Introduction to Secured Financing

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INTRODUCTION TO SECURED FINANCING*

RICHARD H. NORRIS III** AND FRANK C. DEGUIRE***

PURPOSE AND SCOPE OF CHAPTER 409 ON SECURED FINANCING

Purpose of Chapter 409

The purpose of chapter 409 of the Wisconsin statutes (article 9 of the Uniform Commercial Code) is to establish a comprehensive scheme governing the creation, perfection, and foreclosure of security interests in personal property (both tangible and intangible) and in fixtures. Essentially a creditor, whether he is a seller, a lender, or a lessor, who wishes to secure himself with an interest in the personal property of a debtor is concerned with (1) the manner in which he acquires his security, (2) the manner in which he perfects it against third parties, and (3) the manner in which he realizes on his security.

Under pre-Code law the means by which the creditor accomplished these purposes depended upon the form of the transaction used. For example, if a seller of goods sold on conditional sales contracts, his rights were governed in Wisconsin by chapter 122 of the Wisconsin statutes which contained its own filing and foreclosure provisions. On the other hand, a lender who financed the same goods for the purchaser would probably have used a chattel mortgage and he would have filed and foreclosed pursuant to chapter 241. Filing provisions varied greatly under pre-Code law. Conditional sales contracts, chattel mortgages, and notices of factors' liens were filed locally with the registers of deeds. The filing of trust receipt statements was made with the secretary of state. No filing was necessary in the case of accounts receivable financing.

Chapter 409 provides a single unified structure for secured financing transactions. Not all interests in personal property are acquired or perfected against third parties in the same manner, but differences are based on the type of personal property involved and the use to which it is put. Distinctions based on form are not controlling under chapter 409.

In accomplishing its purpose, chapter 409 replaces the pre-Code Wisconsin laws covering conditional sales, chattel mortgages, trust

* This article is substantially the same as that contained in a chapter of the same title and by the same authors appearing in the Wisconsin Uniform Commercial Code Handbook, a joint activity of the State Bar of Wisconsin, Marquette University, and the University of Wisconsin.

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receipts, factors' liens, accounts receivable, pledges, and mortgages of stocks of goods in trade. Although chapter 409 sets out rules governing the rights of those who take personal property as security, it does not attempt to place regulatory legislation in the financing field such as usury laws,\(^1\) small loan laws,\(^2\) and sales finance company laws.\(^3\)

**Organization of Chapter 409**

As previously stated in this article, a creditor who wishes to secure himself with an interest in the personal property of his debtor is involved in basically three things: (1) the manner in which he acquires his security; (2) the manner in which he perfects it against third parties; and (3) the manner in which he realizes on his security if the debtor defaults.

Generally speaking, chapter 409 is organized around these same basic propositions. The creation of a valid security interest and some of the rights of the debtor and creditor under the security agreement are dealt with in sections 409.201 through 409.208; the perfection of the security interest against the claims of third parties and the various consequences of perfection or nonperfection are dealt with in sections 409.301 through 409.407; and the manner in which the creditor may realize on his security if the debtor defaults is dealt with in sections 409.501 through 409.507.

**Scope of Chapter 409 in General**

The general coverage of chapter 409 is set forth in section 409.102. The chapter applies (1) to any transaction, regardless of its form, which is intended to create a security interest in personal property or fixtures which are within the jurisdiction of the state; and (2) to any sale of accounts, contract rights or chattel paper, regardless of the intent of the parties, except for certain isolated assignments\(^4\) or assignments governed by the law of another state.\(^5\)

There are two areas of transactions which are excepted from the coverage of chapter 409: (1) certain multiple state transactions described in section 409.103; and (2) certain specifically excluded transactions listed in section 409.104.

**Certain Multiple State Transactions Not Covered by Chapter 409**

It is important that the attorney at all times keep in mind section 409.103. If the property involved in the transaction, or the debtor, has any relationship to a state other than Wisconsin, this section should be

\(^3\) Wis. Stat. ch. 218 (1963); see Wis. Stat. §§409.201, 203(3), and Uniform Commercial Code §§9-203, comment 6 [all references are to the 1962 Official Text with Comments].
carefully examined. The rules summarized below are for general guidance only and are subject to exceptions.

Basically, if the office where the assignor of accounts or contract rights keeps his records concerning them is outside the state, the law of the place where those records are kept will govern the validity and perfection of the security interest in them. The conflict of laws rules of that state also apply.

If the collateral is mobile equipment of a type normally used in more than one state, such as automotive equipment, construction machinery, rolling stock, road building equipment, or the like, the law of the state where the debtor has his chief place of business governs the validity and perfection of the security interest, even though the equipment may be kept or used in some other state. The same rule applies when the collateral is general intangibles.

If personal property of a type other than that mentioned above is subject to a security interest when brought into Wisconsin, the validity of that security interest will be governed by the law of the other state unless the parties understood that the property was to be kept in Wisconsin. If the security interest was perfected in another state before the property was brought into Wisconsin, it continues perfected in Wisconsin for four months, within which time it must be perfected here. Note the difference from the Uniform Conditional Sales Act under which the seller had ten days in which to file after he had received notice of the removal of the property to another jurisdiction. Chapter 409 provides an arbitrary four-month period, without regard to knowledge on the part of the creditor of the removal of the property.

If the property, when brought into this state, is covered by a certificate of title under a statute requiring indication of a lien on the certificate, the perfection of the security interest on that property will be governed by the law of the state issuing the certificate. This provision is important mainly with regard to automobiles. Wisconsin law does not require indication of a lien on the title certificate as a condition of perfection; Illinois law does. If, for example, a car titled in Illinois is brought into Wisconsin, the perfection of the security interest by an Illinois creditor by indication of his interest on the certificate will continue to be valid in Wisconsin without further filing.

Caveat. The Wisconsin motor vehicle laws require a person who moves to this state from another state to register his automobile in this state within thirty days. As a prerequisite to registration he must give up the certificate issued by the other state and obtain

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6 See also UNIFORM COMMERCIAL CODE §9-103, comment.
8 See Wis. Stat. §409.103(2) (1963).
a new certificate from the Wisconsin Motor Vehicle Department. It is not clear what effect these laws have on section 409.103(4), but the creditor would be well advised to file a financing statement in Wisconsin as soon as he learns of the debtor's removal to this state.

**Transactions Specifically Excluded from Chapter 409**

Section 409.104 sets out the following transactions to which chapter 409 does not apply even though the entire transaction takes place within Wisconsin:

1. Security interests subject to any federal statute to the extent that the federal statute governs the rights of the parties and third parties affected by the transaction. An example of this is the Ship Mortgage Act. Federal statutes must be examined closely to make sure that they affect the rights of the parties. For example, the Federal Aviation Act of 1958 requires registration of title and liens on aircraft, but that act does not regulate the rights of parties affected by the transaction. Thus, in aircraft transactions recording should be done federally but the rights of the parties will be governed by chapter 409.

2. Landlord's liens and statutory liens for services such as mechanic's and materialmen's liens, jeweler's liens, and the like, except that section 409.310 gives priority to such statutory liens when they are possessory liens.

