

**SUBSTITUTE FOR
HOUSE BILL NO. 5228**

A bill to amend 1962 PA 174, entitled
"Uniform commercial code,"
by amending sections 1105, 1201, 2103, 2210, 2326, 2502, 2716,
2A103, 2A303, 2A307, 2A309, 4210, 7503, 8103, 8106, 8110, 8301,
8302, 8510, 9102, 9103, 9104, 9105, 9106, 9107, 9108, 9109, 9110,
9201, 9202, 9203, 9204, 9205, 9206, 9207, 9208, 9301, 9302, 9303,
9304, 9305, 9306, 9307, 9308, 9309, 9310, 9311, 9312, 9313, 9314,
9315, 9316, 9317, 9318, 9401, 9402, 9403, 9404, 9405, 9406, 9407,
9408, 9409, 9501, 9502, 9503, 9504, 9505, 9506, and 9507
(MCL 440.1105, 440.1201, 440.2103, 440.2210, 440.2326, 440.2502,
440.2716, 440.2803, 440.2903, 440.2907, 440.2909, 440.4210,
440.7503, 440.8103, 440.8106, 440.8110, 440.8301, 440.8302,
440.8510, 440.9102, 440.9103, 440.9104, 440.9105, 440.9106,
440.9107, 440.9108, 440.9109, 440.9110, 440.9201, 440.9202,
440.9203, 440.9204, 440.9205, 440.9206, 440.9207, 440.9208,

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440.9301, 440.9302, 440.9303, 440.9304, 440.9305, 440.9306, 440.9307, 440.9308, 440.9309, 440.9310, 440.9311, 440.9312, 440.9313, 440.9314, 440.9315, 440.9316, 440.9317, 440.9318, 440.9401, 440.9402, 440.9403, 440.9404, 440.9405, 440.9406, 440.9407, 440.9408, 440.9409, 440.9501, 440.9502, 440.9503, 440.9504, 440.9505, 440.9506, and 440.9507), sections 1105, 9203, and 9402 as amended by 1998 PA 489, section 1201 as amended and sections 2A103, 2A303, 2A307, and 2A309 as added by 1992 PA 101, section 2326 as amended by 1982 PA 397, section 4210 as amended by 1993 PA 130, sections 8103, 8106, 8301, 8302, 9301, 9302, 9303, 9306, 9309, and 9312 as amended and sections 8110 and 8510 as added by 1998 PA 278, sections 9103, 9104, 9105, 9106, 9304, and 9305 as amended by 1998 PA 488, section 9307 as amended by 1985 PA 199, section 9313 as amended by 1980 PA 53, section 9401 as amended by 1990 PA 288, sections 9403 and 9404 as amended by 1992 PA 186, sections 9405 and 9407 as amended by 1988 PA 130, and section 9406 as amended by 1989 PA 216, and by adding sections 5118, 9209, 9210, 9319, 9320, 9321, 9322, 9323, 9324, 9325, 9326, 9327, 9328, 9329, 9330, 9331, 9332, 9333, 9334, 9335, 9336, 9337, 9338, 9339, 9340, 9341, 9342, 9508, 9509, 9510, 9511, 9512, 9513, 9514, 9515, 9516, 9517, 9518, 9519, 9520, 9521, 9522, 9523, 9524, 9525, 9526, 9527, 9601, 9602, 9603, 9604, 9605, 9606, 9607, 9608, 9609, 9610, 9611, 9612, 9613, 9614, 9615, 9616, 9617, 9618, 9619, 9620, 9621, 9622, 9623, 9624, 9625, 9626, 9627, 9628, 9701, 9702, 9703, 9704, 9705, 9706, 9707, 9708, and 9709; and to repeal acts and parts of acts.

02120'99 (H-1)

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1105. (1) Except as provided in this section, if a
2 transaction bears a reasonable relation to this state and also to
3 another state or nation the parties may agree that the law either
4 of this state or of the other state or nation shall govern their
5 rights and duties. Failing agreement this act applies to trans-
6 actions bearing an appropriate relation to this state.

7 (2) If 1 of the following provisions of this act specifies
8 the applicable law, that provision governs and a contrary agree-
9 ment is effective only to the extent permitted by the law
10 (including the conflict of laws rules) specified:

11 Rights of creditors against sold
12 goods.

Section 2402.

13 APPLICABILITY OF THE ARTICLE ON
14 LEASES.

SECTIONS 2A105 AND 2A106.

15 Applicability of the article on
16 bank deposits and collections.

Section 4102.

17 Governing law in the article on
18 funds transfers.

Section ~~4A502~~ 4A507.

19 Letters of credit.

Section ~~5156~~ 5116.

20 Applicability of the article on
21 investment securities.

Section 8110.

22 ~~Applicability of the article on~~
23 ~~leases.~~

~~Sections 2A105 and 2A106.~~

24 ~~Perfection provisions of the~~
25 ~~article on secured transactions.~~

~~Section 9103.~~

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1 LAW GOVERNING PERFECTION, THE
2 EFFECT OF PERFECTION OR NONPER-
3 FECTION, AND THE PRIORITY OF
4 SECURITY INTERESTS AND AGRICUL-
5 TURAL LIENS.

SECTIONS 9301 THROUGH
9307.

7 Sec. 1201. Subject to additional definitions contained in
8 the subsequent articles of this act which are applicable to spe-
9 cific articles or parts of this act, and unless the context oth-
10 erwise requires, in this act:

11 (1) "Action" in the sense of a judicial proceeding includes
12 recoupment, counterclaim, setoff, suit in equity, and any other
13 proceedings in which rights are determined.

14 (2) "Aggrieved party" means a party entitled to resort to a
15 remedy.

16 (3) "Agreement" means the bargain of the parties in fact as
17 found in their language or by implication from other circum-
18 stances including course of dealing or usage of trade or course
19 of performance as provided in this act (sections 1205 and 2208).
20 Whether an agreement has legal consequences is determined by the
21 provisions of this act, if applicable; otherwise by the law of
22 contracts (section 1103). (Compare "Contract".)

