



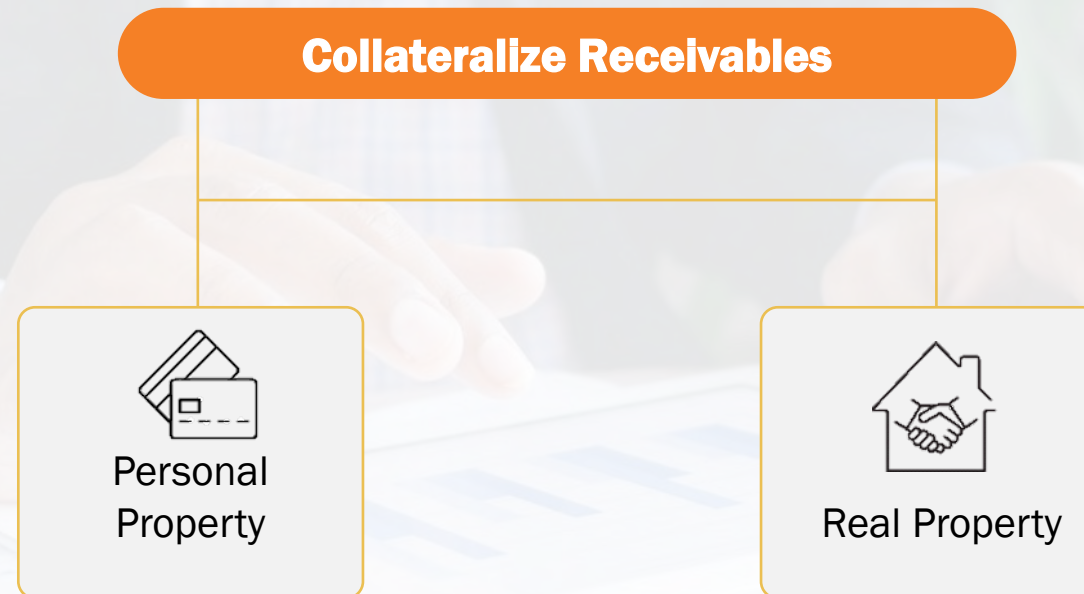
NCS
CREDIT

The Basics of The UCC Process

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

Collateral

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

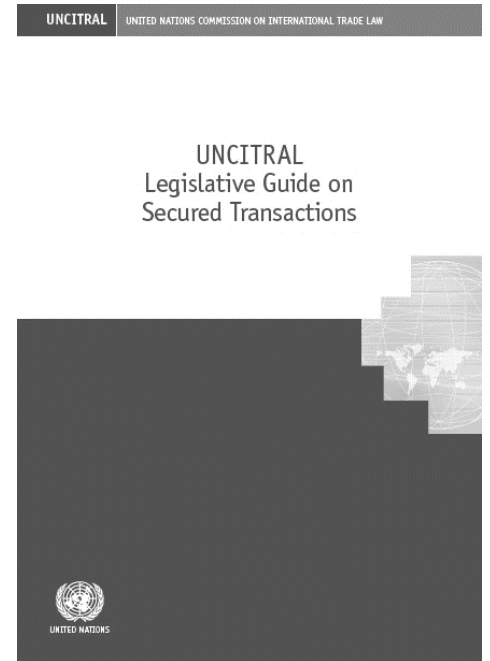
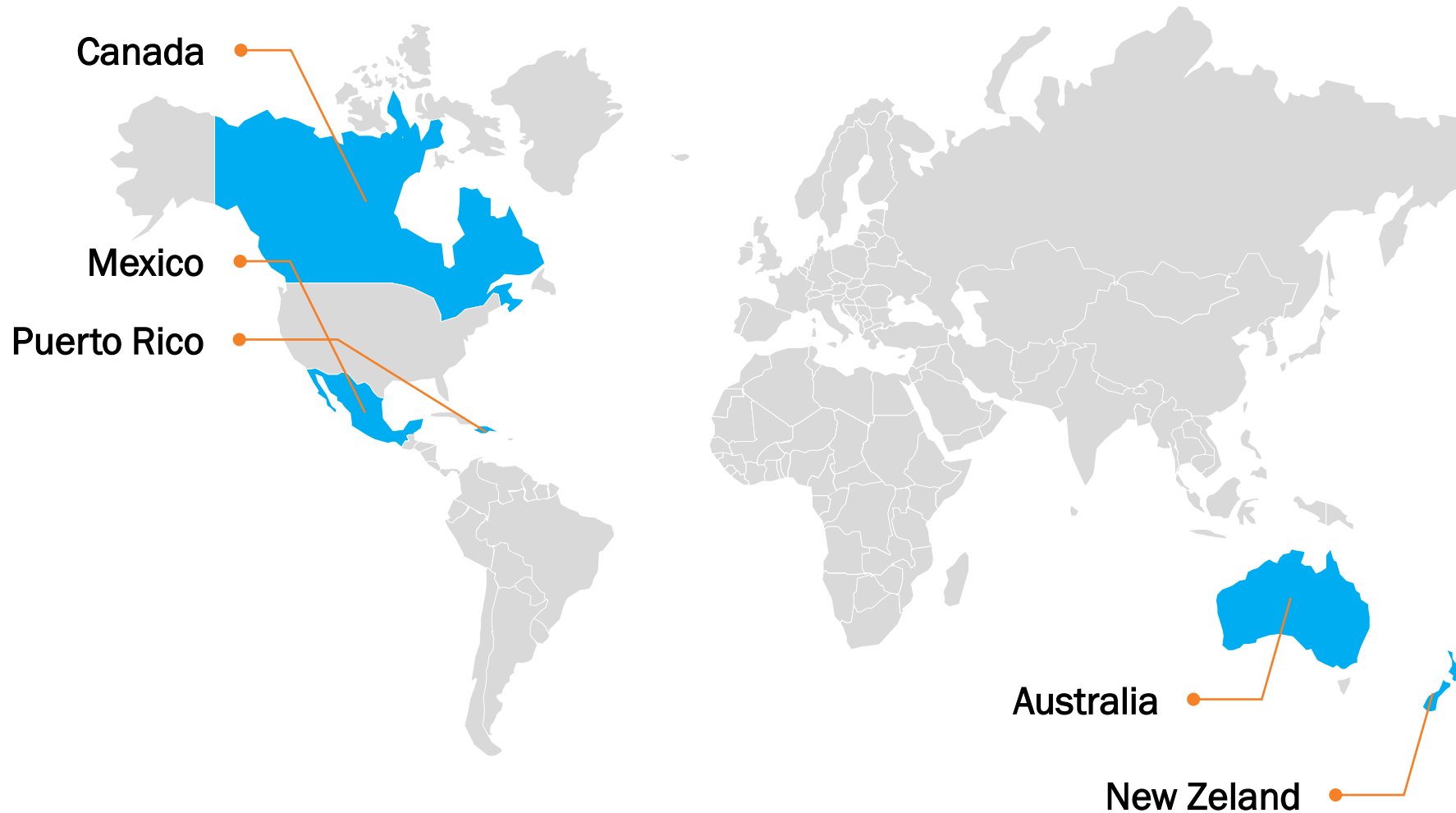




