Contents

Acknowledgments xxxv
Introduction xxxix

BOOK ONE
Sales Systems

Chapter 1. Formation 3
  Assignment 1: The Role and Scope of Codes in Sales Systems 3
    A. Fundamental Aspects of Sales 3
    B. The Real World of Sales 4
    C. Functions of a Code in Sales Systems 6
    D. Scope of Article 2 8
      Ragus Co. v. City of Chicago 11
      Simulados Software, Ltd. v. Photon Infotech Private, Ltd. 13
      Cook v. Downing 18
  Problem Set 1 22

Assignment 2: Scope Issues with Leases, CISG, and Real Estate 25
  A. Scope of Article 2A 25
      Carlson v. Giachetti 27
      In re Purdy 30
  B. Scope of the CISG 39
      Valero Marketing & Supply Co. v. Greeni Oy & Greeni Trading Oy 40
  C. Real Estate 46
  Problem Set 2 46

Assignment 3: The Process of Sales Contract Formation 49
    Hill v. Gateway 2000, Inc. 49
    Belden, Inc. v. American Electronic Components, Inc. 57
  Problem Set 3 67

Assignment 4: Formation with Leases, International Sales, and Real Estate 71
  A. Formation of Contracts for Leases 71
  B. Formation of Contracts for International Sales 72
      Roser Technologies, Inc. v. Carl Schreiber 73
  C. Formation of Real Estate Contracts 84
      Shimrak v. Goodsir 86
  Problem Set 4 93
Assignment 5: Statute of Frauds with Sales of Goods

DF Activities Corp. v. Brown
General Trading Int’l v. Wal-Mart Stores

Problems Set 5

Assignment 6: Parol Evidence with Sales of Goods

Druckzentrum Harry Jung GmbH & Co. v. Motorola Mobility LLC
Cravotta v. Deggingers’ Foundry, Inc.

Problems Set 6

Assignment 7: Requisites to Formalization in Leases, International Sales, and Real Estate Sales

A. Requisites to Formalization in Leases
B. Requisites to Formalization in International Sales
TeeVee Toons, Inc. v. Gerhard Schubert GmbH
C. Requisites to Formalization in the Real Estate System
Richard v. Richard

Problems Set 7

Chapter 2. Terms

Assignment 8: Warranties with Sales of Goods

A. The Effects of Warranty Law on Business Practice
B. The Basic UCC Quality Warranties
Phillips v. Cricket Lighters
Leal v. Holtvogt
C. Extended Warranties and Maintenance Agreements

Problems Set 8

Assignment 9: Lease, International, and Real Estate Warranties

A. Lease Warranties: The Case of Finance Leases
Leaf Financial Corp. v. ACS Services, Inc.
B. Warranties with International Sales
C. Real Estate Warranties
1. Warranties Generally
Hershey v. Rich Rosen Construction Co.
2. Third-Party Home Warranties

Problems Set 9

Assignment 10: Reducing or Eliminating Warranty Liability: Basics

A. Warranty Reduction with Sales of Goods
Wilbur v. Toyota Motor Sales, U.S.A.
B. Warranty Reduction with Leases
C. Warranty Reduction with International Sales
D. Disclaiming the Real Estate Implied Warranty of Habitability
Axline v. Kutner

Problems Set 10
Assignment 11: Commercial Impracticability

A. Commercial Impracticability with Sales of Goods
   Turbines Ltd. v. Transupport, Inc.
   Alamance County Bd. of Educ. v. Bobby Murray Chevrolet

B. Commercial Impracticability with Leases

C. Commercial Impracticability with International Sales

D. Commercial Impracticability with Real Estate

Problem Set 11

Assignment 12: Unconscionability

A. Unconscionability with Sales of Goods
   Maxwell v. Fidelity Financial Services, Inc.

B. Unconscionability with Leases
   Pantoja-Cahue v. Ford Motor Credit Co.
   BMW Financial Services v. Smoke Rise Corp.

C. Unconscionability with International Sales

D. Unconscionability with Real Estate

Problem Set 12

Chapter 3. Performance

Assignment 13: Closing the Sale with Sales of Goods

   Sinco, Inc. v. Metro-North Commuter R. Co.

