# **NCS** CREDIT

#### The Basics of The UCC Process

For Webinar Technical Assistance, please call NCS at 800-826-5256 Our presentation will begin shortly



Property pledged as a guarantee of payment for an obligation or loan.





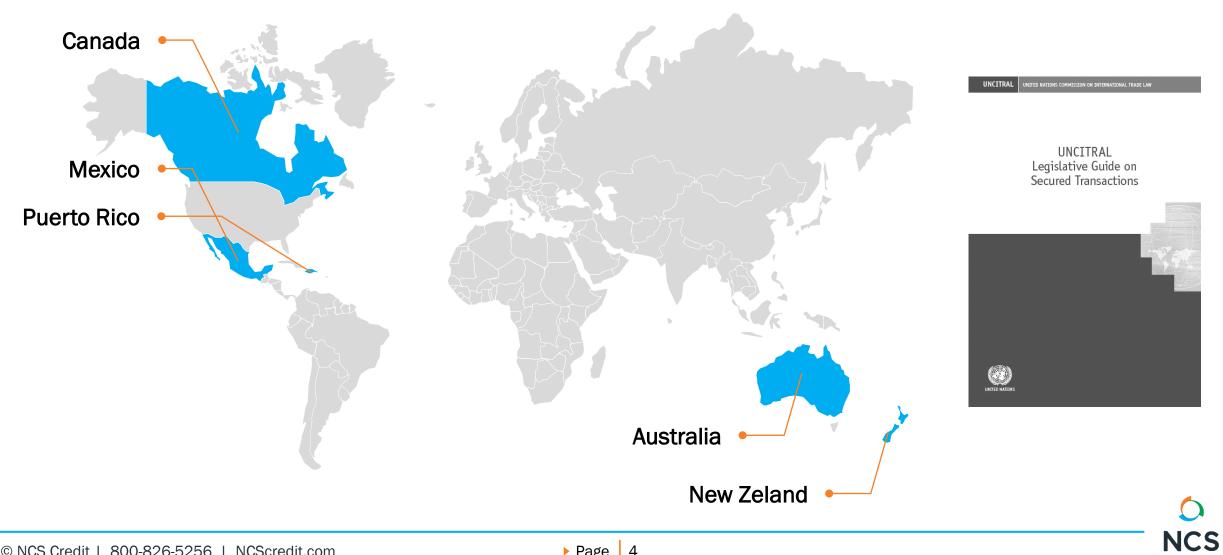
# **The Uniform** Commercial Code

#### Article 1: General Provisions

- Article 2: Sales
- Article 2A: Leases
- Article 3: Negotiable Instruments
- Article 4: Bank Deposits and Collections
- Article 4A: Funds Transfers
- Article 5: Letters of Credit
- Article 6: Bulk Transfers
- Article 7: Warehouse Receipts, Bills of Lading

- Article 8: Investment Securities
- Article 9: Secured Transactions

#### **The Expanding Code**



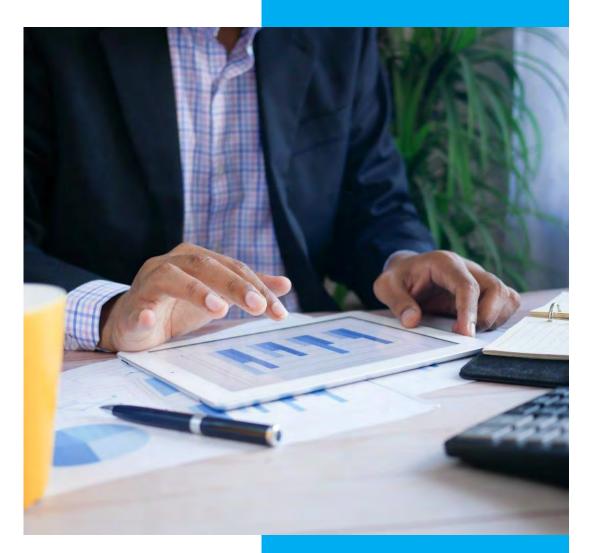
#### **Priority in UCC Filings**

Claims are paid based on where they are situated on the claims priority ladder.



#### **Benefits of Secured Transactions**

- Secured creditor status in a Chapter 7
- Right of Repossession (PMI)
- Part of the secured creditor team in a Chapter 11
- Generally protected from preferential payment suits
- Public record of debt in case business is sold
- O Public record of ownership of assets