23 (4) "Bank" means any person engaged in the business of
24 banking.

25 (5) "Bearer" means the person in possession of an instru-
26 ment, document of title, or certificated security payable to
27 bearer or indorsed in blank.

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1 (6) "Bill of lading" means a document evidencing the receipt
2 of goods for shipment issued by a person engaged in the business
3 of transporting or forwarding goods, and includes an airbill.

4 "Airbill" means a document serving for air transportation as a
5 bill of lading does for marine or rail transportation, and
6 includes an air consignment note or air waybill.

7 (7) "Branch" includes a separately incorporated foreign
8 branch of a bank.

9 (8) "Burden of establishing a fact" means the burden of per-
10 suading the triers of fact that the existence of the fact is more
11 probable than its nonexistence.

12 (9) "Buyer in ordinary course of business" means a person
13 ~~who in good faith and without knowledge that the sale to him or~~
14 ~~her is in violation of the ownership rights or security interest~~
15 ~~of a third party in the goods buys in ordinary course from a~~
16 ~~person in the business of selling goods of that kind but does not~~
17 ~~include a pawnbroker. All persons who sell minerals or the like,~~
18 ~~including oil and gas, at wellhead or minehead shall be deemed to~~
19 ~~be persons in the business of selling goods of that kind.~~

20 ~~"Buying" may be for cash or by exchange of other property or on~~
21 ~~secured or unsecured credit and includes receiving goods or docu-~~
22 ~~ments of title under a preexisting contract for sale but does not~~
23 ~~include a transfer in bulk or as security for or in total or par-~~
24 ~~tial satisfaction of a money debt. THAT BUYS GOODS IN GOOD~~
25 ~~FAITH, WITHOUT KNOWLEDGE THAT THE SALE VIOLATES THE RIGHTS OF~~
26 ~~ANOTHER PERSON IN THE GOOD, AND IN THE ORDINARY COURSE FROM A~~
27 ~~PERSON, OTHER THAN A PAWNBROKER, IN THE BUSINESS OF SELLING GOODS~~

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1 OF THAT KIND. A PERSON BUYS GOODS IN THE ORDINARY COURSE IF THE
2 SALE TO THE PERSON COMPORTS WITH THE USUAL OR CUSTOMARY PRACTICES
3 IN THE KIND OF BUSINESS IN WHICH THE SELLER IS ENGAGED OR WITH
4 THE SELLER'S OWN USUAL OR CUSTOMARY PRACTICES. A PERSON THAT
5 SELLS OIL, GAS, OR OTHER MINERALS AT THE WELLHEAD OR MINEHEAD IS
6 A PERSON IN THE BUSINESS OF SELLING GOODS OF THAT KIND. A BUYER
7 IN ORDINARY COURSE OF BUSINESS MAY BUY FOR CASH, BY EXCHANGE OF
8 OTHER PROPERTY, OR ON SECURED OR UNSECURED CREDIT, AND MAY
9 ACQUIRE GOODS OR DOCUMENTS OF TITLE UNDER A PREEXISTING CONTRACT
10 FOR SALE. ONLY A BUYER THAT TAKES POSSESSION OF THE GOODS OR HAS
11 A RIGHT TO RECOVER THE GOODS FROM THE SELLER UNDER ARTICLE 2 MAY
12 BE A BUYER IN ORDINARY COURSE OF BUSINESS. A PERSON THAT
13 ACQUIRES GOODS IN A TRANSFER IN BULK OR AS SECURITY FOR OR IN
14 TOTAL OR PARTIAL SATISFACTION OF A MONEY DEBT IS NOT A BUYER IN
15 ORDINARY COURSE OF BUSINESS.

16 (10) "Conspicuous": A term or clause is conspicuous when it
17 is so written that a reasonable person against whom it is to
18 operate ought to have noticed it. A printed heading in capitals
19 (as: non-negotiable bill of lading) is conspicuous. Language in
20 the body of a form is "conspicuous" if it is in larger or other
21 contrasting type or color. But in a telegram any stated term is
22 "conspicuous". Whether a term or clause is "conspicuous" or not
23 is for decision by the court.

24 (11) "Contract" means the total legal obligation which
25 results from the parties' agreement as affected by this act and
26 any other applicable rules of law. (Compare "Agreement".)

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1 (12) "Creditor" includes a general creditor, a secured
2 creditor, a lien creditor and any representative of creditors,
3 including an assignee for the benefit of creditors, a trustee in
4 bankruptcy, a receiver in equity, and an executor or administra-
5 tor of an insolvent debtor's or assignor's estate.

6 (13) "Defendant" includes a person in the position of
7 defendant in a cross action or counterclaim.

8 (14) "Delivery" with respect to instruments, documents of
9 title, chattel paper, or certificated securities means voluntary
10 transfer of possession.

11 (15) "Document of title" includes bill of lading, dock war-
12 rant, dock receipt, warehouse receipt, or order for the delivery
13 of goods, and also any other document which in the regular course
14 of business or financing is treated as adequately evidencing that
15 the person in possession of it is entitled to receive, hold, and
16 dispose of the document and the goods it covers. To be a docu-
17 ment of title a document must purport to be issued by or
18 addressed to a bailee and purport to cover goods in the bailee's
19 possession which are either identified or are fungible portions
20 of an identified mass.

21 (16) "Fault" means wrongful act, omission, or breach.

22 (17) "Fungible" with respect to goods or securities means
23 goods or securities of which any unit is, by nature or usage of
24 trade, the equivalent of any other like unit. Goods which are
25 not fungible shall be deemed fungible for the purposes of this
26 act to the extent that under a particular agreement or document
27 unlike units are treated as equivalents.

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1 (18) "Genuine" means free of forgery or counterfeiting.

2 (19) "Good faith" means honesty in fact in the conduct or
3 transaction concerned.