3. Wage assignments.

4. Equipment trusts covering railway rolling stock.

5. Sales of intangibles, such as accounts receivable, which are part of a sale of the business out of which they arose, or an assignment of, for example, accounts receivable for collection purposes only.

6. Assignments of insurance policies.

7. Rights represented by a judgment, rights to set-off, tort claims, and bank accounts.

8. Liens on real estate, including leases and assignments of rents, except to the extent that fixtures are covered by chapter 409.

9. Contracts between a cooperative association and a member thereof.

**New Terminology in Chapter 409**

In order to establish a unified set of rules governing personal property security, the Code provides a new set of definitions applicable to secured transactions. Some of these are found in chapter 401 and the balance are scattered throughout chapter 409. The more significant definitions are summarized below and in the following section of this article.
The lender, seller, or other person in whose favor there is a security interest is called the "secured party." This includes a person to whom accounts, contract rights, or chattel paper have been sold. A seller of goods who retains title may be a secured party to his customer and also a debtor if he assigns the resulting chattel paper to another. The same is true of a lender who assigns the debt as collateral for a loan to him.

The person who owes payment or other performance of the obligation secured, such as the mortgagor, lessee (where the lease constitutes a security interest), or purchaser, is called the "debtor." A seller of goods who retains title may be a secured party to his customer and also a debtor if he assigns the resulting chattel paper to another. The same is true of a lender who assigns the debt as collateral for a loan to him.

A person is an "account debtor" if he is obligated on an account, chattel paper, contract right, or general intangible.

The "security interest" is an interest in personal property or fixtures which secures payment or performance of an obligation. Note that the Code does not attempt to determine whether "title" to the property is in the debtor or the secured party and adopts neither a "title theory" nor a "lien theory." Note also that whether or not the lessor's interest in a lease constitutes a security interest will depend upon the facts.

A "purchase money security interest" is a security interest taken or retained by the seller of the collateral to secure all or part of its price or taken by a person who, by making advances or incurring an obligation, gives value to enable the debtor to acquire rights in or the use of the collateral if the value is in fact so used. Because purchase money security interests often have priority over competing security interests, it is extremely important for the secured party to meet the requirements of this section. A secured party other than a seller should insure that the value he gives to the debtor is in fact used to acquire the collateral. For example, the lender might advance the proceeds of his loan directly to the seller in payment of an invoice or by check made out to both the debtor and the seller. Note that purchase money security interests cannot include security interests taken for pre-existing claims or antecedent debts.

The agreement which creates or provides for the security interest is called the "security agreement." The only requirements for a security agreement are that it be in writing, be signed by the debtor and in certain cases by his wife, contain a description of the collateral, and,

11 This definition is amplified further in Wis. Stat. §409.105(1) (d) (1963).
13 See Wis. Stat. §401.201(37) (1963) for further amplification of this definition.
in certain cases such as crops, oil, gas, minerals, or timber, contain a
description of the real estate concerned.\textsuperscript{18}

The "financing statement" is a short form which may be filed in
lieu of the security agreement. It need contain only the mailing addresses
of the secured party and the debtor and a description of the collateral
and it must be signed by both the debtor and the secured party. When
it covers crops or fixtures, it must also contain a description of the
real estate and the name of the record owner.\textsuperscript{19}

\textit{New Terminology Relative to Classification of Collateral}

"Collateral" is the broad, generic term which is used to denote the
personal property or fixture subject to a security interest. Because the
manner of attachment and perfection of the security interest and its
priority over competing security interests depend upon the category
into which the collateral falls, it becomes extremely important to prop-
erly classify the collateral. The table below gives an overview of the
classes of collateral set up by the Code. The remainder of this section
is devoted to a brief description of the various classes.

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<thead>
<tr>
<th>Tangible Collateral</th>
<th>Intangible Collateral</th>
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<td>general intangibles</td>
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"Goods" includes all things which are movable at the time the se-
curity interest attaches, or which are fixtures, but does not include
money, documents, instruments, accounts, chattel paper, general in-
tangibles, contract rights, or other things in action. "Goods" do include
the unborn young of animals and growing crops.\textsuperscript{20} Goods are divided
into four general classes—farm products, consumer goods, equipment,
and inventory. In addition, it sometimes becomes important to classify
goods as fixtures or motor vehicles. As will be noted, the classification
or category into which goods fall will depend upon the use to which

\textsuperscript{18} \textit{Wis. Stat.} §409.203(1)(b) (1963). The security agreement, which under
pre-Code law would be a conditional sales contract, a chattel mortgage,
a factor’s lien agreement, or any other writing evidencing the transaction, is
discussed more fully in a subsequent section of this article.

\textsuperscript{19} \textit{Wis. Stat.} §409.402 (1963). The financing statement and its use are dis-
cussed more fully in a later section of this article.

they will be put. Following is a brief description of the various classes into which goods may be divided:

"Consumer goods" are goods used or bought primarily for personal, family, or household purposes. Note that while a radio may be consumer goods in the hands of a home owner, it may be inventory in the hands of a manufacturer, wholesaler, or retailer, or equipment in the hands of, for example, an airline or cab company.

"Equipment" consists of goods used or purchased for use primarily in business (including farming or a profession), if the goods are not farm products, inventory, or consumer goods.

"Farm products" include crops, livestock, or supplies used or produced in farming operations if they are in the possession of a debtor engaged in farming.

"Inventory" consists of goods held by a person for sale or lease, or to be furnished under service contracts, or raw materials, work in process, or materials used or consumed in a business. The principal test is whether they are held for immediate or ultimate sale or lease.

The Code divides intangible property into six classes. In three of these, sometimes referred to as specialties, the property is represented by a specific piece of paper and in some ways is treated the same as tangible collateral. These classes are instruments, documents, and chattel paper. The other three are accounts, contract rights, and general intangibles. Following is a brief description of each of the six classes:

"Instrument" means a negotiable instrument, or an investment security, such as stocks and bonds, or any other writing evidencing a right to the payment of money, not in itself a security agreement or a lease, and of a type ordinarily, but not necessarily, transferred by delivery without indorsement or assignment.

"Document" means a document of title such as a bill of lading, warehouse receipt, dock warrant, or dock receipt.

"Chattel paper" is a writing or writings evidencing both a monetary obligation and a security interest in or a lease of goods. This term would include such pre-Code writings as conditional sales contracts and leases. Thus, when a tractor is sold to a farmer on a conditional sales contract, the tractor is equipment but the conditional sales contract,
which the seller may decide to assign as security for his own debt, is chattel paper.

An "account" is a right to payment for goods sold or leased or for services rendered which is not evidenced by an instrument or chattel paper. This is the typical open account.

A "contract right" is any right to payment under a contract not yet earned by performance and not evidenced by an instrument or chattel paper. An example would be a right to payment as work is completed under a building contract. Contract rights are potential accounts. The Code's recognition of contract rights as a type of security removes any doubt about the assignability of rights not yet earned.