Problem Set 13

Assignment 14: Closing with Leases, International Sales, and Real Estate

A. Closing with Leases
   In re Rafter Seven Ranches, L.P.

B. Closing with International Sales
   Delchi Carrier SpA v. Rotorex Corp.

C. Real Estate Closings
   Gray v. First NH Banks

Problem Set 14

Assignment 15: Risk of Loss with Sales of Goods

   Stampede Presentation Products, Inc. v. Productive Transportation, Inc.
   Cook Specialty Co. v. Schrlock

Problem Set 15

Assignment 16: Risk of Loss with Leases, International Sales, and Real Estate

A. Risk of Loss with Leases
   In re Jawad

B. Risk of Loss with International Sales
   Citgo Petroleum Corp. v. Odfjell Seachem
C. Risk of Loss with Real Estate
   Voorde Poorte v. Evans
   Problem Set 16

Chapter 4. Remedies

Assignment 17: Seller’s Remedies with Sales of Goods
   A. Why Do Legal Remedies Matter at All? 303
   B. What Are a Seller’s Legal Remedies? 304
      1. Action for the Price
         Sack v. Lawton 305
      2. Resale Damages
         Firwood Mfg. Co. v. General Tire 309
      3. Contract-Market Difference (Without Resale) 314
      4. Lost Profits 314
   Problem Set 17 315

Assignment 18: Lessor’s and Seller’s Remedies with Leases, International Sales, and Real Estate
   A. Lessor’s Remedies
      C.I.C. Corp. v. Ragtime, Inc. 319
   B. Seller’s Remedies with International Sales 324
   C. Seller’s Remedies with Real Estate Sales
      Williams v. Ubaldo 325
   Problem Set 18 329

Assignment 19: Buyer’s Remedies with Sales of Goods
   T.Co Metals, LLC v. Dempsey Pipe & Supply, Inc. 331
   Problem Set 19 339

Assignment 20: Buyer’s and Lessee’s Remedies with Leases, International Sales, and Real Estate
   A. Lessee’s Remedies 344
   B. Buyer’s Remedies with International Sales 345
   C. Buyer’s Remedies with Real Estate
      Jue v. Smiser 348
   Problem Set 20 351

BOOK TWO
Financial Systems

Part One
Payment Systems
   Introduction to Part One 359
   Typologies of Payment Systems 360
   Developing Payment Systems 364
Chapter 5. Paying with a Card

Assignment 21: The Credit-Card System
A. The Issuer-Cardholder Relationship
B. Using the Credit-Card Account
C. Collection by the Payee
   1. The Mechanics of Collection
      Figure 21.1 — Payment by Credit Card
   2. Finality of Payment
      * Hyland v. First USA Bank
      * CitiBank (South Dakota), N.A. v. Mincks
Problem Set 21

Assignment 22: Error and Fraud in Credit-Card Transactions
A. Erroneous Charges
   * Belmont v. Associates National Bank (Delaware)
B. Unauthorized Charges
   * Roundtree v. Chase Bank USA, N.A.
   * Azur v. Chase Bank, USA, N.A.
   * New Century Financial Services v. Dennegar
Problem Set 22

Assignment 23: Debit Cards
A. Payment with a Debit Card
   1. Establishing the Debit-Card Relationship
   2. Transferring Funds with a Debit Card
   3. Collection by the Payee
B. Error and Fraud in Debit-Card Transactions
   1. Erroneous Transactions
   2. Fraudulent Transactions
      * Hospicomm, Inc. v. Fleet Bank, N.A.
      * Heritage Bank v. Lovett
Problem Set 23

Assignment 24: Prepaid Cards
A. Mechanics
B. Legal Issues
   1. EFTA
   2. Other Issues
Problem Set 24

Chapter 6. Electronic Consumer Payments

Assignment 25: Automated Clearing House Payments
A. The Basics of ACH Transfers
   1. The Basic Terminology
   2. The Mechanics
3. Types of ACH Entries

4. Finality, Error, and Fraud in ACH Transfers
   
   Alliance Capital Corp.)

   Clinton Plumbing and Heating v. Ciacco

B. POS Conversion

C. Telephone-Initiated Payments

Problem Set 25

Assignment 26: Internet Payments

A. Credit Cards on the Internet
   
   1. Processing the Transactions
   
   2. Problems

B. Debit Cards on the Internet

C. ACH Transfers (WEB Entries)

D. Foreign and Cross-Border Payments

E. A Note on Mobile Payments

Problem Set 26

Assignment 27: Virtual Currencies

A. The Mechanics of Bitcoin
   
   Stephen T. Middlebrook, Bitcoin for Merchants:
   Legal Considerations for Businesses Wishing to Accept
   Bitcoin as a Form of Payment

B. Legal Issues

Problem Set 27

Chapter 7. Paying with Paper (Checks)

Assignment 28: The Basic Checking Relationship

A. The Basic Relationship

B. The Bank’s Right to Pay
   
   1. When Is It Proper for the Bank to Pay?
      
      McGuire v. Bank One, Louisiana, N.A.