4 (20) "Holder", with respect to a negotiable instrument,
5 means the person in possession if the instrument is payable to
6 bearer or, in the case of an instrument payable to an identified
7 person, if the identified person is in possession. Holder, with
8 respect to a document of title, means the person in possession if
9 the goods are deliverable to bearer or to the order of the person
10 in possession.

11 (21) To "honor" is to pay or to accept and pay, or where a
12 credit so engages to purchase or discount a draft complying with
13 the terms of the credit.

14 (22) "Insolvency proceedings" includes any assignment for
15 the benefit of creditors or other proceedings intended to liqui-
16 date or rehabilitate the estate of the person involved.

17 (23) A person is "insolvent" who either has ceased to pay
18 his or her debts in the ordinary course of business or cannot pay
19 his or her debts as they become due or is insolvent within the
20 meaning of the federal bankruptcy law.

21 (24) "Money" means a medium of exchange authorized or
22 adopted by a domestic or foreign government and includes a mone-
23 tary unit of account established by an intergovernmental organi-
24 zation or by agreement between 2 or more nations.

25 (25) A person has "notice" of a fact when ~~—(a) He~~ HE or
26 she has actual knowledge of it; ~~—or (b) He~~ HE or she has
27 received a notice or notification of it; or ~~—(c) From~~ FROM all

1 the facts and circumstances known to him or her at the time in
2 question he or she has reason to know that it exists. A person
3 "knows" or has "knowledge" of a fact when he or she has actual
4 knowledge of it. "Discover" or "learn" or a word or phrase of
5 similar import refers to knowledge rather than to reason to
6 know. The time and circumstances under which a notice or notifi-
7 cation may cease to be effective are not determined by this act.

8 (26) A person "notifies" or "gives" a notice or notification
9 to another by taking such steps as may be reasonably required to
10 inform the other in ordinary course whether or not such other
11 actually comes to know of it. A person "receives" a notice or
12 notification when 1 OF THE FOLLOWING OCCURS:

13 (a) It comes to his or her attention. ~~or~~

14 (b) It is duly delivered at the place of business through
15 which the contract was made or at any other place held out by him
16 or her as the place for receipt of such communications.

17 (27) Notice, knowledge, or a notice or notification received
18 by an organization is effective for a particular transaction from
19 the time when it is brought to the attention of the individual
20 conducting that transaction, and in any event from the time when
21 it would have been brought to the individual's attention if the
22 organization had exercised due diligence. An organization exer-
23 cises due diligence if it maintains reasonable routines for com-
24 municating significant information to the person conducting the
25 transaction and there is reasonable compliance with the
26 routines. Due diligence does not require an individual acting
27 for the organization to communicate information unless such

1 communication is part of his or her regular duties or unless he
2 or she has reason to know of the transaction and that the trans-
3 action would be materially affected by the information.

4 (28) "Organization" includes a corporation, government, or
5 governmental subdivision or agency, business trust, estate,
6 trust, partnership or association, 2 or more persons having a
7 joint or common interest, or any other legal or commercial
8 entity.

9 (29) "Party", as distinct from "third party", means a person
10 who has engaged in a transaction or made an agreement within this
11 act.

12 (30) "Person" includes an individual or an organization (see
13 section 1102).

14 (31) "Presumption" or "presumed" means that the trier of
15 fact must find the existence of the fact presumed unless and
16 until evidence is introduced which would support a finding of its
17 nonexistence.

18 (32) "Purchase" includes taking by sale, discount, negotia-
19 tion, mortgage, pledge, lien, SECURITY INTEREST, issue or reis-
20 sue, gift, or any other voluntary transaction creating an inter-
21 est in property.

22 (33) "Purchaser" means a person who takes by purchase.

23 (34) "Remedy" means any remedial right to which an aggrieved
24 party is entitled with or without resort to a tribunal.

25 (35) "Representative" includes an agent, an officer of a
26 corporation or association, and a trustee, executor, or

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1 administrator of an estate, or any other person empowered to act
2 for another.

3 (36) "Rights" includes remedies.

4 (37) "Security interest" means an interest in personal prop-
5 erty or fixtures which secures payment or performance of an
6 obligation. ~~The retention or reservation of title by a seller~~
7 ~~of goods notwithstanding shipment or delivery to the buyer~~
8 ~~(section 2401) is limited in effect to a reservation of a~~
9 ~~"security interest".~~ The term also includes any interest of a
10 CONSIGNOR AND A buyer of ~~accounts or~~ AN ACCOUNT, chattel paper,
11 ~~which~~ A PAYMENT INTANGIBLE, OR A PROMISSORY NOTE IN A TRANSAC-
12 TION THAT is subject to article 9. The special property interest
13 of a buyer of goods on identification of those goods to a con-
14 tract for sale under section 2401 is not a "security interest",
15 but a buyer may also acquire a "security interest" by complying
16 with article 9. ~~Unless a consignment is intended as security,~~
17 ~~reservation of title thereunder is not a "security interest", but~~
18 ~~a consignment in any event is subject to the provisions on con-~~
19 ~~signment sales (section 2326).~~ EXCEPT AS OTHERWISE PROVIDED IN
20 SECTION 2505, THE RIGHT OF A SELLER OR LESSOR OF GOODS UNDER
21 ARTICLE 2 OR 2A TO RETAIN OR ACQUIRE POSSESSION OF THE GOODS IS
22 NOT A "SECURITY INTEREST", BUT A SELLER OR LESSOR MAY ALSO
23 ACQUIRE A "SECURITY INTEREST" BY COMPLYING WITH ARTICLE 9. THE
24 RETENTION OR RESERVATION OF TITLE BY A SELLER OF GOODS NOTWITH-
25 STANDING SHIPMENT OR DELIVERY TO THE BUYER (SECTION 2401) IS
26 LIMITED IN EFFECT TO A RESERVATION OF A "SECURITY INTEREST".
27 Whether a transaction creates a lease or security interest is

1 determined by the facts of each case; however, a transaction
2 creates a security interest if the consideration the lessee is to
3 pay the lessor for the right to possession and use of the goods
4 is an obligation for the term of the lease not subject to termi-
5 nation by the lessee, and any of the following:

6 (a) The original term of the lease is equal to or greater
7 than the remaining economic life of the goods.