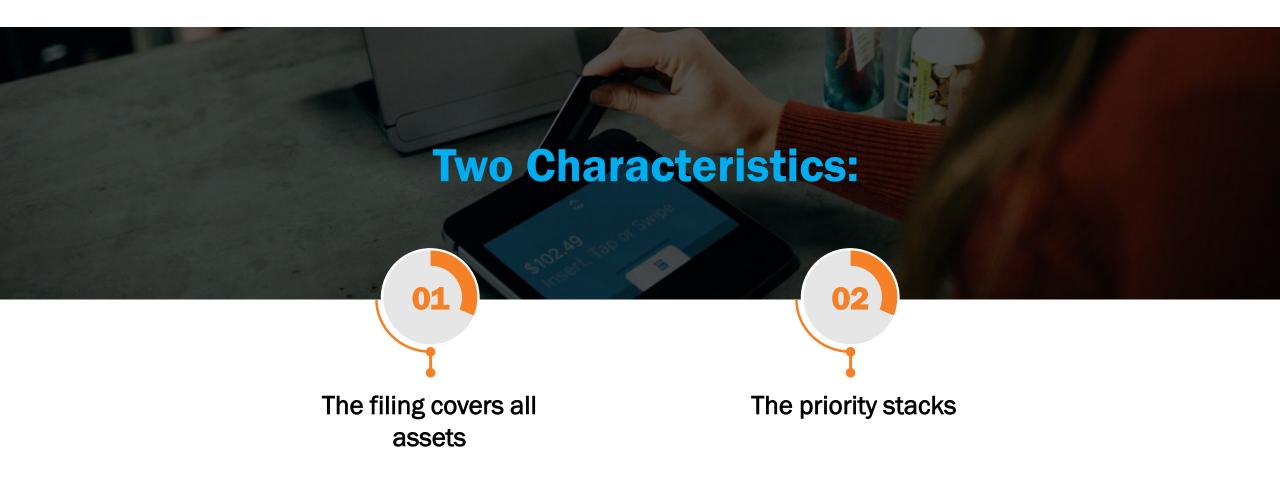


### Two Types of UCC Filings

- 1. Blanket, or Basic
- 2. Purchase Money Security Interest



#### **Blanket, or Basic, UCC-1 Filing**

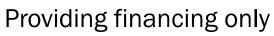


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#### Who Has Application for a Blanket UCC-1?

#### **Those creditors who are:**







Providing services only



Providing materials, inventory, equipment or goods that are quickly used up or resold by the debtor

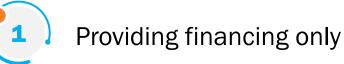
Structuring notes





#### Who Has Application for a Blanket UCC-1?

#### **Those creditors who are:**







Providing materials, inventory, equipment or goods that are quickly used up or resold by the debtor





#### **Promissory Note**

#### **PROMISSORY / INSTALLMENT NOTE**

FOR VALUE RECEIVED, the undersigned (Borrower) promises to pay to the order of ABC COMPANY, the principal sum of \$100,000 dollars, with interest on the unpaid principal balance from the date of this Note, until paid, at the rate of 12 percent per annum. Principal and interest shall be payable at Cleveland, OH, or such other place as the Note holder may designate, in consecutive monthly installments of Nine Thousand Three Hundred Thirty Five dollars (\$9,335.00) on the First day of each month beginning August 1, 2009). Such monthly installments shall continue until entire indebtedness evidenced by this Note is fully paid, except that any remaining indebtedness, if not sconer paid, shall be due and payable on July 1, 2010.

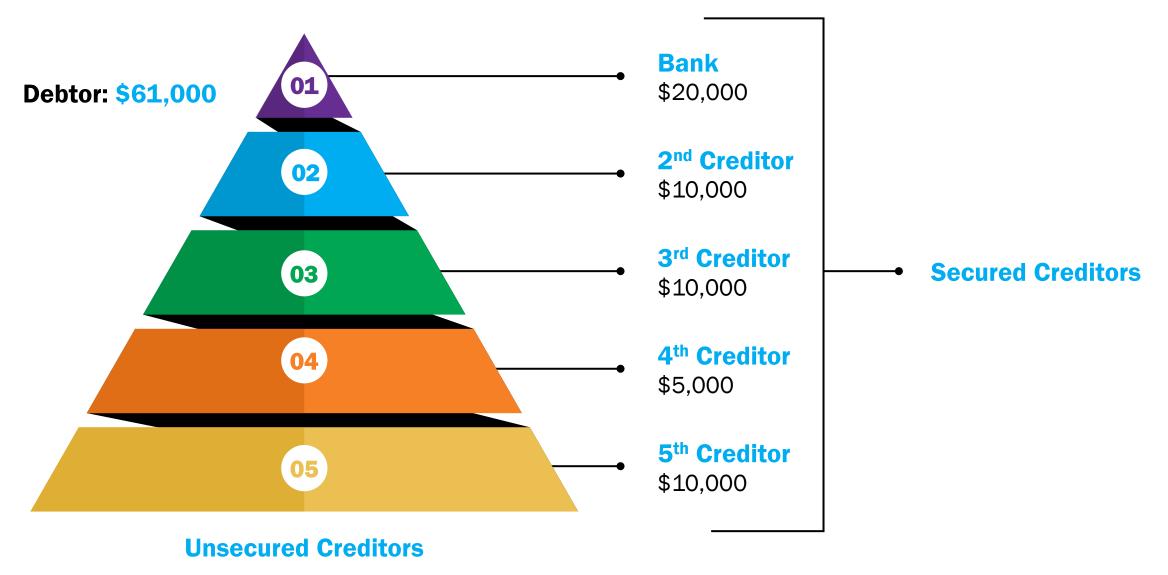
If any monthly installment under this Note is not paid when due and remains unpaid after a date specified by a notice to Borrower, the entire principal amount outstanding and accrued interest thereon shall at once become due and payable at the option of the Note holder. The date specified shall not be less than thirty (30) days from the date such notice is mailed. The Note holder may exercise this option to accelerate during any default by Borrower regardless of any prior forbearance. If suit is brought to collect this Note, the Note holder shall be entitled to collect all reasonable costs and expenses of suit, including, but not limited to, reasonable attorney fees.

Borrower shall pay to the Note holder a late charge of five percent (5%) of any monthly installment not received by the Note holder within ten (10) days after the installment is due.

Borrower may prepay the principal amount outstanding, in whole or in part, at any time, and without penalty.