   2. Remedies for Improper Payment
      
      McIntyre v. Harris

C. The Bank’s Obligation to Pay
   
   1. When Are Funds Available for Payment?
      
      First National Bank v. Colonial Bank

   2. Wrongful Dishonor: What Happens If the Bank Refuses to Pay?

Problem Set 28

Assignment 29: Risk of Loss in the Checking System

A. The Basic Framework
   
   1. Nonpayment
2. Forged Signatures
   (a) Forged Drawers’ Signatures and the Rule of Price v. Neal
      (i) What If the Payor Bank Pays the Forged Check? 505
      (ii) What If the Payor Bank Dishonors the Forged Check? 507
      (iii) The Special Case of Telephone Checks 508
   (b) Forged Indorsements
      (i) What If the Payor Bank Dishonors the Check Because of the Forged Indorsement? 509
      (ii) What If the Payor Bank Pays the Check Despite the Forged Indorsement? 509
      (iii) Conversion 510
3. Alteration 511
B. Special Rules 512
   1. Negligence 512
      Thompson v. First BancoAmericano 513
   2. Theft by Employees 519
      Halifax Corp. v. Wachovia Bank 520
   3. Impostors 522
      State Security Check Cashing, Inc. v. American General Financial Services (DE) 522
Problem Set 29 531

Assignment 30: Collection of Checks 534
A. The Payor Bank’s Obligation to the Payee 534
B. The Traditional Process of Collection 535
   1. Obtaining Payment Directly 535
   2. Obtaining Payment Through Intermediaries 536
      (a) Payee/Customer to Depositary Bank 537
      (b) Depositary Bank to Payor Bank 537
      (c) Dishonor and Return 539
         (i) The UCC’s “Midnight” Deadline 539
         (ii) The Regulation CC Expeditious Return Rule 540
         (iii) Regulation CC and the UCC’s Midnight Deadline 541
            Troy Bank & Trust Co. v. The Citizens Bank 541
            NBT Bank v. First National Community Bank 544
            United States Bank N.A. v. HMA, L.L.C. 553
   C. Truncation and Check 21 558
      1. Payor-Bank Truncation 558
      2. Depositary-Bank Truncation 559
         Wachovia Bank, N.A. v. Foster Bancshares, Inc. 559
      3. Check 21 562
         Figure 30.1 — Form Substitute Check 563
Problem Set 30 565
Chapter 8. Wire Transfers

Assignment 31: The Wire-Transfer System

A. Introduction

B. How Does It Work?
   1. Initiating the Wire Transfer: From the Originator to the Originator’s Bank
   
   Trustmark Ins. Co. v. Bank One
   Banco de la Provincia v. BayBank Boston N.A.

   2. Executing the Transfer: From the Originator’s Bank to the Beneficiary’s Bank
   (a) Bilateral Systems (Including SWIFT)
   (b) CHIPS
   (c) Fedwire

   3. Completing the Funds Transfer: From the Beneficiary’s Bank to the Beneficiary

C. Discharge of the Originator’s Underlying Obligation

D. Finality of Payment

Problem Set 31

Assignment 32: Error in Wire-Transfer Transactions

A. Recovering from Parties in the System
   1. Errors by the Originator
      Phil & Kathy’s Inc. v. Safra Nat’l Bank
   2. Errors in the System
      (a) Sending Excessive Funds
      (b) Sending Inadequate Funds
      (c) Bank-Statement Rule
         Regatos v. North Fork Bank

   3. Circuity of Recovery
      Grain Traders, Inc. v. Citibank, N.A.

B. Recovering from the Mistaken Recipient

Problem Set 32

Part Two

Credit Enhancement and Letters of Credit

Chapter 9. Credit Enhancement

Assignment 33: Credit Enhancement by Guaranty

A. The Role of Guaranties

B. Rights of the Creditor Against the Guarantor
   In re PTI Holding Corp. (Homestead Holdings, Inc. v. Broome & Wellington)