8 (b) The lessee is bound to renew the lease for the remaining
9 economic life of the goods or is bound to become the owner of the
10 goods.

11 (c) The lessee has an option to renew the lease for the
12 remaining economic life of the goods for no additional considera-
13 tion or nominal additional consideration upon compliance with the
14 lease agreement.

15 (d) The lessee has an option to become the owner of the
16 goods for no additional consideration or nominal additional con-
17 sideration upon compliance with the lease agreement.

18 A transaction does not create a security interest merely
19 because it provides any of the following:

20 (a) The present value of the consideration the lessee is
21 obligated to pay the lessor for the right to possession and use
22 of the goods is substantially equal to or is greater than the
23 fair market value of the goods at the time the lease is entered
24 into.

25 (b) The lessee assumes risk of loss of the goods, or agrees
26 to pay taxes, insurance, filing, recording, or registration fees,
27 or service or maintenance costs with respect to the goods.

1 (c) The lessee has an option to renew the lease or to become
2 the owner of the goods.

3 (d) The lessee has an option to renew the lease for a fixed
4 rent that is equal to or greater than the reasonably predictable
5 fair market rent for the use of the goods for the term of the
6 renewal at the time the option is to be performed.

7 (e) The lessee has an option to become the owner of the
8 goods for a fixed price that is equal to or greater than the rea-
9 sonably predictable fair market value of the goods at the time
10 the option is to be performed.

11 As used in this subsection:

12 (a) Additional consideration is not nominal if when the
13 option to renew the lease is granted to the lessee the rent is
14 stated to be the fair market rent for the use of the goods for
15 the term of the renewal determined at the time the option is to
16 be performed, or when the option to become the owner of the goods
17 is granted to the lessee, the price is stated to be the fair
18 market value of the goods determined at the time the option is to
19 be performed. Additional consideration is nominal if it is less
20 than the lessee's reasonably predictable cost of performing under
21 the lease agreement if the option is not exercised.

22 (b) "Present value" means the amount as of a date certain of
23 1 or more sums payable in the future, discounted to the date
24 certain. The discount is determined by the interest rate speci-
25 fied by the parties if the rate is not manifestly unreasonable at
26 the time the transaction is entered into; otherwise, the discount
27 is determined by a commercially reasonable rate that takes into

1 account the facts and circumstances of each case at the time the
2 transaction was entered into.

3 (c) "Reasonably predictable" and "remaining economic life of
4 the goods" are to be determined with reference to the facts and
5 circumstances at the time the transaction is entered into.

6 (38) "Send" in connection with any writing or notice means
7 to deposit in the mail or deliver for transmission by any other
8 usual means of communication with postage or cost of transmission
9 provided for and properly addressed and in the case of an instru-
10 ment to an address specified thereon or otherwise agreed, or if
11 there be none to any address reasonable under the circumstances.
12 The receipt of any writing or notice within the time at which it
13 would have arrived, if properly sent, has the effect of a proper
14 sending.

15 (39) "Signed" includes any symbol executed or adopted by a
16 party with present intention to authenticate a writing, including
17 a carbon copy of his or her signature.

18 (40) "Surety" includes guarantor.

19 (41) "Telegram" includes a message transmitted by radio,
20 teletype, cable, any mechanical method of transmission, or the
21 like.

22 (42) "Term" means that portion of an agreement which relates
23 to a particular matter.

24 (43) "Unauthorized" signature means one made without actual,
25 implied or apparent authority and includes a forgery.

26 (44) "Value". Except as otherwise provided with respect to
27 negotiable instruments and bank collections (sections 3303, 4208,

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1 and 4209) a person gives "value" for rights if the person
2 acquires them:

3 (a) In return for a binding commitment to extend credit or
4 for the extension of immediately available credit whether or not
5 drawn upon and whether or not a charge-back is provided for in
6 the event of difficulties in collection; or

7 (b) As security for or in total or partial satisfaction of a
8 preexisting claim; or

9 (c) By accepting delivery pursuant to a preexisting contract
10 for purchase; or

11 (d) Generally, in return for any consideration sufficient to
12 support a simple contract.

13 (45) "Warehouse receipt" means a receipt issued by a person
14 engaged in the business of storing goods for hire.

15 (46) "Written" or "writing" includes printing, typewriting,
16 or any other intentional reduction to tangible form.

17 Sec. 2103. (1) In this article unless the context otherwise
18 requires:

19 (a) "Buyer" means a person who buys or contracts to buy
20 goods.

21 (b) "Good faith" in the case of a merchant means honesty in
22 fact and the observance of reasonable commercial standards of
23 fair dealing in the trade.

24 (c) "Receipt" of goods means taking physical possession of
25 them.

26 (d) "Seller" means a person who sells or contracts to sell
27 goods.

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1 (2) Other definitions applying to this article or to
2 specified parts thereof, and the sections in which they appear
3 are:

4

5	"Acceptance".	Section 2606.
6	"Banker's credit".	Section 2325.
7	"Between merchants".	Section 2104.
8	"Cancellation".	Section 2106(4).
9	"Commercial unit".	Section 2105.
10	"Confirmed credit".	Section 2325.
11	"Conforming to contract".	Section 2106.
12	"Contract for sale".	Section 2106.
13	"Cover".	Section 2712.
14	"Entrusting".	Section 2403.
15	"Financing agency".	Section 2104.
16	"Future goods".	Section 2105.
17	"Goods".	Section 2105.
18	"Identification".	Section 2501.
19	"Installment contract".	Section 2612.
20	"Letter of credit".	Section 2325.
21	"Lot".	Section 2105.
22	"Merchant".	Section 2104.
23	"Overseas".	Section 2323.
24	"Person in position of seller".	Section 2707.
25	"Present sale".	Section 2106.
26	"Sale".	Section 2106.