A "general intangible" is any personal property other than goods, accounts, contract rights, chattel paper, documents, or instruments. Examples are good will, literary rights, copyrights, trademarks, and patents, to the extent that they are not excluded under section 409.104(1) being subject to a federal statute.

In addition to the classes of collateral mentioned above, it sometimes becomes important to determine whether the collateral is a proceed, fixture, or motor vehicle:

"Proceeds" means whatever is received when collateral or proceeds are sold, exchanged, collected, or otherwise disposed of. It also includes the account arising when the right to payment is earned under a contract right.

"Fixtures" is not a defined term in the Code, even though the Code applies to security interests in fixtures as well as in personal property. Whether or not a chattel is a fixture, therefore, will depend upon the common law. However, the Code makes clear that goods incorporated into a structure, such as lumber, bricks, and cement, are to be treated as part of the structure and not subject to the Code unless the structure itself remains personal property.

"Motor vehicle" is not a defined term in the Code and for the most part automobiles and other motor vehicles will have to be classified as consumer goods, equipment, or inventory, depending upon the use to which they are put. However, in a few instances special rules apply to them.

Creating the Security Interest

Summary of the Prerequisites of a Security Interest

A security interest is defined in section 401.201(37) to mean an interest in personal property or fixtures which secures payment or per-
formance of an obligation. Basically, it is a property interest that the debtor conveys or the creditor retains in assets owned generally by the debtor to secure an obligation that he owes to the creditor. The Code utilizes a word of art, *attachment*, to describe how this interest is created and when it becomes operative.

Section 409.204 sets forth three events which must co-exist before the security interest attaches or actually springs into existence: (1) there must be agreement that it attach; (2) value must have been given; and (3) the debtor must have rights in the collateral. The three events may occur in any order and when all three co-exist, the security interest is said to have attached.

**Prerequisite No. 1: The Security Agreement**

A security interest under the Code is created by the agreement of the parties. The term "agreement" refers to the bargain of the parties in fact as gathered from their language, course of dealing, and any other relevant circumstances.

A course of dealing between the parties and any usage of trade in which they are engaged or of which they should be aware, give particular meaning to and supplement or qualify the terms of an agreement. In the event of any conflict, the express terms of the agreement control, and course of dealing controls over usage of trade. "Course of dealing" is a sequence of previous conduct between the parties to a particular transaction which is fairly to be regarded as establishing a common basis of understanding for interpreting their conduct. "Usage of trade" is any practice or method of dealing having such regularity of observance in a trade or business as to justify an expectation that it will be observed with respect to the transaction.

Except in the case where the security interest created by the agreement is a possessory one and the secured party is in actual possession of the collateral, a security agreement must be in writing in order to be enforceable.

In essence, a security agreement can be an extremely simple document since the Code prescribes only three requisites: (1) creation of or provision for the security interest; (2) a description of the collateral, and in certain cases a description of the land concerned; and (3) signature of the debtor, and in certain cases the signature of his wife.

Since a security interest is to secure performance or payment of an obligation and since "agreement" means the bargain of the parties in fact as found in their language, it would seem that some statement of the obligation is a fourth requisite.

Although the basic provisions mentioned above may be sufficient to

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satisfy the requirements of the Code,\textsuperscript{38} the normal security agreement will of course undertake to express the agreement of the parties on a great many matters. In addition to the terms of the obligation, these usually include various warranties and covenants, the events of default, and the burden of taxes, insurance, and maintenance.

Although the Code requires only the signature of the debtor on the security agreement, it would be advisable for both secured party and debtor to sign the agreement. A subsequent discussion relating to perfection of a security interest points out that where public notice in the form of filing is required by the Code, the instrument that is filed is required to be signed by both parties. In some instances it may be desirable to file the security agreement itself as such public notice document, and signatures of both parties would then be required.

The Code makes unnecessary some provisions commonly associated with security agreements in the past:

(1) The Code dispenses with the need for witnessing, acknowledgment, or the use of affidavits of good faith in conjunction with a security agreement.\textsuperscript{39}

(2) The Code has liberalized to a considerable degree many prior, rigid restrictions relating to the description of the collateral which had been established by statutes or decisions. In general, a description of real or personal property is sufficient if it enables one to reasonably identify the property described. The Code expressly rejects the so-called "serial number" type of collateral description.\textsuperscript{40}

In general, parties are free to include in the agreement whatever terms they wish.\textsuperscript{41} However, the Code imposes a few restrictions:

(1) The security agreement may not run contrary to the provisions of regulatory chapters such as chapter 218 (relating to retail installment sales of motor vehicles) or chapters 115 and 214 (relating to interest rates and small loans), and chapter 409 does not validate any charge or practice declared as a matter of public policy to be illegal by such statutes.\textsuperscript{42}

(2) An attempt to change the statutory provisions establishing priorities among various claimants to the collateral would be invalid to the extent that it affects third parties to the agreement.\textsuperscript{43}

(3) Rights pertaining to foreclosure and redemption may be modified only to a limited extent.\textsuperscript{44}

(4) A provision in a security agreement may not effectively dis-

\textsuperscript{38} Ibid.
\textsuperscript{39} See \textit{Uniform Commercial Code} §9-203, comment 1.
\textsuperscript{40} See \textit{Wis. Stat.} §409.110 (1963).
\textsuperscript{41} \textit{Wis. Stat.} §409.201 (1963).
\textsuperscript{42} Ibid.
\textsuperscript{43} See \textit{Uniform Commercial Code} §9-201, comment.
\textsuperscript{44} See \textit{Wis. Stat.} §409.501(3) (1963).
claim a sales warranty. But if the sales contract and security agreement constitutes one writing, that writing may contain an effective disclaimer.

(5) The Code's general prohibition against disclaimers of the requirements of good faith, reasonableness, and care prescribed by the Code also applies to security agreements.

(6) There are also limitations in section 401.208 on the construction of provisions permitting a party to accelerate payment or performance or require additional collateral at will.

Although a valid security interest may be created by an agreement containing the minimum requirements discussed previously in this article, it is sometimes necessary and often desirable to include more detailed provisions authorized by the Code. Among these are the following:

(1) It may be desirable to include a term giving the secured party a right to accelerate performance or payment or require additional collateral "at will" or "when he deems himself insecure," but note that such provisions will be construed to mean that the secured party has this right only if he, in good faith, believes that the prospect of performance or payment is impaired.

(2) The parties may agree that the collateral, whenever acquired, shall secure all obligations covered by the security agreement. However, the effectiveness of an after-acquired property clause covering consumer goods is limited to property in which the debtor acquires rights within ten days after the secured party gives value.

(3) Obligations covered by the security agreement may include future advances or other value whether or not the advances or value are given pursuant to commitment.

(4) The security agreement may provide that the secured party-assignee is entitled to demand direct payment from an account debtor or obligor on an instrument whether or not the assignor-debtor was theretofore making collections on the collateral, and also to take control of any proceeds to which he is entitled.

(5) The security agreement may impose a duty upon the debtor, upon default, to assemble the collateral and make it available to the secured party at a place designated by the latter and which is reasonably convenient to both parties. No duty is imposed upon the debtor to assemble the collateral unless the security agreement so provides.