The Uniform Commercial Code

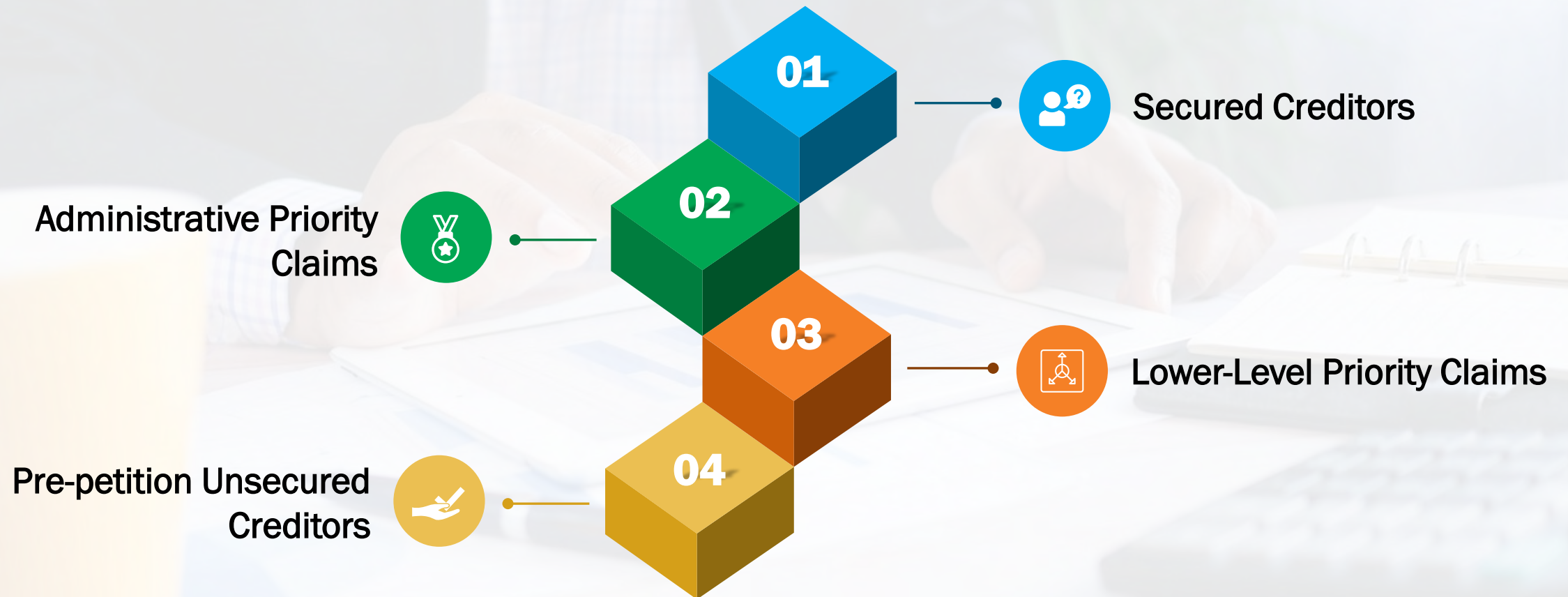
- **Article 1:** General Provisions
- **Article 2:** Sales
- **Article 2A:** Leases
- **Article 3:** Negotiable Instruments
- **Article 4:** Bank Deposits and Collections
- **Article 4A:** Funds Transfers
- **Article 5:** Letters of Credit
- **Article 6:** Bulk Transfers
- **Article 7:** Warehouse Receipts, 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
- 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



Two Characteristics:

01

The filing covers all
assets

02

The priority stacks

Who Has Application for a Blanket UCC-1?

Those creditors who are:

- 1 Providing financing only
- 2 Providing services only
- 3 Providing materials, inventory, equipment or goods that are quickly used up or resold by the debtor
- 4 Structuring notes



Who Has Application for a Blanket UCC-1?

Those creditors who are:

- 1 Providing financing only
- 2 Providing services only
- 3 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 sooner 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.

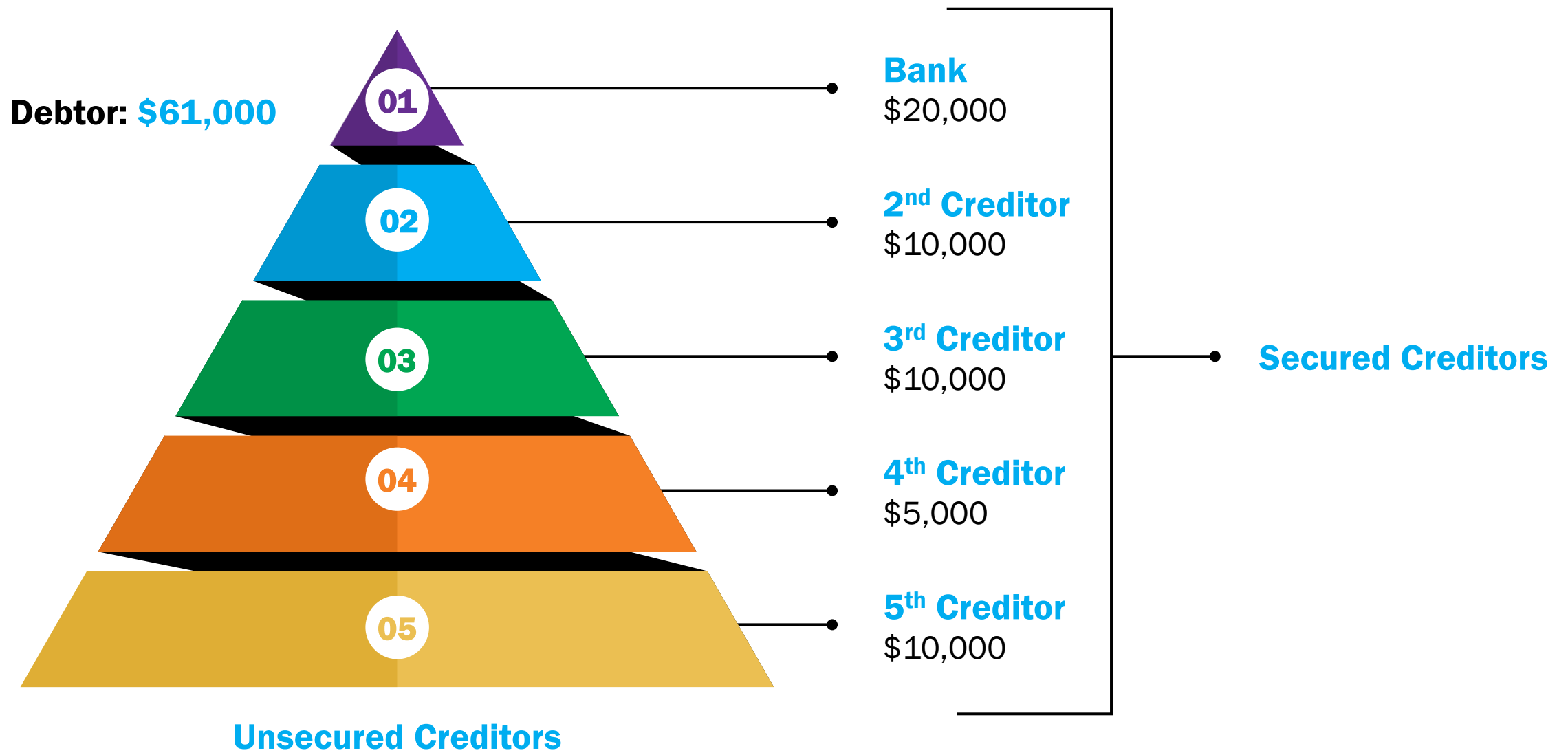
Signature of Borrower

Address

Subscribed and sworn to before me this ____ day of (mo.) _____, (yr.) _____

(Seal)