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1 "Sale on approval". Section 2326.

2 "Sale or return". Section 2326.

3 "Termination". Section 2106.

4 (3) The following definitions in other articles apply to
5 this article:

6

7 "Check". Section 3104.

8 "Consignee". Section 7102.

9 "Consignor". Section 7102.

10 "Consumer goods". Section ~~9109~~

11 9102.

12 "Dishonor". Section ~~3507~~

13 3502.

14 "Draft". Section 3104.

15 (4) In addition article 1 contains general definitions and
16 principles of construction and interpretation applicable through-
17 out this article.

18 Sec. 2210. (1) A party may perform ~~his~~ THAT PARTY'S duty
19 through a delegate unless otherwise agreed or unless the other
20 party has a substantial interest in having ~~his~~ THAT OTHER
21 PARTY'S original promisor perform or control the acts required by
22 the contract. No delegation of performance relieves the party
23 delegating of any duty to perform or any liability for breach.

24 (2) Unless otherwise agreed all rights of either seller or
25 buyer can be assigned except where the assignment would materi-
26 ally change the duty of the other party, or increase materially
27 the burden or risk imposed on ~~him~~ THE OTHER PARTY by ~~his~~ THAT

1 OTHER PARTY'S contract, or impair materially ~~his~~ THE OTHER
2 PARTY'S chance of obtaining return performance. A right to dam-
3 ages for breach of the whole contract or a right arising out of
4 the assignor's due performance of his OR HER entire obligation
5 can be assigned despite agreement otherwise.

6 (3) THE CREATION, ATTACHMENT, PERFECTION, OR ENFORCEMENT OF
7 A SECURITY INTEREST IN THE SELLER'S INTEREST UNDER A CONTRACT IS
8 NOT A TRANSFER THAT MATERIALLY CHANGES THE DUTY OF OR INCREASES
9 MATERIALLY THE BURDEN OR RISK IMPOSED ON THE BUYER OR IMPAIRS
10 MATERIALLY THE BUYER'S CHANCE OF OBTAINING RETURN PERFORMANCE
11 WITHIN THE PURVIEW OF SUBSECTION (2) UNLESS, AND THEN ONLY TO THE
12 EXTENT THAT, ENFORCEMENT ACTUALLY RESULTS IN A DELEGATION OF
13 MATERIAL PERFORMANCE OF THE SELLER. EVEN IN THAT EVENT, THE CRE-
14 ATION, ATTACHMENT, PERFECTION, AND ENFORCEMENT OF THE SECURITY
15 INTEREST REMAIN EFFECTIVE, BUT (i) THE SELLER IS LIABLE TO THE
16 BUYER FOR DAMAGES CAUSED BY THE DELEGATION TO THE EXTENT THAT THE
17 DAMAGES COULD NOT REASONABLY BE PREVENTED BY THE BUYER, AND (ii)
18 A COURT HAVING JURISDICTION MAY GRANT OTHER APPROPRIATE RELIEF,
19 INCLUDING CANCELLATION OF THE CONTRACT FOR SALE OR AN INJUNCTION
20 AGAINST ENFORCEMENT OF THE SECURITY INTEREST OR CONSUMMATION OF
21 THE ENFORCEMENT.

22 (4) ~~-(3)-~~ Unless the circumstances indicate the contrary a
23 prohibition of assignment of "the contract" is to be construed as
24 barring only the delegation to the assignee of the assignor's
25 performance.

26 (5) ~~-(4)-~~ An assignment of "the contract" or of "all my
27 rights under the contract" or an assignment in similar general

1 terms is an assignment of rights and unless the language or the
2 circumstances (as in an assignment for security) indicate the
3 contrary, it is a delegation of performance of the duties of the
4 assignor and its acceptance by the assignee constitutes a promise
5 by ~~him~~ THE ASSIGNEE to perform those duties. This promise is
6 enforceable by either the assignor or the other party to the
7 original contract.

8 (6) ~~-(5)-~~ The other party may treat any assignment which
9 delegates performance as creating reasonable grounds for insecurity
10 and may without prejudice to ~~his~~ THAT OTHER PARTY'S rights
11 against the assignor demand assurances from the assignee (section
12 2609).

13 Sec. 2326. (1) Unless otherwise agreed, if delivered goods
14 may be returned by the buyer even though they conform to the contract,
15 the transaction is

16 (a) A "sale on approval" if the goods are delivered primarily
17 for use, and

18 (b) A "sale or return" if the goods are delivered primarily
19 for resale.

20 (2) ~~Except as provided in subsection (3), goods~~ GOODS held
21 on approval are not subject to the claims of the buyer's creditors
22 until acceptance; goods held on sale or return are subject
23 to such claims while in the buyer's possession.

24 ~~-(3) Where goods are delivered to a person for sale and such~~
25 ~~person maintains a place of business at which he deals in goods~~
26 ~~of the kind involved, under a name other than the name of the~~
27 ~~person making delivery, then with respect to claims of creditors~~

1 ~~of the person conducting the business the goods are deemed to be~~
2 ~~on sale or return. The provisions of this subsection are appli-~~
3 ~~cable even though an agreement purports to reserve title to the~~
4 ~~person making delivery until payment or resale or uses such words~~
5 ~~as "on consignment" or "on memorandum". However, this subsection~~
6 ~~is not applicable if the person making delivery~~

7 ~~(a) Complies with an applicable law providing for a~~
8 ~~consignor's interest or the like to be evidenced by a sign; or~~

9 ~~(b) Establishes that the person conducting the business is~~
10 ~~generally known by his creditors to be substantially engaged in~~
11 ~~selling the goods of others; or~~

12 ~~(c) Complies with the filing provisions of the article on~~
13 ~~secured transactions (article 9).--~~