In consideration for the extension of credit under this note, Borrower hereby grants a secured interest in and assigns to ABC Company the following collateral to secure payment and performance of all debts, liabilities, and obligations of Borrower of any kind whenever and however incurred to ABC Company: All of Borrower's presently owned or hereafter acquired goods, instruments, Chattel paper, documents, accounts, and accounts receivable, together with all proceeds and all support obligation thereof. ABC Company's security interest is explicitly limited to obligations between Borrower and ABC Company.

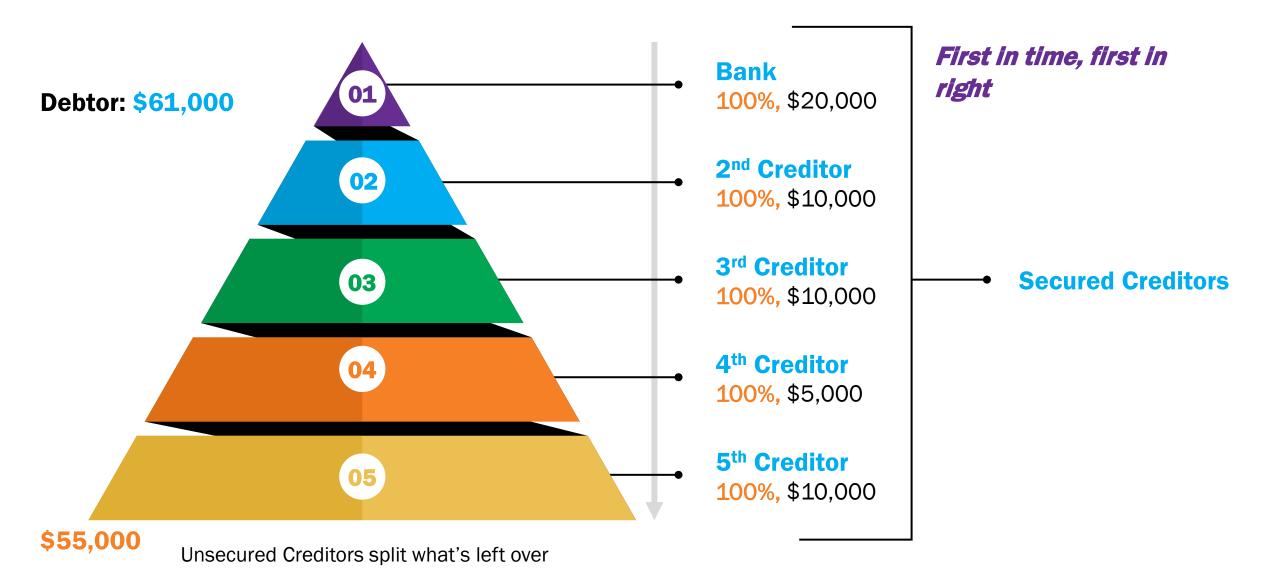
	Signature of Borrower	
	Address	
Subscribed and sworn to before me this	day of (mo.), (yr.)	
(Seal)	Notary Public	_