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46 See Uniform Commercial Code §9-206, comment 3.
49 See Wis. Stat. §409.204(4) (b) (1963).
(6) A secured party may agree to subordinate his claim which other-

wise would be entitled to priority.53

(7) A debtor may further agree not to assert against an assignee any
defenses which he has against the secured party. The Code states in
effect that this agreement may be enforced by an assignee for value
in good faith and without notice of a claim or defense except as to
defenses which might be asserted against holders in due course of
negotiable instruments.54 This rule is subject to any statute or decision
which establishes a different rule for buyers or lessees of consumer
goods. There does not appear to be any Wisconsin statute or decision
on this point.55

Prerequisite No. 2: The Giving of Value

The second prerequisite of attachment of a security interest is that
value be given. Generally, the value requirement is satisfied by finding
any consideration sufficient to support a simple contract. In addition,
the definition of "value" in section 409.201(44) provides that value is
also given if the secured party acquires his right as security for or in
total or partial satisfaction of a pre-existing claim. A binding com-
mitment to extend credit, whether the credit is actually drawn upon or
not, also constitutes value.

In the normal secured transaction, the creditor advances funds or
goods simultaneously with the execution of the security agreement.
In these situations there is no question about value being given. With
respect to after-acquired property, although the security interest does
not arise until the debtor acquires rights in the collateral, value has
already been given which is sufficient to support such an interest.

The giving of value to support an interest sufficient to cover future
advances presents a more difficult problem. However, the broad defini-
tion of value makes the future advance possible because it states that
a person gives value if he makes a binding commitment to extend the
credit, or if he gives any consideration sufficient to support a simple
contract. Most future advance situations will involve a binding com-
mitment or some consideration sufficient to create a present security
interest.

Prerequisite No. 3: The Debtor Must Have Rights in the Collateral

Obviously, a secured party cannot obtain a security interest in col-
lateral in which the debtor has no interests and, therefore, a security
interest cannot attach under section 409.204 until the debtor has rights
in the collateral. However, a security agreement may be executed and

a secured party may give value before the debtor acquires rights. If the agreement and the giving of value precede the acquisition of rights, the security interest will attach immediately upon the debtor's acquisition of the rights. This is the situation not merely in the case of an agreement to assign future accounts, but is generally the case whenever a security agreement contains a provision subjecting after-acquired property to the security interest.

Section 409.204(2) states the time at which the debtor has rights in collateral in certain specific situations:

1. A debtor has no rights in crops to which a security interest can attach until the crops are planted or otherwise become growing crops.

2. A debtor has no rights in the young of livestock until they are conceived, or in fish until caught, or in oil, gas, or minerals until they are extracted, or in timber until it is cut.

3. There can be no contract right until the contract has been made, nor can there be a right in an account receivable until goods have been sold or services have been rendered.

**Perfecting the Security Interest**

*The Meaning of Perfection*

Another word of art utilized in chapter 409 is the term "perfection," which is used to describe the degree of protection afforded the rights of a secured party whenever those rights come into contact or conflict with the rights of third parties in the same collateral. This term is used in a similar sense in the Bankruptcy Act. As in the Bankruptcy Act, when the rights of a secured party are sufficiently strong to overcome the claim of a trustee in bankruptcy to the property in question, the rights of the secured party are said to be perfected.

Careful note should be taken, however, that perfection does not necessarily mean that the secured party has rights which are absolutely supreme and therefore entitle him to a position prior to all persons. Even though a security is a perfected one, the secured party's interest may still be subordinate to the rights and claims of certain third parties. As an example, a perfected security interest may be subordinate to a prior perfected security interest in the same manner that a second mortgage on real estate is subordinate and subject to a prior first mortgage. Also, a perfected security interest may be subordinate to certain statutory or common law liens which the public policy of the law gives to artisans and mechanics who have labored upon or improved the value of the goods.
The Methods of Perfection

Perfection is accomplished according to the nature of the collateral and the purpose of the transaction in one of four ways: (1) by taking possession of collateral capable of physical possession; (2) by mere attachment of the security interest without more; (3) by filing a financing statement in one or more public offices; or (4) temporarily, for limited periods of time without additional steps.

The proper classification of the collateral in accordance with the definitions previously summarized in this article is an absolute necessity to insure that a security interest is perfected in the required manner. The subsequent sections of this article will give a general view of what is involved in perfecting a security interest under the Code.

Perfection by Possession

Security interests in most types of collateral may be perfected by the secured party's taking possession of the collateral. Although this may not be practical in most instances, there are some situations in which this is the commonly-used method of perfection. In addition, even if filing is the common method of perfection, the secured party may take possession of the collateral if the debtor defaults.

The Code imposes certain duties and grants certain rights to the parties when collateral is in the secured party's possession. These are set forth in section 409.207.

Perfection Without Possession or Filing

As a general rule, a secured party does not have a perfected security interest unless he either has filed a financing statement or has taken possession of the collateral. However, there are a few exceptions to this rule. The principal ones can be summarized briefly as follows:

(1) The holder of a security interest in consumer goods or farm equipment (other than fixtures or motor vehicles to be licensed) has a perfected security interest without filing or possession if the security interest is a purchase money security interest and the purchase price of the consumer goods or farm equipment does not exceed $250.

(2) A temporary ten-day perfection of a purchase money security interest, without possession or filing, is provided for in section 409.30(2).

(3) A temporary twenty-one day perfection of a security interest in instruments or documents, without possession or filing, is possible under limited circumstances specified in sections 409.304(4) and (5).

58 See Wis. Stat. §§409.302(1) (c), (d) (1963).
What to File

Where filing is required or permitted as the means of perfecting a security interest, one or more financing statements must be filed by the secured party in public offices.

Section 409.401 provides that a financing statement must be filed in a local office (register of deeds), in a central state office (secretary of state), or in both such filing offices, depending upon the kind of collateral involved and the location of the place of business or residence of the debtor.

The "notice filing" adopted by the Code means that the financing statement need give only sufficient information to a searcher to put him on notice of the security interest and to indicate where he might get more information if he wishes. The security agreement or a copy of it need not be filed, although either may be filed if it is signed by both parties and otherwise meets the requisites of a financing statement as set forth in section 409.402. Formalities are reduced to a minimum. Acknowledgments are not required and a financing statement need contain only the names, addresses, and signatures of the secured party and debtor and a description of the collateral which may be by type or kind. No maturity date need be given. Minor errors will not affect the validity of the filing and amendments are permitted.

For the convenience of the parties and filing officers, standard forms of financing statements and other filing documents have been formulated by a subcommittee of the Wisconsin Uniform Commercial Code Advisory Committee and approved by the Secretary of State and Wisconsin Register of Deeds Association.

Where to File

The question of where to file the financing statement previously discussed in this article is covered primarily in section 409.401. You will notice from a reading of that section that the principal determinant is the type of collateral involved in the transaction. To assist the reader of this article in determining the proper place to file or whether filing is necessary at all, a "Filing Summary" listing various types of collateral has been prepared in tabular form and incorporated in Appendix 11-A.