14 ~~(3) --(4) Any "or return" term of a contract for sale is to~~
15 ~~be treated as a separate contract for sale within the statute of~~
16 ~~frauds section of this article (section 2201) and as contradict-~~
17 ~~ing the sale aspect of the contract within the provisions of this~~
18 ~~article on parol or extrinsic evidence (section 2202).~~

19 ~~(4) --(5) Whenever a person delivers or causes to be deliv-~~
20 ~~ered a work of fine art to an art dealer for the purpose of sale,~~
21 ~~or exhibition and sale, to the public on a commission, the work~~
22 ~~of fine art is not subject to the claims of the art dealer's~~
23 ~~creditors. For the purposes of this subsection, the terms "art~~
24 ~~dealer", "commission", and "fine art" have the meanings ascribed~~
25 ~~to them in section 1 of Act No. 90 of the Public Acts of 1979,~~
26 ~~being section 442.311 of the Michigan Compiled Laws 1979 PA 90,~~
27 ~~MCL 442.311.~~

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1 Sec. 2502. (1) Subject to ~~subsection~~ SUBSECTIONS (2) AND
2 (3) and even though the goods have not been shipped a buyer who
3 has paid a part or all of the price of goods in which he OR SHE
4 has a special property under the provisions of the immediately
5 preceding section may on making and keeping good a tender of any
6 unpaid portion of their price recover them from the seller if
7 ~~the seller becomes insolvent within 10 days after receipt of the~~
8 ~~first installment on their price.~~ 1 OF THE FOLLOWING OCCURS:

9 (A) IN THE CASE OF GOODS BOUGHT FOR PERSONAL, FAMILY, OR
10 HOUSEHOLD PURPOSES, THE SELLER REPUDIATES OR FAILS TO DELIVER AS
11 REQUIRED BY THE CONTRACT.

12 (B) IN ALL CASES, THE SELLER BECOMES INSOLVENT WITHIN 10
13 DAYS AFTER RECEIPT OF THE FIRST INSTALLMENT ON THEIR PRICE.

14 (2) THE BUYER'S RIGHT TO RECOVER THE GOODS UNDER SUBSECTION
15 (1)(A) VESTS UPON ACQUISITION OF A SPECIAL PROPERTY, EVEN IF THE
16 SELLER HAD NOT THEN REPUDIATED OR FAILED TO DELIVER.

17 (3) ~~-(2)-~~ If the identification creating his OR HER special
18 property has been made by the buyer he OR SHE acquires the right
19 to recover the goods only if they conform to the contract for
20 sale.

21 Sec. 2716. (1) Specific performance may be decreed where
22 the goods are unique or in other proper circumstances.

23 (2) The decree for specific performance may include such
24 terms and conditions as to payment of the price, damages, or
25 other relief as the court may deem just.

26 (3) The buyer has a right of replevin or recovery in a claim
27 and delivery proceeding for goods identified to the contract if

1 after reasonable effort he OR SHE is unable to effect cover for
2 such goods or the circumstances reasonably indicate that such
3 effort will be unavailing or if the goods have been shipped under
4 reservation and satisfaction of the security interest in them has
5 been made or tendered. IN THE CASE OF GOODS BOUGHT FOR PERSONAL,
6 FAMILY, OR HOUSEHOLD PURPOSES, THE BUYER'S RIGHT OF REPLEVIN
7 VESTS UPON ACQUISITION OF A SPECIAL PROPERTY, EVEN IF THE SELLER
8 HAD NOT THEN REPUDIATED OR FAILED TO DELIVER.

9 Sec. 2A103. (1) In this article unless the context other-
10 wise requires:

11 (a) "Buyer in ordinary course of business" means a person
12 who in good faith and without knowledge that the sale to him or
13 her is in violation of the ownership rights or security interest
14 or leasehold interest of a third party in the goods buys in ordi-
15 nary course from a person in the business of selling goods of
16 that kind but does not include a pawnbroker. "Buying" may be for
17 cash or by exchange of other property or on secured or unsecured
18 credit and includes receiving goods or documents of title under a
19 pre-existing contract for sale but does not include a transfer in
20 bulk or as security for or in total or partial satisfaction of a
21 money debt.

22 (b) "Cancellation" occurs when either party puts an end to
23 the lease contract for default by the other party.

24 (c) "Commercial unit" means such a unit of goods as by com-
25 mercial usage is a single whole for purposes of lease and divi-
26 sion of which materially impairs its character or value on the
27 market or in use. A commercial unit may be a single article, as

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1 a machine, or a set of articles, as a suite of furniture or a
2 line of machinery, or a quantity, as a gross or carload, or any
3 other unit treated in use or in the relevant market as a single
4 whole.

5 (d) "Conforming" means goods or performance under a lease
6 contract that are in accordance with the obligations under the
7 lease contract.

8 (e) "Consumer lease" means a lease that a lessor regularly
9 engaged in the business of leasing or selling makes to a lessee
10 who is an individual and who takes under the lease primarily for
11 a personal, family, or household purpose, if the total payments
12 to be made under the lease contract, excluding payments for
13 options to renew or buy, do not exceed \$25,000.00.

14 (f) "Fault" means wrongful act, omission, breach, or
15 default.

16 (g) "Finance lease" means a lease with respect to which all
17 of the following apply:

18 (i) The lessor does not select, manufacture, or supply the
19 goods.

20 (ii) The lessor acquires the goods or the right to posses-
21 sion and use of the goods in connection with the lease.

22 (iii) One of the following occurs:

23 (A) The lessee receives a copy of the contract by which the
24 lessor acquired the goods or the right to possession and use of
25 the goods before signing the lease contract.

1 (B) The lessee's approval of the contract by which the
2 lessor acquired the goods or the right to possession and use of
3 the goods is a condition to effectiveness of the lease contract.

