

*Consignment Done Right:
Perfect and Notify for Enforceable Rights in
Bankruptcy*

*By: Bruce S. Nathan, Scott Cargill and
John P. Schneider – Lowenstein Sandler LLP*

Abstract

A vendor who fails to comply with UCC Article 9's strict requirements does so at the risk of forfeiting rights in its consigned inventory to the consignee's secured creditors with a perfected blanket security interest in the consignee's inventory, and being left with a low priority general unsecured claim.

Introduction

Consignment is a business arrangement between a vendor (known as the consignor) and a customer (known as the consignee). Consignees include retailers that specialize in a particular type of consumer product, such as clothing, shoes, athletic equipment and gear, as well as other customers in the business of selling consigned goods. Alternatively, customers can use the consigned goods in their possession in the production of finished goods and defer payment until after usage.

Customers that enter into consignment arrangements may benefit from the ability to offer a wider range of products, potentially drawing in new business and higher profits. The customer's operational financial risk is also greatly reduced compared to wholesalers and retailers that pre-purchase their entire...

This article is only available to members of the Credit Research Foundation (CRF).

Interested in reading more? Join CRF to gain access to this and hundreds of other resources! [CLICK HERE](#) for membership information.

Members should [LOGIN](#) to view the full article.