How to File

Filing procedures in registers' of deeds offices are likely to vary somewhat from county to county, although substantial uniformity should result from the provisions of sections 59.51(11) to (14). It is anticipated that section 59.51(11) will be amended prior to the effective date of the Code so as to permit the standard form of financing statement to be filed.
Duration of Filing

As stated in section 409.403, if the financing statement shows that the obligation matures on demand, or if no maturity date appears, a filing is effective for a period of five years from the date of filing. Such period may be renewed by the filing of a continuation statement. A filed financing statement which states a maturity date of less than five years, which will usually be the case when the security agreement itself is filed as a financing statement, is effective until the maturity date and for a further grace period of sixty days.

Termination of Filing

The provisions of section 409.404 make it mandatory upon the secured party to file a termination statement whenever there is no outstanding secured obligation and no commitment to make advances, incur obligations, or otherwise give value. On written demand by the debtor, the secured party must also send to the debtor under such circumstances, a statement that he no longer claims a security interest under the financing statement.

Assignment and Partial Release

Section 409.405 states that a secured party may assign of record all or a part of his rights under a financing statement by indication therein of the name and address of the assignee or by the filing of a separate written statement of assignment. A partial release of collateral may be filed under section 409.406.

APPENDIX A

Filing Summary

<table>
<thead>
<tr>
<th>Type of Collateral</th>
<th>Where to File</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accessions</td>
<td>Register of Deeds X</td>
<td>Classify as consumer goods, farm equipment, business equipment, inventory, or fixtures according to the type of goods to which the accession is or will be attached and file accordingly. See generally §§409.314 and 409.109.</td>
</tr>
</tbody>
</table>
| Accounts Receivable Arising from Non-farm Operations | X X | 1. See generally §409.401(1)(c).  
2. No filing required if transfer is only an insignificant part of debtor's outstanding accounts (§409.302 (1)(c)).  
3. No filing required if accounts are sold as part of the business or assigned for collection only (§409.104(6)).  
4. If the office where the assignor keeps his records is not in Wisconsin, see §409.103(1). |
<table>
<thead>
<tr>
<th>Type of Collateral</th>
<th>Where to File</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Receivable Arising from Farm Operations</td>
<td>X</td>
<td>1. See generally §409.401(1)(a).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. No filing required if transfer is only an insignificant part of debtor's outstanding accounts (§409.302(1)(e)).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. No filing required if accounts are sold as part of the business or assigned for collection only (§409.104(6)).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4. If the office where the assignor keeps his records is not in Wisconsin, see §409.103(1).</td>
</tr>
<tr>
<td>Automobiles</td>
<td></td>
<td>Classify as consumer goods, farm equipment, business equipment, or inventory and file accordingly. See §§409.401(1) and 409.109. If the automobile was subject to a security interest when brought into Wisconsin from another state, see §§409.103(3) and (4).</td>
</tr>
<tr>
<td>Bank Deposits and Savings Accounts</td>
<td></td>
<td>Ch. 409 does not apply. See §409.104(11).</td>
</tr>
<tr>
<td>Chattel Paper</td>
<td>X X</td>
<td>1. See generally §409.401(1)(c).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. No filing required if chattel paper is sold as part of the business or assigned for collection only (§409.104(6)).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. No filing required to perfect a purchase money security interest in consumer goods, costing $250 or less, other than fixture or motor vehicle (§409.302(1)(d)).</td>
</tr>
<tr>
<td>Contract Rights Arising from Non-farm Operations</td>
<td>X X</td>
<td>1. See generally §409.401(1)(c).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. No filing required if transfer is only an insignificant part of the debtor's outstanding contract rights (§409.302(1)(e)).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. No filing required if contract rights sold as part of the business, assigned for collection only, or transferred to one who is also to perform the contract (§409.104(6)).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4. If the office where the assignor keeps his records is not in Wisconsin, see §409.103(1).</td>
</tr>
<tr>
<td>Contract Rights Arising from Farm Operations</td>
<td>X</td>
<td>1. See generally §409.401(1)(a).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. No filing required if transfer is only an insignificant part of the debtor's outstanding contract rights (§409.302(1)(e)).</td>
</tr>
<tr>
<td>Type of Collateral</td>
<td>Where to File</td>
<td>Comments</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>---------------</td>
<td>--------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Co-operative—Member Contracts</td>
<td></td>
<td>Co-operative—Member Contracts</td>
</tr>
<tr>
<td>Crops</td>
<td>X X</td>
<td>1. See generally §§409.304(1) and 409.401(1)(c).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. See §§409.304(4) and (5) for temporary perfection without filing.</td>
</tr>
<tr>
<td>Equipment Used in Business or</td>
<td>X X</td>
<td>1. See generally §409.401(1)(c).</td>
</tr>
<tr>
<td>Farm Operations</td>
<td></td>
<td>2. If the equipment is of a type normally used in more than one state and the debtor's chief place of business is not in Wisconsin, see §409.103(2).</td>
</tr>
<tr>
<td>Farm Products</td>
<td>X X</td>
<td>1. See generally §409.401(1)(a).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Defined in §409.109(3).</td>
</tr>
<tr>
<td>Fixtures</td>
<td>X</td>
<td>See §409.401(1)(b).</td>
</tr>
<tr>
<td>General Intangibles</td>
<td>X X</td>
<td>1. If the general intangible relates to farm operations, file only with register of deeds (§409.401(1)(a)).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. If the debtor's chief place of business is not in Wisconsin, see §409.103(2).</td>
</tr>
<tr>
<td>Instruments</td>
<td></td>
<td>1. Security interest cannot be perfected by filing. See §409.304(1), (4), and (5).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. &quot;Instrument&quot; includes securities as well as negotiable instruments (§409.105(1)(g)).</td>
</tr>
<tr>
<td>Insurance Policies</td>
<td></td>
<td>Ch. 409 does not apply. See §409.-104(7).</td>
</tr>
<tr>
<td>Inventory</td>
<td>X X</td>
<td>1. See generally §409.401(1)(c).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Farm products held by a farmer are not inventory (§409.109(3)).</td>
</tr>
</tbody>
</table>
3. If the collateral is of a type normally used in more than one state and is classified as inventory only because the debtor leases it to others and the debtor's chief place of business is not in Wisconsin, see §409.103(2).

Judgment and Tort Claims

Ch. 409 does not apply. See §409.104(8) and (11).

Leases and Liens (see Statutory Liens)

Ch. 409 does not apply to the lease transaction unless the lease is intended as security. See §§401.201(37) and 409.102. But the lease itself may constitute chattel paper" in a secured transaction.

Motor Vehicles

Classify as consumer goods, farm equipment, business equipment, or inventory and file accordingly. See §§409.401(1) and 409.109.

Proceeds

File according to the type of collateral which produced the proceeds, except that filing is not required if the financing statement covering the original collateral also covers proceeds (§409.306).

Real Estate Liens

Ch. 409 does not apply. See §409.104(10).

Rights of Set-Off

Ch. 409 does not apply. See §409.104(9).