Notary Public



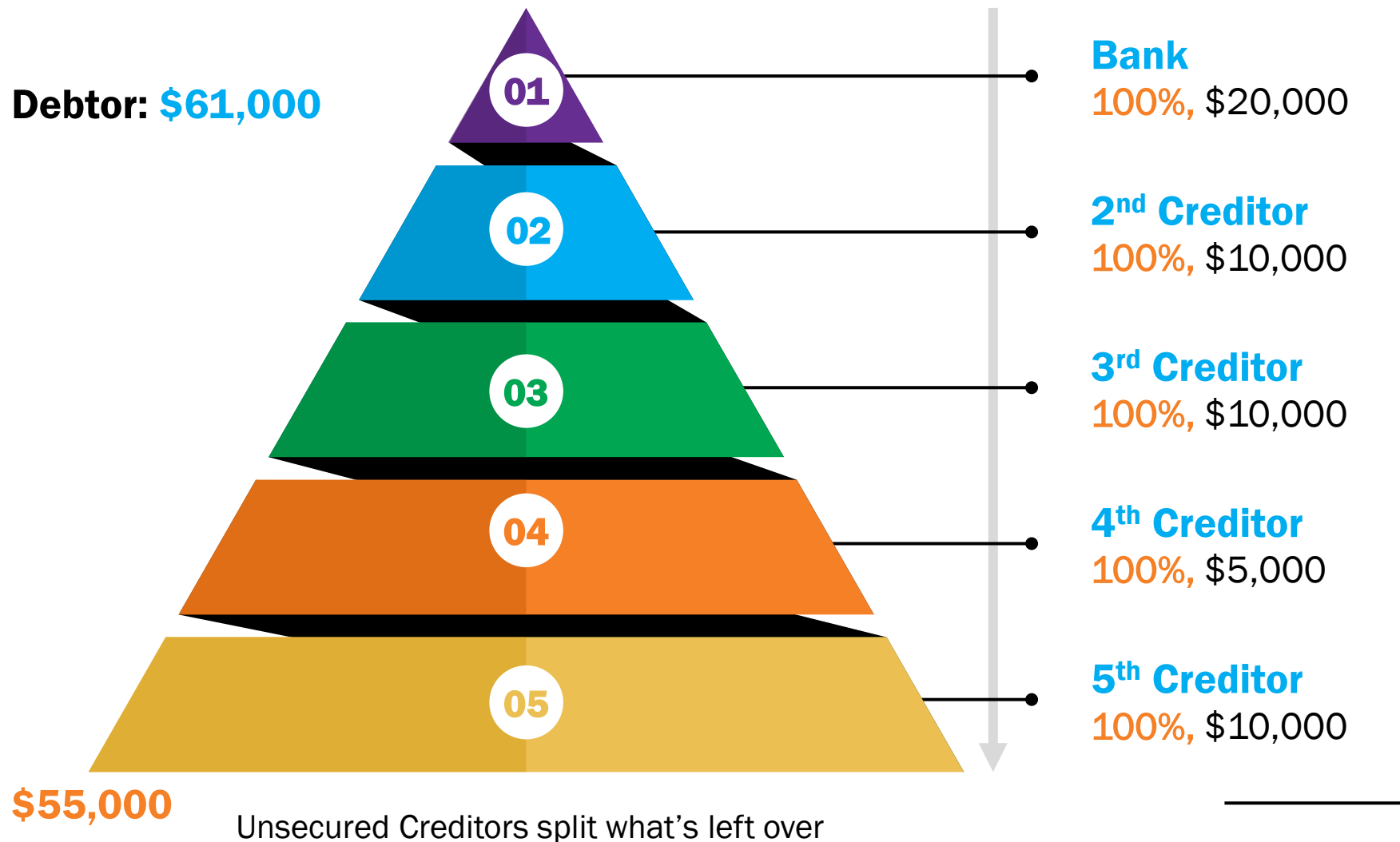


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Chapter 7

Bankruptcy

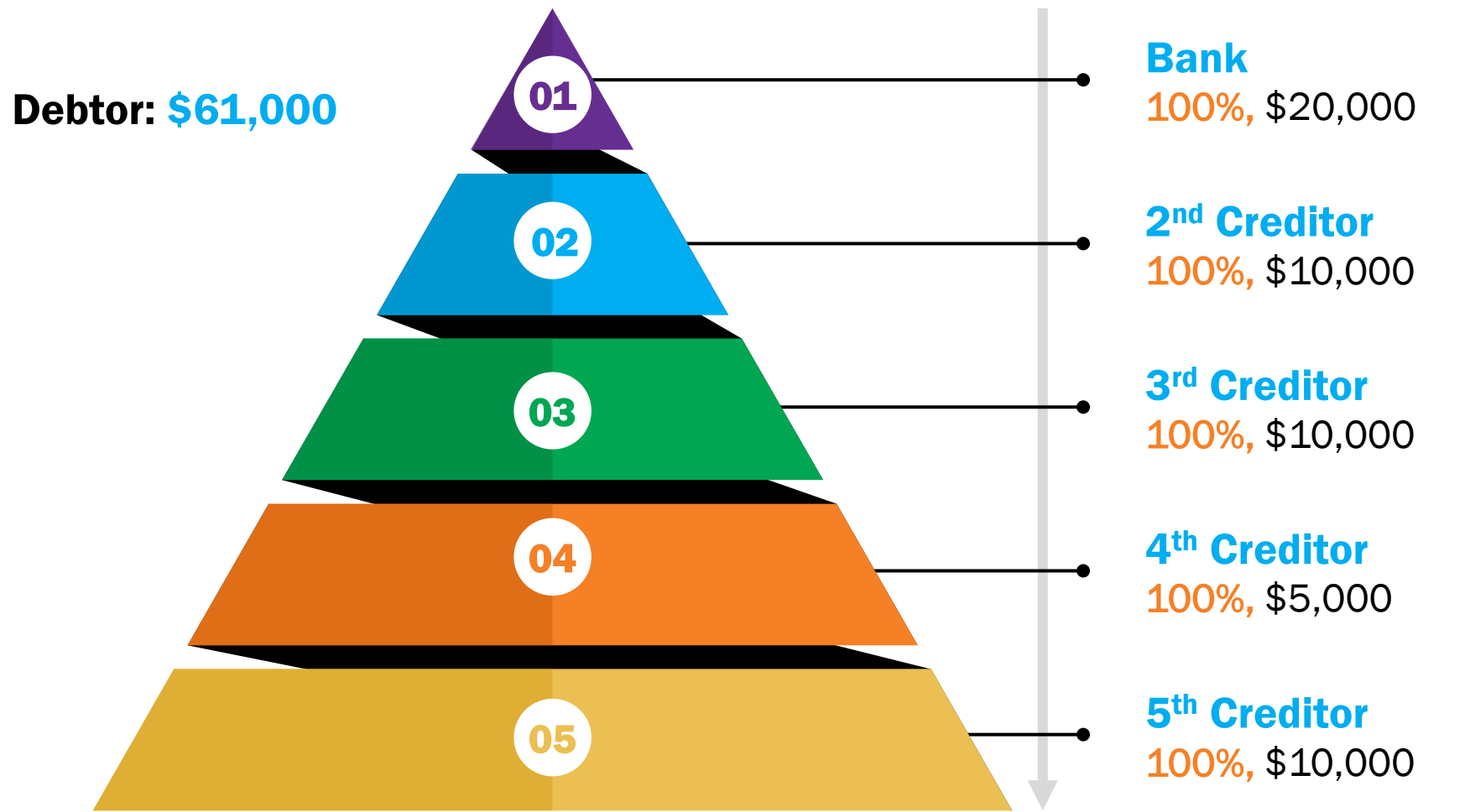
Debtor: \$61,000



First in time, first in right

Secured Creditors

Debtor: \$61,000



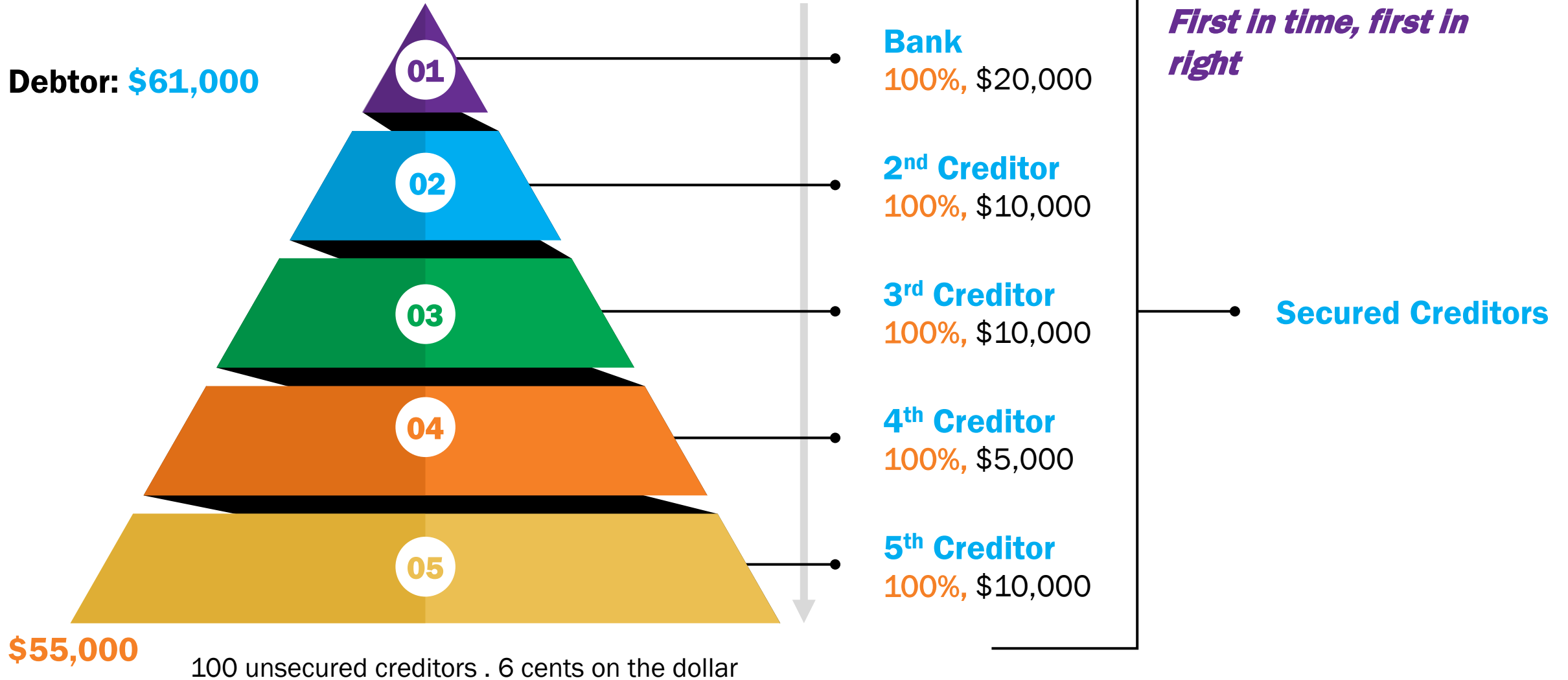
First in time, first in right

Secured Creditors


\$55,000

100 unsecured creditors. Each is owed \$1000.
\$60 each is actually paid

Debtor: \$61,000



Purchase Money Security Interest



Two Characteristics:

01

Creditor finances goods

02

There is value in
repossessing those goods

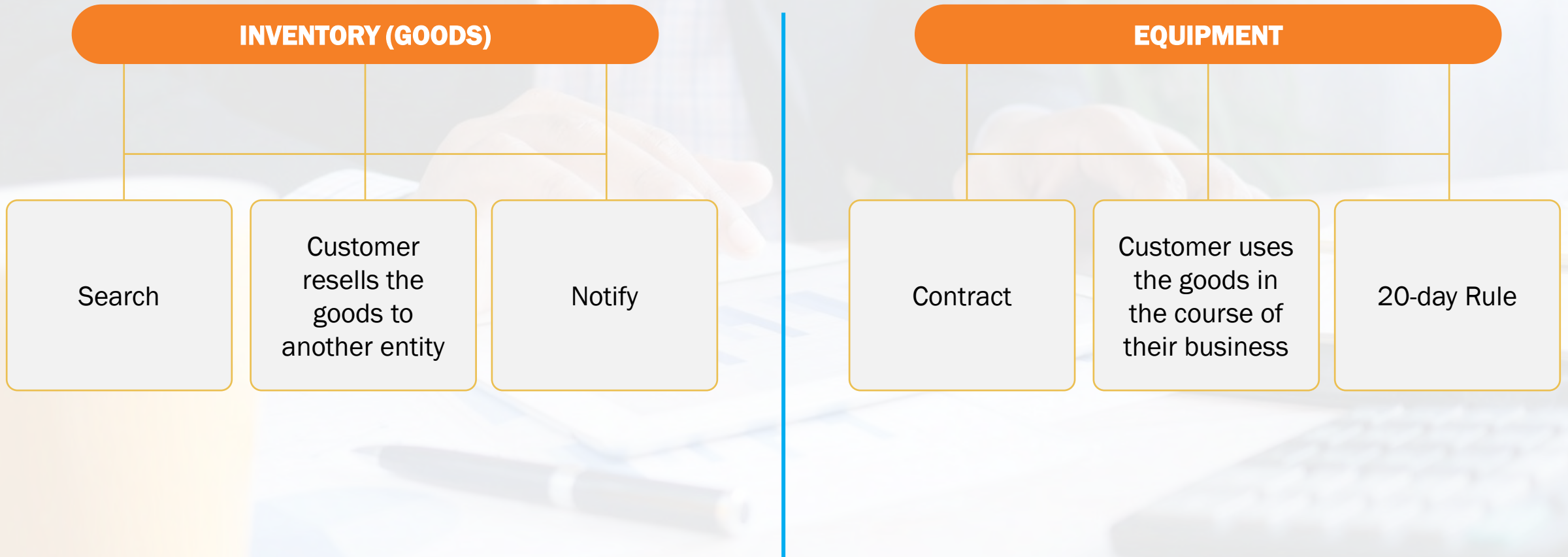
Inventory vs. Equipment

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?