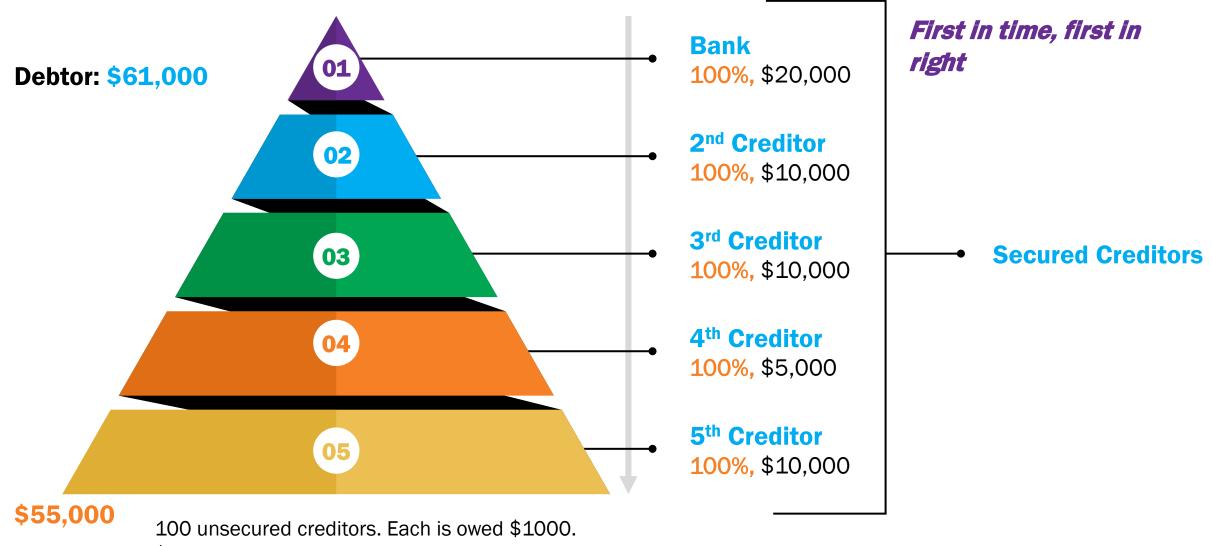
# NCS

# Chapter 7 Bankruptcy

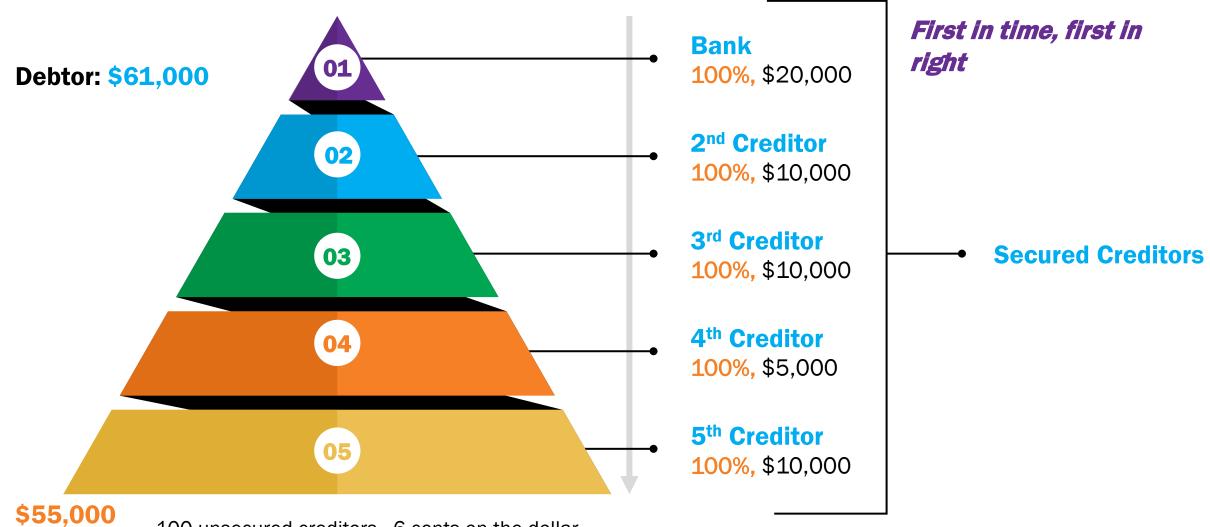


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\$60 each is actually paid



100 unsecured creditors . 6 cents on the dollar



#### **Purchase Money Security Interest**





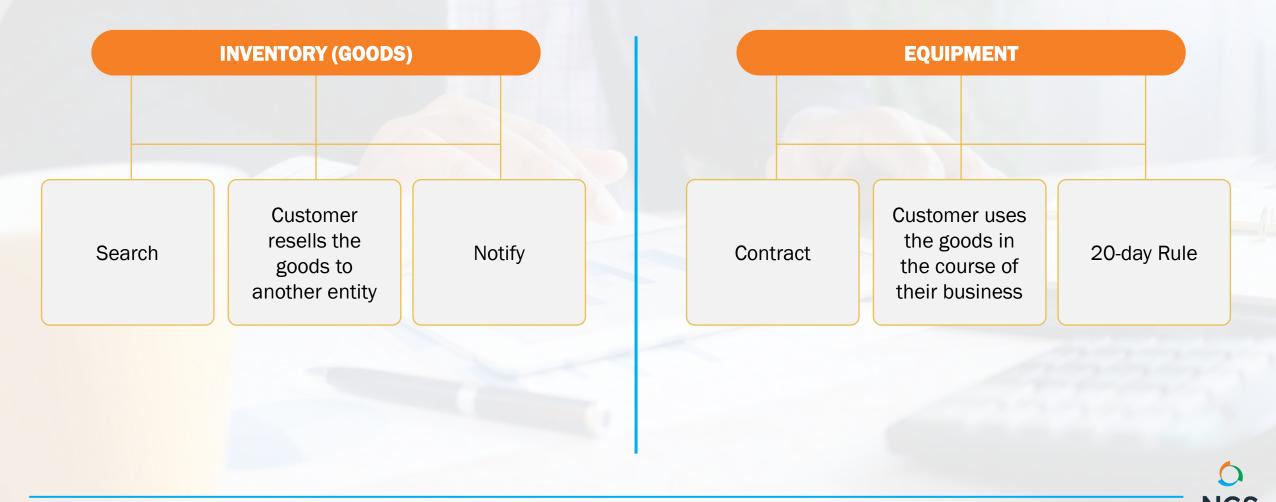
#### **Inventory vs. Equipment**

It depends on what your customer does with the goods you sell to them.



#### **Inventory vs. Equipment**

It depends on what your customer does with the goods you sell to them. Is your customer **reselling** or **using** your products in their business?