Problem Set 33
Assignment 34: Protections for Guarantors 631
A. Rights of the Guarantor Against the Principal 631
   1. Performance 631
   2. Reimbursement 631
   3. Subrogation 632
      Figure 34.1 Rights of the Guarantor 632
      Chemical Bank v. Meltzer 633
B. Rights of the Guarantor Against the Creditor 638
   1. Suretyship Defenses 638
   2. Waiver of Suretyship Defenses 640
      Data Sales Co. v. Diamond Z Manufacturing 640
C. Bankruptcy of the Guarantor 646
   Trimec, Inc. v. Zale Corporation 646
Problem Set 34 648
   Guaranty Agreement 650

Chapter 10. Letters of Credit 661
Assignment 35: Letters of Credit — The Basics 661
A. The Underlying Transaction 662
B. Advising and Confirming Banks 663
C. The Terms of the Credit 664
D. Drawing on the Credit 666
   Gilday v. Suffolk County Nat’l Bank 667
   Carter Petroleum Products, Inc. v. Brotherhood Bank & Trust Co. 670
   LaBarge Pipe & Steel Co. v. First Bank 674
E. Reimbursement 685
   Banco Nacional De Mexico v. Societe Generale 686
Problem Set 35 689
   Figure 35.1 — Commercial Letter of Credit Form 692
Assignment 36: Letters of Credit — Advanced Topics 694
A. Error and Fraud in Letter-of-Credit Transactions 694
   1. Wrongful Honor 694
   2. Wrongful Dishonor 696
   3. Fraud 698
      (a) Forged Drafts 698
      (b) Fraudulent Submissions by the Beneficiary 698
B. Assigning Letters of Credit 700
C. Choice-of-Law Rules 702
Problem Set 36 703
Assignment 37: Third-Party Credit Enhancement — Standby Letters of Credit 705
A. The Standby Letter-of-Credit Transaction 705
   Nobel Insurance Co. v. First Nat’l Bank 707
Part Three
Liquidity Systems 729

Chapter 11. Negotiability 731

Assignment 38: Negotiable Instruments 731
A. Negotiability and Liquidity 731
B. A Typical Transaction 733
   Figure 38.1 — Sample Negotiable Draft 733
C. The Negotiability Requirements 734
   1. ThePromise or Order Requirement 735
      Figure 38.2 — The Negotiability Requirements 736
   2. The Unconditional Requirement 737
   3. The Money Requirement 738
   4. The Fixed-Amount Requirement 738
   5. The Payable-to-Bearer-or-Order Requirement 739
   6. The Demand or Definite-Time Requirement 740
   7. The No-Extraneous-Undertakings Requirement 741
      In re Walker 741
Problem Set 38 744
Promissory Note 747

Assignment 39: Transfer and Enforcement of Negotiable Instruments 755
A. Transferring a Negotiable Instrument 755
   1. Negotiation and Status as a Holder 755
   2. Special and Blank Indorsements 756
   3. Restrictive and Anomalous Indorsements 758
B. Enforcement and Collection of Instruments 758
   1. The Right to Enforce an Instrument 758
      In re Kang Jin Hwang 759
   2. Presentment and Dishonor 764
3. Defenses to Enforcement 765
   Turman v. Ward's Home Improvement, Inc. 765
C. Liability on an Instrument 766
   State Bank v. Smith 767
D. The Effect of the Instrument on the Underlying Obligation 770
   Problem Set 39 772

**Assignment 40:** Holders in Due Course 775
A. Holder-in-Due-Course Status 775
   1. The Requirements for Holder-in-Due-Course Status 775
   2. Rights of Holders in Due Course 777
      State Street Bank & Trust Co. v. Strawser 779
      Langley v. FDIC 781
   3. Payment and Discharge 785
   4. Transferees Without Holder-in-Due-Course Status 787
B. The Fading Role of Negotiability 788
   1. The Declining Use of Negotiable Instruments 789
   2. The Decreasing Relevance of Negotiability to Negotiable Instruments 790
   Problem Set 40 792

Chapter 12. Securities 795

**Assignment 41:** Securities 795
A. Securitization and Liquidity 795
B. The Rise of Securitization 796
C. Investment Securities and Article 8 797
   Davis v. Stern, Agee & Leach, Inc. 798
   2. The Obligation of the Issuer 805
   3. The Two Holding Systems 806
      (a) The Direct Holding System 807
         (i) Making the Transfer Effective Against the Issuer 807
         (ii) The Effect of a Transfer on Third Parties 807
            Meadow Homes Development Corp. v. Bowens 808
      (b) The Indirect Holding System 813
         (i) The Basic Framework 813
         (ii) Rights Against the Intermediary 815
            Rider v. Estate of Rider (In re Estate of Rider) 815
         (iii) Rights Against Third Parties 823
   Problem Set 41 825
## BOOK THREE
Secured Credit