Statutory and Similar Liens

Ch. 409 does not apply to perfection of such liens. See §409.104(2) and (3), but as to priorities see §409.310.

Wage or Salary Assignments

Ch. 409 does not apply. See §409.104(4).

APPENDIX B

HOW TO FILE IN THE OFFICE OF THE SECRETARY OF STATE UNDER CHAPTER 409 OF THE WISCONSIN UNIFORM COMMERCIAL CODE

I. Forms and Filing Procedures

The Wisconsin Uniform Commercial Code filing system, adopted and approved by the secretary of state, is based exclusively on the use of standard UCC forms. These standard forms, which are described below, were developed in cooperation with a subcommittee of the CLEW UCC Advisory Committee and have been approved for use in Wisconsin by the secretary of state and the Wisconsin Register of Deeds Association. When the standard
forms are used by secured parties, the act of filing is relatively simple, convenient and effective. In addition, because the standard forms are self-indexing, much time and effort is saved in processing filings, thereby benefiting the filing officer and the secured party. For these reasons, when filings are made in the office of the secretary of state, secured parties are urged to use the standard forms.

A. Standard Filing Forms for Wisconsin Uniform Commercial Code

UCC-1 Financing Statement. UCC-1 is a five-part, snapout form with the following multicolored parts:

1. Filing Officer Copy — Alphabetical (White);
2. Filing Officer Copy — Numerical (Canary);
3. Filing Officer Copy — Acknowledgement (Pink);
4. Secured Party Copy (Green);
5. Debtor Copy (Goldenrod).

This form may be used for all financing statements, regardless of the place of filing. When a copy of the security agreement is used as a financing statement, it is requested that it be accompanied by a completed but unsigned set of these forms to provide for indexing, acknowledgement, termination, and for the filing officer's accounting record. Copy No. 3, “Filing Officer Copy—Acknowledgement,” contains a “built-in” termination statement.

UCC-2 Financing Statement. UCC-2 is a snapout form identical with UCC-1 but omitting copies for the secured party and debtor. This form, placed over UCC-1, eliminates need for double typing when filing with more than one office or when copies are not required for secured party and debtor. The colored copies correspond with Form UCC-1.

UCC-3 Continuation, etc. Statement. UCC-3 is a five-part, snapout form with the same parts as UCC-1 and with corresponding colored copies. This single composite form may be used as a continuation statement, termination statement, a statement of assignment, a partial release statement, and as an amendment to a financing statement. Because this one form fulfills all of these functions, its use is especially convenient for secured parties.

UCC-4 Continuation, etc. Statement. UCC-4 is a snapout form identical with UCC-3, but omitting copies for the secured party and debtor. This form, placed over UCC-3, eliminates need for double typing when filing with more than one office or when copies are not required for secured parties and debtor.

B. Financing Statement.

Along with the adoption of uniform, standard filing forms, uniformity in the completion and use of such forms are desirable goals. Therefore, when using the standard form financing statement, the following rules should be kept in mind:

1. The financing statement should be completed and executed in accordance with the statutory requirement listed in chapter 409 of the Wisconsin statutes. These requirements are contained in section 409.402.

2. The standard forms are all carbon interleaved; therefore the information on the form should be typed. If the form cannot be typed, it should be printed.

3. When presenting the standard financing statement form (form UCC-1 or UCC-2) for filing, send only the first three pages with the interleaved carbon paper to the filing officer. The form will be validated with the carbon paper in place so that the date, time and file number will be identical on all forms. Do not separate or remove the perforated instruction section from the rest of the form before mailing. This will be done by the filing officer immediately before filing.

4. If the debtor is an individual, type his last name first in the space provided.

5. If there are numerous debtors to be listed on the financing statement, the debtors' names may be listed on the left-hand side of the form in the space reserved for collateral. Do not list the debtors' names in
the space reserved for assignees of the secured party. The collateral may be described in the balance of the space provided for that purpose.

6. If additional space is needed to describe the collateral, the filing party may use an additional sheet of paper. Only one copy is necessary unless the secured party desires an acknowledgment copy for his records.

7. If the collateral is crops or goods that are or are to become fixtures, the financing statement should include a description of the real estate and the name of the record owner.

8. If a copy of the security agreement is used as a financing statement, the secured party should nevertheless execute the first three pages of form UCC-1, or form UCC-2, and send the form unsigned, together with the security agreement to the office of the secretary of state. This method of filing will provide the secured party with an acknowledgment copy of the filing. For filings of this kind, in the space on the standard form reserved for a description of the collateral, the secured party should type the following: “See attached security agreement.”

9. If the secured party desires to have the financing statement disclose an assignment, the name and address of the assignee should be typed on the face of the financing statement form, in the space provided.

C. Continuation Statement, Termination Statement, Partial Releases, Assignments, and Amendments.

When standard form UCC-3 is used to file a continuation statement, termination statement, statement of release, assignment or amendment, the following rules should be kept in mind:

1. The filing party should be sure to indicate in the proper place on the form whether the form is being used as a continuation statement, termination statement, statement of release, assignment, or amendment. This may be done by placing an “X” in the space provided for this purpose.

2. After the filing party has designated the purpose of the form, the form should be completed and executed in accordance with the statutory requirements listed in chapter 409 of the Code for the specific type of statement filed.

3. When presenting standard form UCC-3 for filing, send only the first three pages with the interleaved carbon paper to the filing officer. The form will be validated with the carbon paper in place so that the date, time, and file number will be identical on all forms. Do not separate or remove the perforated instruction section from the rest of the form before mailing. This will be done by the filing officer immediately before filing.

4. If the debtor is an individual, type his last name first in the space provided.

5. If there are numerous debtors to be listed on form UCC-3, the debtors' names should first fill the space provided. If additional space is needed, the debtors' names may be listed at the bottom of the form in the space reserved for collateral. The collateral or other remarks may be described in the balance of the space provided for that purpose.

6. If additional space is needed for collateral or any other remarks, the filing party may use an additional sheet of paper. Only one copy is necessary unless the secured party desires an acknowledgment copy for his records.

If the filing of a continuation statement, termination statement, partial release, assignment, or amendment is made on a nonstandard form, the form will require special handling by the office of the secretary of state. Therefore, the filing party should carefully review the form before filing to be sure that it contains all of the necessary features required by chapter 409 of the Wisconsin statutes. The filing party should also remember that
under the Code the filing officer is not required to acknowledge the filing, unless the secured party furnishes a copy of the nonstandard statement and requests an acknowledgment.

D. Presentation for Filing.

After properly executing the statements that are required to be filed under chapter 409 of the Wisconsin statutes, the filing party should present the statements to the correct filing office for filing.

All filings made in the office of the secretary of state may be presented by mail or in person. If the statement is presented by mail for filing, it should be addressed to the "Office of the Secretary of State, Commercial Code Section, State Capitol, Madison, Wisconsin 53702." If the statement is presented in person, it should be presented at the Office of the Secretary of State, Commercial Code Section, in the Capitol Building. No statement will be accepted for filing unless it is accompanied by the statutory filing fee.