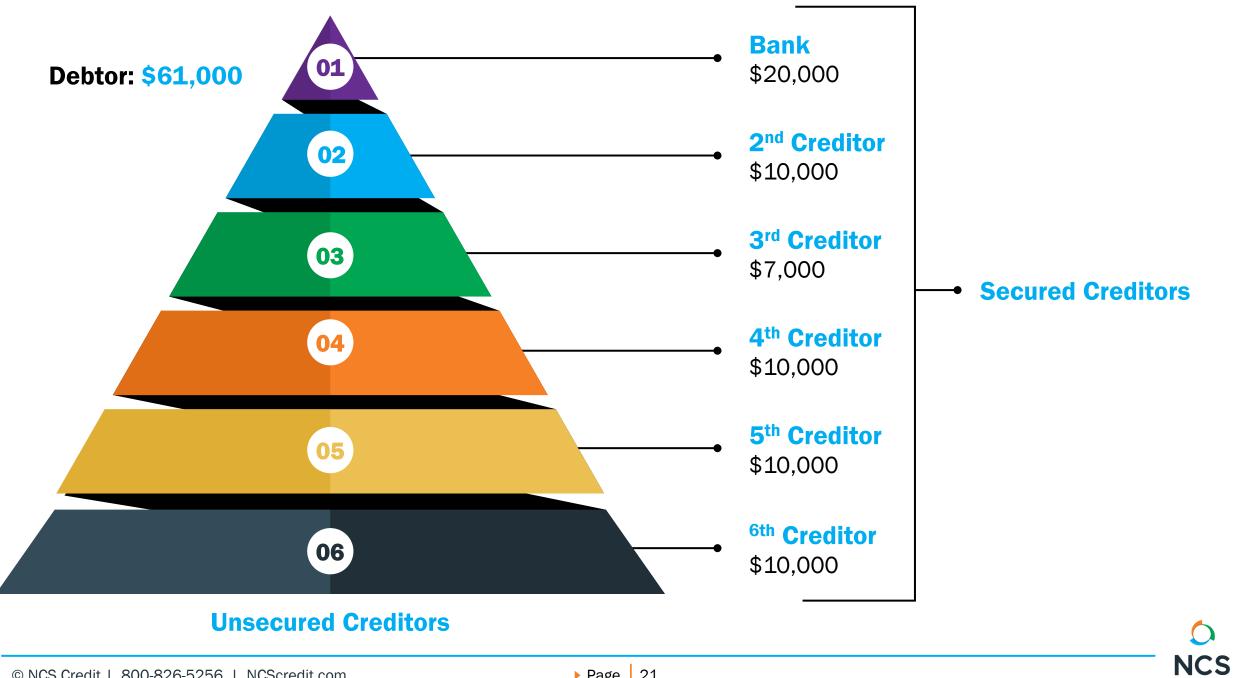
# **PMSI: The Value of Repossession**

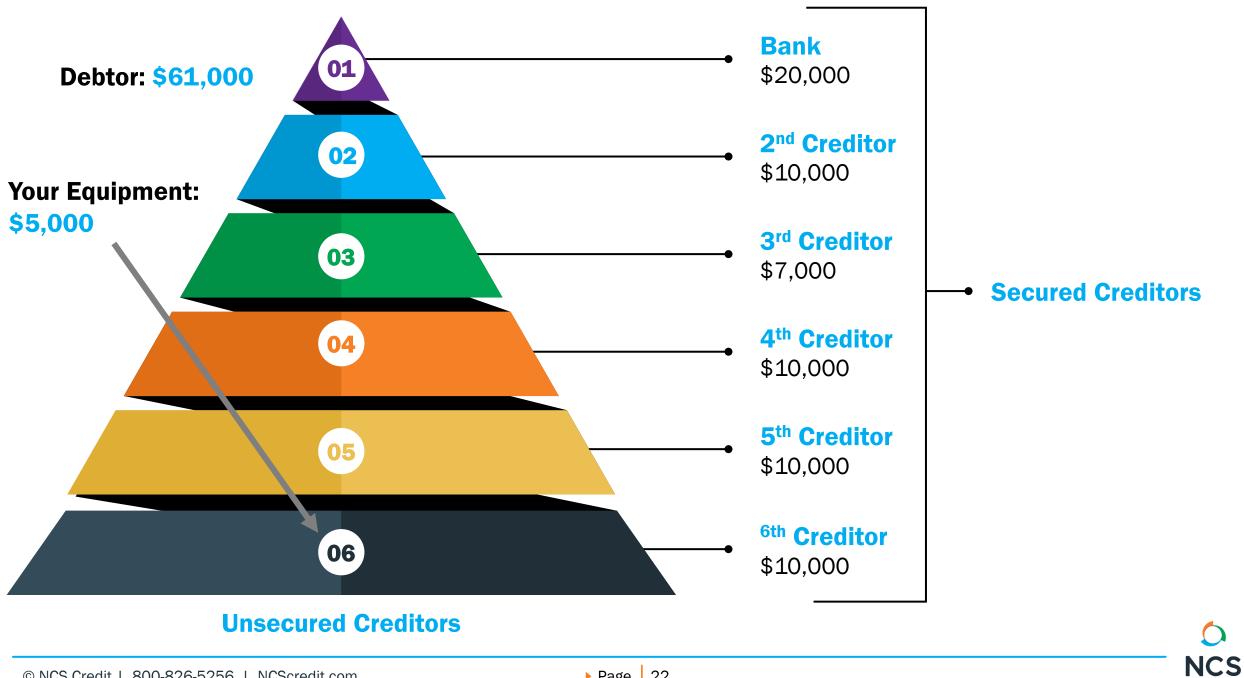
1. Resale

%

2. Differentiating your receivables