### Part One
The Creditor-Debtor Relationship

#### Chapter 13. Creditors’ Remedies Under State Law

**Assignment 42: Remedies of Unsecured Creditors Under State Law**

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Who Is an Unsecured Creditor?</td>
<td>833</td>
</tr>
<tr>
<td>B</td>
<td>How Do Unsecured Creditors Compel Payment?</td>
<td>834</td>
</tr>
<tr>
<td></td>
<td><em>Vitale v. Hotel California, Inc.</em></td>
<td>836</td>
</tr>
<tr>
<td></td>
<td><em>Ellerbee v. County of Los Angeles</em></td>
<td>842</td>
</tr>
<tr>
<td>C</td>
<td>Limitations on Compelling Payment</td>
<td>843</td>
</tr>
<tr>
<td></td>
<td><em>Wisconsin Statutes Annotated</em></td>
<td>845</td>
</tr>
<tr>
<td>D</td>
<td>Voidable Transfers</td>
<td>847</td>
</tr>
<tr>
<td>E</td>
<td>Is the Law Serious About Collecting Unsecured Debts?</td>
<td>848</td>
</tr>
</tbody>
</table>

**Problem Set 42**

**Assignment 43: Security and Foreclosure**

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>The Necessity of Foreclosure</td>
<td>854</td>
</tr>
<tr>
<td></td>
<td><em>The Invention of Security: A Pseudo History</em></td>
<td>854</td>
</tr>
<tr>
<td>B</td>
<td>Transactions Intended as Security</td>
<td>857</td>
</tr>
<tr>
<td></td>
<td><em>Basile v. Erhal Holding Corporation</em></td>
<td>857</td>
</tr>
<tr>
<td></td>
<td>1. Conditional Sales</td>
<td>859</td>
</tr>
<tr>
<td></td>
<td>2. Leases Intended as Security Interests</td>
<td>860</td>
</tr>
<tr>
<td></td>
<td>3. Sales of Accounts</td>
<td>861</td>
</tr>
<tr>
<td></td>
<td>4. Asset Securitization</td>
<td>862</td>
</tr>
<tr>
<td>C</td>
<td>Foreclosure Procedure</td>
<td>863</td>
</tr>
<tr>
<td></td>
<td>1. Judicial Foreclosure</td>
<td>863</td>
</tr>
<tr>
<td></td>
<td></td>
<td><em>Amir Efrati, The Court House: How One Family Fought Foreclosure</em></td>
</tr>
<tr>
<td></td>
<td>2. Real Property Power of Sale Foreclosure</td>
<td>865</td>
</tr>
<tr>
<td></td>
<td>3. UCC Foreclosure by Sale</td>
<td>866</td>
</tr>
</tbody>
</table>