Filing Fees. The following uniform filing fees are required by chapter 409 of the Wisconsin statutes.

1. The uniform fee for filing, indexing and furnishing filing data (returning acknowledgment copies) for an original financing statement ........................................ $1.00
2. The uniform fee for filing, indexing and furnishing filing data (returning acknowledgment copies) for each continuation statement ........................................ 1.00
3. The uniform fee for filing and indexing a termination statement ........................................ 1.00
4. The uniform fee for filing, indexing, and furnishing filing data (returning acknowledgment copies) for financing statements which indicate an assignment ........................................ 1.00
5. The uniform fee for filing, indexing, and furnishing filing data (returning acknowledgment copies) for each separate statement of assignment ........................................ 1.00
6. The uniform filing fee for filing, indexing and noting a statement of release ........................................ 1.00
7. For each copy of any filed financing statement or statement of assignment requested ........................................ 25 per folio and $2.00 for certificate

When forwarding the statutory filing fee by mail to the office of the secretary of state, do not send currency. Make all remittances for filing fees payable to the secretary of state.

E. Acknowledgment of Filing.

Section 409.407 of the Wisconsin statutes provides that if the person filing any financing statement, statement of assignment, or termination statement, or statement of release, furnishes the filing officer a copy thereof, the filing officer shall upon request note upon the copy the file number, date, and hour of the filing of the original and deliver or send the copy to the requesting party.

If the standard forms previously described are used by filing parties, the filing officer's acknowledgment of a filing will be automatic because of the acknowledgment copy in each set of standard forms. If non-standard forms are used, the filing party must request an acknowledgment and send the filing officer duplicate copies of the statement to be filed.

F. Request for Copies or Information.

The Wisconsin Uniform Commercial Code makes no provision whatsoever for requesting information concerning, or copies of, financing statements or statements of assignment filed in any filing office.

All requests for certified copies of filed financing statements or other statements filed in the office of the secretary of state must be made under the provisions of section 14.29(9) of the Wisconsin statutes of 1963, and the fees required thereunder paid. The fees prescribed by that section are 25 cents per folio for each copy made and $2.00 for the certificate.

Note: Proposed legislation has been introduced in the Wisconsin legislature to restore to the Wisconsin Uniform Commercial Code, sub-
section 2 of section 409.407, providing a procedure for obtaining information from filing officers concerning filed financing statements and assignments or copies of such statements. This proposal is embodied in Bill 73S, introduced February 2, 1965.

G. Telephone Inquiries.

Because of the large volume of statements that will be filed in the office of the secretary of state under chapter 409 of the Wisconsin statutes, it will be impossible for the filing staff to service telephone inquiries concerning filings under the Code. Therefore, all interested parties are requested not to telephone the secretary's office for information regarding specific Code filings.

II. Organization of the Files of the Secretary of State.

Chapter 409 of the Wisconsin statutes requires filing officers to maintain two types of files, an alphabetical index file and a numerical file. The alphabetical index file must be indexed according to the names of debtors. The numerical file must contain the various types of consecutively numbered statements which are filed with the filing office.

To comply with the provisions of the Code, the office of the secretary of state has arranged its files in the following manner:

A. Alphabetical Index File.

The alphabetical index file will consist of the first pages or "Filing Officer—Alphabetical" copies of all standard forms that are filed in the office of the secretary of state. In addition, the alphabetical index file will consist of 5" x 8" index and cross reference cards and 5" x 8" forms for processing non-standard documents. These two forms will be completed by the secretary of state's office when multiple debtor or non-standard statements are filed. All of the 5" x 8" forms filed in the alphabetical index file will be indexed by debtor, and will be enclosed in a thin, transparent acetate jacket to protect the file against wear. The 5" x 8" alphabetical index forms will be filed in a standard 5" x 8" card file.

When standard form continuation statements, partial releases, assignments or amendments are received for filing, these 5" x 8" statement forms will be placed with the original financing statement to which they refer in the alphabetical index, to keep the file continually current.

Since all of the standard forms are self-indexing and all the necessary filing information is included on the first page of all the standard forms, the combined 5" x 8" forms make an excellent index file and eliminate the need for transposing information or index cards or index books.

If a financing statement or other statement is filed on a non-standard form, the filing staff will transfer the necessary information from the non-standard document to a 5" x 8", three-part form (form UCC-21), which is designed for processing non-standard documents.

Since it is anticipated that the great majority of filings will be made on standard forms, the transfer of information will be kept at a minimum. After the necessary information is transferred from the non-standard form to UCC-21, and both forms are validated with the same date, time, and number, the first 5" x 8" page of the form is filed in the alphabetical index file under the name of the debtor. The second page of form UCC-21 will be placed in the numerical file for accounting purposes, and the third page of the form will be returned to the filing party with the suggestion that standard forms be used for future filings. The non-standard statement itself will be filed in chronological order by file number in a separate filing cabinet called the "oversize file." Reference to the "oversize file" will be minimal because all the necessary filing information is on the 5" x 8" form in the alphabetical index file. The 5" x 8" form also contains the same date, time, and number stamp that is on the non-standard document.

If a standard form is filed which lists more than one debtor, the staff of the office of the secretary of state will fill out as many 5" x 8" index and cross reference cards (form UCC-26) as there are additional debtors listed on the standard form. The name and address of the secured party and all of the debtors' names and addresses will be listed on each index and cross reference card exactly as they appear on the original state-
ment. This operation will be performed by making carbon copies of form UCC-26, one for each additional debtor. The original 5" x 8" standard form will be filed in the alphabetical index file and indexed under the first named debtor. All other index and cross reference cards are also filed in the alphabetical index file, each under a different named debtor, whose name is underscored on the form for filing purposes. Each 5" x 8" index and cross reference card will contain the following recital on its face: “See under first-named debtor.”

If a non-standard form is filed with multiple debtors, the procedure outlined above, will be followed also, except that the form for processing non-standard documents (form UCC-21) will also be filled out and validated and filed under the first-named debtor.

B. Termination Statement.

All standard 5" x 8" termination statements that are filed with the office of the secretary of state will be filed in a separate 5" x 8" file, alphabetically by debtor’s name and by year of termination. The termination statements will be filed separately and by year so that the termination statements may be destroyed after being held the required number of years.

If a termination statement is filed on a non-standard form, the information from the non-standard form will be transferred to a special 5" x 8" form for processing non-standard termination statements (form UCC-36). The special form and the non-standard form will then be assigned the same termination number from the termination register. After processing the termination, the non-standard termination form will be separately filed in the “oversize file,” and the standard 5" x 8" termination form will be filed alphabetically by debtor’s name and year, in the separate termination file.

C. Numerical Filing System.

The numerical file in the office of the secretary of state will be maintained and used primarily as an accounting system. The numerical file will be divided into two general sections.

1. The first section of the numerical file will contain the numerical copies of all financing statements, continuation statements, separate assignment statements, and financing statements that disclose assignments or statements of partial release and statements of amendment. When filings of this type are received by the office of the secretary of state, they will be validated with the same numbering system, in consecutive order, as they are received in the office. After validation and processing, the numerical copies of these filings will be filed in consecutive order in a regular 5" x 8" file.