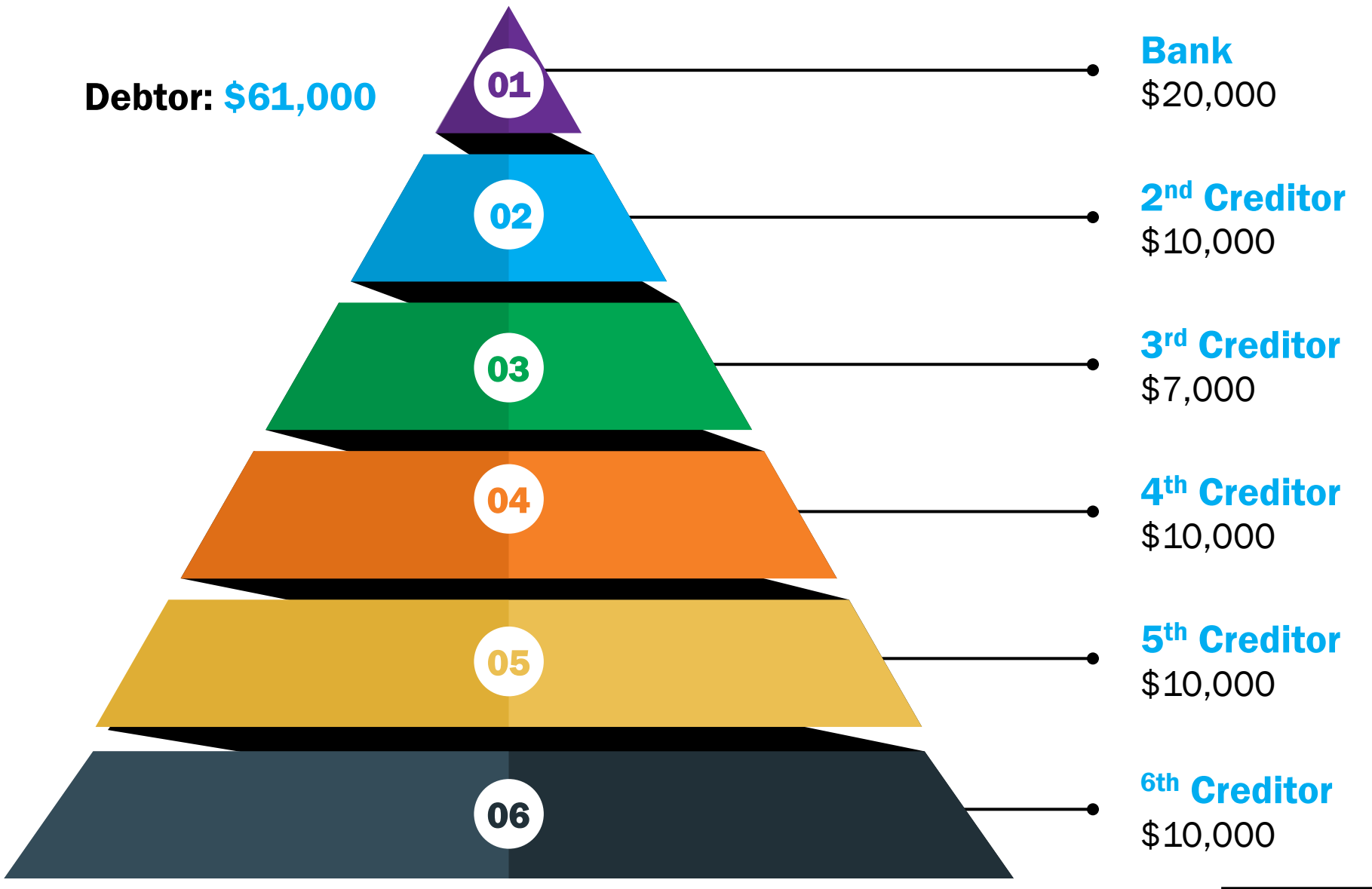




PMSI: The Value of Repossession

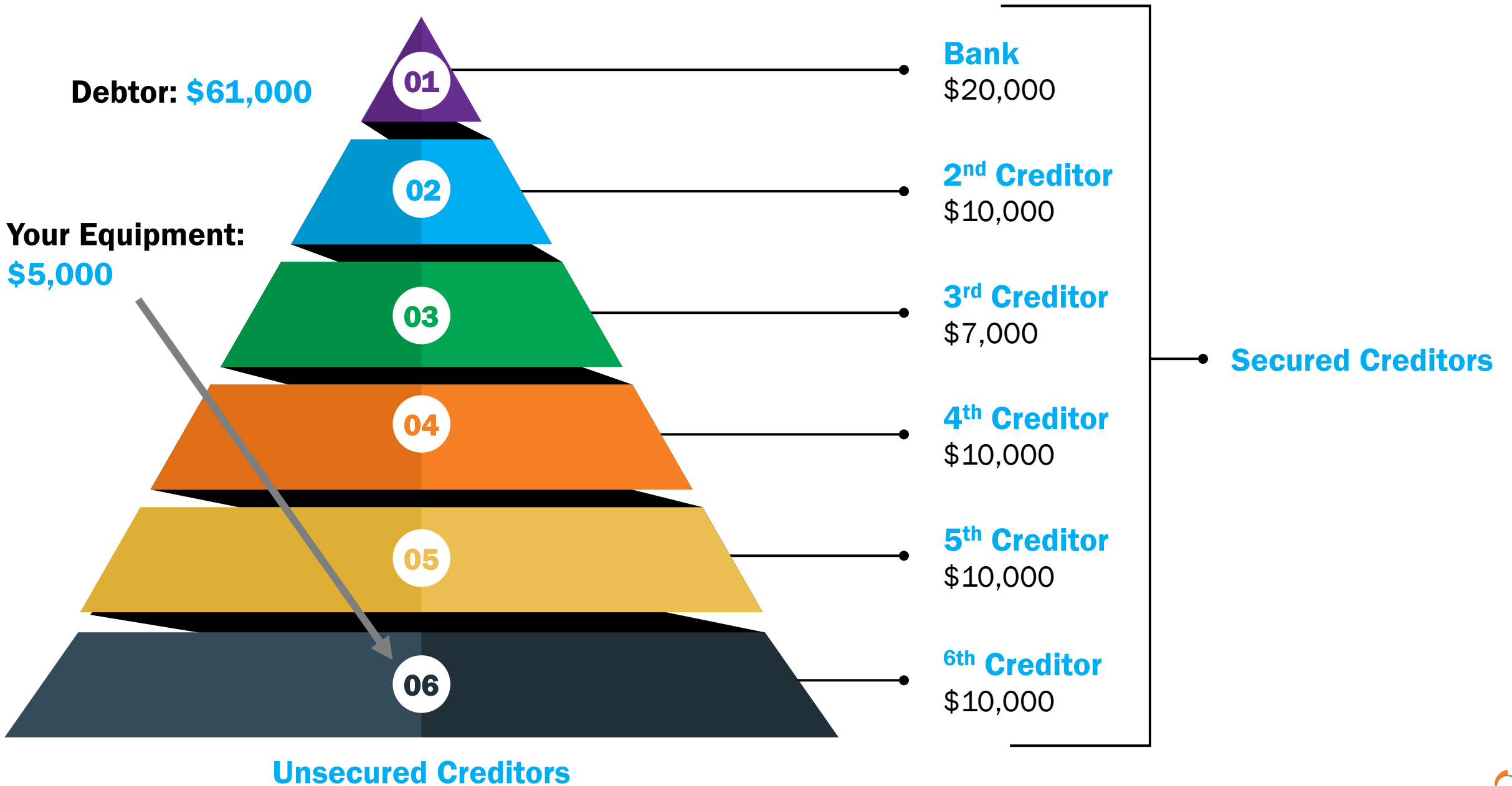
1. Resale
2. Differentiating your receivables