**Problem Set 43**

**Assignment 44: Repossession of Collateral**

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>The Importance of Possession Pending Foreclosure</td>
<td>870</td>
</tr>
<tr>
<td>B</td>
<td>The Right to Possession Pending Foreclosure — Personal Property</td>
<td>870</td>
</tr>
<tr>
<td></td>
<td><em>Wisconsin Statutes</em></td>
<td>872</td>
</tr>
<tr>
<td></td>
<td>12 Oklahoma Statutes</td>
<td>872</td>
</tr>
<tr>
<td>C</td>
<td>The Article 9 Right to Self-Help Repossession</td>
<td>873</td>
</tr>
<tr>
<td>D</td>
<td>The Limits of Self-Help: Breach of the Peace</td>
<td>874</td>
</tr>
<tr>
<td></td>
<td><em>Duke v. Garcia</em></td>
<td>874</td>
</tr>
<tr>
<td>E</td>
<td>Self-Help Against Accounts as Collateral</td>
<td>880</td>
</tr>
<tr>
<td>F</td>
<td>The Right to Possession Pending Foreclosure — Real Property</td>
<td>882</td>
</tr>
<tr>
<td>Contents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>----------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. The Debtor’s Right to Possession During Foreclosure 882</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Appointment of a Receiver 882</td>
<td></td>
<td></td>
</tr>
<tr>
<td>California Code of Civil Procedure 883</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Illinois Mortgage Foreclosure Law 884</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Assignments of Rents 884</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Problem Set 44 884</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Assignment 45:</strong> Judicial Sale and Deficiency 889</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Strict Foreclosure 889</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B. Foreclosure Sale Procedure 890</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. Problems with Foreclosure Sale Procedure 891</td>
<td></td>
<td></td>
</tr>
<tr>
<td>First Bank v. Fischer &amp; Frichtel, Inc. 892</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Advertising 895</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wisconsin Statutes Annotated 895</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Figure 1. Notice of Foreclosure Sale 896</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Inspection 896</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Homebuyer Finds Remains of Owner 896</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Title and Condition 897</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marino v. United Bank of Illinois, N.A. 897</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Hostile Situation 900</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. The Statutory Right to Redeem 901</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D. Antideficiency Statutes 901</td>
<td></td>
<td></td>
</tr>
<tr>
<td>California Code of Civil Procedure 902</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E. Credit Bidding at Judicial Sales 903</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F. Judicial Sale Procedure: A Functional Analysis 904</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Problem Set 45 905</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Assignment 46:</strong> Article 9 Sale and Deficiency 908</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Acceptance of Collateral 908</td>
<td></td>
<td></td>
</tr>
<tr>
<td>McDonald v. Yarchenko 908</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B. Sale Procedure Under Article 9 911</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. Problems with Article 9 Sale Procedure 913</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Failure to Sell the Collateral 913</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. The Requirement of Notice of Sale 913</td>
<td></td>
<td></td>
</tr>
<tr>
<td>In re Downing 914</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. The Requirement of a Commercially Reasonable Sale 916</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Electric Capital Corp. v. Nichols 916</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D. Article 9 Sale Procedure: A Functional Analysis 920</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Problem Set 46 921</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Chapter 14. Creditors’ Remedies in Bankruptcy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Assignment 47:</strong> Bankruptcy and the Automatic Stay 925</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. The Federal Bankruptcy System 925</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B. Filing a Bankruptcy Case 926</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. The Automatic Stay 928</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
D. Lifting the Stay for Secured Creditors  
   *In re Craddock-Terry Shoe Corporation*  
   930  
E. Strategic Uses of Stay Litigation  
   939  
Problem Set 47  
   941  

**Assignment 48:**  The Treatment of Secured Creditors in Bankruptcy  
   943  
A. The Vocabulary of Bankruptcy Claims  
   943  
B. The Claims Process  
   945  
C. Calculating Claim Amounts  
   1. Unsecured Claims  
      947  
   2. Secured Claims  
      948  
D. Payments on Unsecured Claims  
   949  
E. Bankruptcy Sales  
   1. The Sale Process  
      950  
   2. Who Pays the Sale Expenses?  
      952  
F. Secured Creditor Entitlements  
   1. General Rules  
      953  
   2. Valuing Future Payments  
      *Till v. SCS Credit Corporation*  
      955  
Problem Set 48  
   958  

Chapter 15.  Creation and Scope of Security Interests  
   961  

**Assignment 49:**  Formalities for Attachment  
   961  
A. A Prototypical Secured Transaction  
   *Fisherman’s Pier: A Prototypical Secured Transaction*  
   961  
B. Formalities for Article 9 Security Interests  
   1. Possession or Authenticated Security Agreement  
      *In re Schwalb*  
      964  
      *In re Giaimo*  
      966  
   2. Value Has Been Given  
      973  
   3. The Debtor Has Rights in the Collateral  
      974  
C. Formalities for Real Estate Mortgages  
   *Ohio Revised Code Ann.*  
   975  
Problem Set 49  
   976  

**Assignment 50:**  Which Collateral and Obligations Are Covered?  
   980  
A. Interpreting Security Agreements  
   1. Debtor Against Creditor  
      980  
   2. Creditor Against Third Party  
      981  
   3. Interpreting Descriptions of Collateral  
      981  
B. Sufficiency of Description: Article 9 Security Agreements  
   *In re Murphy*  
   982  
C. Describing After-Acquired Property  
   *Stoumbos v. Kilimnik*  
   984  
D. Which Obligations Are Secured?  
   987
E. Real Estate Mortgages 988
Problem Set 50 989

**Assignment 51:** Proceedings, Products, and Other Value-Tracing Concepts 992

A. Proceeds 993
   1. Definition 993
   2. Termination of Security Interest in the Collateral After Authorized Disposition 997
   3. Continuation of Security Interest in the Collateral After Unauthorized Disposition 997
      *Illinois Compiled Statutes* 999
      *New York Penal Law* 999
   4. Limitations on the Secured Creditor’s Ability to Trace Collateral 1001
      *In re Oriental Rug Warehouse Club, Inc.* 1003

