

# Contents

About the Author. . . . .	vii
About the Contributor. . . . .	viii
Acknowledgements. . . . .	ix
Preface. . . . .	x

**CHAPTER 1 INTRODUCTION, TRANSITION, AND APPLICABLE LAW. . . . . 1-1**

1.1 Introduction and Historical Summary of the Transition Periods. . . . .	1-1
1.1.1 Special Pennsylvania Transition Rules in Effect until July 1, 2008. . . . .	1-2
1.2 What Law Governs?. . . . .	1-2
1.2.1 Governing Law for Perfection and Priority. . . . .	1-3
1.2.2 Governing Law for Other Issues. . . . .	1-6
1.3 Transactions with Native American Tribes. . . . .	1-6

**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—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 Revised Article 9. . . . .	2-5
2.4 Revised Article 9 Collateral Categories . . . . .	2-7
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 . . . . .	2-13
2.4.5 Proceeds . . . . .	2-13
2.5 Medium Neutral Terms . . . . .	2-14
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 . . . . .	3-3
3.3.1	Rights in Collateral . . . . .	3-4
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 and Dragnet Clauses. . . . .	3-5
3.9	Attachment of Security Interest to Lien Securing Right to Payment . . . . .	3-6
3.10	Leases of Goods. . . . .	3-6
<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
4.9	Perfection Chart by Collateral Type. . . . .	4-6
4.10	Perfection Chart by Revised Article 9 Collateral Category . . . . .	4-14
<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
5.3.1	Multiple Secured Parties . . . . .	5-3
5.4	Debtor's Name Rules . . . . .	5-4
5.4.1	Individual Debtors . . . . .	5-6
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 . . . . .	5-11
5.8.2	Amendments . . . . .	5-12
5.9	Duration of Financing Statements . . . . .	5-13
5.10	Continuation Statements . . . . .	5-13
5.11	Termination Statements . . . . .	5-14

CONTENTS

5.12	The Filing Office . . . . .	5-14
5.13	Inaccurate or Wrongfully Filed Records . . . . .	5-15
5.14	Filing Office Indexing Errors. . . . .	5-16
5.15	Maintenance and Destruction of Records . . . . .	5-17
5.16	Information from Filing Office . . . . .	5-17
5.17	Fee . . . . .	5-17
5.18	Filing Office Rules. . . . .	5-17
5.19	Wrongfully Filed Termination Statements. . . . .	5-18
5.20	UCC-9 Insurance Policies . . . . .	5-19
5.21	Revised Article 9 Searching and Filing Practices . . . . .	5-20
<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 . . . . .	6-3
6.2.3.1	PMSI in Goods . . . . .	6-3
6.2.3.2	PMSI in Inventory. . . . .	6-4
6.2.3.3	PMSI in Software . . . . .	6-4
6.2.3.4	Sellers vs. Lenders . . . . .	6-5
6.2.3.5	Timing Requirements . . . . .	6-5
6.2.4	Future Advances . . . . .	6-5
6.3	Transferees of Collateral . . . . .	6-6
6.4	Buyers . . . . .	6-6
6.5	Licenses 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 . . . . .	6-8
6.8.1	Secured Party versus Secured Party . . . . .	6-8
6.8.2	Secured Party versus Real Estate Claimant . . . . .	6-8
6.8.2.1	Exception 1: Purchase-Money Priority. . . . .	6-8
6.8.2.2	Exception 2: First to Record. . . . .	6-9
6.8.2.3	Exception 3: Removable Goods and Domestic Appliances . . . . .	6-9
6.8.2.4	Exception 4: Judicial Liens. . . . .	6-9
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
6.8.2.7	Priority Based on Consent . . . . .	6-10
6.8.3	Crops . . . . .	6-10

6.9	Accessions . . . . .	6-10
6.10	Commingled Goods . . . . .	6-11
6.11	Contractual Subordination . . . . .	6-11
6.12	Federal Tax Liens . . . . .	6-11
6.12.1	Where to Search . . . . .	6-12
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
<b>CHAPTER 7 PARTICULAR TYPES OF COLLATERAL . . . . .</b>		<b>7-1</b>
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 . . . . .	7-15
7.10	Trademarks and Service Marks . . . . .	7-16
7.11	Copyrights . . . . .	7-16
7.12	Agricultural Collateral . . . . .	7-16
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
<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 . . . . .	9-2

CONTENTS

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 . . . . . 9-5

  

**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 . . . . . 11-5

11.8 Repossession . . . . . 11-6

11.9 Disposition of Collateral . . . . . 11-6

11.10 Notices before Disposition . . . . . 11-7

11.11 Forms of Notice . . . . . 11-9

    11.11.1 Non-consumer-Goods Transactions . . . . . 11-9

    11.11.2 Consumer-Goods Transactions . . . . . 11-9

11.12 Application of Proceeds . . . . . 11-10

11.13 Accounting . . . . . 11-11

11.14 Transferees of Collateral . . . . . 11-11

11.15 Transfers to Secondary Obligor . . . . . 11-12

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
<b>CHAPTER 12 SECURED PARTY’S OBLIGATIONS. . . . .</b>		<b>12-1</b>
12.1	Care of Collateral. . . . .	12-1
12.2	Release 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 . . . . .	13-2
13.3	Insider Dispositions . . . . .	13-2
<b>CHAPTER 14 FORMS . . . . .</b>		<b>14-1</b>
Form 14-1	Revised Article 9 Collateral List for Security Agreement 9-108 (Commercial Credit) . . . . .	14-1
Form 14-2	Revised 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

CONTENTS

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 from Consignor to Secured Party 9-324(b) . . . . .	14-17
Form 14-22	Waiver of Disposition Notification 9-602(7), 9-611, 9-624(a) . . . . .	14-18
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
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
Form 14-33	Notice of Assignment to Include on Chattel Paper or an Instrument 9-330(a)(2) . . . . .	14-25
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) . . . . .	14-25
Form 14-35	Notice to Account Debtor of Assignment of Account 9-406 . . . . .	14-26

Form 14-36	Agreement of Account Debtor Not to Assert Claims and Defenses against Assignee of Account 9-403(b). . . . .	14-26
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 14-48	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

CONTENTS

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 Correction 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 14-71	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	Revised 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
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
Table of Pennsylvania Laws . . . . .		INDEX-1
Subject Index . . . . .		INDEX-15
Forms Index . . . . .		INDEX-24