Debtor: \$61,000



Secured Creditors

Unsecured Creditors

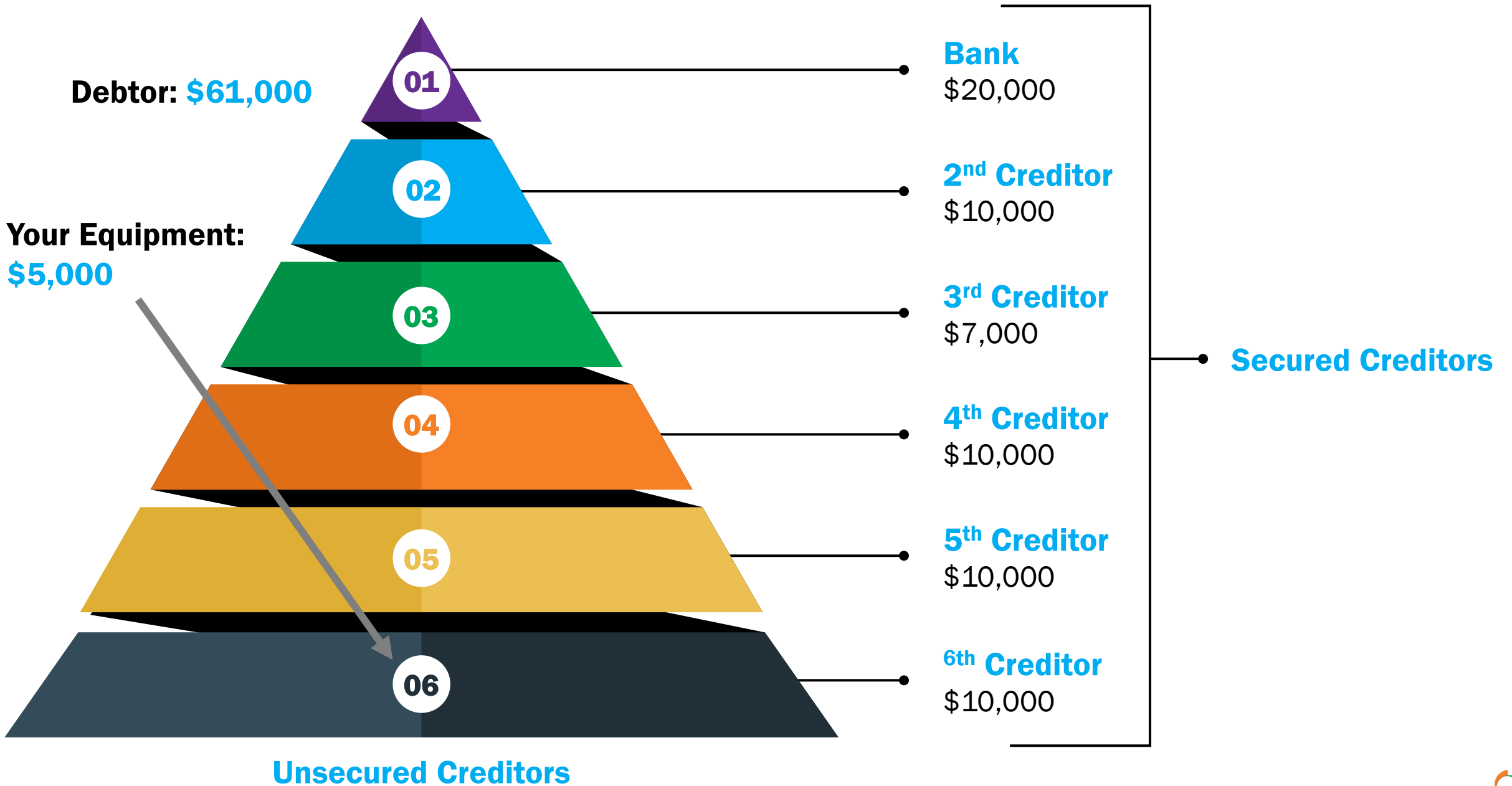


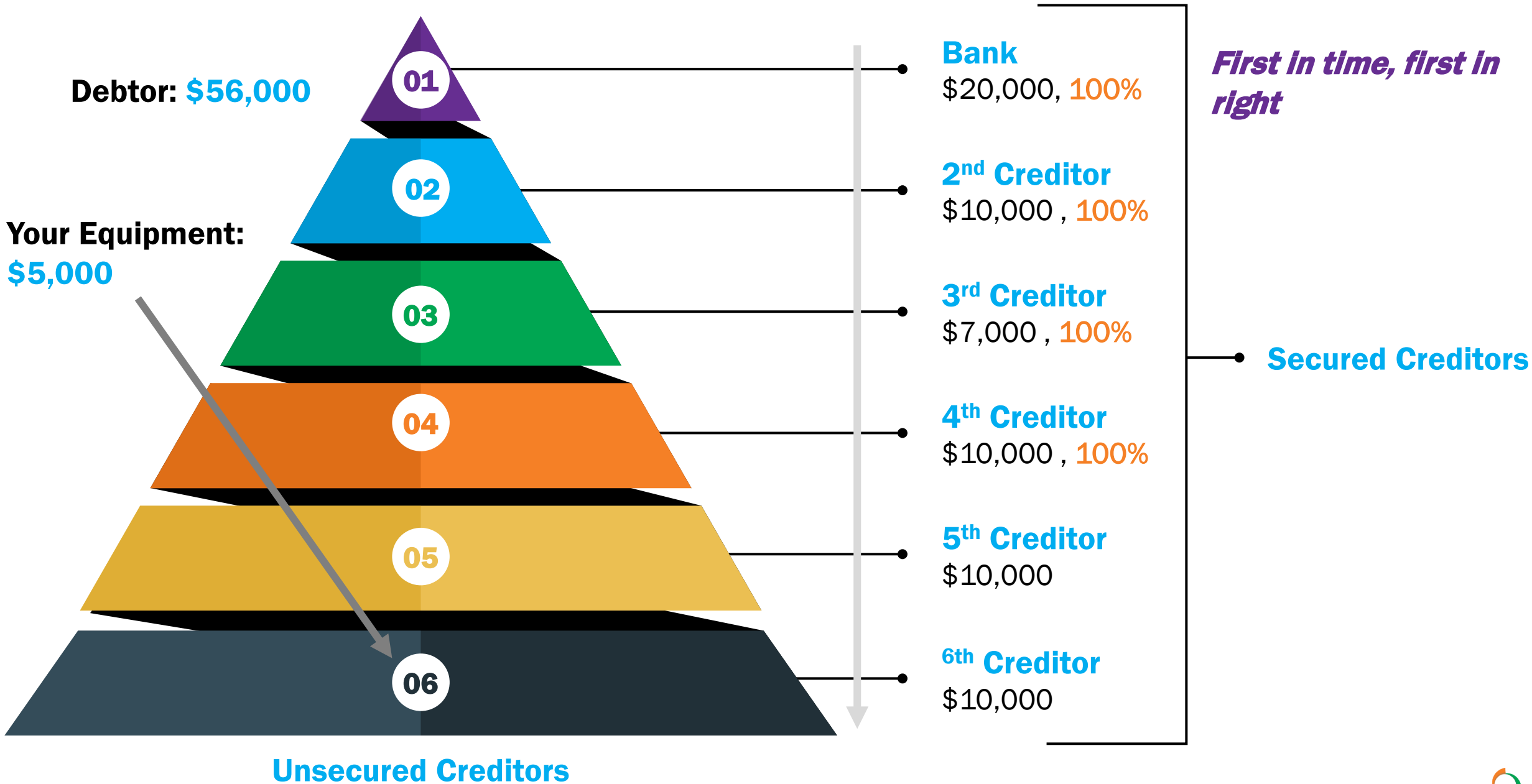


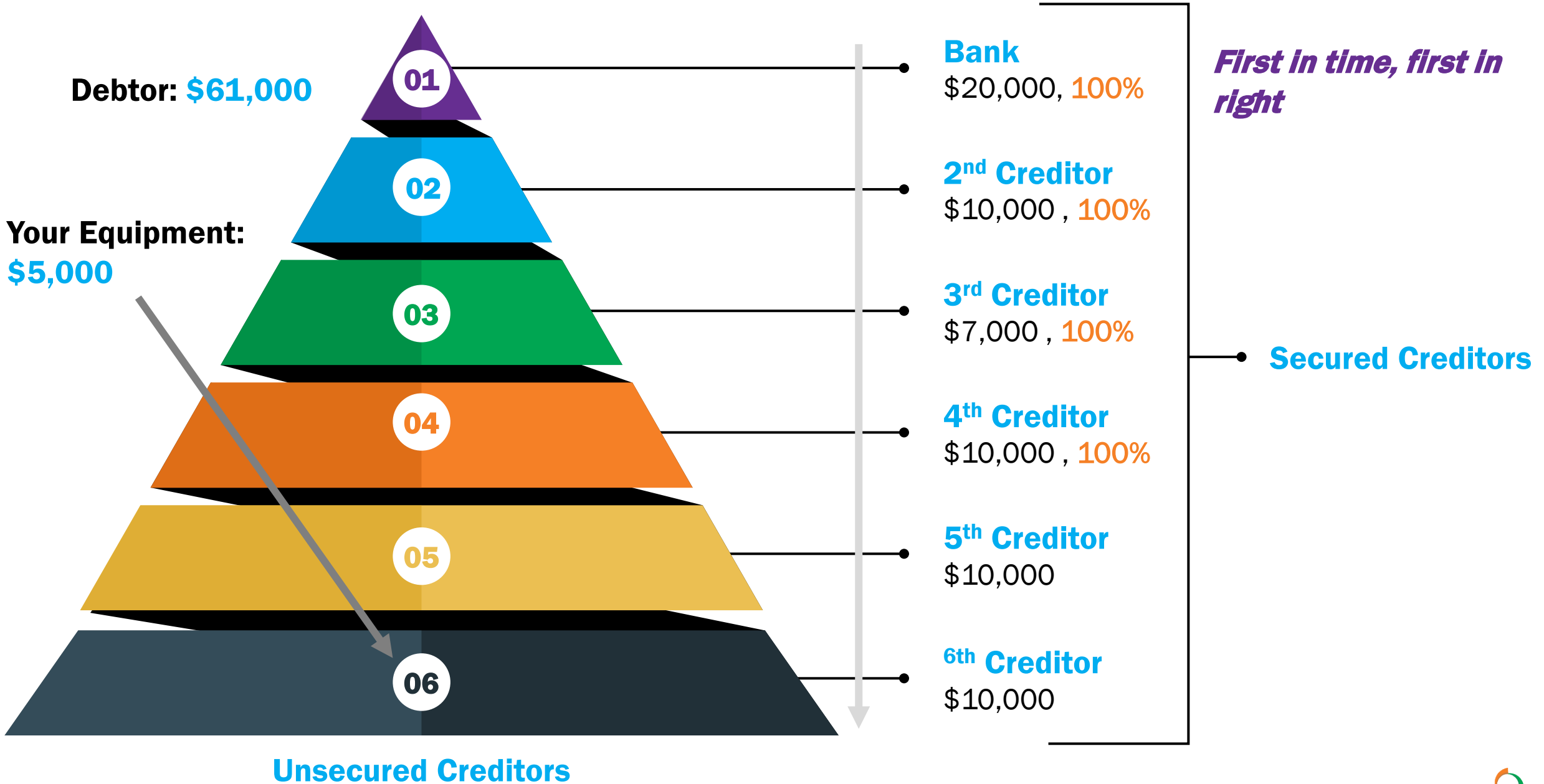
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Chapter 7

Bankruptcy









Two Required Elements

1. Security Agreement
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**, located 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, (j) inventory, (k) commercial tort claims (l) general intangibles, (m) payment intangibles and (n) 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 Debtor's 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 ~~five~~ ten (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:

- ~~misrepresentation:~~ Failure to pay the principal or any installment of principal or of interest on the indebtedness or any 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 any assignment for the benefit of creditors.
- ~~misrepresentation:~~ 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....