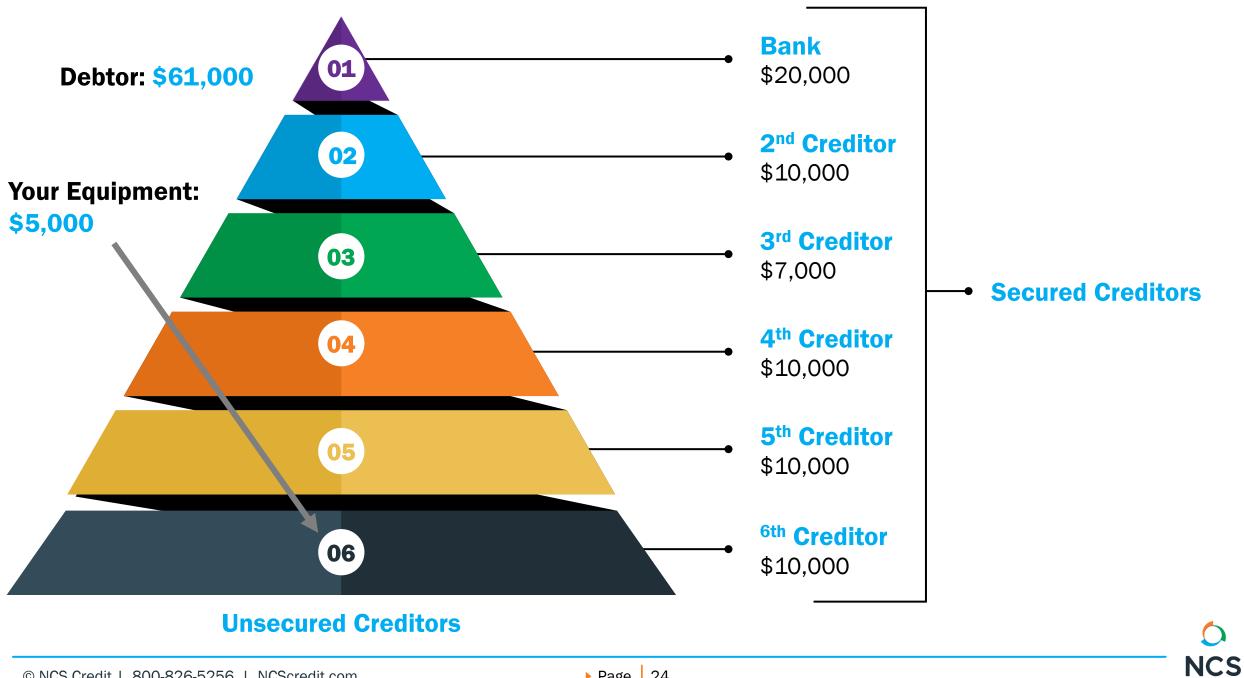




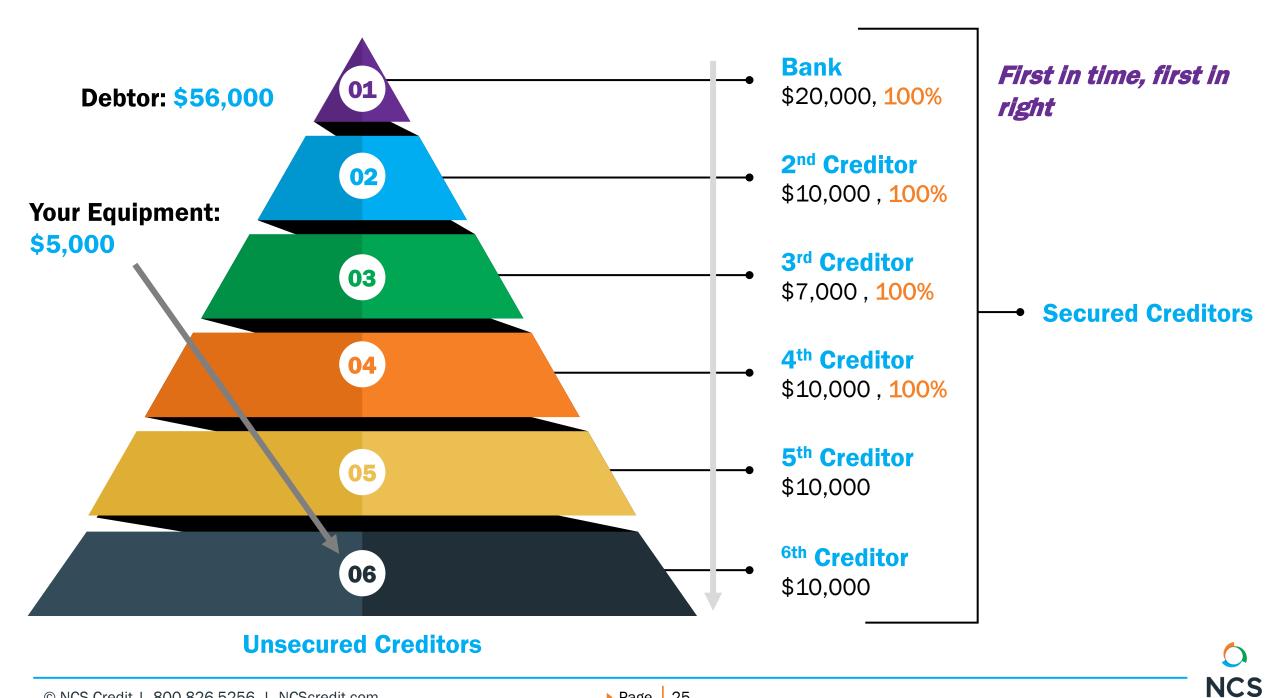
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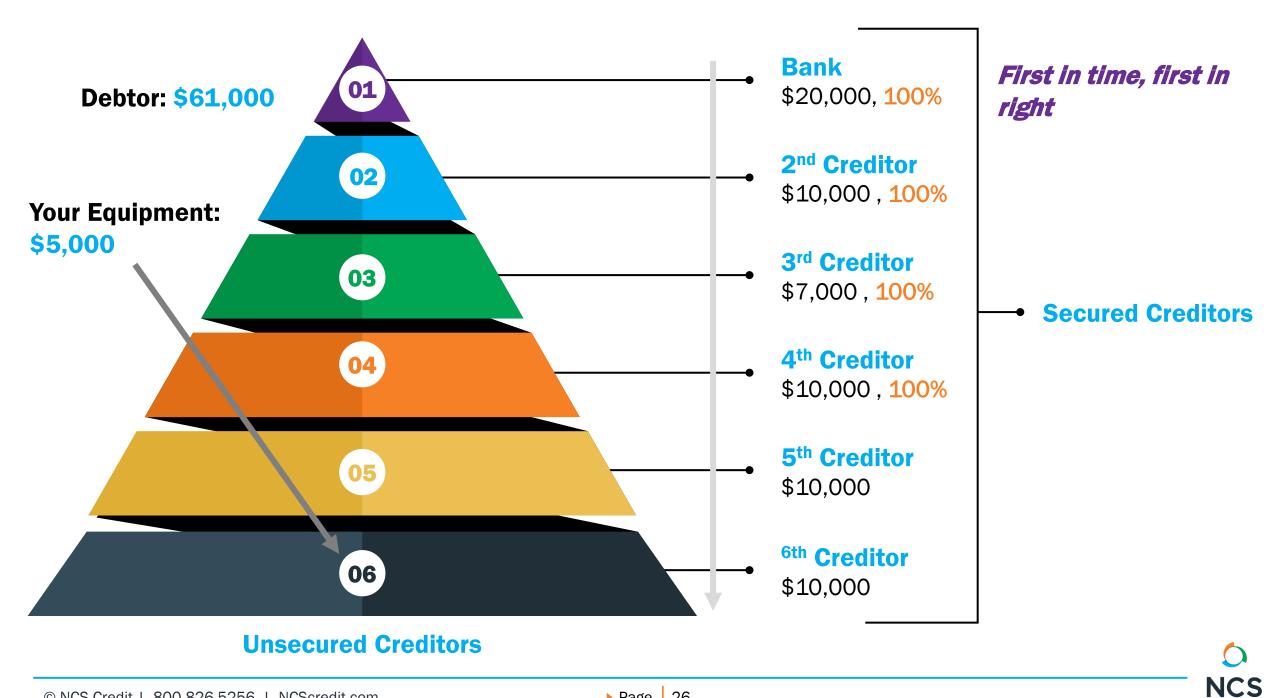
# NCS