B. Other Value-Tracing Concepts 1006

C. Non-Value-Tracing Concepts 1007

D. Liability of Buyers of Collateral 1008

Problem Set 51 1008

**Assignment 52:** Tracing Collateral Value During Bankruptcy 1011

A. After-Acquired Property and the Proceeds Dilemma 1011
   *In re Cafeteria Operators, L.P.* 1013
B. The “Equities of the Case” Solution to the Proceeds Dilemma 1018
   *In re Delbridge* 1018
C. The “Net Proceeds” Solution to the Proceeds Dilemma 1020
   *In re Gunnison Center Apartments, LP* 1020
D. Cash Collateral in Bankruptcy 1022

Problem Set 52 1023

**Chapter 16. Default: The Gateway to Remedies** 1027

**Assignment 53:** Default, Acceleration, and Cure Under State Law 1027

A. Default 1027
   *Standard Default Provisions* 1027
B. When Is Payment Due? 1028
   1. Installment Loans 1029
   2. Single Payment Loans 1029
   3. Lines of Credit 1030
C. Acceleration and Cure 1031
   1. Acceleration 1031
   2. The Debtor’s Right to Cure 1032
      *Old Republic Insurance Co. v. Lee* 1033
      *Reinstatement* 1034
   3. Limits on the Enforceability of Acceleration Clauses 1034
      *J.R. Hale Contracting Co. v. United New Mexico Bank at Albuquerque* 1034
D. The Enforceability of Payment Terms 1038
   *Kham & Nate’s Shoes No. 2, Inc. v. First Bank of Whiting* 1039
E. Procedures After Default  
Problem Set 53  

**Assignment 54:** Default, Acceleration, and Cure Under Bankruptcy Law  
*In re Moffett*  

A. Stage One: Protection of the Defaulting Debtor Pending Reorganization  

B. Stage Two: Reinstatement and Cure  
1. Modification Distinguished from Reinstatement and Cure  
2. Reinstatement and Cure Under Chapter 11  
3. Reinstatement and Cure Under Chapter 13  
4. When Is It Too Late to File Bankruptcy to Reinstate and Cure or to Modify?  

C. Binding Lenders in the Absence of a Fixed Schedule for Repayment  

Problem Set 54  

Chapter 17. The Prototypical Secured Transaction  

**Assignment 55:** The Prototypical Secured Transaction  

A. The Parties  

B. Otis Approves Bonnie's Loan  

C. Otis and Bonnie's Document the Loan  
1. Security Agreement and Statement of Transaction  
2. The Financing Statement  
3. The Personal Guarantee  

D. Bonnie's Buys Some Boats  
1. The Floorplan Agreement  
2. The Buy  

E. Bonnie's Sells a Boat  

F. Monitoring the Existence of the Collateral  

Problem Set 55  

*Miller Indicted on Bank Fraud*  

---  

**Part Two**  
The Creditor-Third Party Relationship  

Chapter 18. Perfection  

**Assignment 56:** The Personal Property Filing Systems  

A. Competition for the Secured Creditor's Collateral  

B. What Is Priority?  

*Peerless Packing Co. v. Malone & Hyde, Inc.*  

C. How Do Creditors Get Priority?  

D. The Theory of the Filing System  

E. The Multiplicity of Filing Systems
Assignment 57: Article 9 Financing Statements: The Debtor’s Name

A. The Components of a Filing System
   1. Financing Statements
   2. The Index
   3. Search Systems

B. Correct Names for Use on Financing Statements
   1. Individual Names
   2. Corporate Names
   3. Partnership Names
   4. Trade Names
   5. The Entity Problem

C. Errors in the Debtors’ Names on Financing Statements
   In re EDM Corporation

Assignment 58: Article 9 Financing Statements: Other Information

A. Introduction

B. Filing Office Errors in Acceptance or Rejection
   1. Wrongly Accepted Filings
   2. Wrongly Rejected Filings

C. Filer Errors in Accepted Filings
   1. Information Necessary Only to Qualify for Filing
   2. Required Information
      In re Pickle Logging, Inc.