2. The second section of the numerical file will consist of a termination register, and will contain all termination statements filed in the office of the secretary of state. The termination register serves as a cash receipt book and as a current digest of all termination statements processed and filed at the filing office. The register also lists file number and date of all terminated financing statements.

When properly executed termination statements and the statutory fees are received by the office of the secretary of state, the date of receipt is noted on the termination register, and each termination statement is assigned a specific termination number from the termination register. The termination numbers are manually listed in consecutive order on the termination register by the office staff. Each year a new series of numbers is used for accounting purposes, and to facilitate the disposition of old termination statements.

The specific termination number which is assigned to a termination statement will be listed on all files that are terminated and removed from the alphabetical index file, pursuant to the directions in the termination statement. The date and file numbers of all financing statements that are terminated will be listed in the termination register.

After the process of termination has been completed, the termination statement will be filed in alphabetical order, by debtor and by year, in a binder or a 5" x 8" file. This alphabetical termination file will be kept separate from the other sections of the numerical file and the alphabetical index file.

III. Procedures for Processing Filings in the Office of the Secretary of State.

All filings that are presented in the office of the secretary of state under
chapter 409 of the Wisconsin statutes will be processed in the manner outlined in this section.

A. Procedures for Processing Filings Received by Mail.

All filing received in each batch of mail will be segregated into three general groups. The first group will consist of all financing statements. The second group will consist of all continuation statements, partial release statements, statements of assignment, and amendments. The third group will consist of termination statements.

After being segregated into groups, each group will be alphabetized by the names of the debtors. This step will be taken so that all statements received in the same batch of mail naming the same debtor will be validated at the same time.

After being placed in alphabetical order, each group of filings will be individually checked to determine whether the filings contain all of the necessary features and are accompanied by the proper statutory fees. All filings that are not properly executed or which are not accompanied by the proper fee will be rejected. These filings will be returned to the filing party with a rejection slip indicating the reason for rejection. Forms that are not rejected will be processed in the following manner:

1. Financing Statements.

After examining the financing statements to determine whether they comply with chapter 409 of the Wisconsin statutes, the filing staff will prepare the necessary index and cross reference cards (form UCC-26) for statements having multiple debtors and the necessary three-part forms for processing non-standard documents (form UCC-21) for statements filed on non-standard forms.

After preparing all of the necessary filing forms and arranging the group into alphabetical order by the names of the debtors, all financing statements, processing forms, schedules of collateral, and other accompanying documents, together with all checks and other remittances, will be validated with a stamp to show the date and time of filing and the filing number. Consecutive numbers will be stamped on the statements and forms as they are received for validation.

Since the standard three-part financing statement form contains carbon interleaves and the form for processing non-standard documents (form UCC-21) is also a three-part, carbon-interleaved form, the validation stamp will automatically be reproduced on the first part or "Filing Officer—Alphabetical Copy," the second part or "Filing Officer—Numerical Copy," and the third part, or "Filing Officer—Acknowledgment Copy" of each form.

After validation of this group, the three parts or pages of all standard financing statements and all processing forms will be separated, and the carbon interleaves discarded. The first part or page of each standard financing statement and each processing form, together with all index and cross reference cards, will be filed in the alphabetical index file according to the names of the debtors. The second part or page of each standard financing statement and each processing form will be filed in the numerical file for accounting purposes. The third part or page of each standard financing statement and each processing form will be returned to the secured party in a window envelope as an acknowledgment of the filing. All non-standard financing statements, statements of collateral, and other documents will be filed in the "oversize file" by date and by file number.


After examining the continuation statements, partial release statements, statements or assignment, and amendments to determine whether they comply with chapter 409 of the Wisconsin statutes, the filing staff will prepare the necessary index and cross reference cards (form UCC-26) for statements having multiple debtors, and the necessary three-part forms for processing non-standard documents (form UCC-21) for statements filed on non-standard forms. When preparing the necessary processing forms for this group of filings, the filing staff will indicate on the processing form the type of non-standard statement being filed, and will direct attention on the processing form to the "oversize file" for the original documents.
After preparing all of the necessary filing forms and arranging the group into alphabetical order by the names of the debtors, all continuation statements, partial release statements, statements of assignment, and amendments, together with all checks and other remittances, will be validated with a stamp to show the date and time of filing, and the filing number.

Since all standard three-part forms for filing continuation statements, partial release statements, statements of assignment, and amendments (form UCC-3 or UCC-4) contain carbon interleaves, and since the forms for processing non-standard documents (form UCC-21) are also three-part, carbon interleaved forms, the validation stamp will automatically be reproduced on the first part, or "Filing Officer—Alphabetical Copy," the second part, or "Filing Officer—Numerical Copy," and the third part, or "Filing Officer—Acknowledgment Copy" of each form.

After validation of this group, the three parts or pages of all standard continuation statements, partial release statements, statements of assignment, and amendments and all processing forms will be separated and the carbon interleaves discarded. The first part or page of each standard continuation statement, partial release statement, statement of assignment or amendment, and each processing form will be filed in the alphabetical index file and will be attached to the original financing statement. At this time, the necessary additional index and cross reference cards will also be filed in the alphabetical index file. The second part or page of each standard continuation statement, partial release statement, statement of assignment and amendment and each processing form will be filed in the numerical file for accounting purposes. The third part or page of each standard continuation statement, partial release statement, statement of assignment and amendment, and each processing form will be returned to the secured party in a window envelope as an acknowledgment of filing.

All non-standard continuation statements, partial release statements, statements of assignment, and amendments will be filed in the "oversize file" by date and by file number.

3. Termination Statements.

If the termination statement is not filed on a standard form, the office staff will prepare a form for processing non-standard termination statements (form UCC-36). The non-standard termination statement will be attached to the processing form and will remain with the form during the termination process.

After all the necessary processing forms are prepared, all standard termination statements and all processing forms will be entered in the termination register. A specific termination number will be assigned to each termination statement from the termination register. The termination number will be included on all checks or remittances that accompany the termination statements.

After being entered in the termination register and being assigned a termination number, the termination statements will be processed through the alphabetical index file. As each termination statement is withdrawn from the alphabetical index file, the statement is stamped "Terminated," and the date and hour of termination is noted on the face of the statement. The termination number assigned to the termination statement is also noted on the face of the statement that is being terminated.

After withdrawing the terminated statements from the alphabetical index file and marking each statement "Terminated," the date and file number of the statements terminated are entered in the termination register next to the assigned termination number.

After the termination process has been completed, the terminated statements which were withdrawn from the alphabetical index file will be returned to the secured party of record.

After mailing the terminated statements to the secured party of record, the processed termination statements will be filed alphabetically by debtor and by year in a separate 5" x 8" file.

B. Procedures for Processing Filings Presented in Person.

All filings presented in person will be processed and validated immediately in the manner outlined above. To insure prompt service for filings presented in person, all interested parties are urged to file on standard forms in the manner outlined in this chapter.