# Chapter 7 Bankruptcy



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2. Financing Statement or UCC-1



#### **Security Agreement**

#### Creates the secured interest

#### Spells out terms and conditions

#### SECURITY AGREEMENT

This Security Agreement, made and entered in this \_\_\_\_\_\_day of \_\_\_\_\_\_, 200\_\_\_\_, by and between SECURED PARTY NAME, beated at SECURED PARTY ADDRESS, (hereinafter "Secured Party") and DEBTOR NAME, with chief executive offices located at DEBTOR ADDRESS, and if registered, incorporated in the state of \_\_\_\_\_\_ (hereinafter "Debtor").

#### I CREATION OF SECURITY INTEREST

In consideration for the extension of credit, Debtor hereby grants a security interest in and assigns to the Secured Party the Collateral described in paragraph II below to secure payment and performance of all debts, liabilities and obligations of Debtor of any kind whenever and however incurred to Secured Party.

#### II COLLATERAL

To secure payment for all purchases from Secured Party, now and in the future, Debtor hereby grants Secured Party a continuing security interest in all of Debtor's presently owned or hereafter acquired (a) goods, (b) instruments, (c) promissory notes (d) Chattel paper including electronic chattel paper and tangible chattel paper, (e) documents, (f) books and records, (g) accounts, (h) accounts receivable, (i) equipment, (i) inventory, (k) commercial tott claims (l) general intrangibles, (m) payment intangibles and (h) software, together with all proceeds and all support obligations thereof. Secured Party's security interest is explicitly limited to outstanding obligations between Secured Party and Debtor.

The term "Obligations" as used in this Agreement shall mean and include all indebtedness, liabilities and obligations, liabilities and obligations of any nature, however arising whether monetary or otherwise, now existing or hereafter arising in favor of Secured Party, including any attorney's fees and expenses to which Secured Party may be entitled as further provided in this Agreement.

#### III DEBTOR'S OBLIGATIONS

- A. Debtor warrants and covenants: That the Collateral will be held for use, sale or lease in and for <u>Debtor</u>, b business and will be kept only at the principal place of business set forth herein (and Debtor's additional address(es) set forth with its signature, if any); Debtor will notify Secured Party in writing fifte en (15) days prior to any of the following:
  - (1) Change(s) or additions to location of any material or substantial portion of the Collateral,
  - (2) Change(s) in location of chief executive offices (if an unregistered entity),
  - (3) Change(s) in state of Incorporation (if a registered entity),
  - (4) Change(s) in state of residence (if an individual),
  - (5) Change(s) in name of Debtor's business.
- B. Debtor will notify Secured Party in writing 30 days prior of: its opening of any new places of business, or the closing of any existing places of business, or the change of name or nature of the entity including changes to state of incorporation or state of chief executive offices.

#### IV DEFAULT

The following shall constitute a default by Debtor:

 
 NAME processing
 Failure to pay the principal or my installment of principal or of interest on the indebtedness or my notes when due. In addition, Debtor shall be in default if bankruptcy or insolvency proceedings are instituted by or against the Debtor or if Debtor makes my assignment for the benefit of creditors. misrgressinglant:

 Misrepresentation or misstatement in connection with, noncompliance with or

#### **Security Agreement**

## Can be a stand-alone document or exist in other forms

- Loan agreement
- Sales agreement
- Consignment agreement
- Promissory note
- Conditional sales contract
- Dealer agreement
- Or....