D. Authorization to File a Financing Statement

E. UCC Insurance

Assignment 59: Exceptions to the Article 9 Filing Requirement

A. Collateral in the Possession of the Secured Party
   1. The Possession-Gives-Notice Theory
   2. What Is Possession?
   3. Possession as a Means of Perfection

B. Collateral in the Control of the Secured Party
   1. Deposit Accounts
   2. Investment Property

C. Automatic Perfection of Purchase-Money Security Interests in Consumer Goods
   1. Purchase-Money Security Interest (PMSI)
   2. Consumer Goods
      In re Lockovich

In re Peregrine Entertainment, Limited
In re Pasteurized Eggs Corporation
Problem Set 56
Assignment 57: Article 9 Financing Statements: The Debtor’s Name
Assignment 58: Article 9 Financing Statements: Other Information
Assignment 59: Exceptions to the Article 9 Filing Requirement
D. Security Interests Not Governed by Article 9 or Another Filing Statute
   Bluxome Street Associates v. Fireman’s Fund Insurance Co. 1147
E. What Became of the Notice Requirement?
   Problem Set 59 1149

Chapter 19. Maintaining Perfection 1153
Assignment 60: Maintaining Perfection Through Lapse and Bankruptcy 1153
A. Removing Filings from the Public Record 1153
   1. Satisfaction
      Arizona Revised Statutes Annotated 1154
      Florida Statutes Annotated 1155
   2. Release 1155
   3. Article 9 Termination and Release
      In re Motors Liquidation Co. 1157
B. Self-Clearing and Continuation in the Article 9 Filing System 1161
   In re Hilyard Drilling Co. 1163
C. The Effect of Bankruptcy on Lapse and Continuation 1167
   Problem Set 60 1167
Assignment 61: Maintaining Perfection Through Changes of Name, Identity, and Use 1171
A. Changes in the Debtor’s Name 1172
B. New Debtors 1175
C. Changes Affecting the Description of Collateral 1175
D. Exchange of the Collateral
   1. Barter Transactions
      In re Seaway Express Corporation 1179
   2. Collateral to Cash Proceeds to Noncash Proceeds 1181
   3. Collateral to Cash Proceeds (No New Property) 1182
   Problem Set 61 1182
Assignment 62: Maintaining Perfection Through Relocation of Debtor or Collateral 1185
A. State-Based Filing in a National Economy 1185
B. Initial Perfection
   1. At the Location of the Debtor
      Lynn M. LoPucki, Why the Debtor’s State of Incorporation Should Be the Proper Place for Article 9 Filing: A Systems Analysis 1187
      Dayka & Hackett, LLC v. Del Monte Fresh Produce N. A., Inc. 1189
   2. At the Location of the Collateral 1191
C. Perfection Maintenance
   1. Through Debtor Relocation 1192
   2. Through Collateral Transfer 1194
D. Nation-Based Filing in a World Economy 1195
E. International Filing Systems 1197
   Problem Set 62 1198
Assignment 63: Maintaining Perfection in Certificate of Title Systems

New Zealand Law Commission, Motor Vehicle Title Systems in the USA and Canada

A. Perfection in a Certificate of Title System
B. Accessions
C. In What State Should a Motor Vehicle Be Titled?
D. Motor Vehicle Registration
E. Maintaining Perfection on Interstate Movement of Collateral
   1. How It Is Supposed to Work
   2. Some Things That Can Go Wrong

Problem Set 63

Chapter 20. Priority

Assignment 64: The Concept of Priority: State Law

A. Priority in Foreclosure
B. Credit Bidding Revisited
C. Reconciling Inconsistent Priorities
   Bank Leumi Trust Co. of New York v. Liggett
D. The Right to Possession Between Lien Holders
   The Grocers Supply Co. v. Intercity Investment Properties, Inc.
   Frierson v. United Farm Agency, Inc
E. UCC Notice of Sale
F. Rule Variation Across Systems

Problem Set 64

Chapter 21. Competitions for Collateral

Assignment 65: Lien Creditors Against Secured Creditors: The Basics

A. How Creditors Become “Lien Creditors”
   Judgment Liens on Real and Personal Property
B. Priority Among Lien Creditors
C. Priority Between Lien Creditors and Secured Creditors
   People v. Green
D. Priority Between Lien Creditors and Mortgage Creditors
E. Purchase-Money Priority

Problem Set 65

Assignment 66: Lien Creditors Against Secured Creditors: Future Advances

A. Priority of Future Advances: Personal Property
B. Priority of Nonadvances: Personal Property
   Uni Imports, Inc. v. Exchange National Bank of Chicago
C. Priority of Future Advances and Nonadvances: Real Property
   Shutze v. Credithrift of America, Inc.

Problem Set 66