
Security Agreement 14-314
Form 14-82 Patent Collateral Assignment and
Security Agreement 14-320
Form 14-83 Oil and Gas Lease 14-328
Form 14-83A Memorandum of Oil and Gas Lease 14-342
Form 14-84 Coal Option and Lease Agreement 14-342.2
Form 14-85 Consent to Lease and Assignment of Royalties. 14-352
Form 14-86 Sample Force Majeure Clauses 14-353

APPENDICES

Appendix A: Uniform Commercial Code and Emerging
Technologies (Draft) APP A-1

INDICES

Table of Pennsylvania Laws INDEX-1
Subject Index INDEX-15
Forms Index INDEX-26