SECURITY AGREEMENT

This Security Agreement made and entered in this _____ day of _____, 200____, by and between **SECURED PARTY NAME**, located 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, (j) inventory, (k) commercial tort claims (l) general intangibles, (m) payment intangibles and (n) 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.

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- (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.

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~~misrepresentation:~~ Failure to pay the principal or any installment of principal or of interest on the indebtedness or any 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 any assignment for the benefit of creditors.

~~misrepresentation:~~ Misrepresentation or misstatement in connection with, noncompliance with or

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

UCC FINANCING STATEMENT
 FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER (optional)
 (440) 461-9661 sales@nscscredit.com

B. SEND ACKNOWLEDGMENT TO: (Name and Address)
 NCS Financial Services
 PO Box 24101
 Cleveland, OH 44124

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME - insert only UCC debtor name (1a or 1b) - do not abbreviate or combine names

1a. ORGANIZATION'S NAME

OR

1b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

1c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY

1d. TAX ID# SSN OR EIN ADDL INFO RE ORGANIZATION DEBTOR 1e. TYPE OF ORGANIZATION 1f. JURISDICTION OF ORGANIZATION 1g. ORGANIZATIONAL ID# if any ☐ NONE

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only UCC debtor name (2a or 2b) - do not abbreviate or combine names

2a. ORGANIZATION'S NAME

OR

2b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

2c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY

2d. TAX ID# SSN OR EIN ADDL INFO RE ORGANIZATION DEBTOR 2e. TYPE OF ORGANIZATION 2f. JURISDICTION OF ORGANIZATION 2g. ORGANIZATIONAL ID# if any ☐ NONE

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR, SIF) - insert only UCC secured party name (3a or 3b)

3a. ORGANIZATION'S NAME

OR

3b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

3c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY

4. THIS FINANCING STATEMENT covers the following collateral:

5. ALTERNATIVE DESIGNATION (if applicable) LESSOR/LESSOR CONSIGNEE/CONSIGNOR SALE/BAILOR SELLER/BUYER AG. LIEN NON-SEC. FILING

6. IF THE FINANCING STATEMENT IS TO BE FILED (or recorded) BY RECORDS IN THE PUBLIC RECORDS, CHECK THE FOLLOWING: ☐ ALL DEBTORS ☐ DEBTOR 1 ☐ DEBTOR 2

7. OPTIONAL FILER REFERENCE DATA

FILING OFFICE COPY - NATIONAL UCC FINANCING STATEMENT (FORM UCC1) (REV. 07/29/98)

Factors in Financing Statements



UCC FINANCING STATEMENT
FOLLOW INSTRUCTIONS (Read and Print) CAREFULLY

A. NAME & PHONE OR CONTACT AT FILER (optional)
(430) 461-9661 sales@ncscredit.com

B. SEND ACKNOWLEDGMENT TO: (Name and Address)
NCS Financial Services
PO Box 24101
Cleveland, OH 44124

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME - insert only UCC debtor name (1a or 1b) - do not abbreviate or use line names

1a. ORGANIZATION'S NAME

OR

1b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

2. MAILING ADDRESS: CITY STATE POSTAL CODE COUNTRY

3. TAX ID# 1. SSN OR EIN 2. ADD. WHO IS 3. TYPE OF ORGANIZATION 4. JURISDICTION OF ORGANIZATION 5. ORGANIZATIONAL ID# (if any) NONE

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only UCC debtor name (2a or 2b) - do not abbreviate or use line names

2a. ORGANIZATION'S NAME

OR

2b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

3. MAILING ADDRESS: CITY STATE POSTAL CODE COUNTRY

4. TAX ID# 1. SSN OR EIN 2. ADD. WHO IS 3. TYPE OF ORGANIZATION 4. JURISDICTION OF ORGANIZATION 5. ORGANIZATIONAL ID# (if any) NONE

3. SECURED PARTY'S NAME per NAME of TOTAL ASSIGNOR of ASSIGNOR'S PARTY - insert only UCC secured party name (3a or 3b)

3a. ORGANIZATION'S NAME

OR

3b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

4. MAILING ADDRESS: CITY STATE POSTAL CODE COUNTRY

4. This FINANCING STATEMENT covers the following collateral:

5. ALTERNATIVE DESIGNATION (if any) 6. EXEMPTION 7. CONSIGNMENT 8. SALE 9. DEPOSIT 10. SELLER'S FINANCING 11. LENDER'S 12. NON-ACC. FILING

13. THIS FINANCING STATEMENT IS FOR THE FOLLOWING: 13a. FILER'S 13b. SECURED PARTY'S 13c. REPORTING PARTY'S 13d. OTHER 13e. OTHER 13f. OTHER 13g. OTHER 13h. OTHER 13i. OTHER 13j. OTHER 13k. OTHER 13l. OTHER 13m. OTHER 13n. OTHER 13o. OTHER 13p. OTHER 13q. OTHER 13r. OTHER 13s. OTHER 13t. OTHER 13u. OTHER 13v. OTHER 13w. OTHER 13x. OTHER 13y. OTHER 13z. OTHER

6. OPTIONAL FILER REFERENCE DATA

FILING OFFICE COPY - NATIONAL UCC FINANCING STATEMENT (FORM UCC1) (REV. 07/2008)

Review of Topics Covered

1

UCC filings provide a way to have collateral pledged against open credit lines

2

Trade creditors have the same opportunities as banks to have this collateral pledged

3

UCC filings can provide you protection in the event that your customer defaults or files bankruptcy



Review of Topics Covered

1

They also can provide you protection from preferential payment claims

2

A position “in line” can be taken on intangible assets and priority in tangible assets, such as inventory or equipment, can be established

3

The secured interests are created through a security agreement and made a public record via a financing statement or UCC-1.



A group of five business professionals (three men and two women) are seated around a conference table in a modern office setting. They are all smiling and looking towards the center of the table. A large, white, 3D-style question mark is superimposed over the center of the image, partially obscuring the people. Below the question mark, the word "QUESTIONS" is written in a large, bold, white, sans-serif font.

QUESTIONS

Thank you for your time!

Contact Us



www.ncscredit.com



Jerry Bailey

jbailey@ncscredit.com



800-826-5256 ext. 177



Education & Resources

- Don't miss our upcoming webinars! View the schedule at: www.ncscredit.com/education
- NCS webinars are available OnDemand. Contact us to learn more.
- View NCS Extra Credit videos on our YouTube channel:
<http://www.youtube.com/user/NCSCredit>
- Follow us on Facebook, Twitter, YouTube, LinkedIn, and Instagram