4 (C) The lessee, before signing the lease contract, receives
5 an accurate and complete statement designating the promises and
6 warranties, and any disclaimers of warranties, limitations or
7 modifications of remedies, or liquidated damages, including those
8 of a third party, such as the manufacturer of the goods, provided
9 to the lessor by the person supplying the goods in connection
10 with or as part of the contract by which the lessor acquired the
11 goods or the right to possession and use of the goods.

12 (D) If the lease is not a consumer lease, the lessor, before
13 the lessee signs the lease contract, informs the lessee in writ-
14 ing of the following:

15 (I) The identity of the person supplying the goods to the
16 lessor, unless the lessee has selected that person and directed
17 the lessor to acquire the goods or the right to possession and
18 use of the goods from that person.

19 (II) The lessee is entitled under this article to the prom-
20 ises and warranties, including those of any third party, provided
21 to the lessor by the person supplying the goods in connection
22 with or as part of the contract by which the lessor acquired the
23 goods or the right to possession and use of the goods.

24 (III) The lessee may communicate with the person supplying
25 the goods to the lessor and receive an accurate and complete
26 statement of those promises and warranties, including any
27 disclaimers and limitations of them or of remedies.

1 (h) "Goods" means all things that are movable at the time of
2 identification to the lease contract, or are fixtures (section
3 2A309), but the term does not include money, documents, instru-
4 ments, accounts, chattel paper, general intangibles, or minerals
5 or the like, including oil and gas, before extraction. The term
6 also includes the unborn young of animals.

7 (i) "Installment lease contract" means a lease contract that
8 authorizes or requires the delivery of goods in separate lots to
9 be separately accepted, even though the lease contract contains a
10 clause "each delivery is a separate lease" or its equivalent.

11 (j) "Lease" means a transfer of the right to possession and
12 use of goods for a term in return for consideration, but a sale,
13 including a sale on approval or a sale or return, or retention or
14 creation of a security interest is not a lease. Unless the con-
15 text clearly indicates otherwise, the term includes a sublease.

16 (k) "Lease agreement" means the bargain, with respect to the
17 lease, of the lessor and the lessee in fact as found in their
18 language or by implication from other circumstances including
19 course of dealing or usage of trade or course of performance as
20 provided in this article. Unless the context clearly indicates
21 otherwise, the term includes a sublease agreement.

22 (l) "Lease contract" means the total legal obligation that
23 results from the lease agreement as affected by this article and
24 any other applicable rules of law. Unless the context clearly
25 indicates otherwise, the term includes a sublease contract.

26 (m) "Leasehold interest" means the interest of the lessor or
27 the lessee under a lease contract.

1 (n) "Lessee" means a person who acquires the right to
2 possession and use of goods under a lease. Unless the context
3 clearly indicates otherwise, the term includes a sublessee.

4 (o) "Lessee in ordinary course of business" means a person
5 who in good faith and without knowledge that the lease to him or
6 her is in violation of the ownership rights or security interest
7 or leasehold interest of a third party in the goods leases in
8 ordinary course from a person in the business of selling or leas-
9 ing goods of that kind but does not include a pawnbroker.

10 "Leasing" may be for cash or by exchange of other property or on
11 secured or unsecured credit and includes receiving goods or docu-
12 ments of title under a pre-existing lease contract but does not
13 include a transfer in bulk or as security for or in total or par-
14 tial satisfaction of a money debt.

15 (p) "Lessor" means a person who transfers the right to pos-
16 session and use of goods under a lease. Unless the context
17 clearly indicates otherwise, the term includes a sublessor.

18 (q) "Lessor's residual interest" means the lessor's interest
19 in the goods after expiration, termination, or cancellation of
20 the lease contract.

21 (r) "Lien" means a charge against or interest in goods to
22 secure payment of a debt or performance of an obligation, but the
23 term does not include a security interest.

24 (s) "Lot" means a parcel or a single article that is the
25 subject matter of a separate lease or delivery, whether or not it
26 is sufficient to perform the lease contract.

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1 (t) "Merchant lessee" means a lessee that is a merchant with
2 respect to goods of the kind subject to the lease.

3 (u) "Present value" means the amount as of a date certain of
4 1 or more sums payable in the future, discounted to the date
5 certain. The discount is determined by the interest rate speci-
6 fied by the parties if the rate was not manifestly unreasonable
7 at the time the transaction was entered into; otherwise, the dis-
8 count is determined by a commercially reasonable rate that takes
9 into account the facts and circumstances of each case at the time
10 the transaction was entered into.

11 (v) "Purchase" includes taking by sale, lease, mortgage,
12 security interest, pledge, gift, or any other voluntary transac-
13 tion creating an interest in goods.

14 (w) "Sublease" means a lease of goods the right to posses-
15 sion and use of which was acquired by the lessor as a lessee
16 under an existing lease.

17 (x) "Supplier" means a person from whom a lessor buys or
18 leases goods to be leased under a finance lease.

19 (y) "Supply contract" means a contract under which a lessor
20 buys or leases goods to be leased.

21 (z) "Termination" occurs when either party pursuant to a
22 power created by agreement or law puts an end to the lease con-
23 tract otherwise than for default.

24 (2) Other definitions applying to this article and the sec-
25 tions in which they appear are:

26 "Accessions".

Section 2A310(1).

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- 1 "Construction mortgage". Section 2A309(1)(d).
2 "Encumbrance". Section 2A309(1)(e).
3 "Fixtures". Section 2A309(1)(a).
4 "Fixture filing". Section 2A309(1)(b).
5 "Purchase money lease". Section 2A309(1)(c).
6 (3) The following definitions in other articles apply to
7 this article:
8 "Account". Section ~~9106~~ 9102(1)(B).
9 "Between merchants". Section 2104(3).
10 "Buyer". Section 2103(1)(a).
11 "Chattel paper". Section ~~9105(1)(b)~~ 9102(1)(K).
12 "Consumer goods". Section ~~9109(1)~~ 9102(1)(W).
13 "Document". Section ~~9105(1)(f)~~ 9102(1)(DD).
14 "Entrusting". Section 2403(3).
15 "General ~~intangibles~~ INTANGIBLE". Section ~~9106~~ 9102(1)(PP).
16 "Good faith". Section 2103(1)(b).
17 "Instrument". Section ~~9105(1)(i)~~ 9102(1)(UU).
18 "Merchant". Section 2104(1).
19 "Mortgage". Section ~~9105(1)(j)~~ 9102(1)(CCC).
20 "Pursuant to commitment". Section ~~9105(1)(k)~~ 9102(1)(SSS).
21 "Receipt". Section 2103(1)(c).
22 "Sale". Section 2106(1).
23 "Sale on approval". Section ~~2326(1)(a)~~ 2326.
24 "Sale or return". Section ~~2326(1)(b)~~ 2326.
25 "Seller". Section 2103(1)(d).