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#### **Security Agreement**

Credit Application Security Agreement

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#### **Financing Statement**

- Records the secured interest and makes it a public record
- In effect for five years, at which time can be continued for another five-year period
- Filed in locations based on your customer's form of business

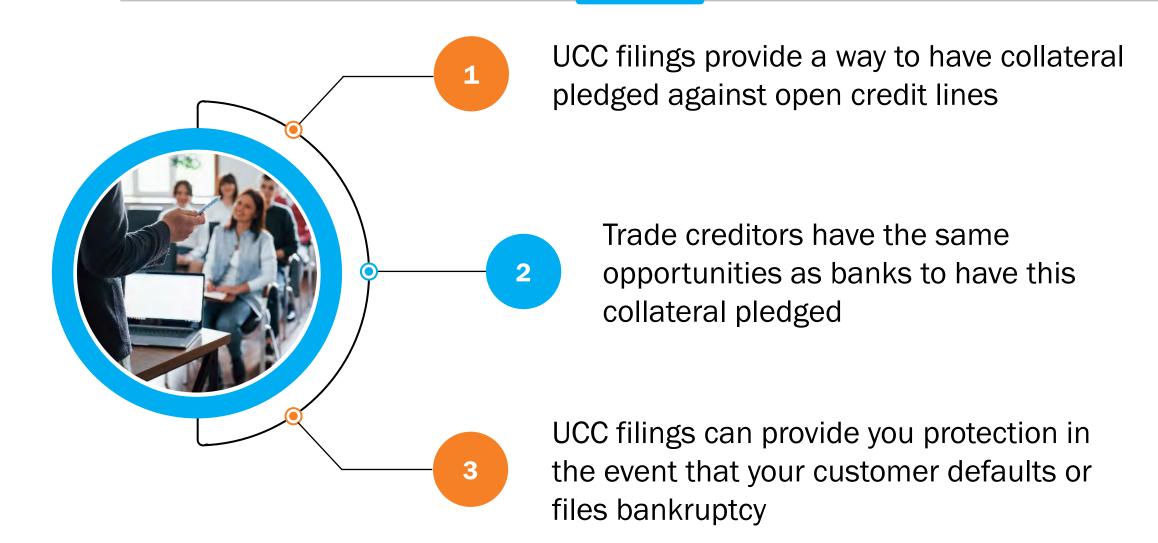
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#### **Factors in Financing Statements**



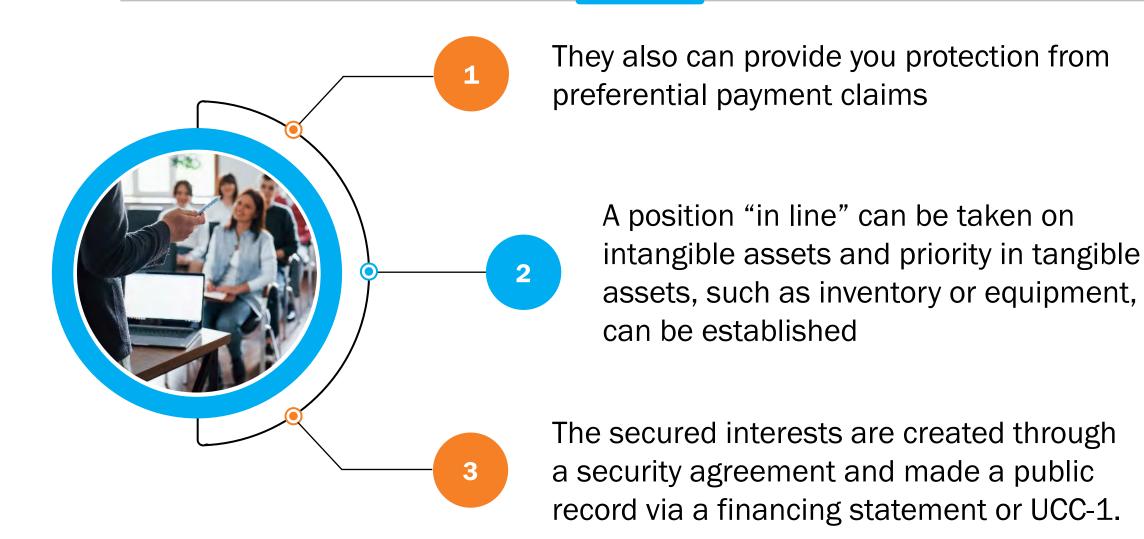
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#### **Review of Topics Covered**





#### **Review of Topics Covered**





# QUESTIONS



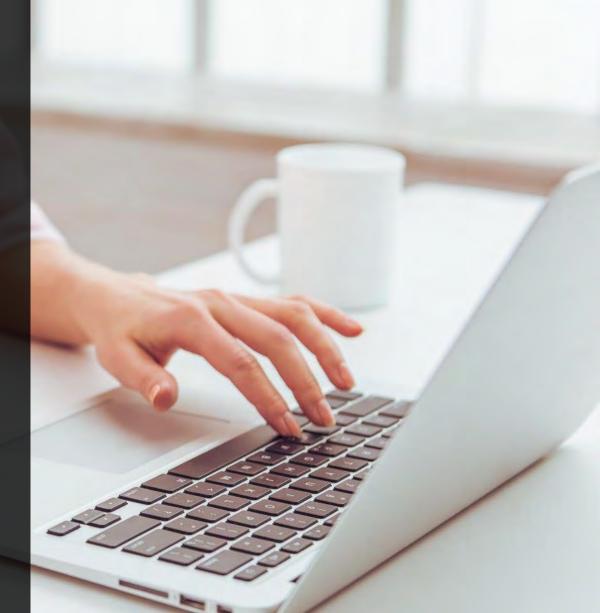
# Thank you for your time!

#### **Contact Us**



#### www.ncscredit.com

Jerry Balley jbailey@ncscredit.com 800-826-5256 ext. 177



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