1 (4) In addition article 1 contains general definitions and
2 principles of construction and interpretation applicable
3 throughout this article.

4 Sec. 2A303. (1) As used in this section, "creation of a
5 security interest" includes the sale of a lease contract that is
6 subject to article 9, secured transactions, by reason of section
7 ~~9102(1)(b)~~ 9109(1)(C).

8 (2) Except as provided in ~~subsections~~ SUBSECTION (3) and
9 ~~(4)~~ SECTION 9407, a provision in a lease agreement (i) which
10 prohibits the voluntary or involuntary transfer, including a
11 transfer by sale, sublease, creation, or enforcement of a secur-
12 ity interest, or attachment, levy, or other judicial process, of
13 an interest of a party under the lease contract or of the
14 lessor's residual interest in the goods, or (ii) makes such a
15 transfer an event of default, gives rise to the rights and reme-
16 dies provided in subsection ~~(5)~~ (4), but a transfer that is
17 prohibited or is an event of default under the lease agreement is
18 otherwise effective.

19 ~~(3) A provision in a lease agreement which prohibits the~~
20 ~~creation or enforcement of a security interest in an interest of~~
21 ~~a party under the lease contract or in the lessor's residual~~
22 ~~interest in the goods, or makes such a transfer an event of~~
23 ~~default, is not enforceable unless, and then only to the extent~~
24 ~~that, there is an actual transfer by the lessee of the lessee's~~
25 ~~right of possession or use of the goods in violation of the pro-~~
26 ~~vision or an actual delegation of a material performance of~~
27 ~~either party to the lease contract in violation of the~~

1 ~~provision. Neither the granting nor the enforcement of a~~
2 ~~security interest in (i) the lessor's interest under the lease~~
3 ~~contract or (ii) the lessor's residual interest in the goods is a~~
4 ~~transfer that materially impairs the prospect of obtaining return~~
5 ~~performance by, materially changes the duty of, or materially~~
6 ~~increases the burden or risk imposed on, the lessee within the~~
7 ~~purview of subsection (5) unless, and then only to the extent~~
8 ~~that, there is an actual delegation of a material performance of~~
9 ~~the lessor.~~

10 (3) ~~—(4)—~~ A provision in a lease agreement which (i) prohib-
11 its a transfer of a right to damages for default with respect to
12 the whole lease contract or of a right to payment arising out of
13 the transferor's due performance of the transferor's entire obli-
14 gation, or (ii) makes such a transfer an event of default, is not
15 enforceable, and such a transfer is not a transfer that materi-
16 ally impairs the prospect of obtaining return performance by,
17 materially changes the duty of, or materially increases the
18 burden or risk imposed on, the other party to the lease contract
19 within the purview of subsection ~~—(5)—~~ (4).

20 (4) ~~—(5)—~~ Subject to ~~—subsections—~~ SUBSECTION (3) and ~~—(4)—~~
21 SECTION 9407, the following rules apply:

22 (a) If a transfer is made which is made an event of default
23 under a lease agreement, the party to the lease contract not
24 making the transfer, unless that party waives the default or oth-
25 erwise agrees, has the rights and remedies described in section
26 2A501(2).

1 (b) If subdivision (a) is not applicable and if a transfer
2 is made that (i) is prohibited under a lease agreement or (ii)
3 materially impairs the prospect of obtaining return performance
4 by, materially changes the duty of, or materially increases the
5 burden or risk imposed on, the other party to the lease contract,
6 unless the party not making the transfer agrees at any time to
7 the transfer in the lease contract or otherwise, then, except as
8 limited by contract, the transferor is liable to the party not
9 making the transfer for damages caused by the transfer to the
10 extent that the damages could not reasonably be prevented by the
11 party not making the transfer and a court having jurisdiction may
12 grant other appropriate relief, including cancellation of the
13 lease contract or an injunction against the transfer.

14 (5) ~~—(6)—~~ A transfer of "the lease" or of "all my rights
15 under the lease" or a transfer in similar general terms is a
16 transfer of rights and, unless the language or the circumstances,
17 as in a transfer for security, indicate the contrary, the trans-
18 fer is a delegation of duties by the transferor to the
19 transferee. Acceptance by the transferee constitutes a promise
20 by the transferee to perform those duties. The promise is
21 enforceable by either the transferor or the other party to the
22 lease contract.

23 (6) ~~—(7)—~~ Unless otherwise agreed by the lessor and the
24 lessee, a delegation of performance does not relieve the trans-
25 feror as against the other party of any duty to perform or of any
26 liability for default.

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1 (7) ~~—(8)—~~ In a consumer lease, to prohibit the transfer of
2 an interest of a party under the lease contract or to make a
3 transfer an event of default, the language must be specific, by a
4 writing, and conspicuous.

5 Sec. 2A307. (1) Except as otherwise provided in section
6 2A306, a creditor of a lessee takes subject to the lease
7 contract.

8 (2) Except as otherwise provided in ~~—subsections—~~ SUBSECTION

9 (3) ~~—and (4)—~~ and in sections 2A306 and 2A308, a creditor of a
10 lessor takes subject to the lease contract ~~—except as follows:—~~

11 ~~(a) The~~ UNLESS THE creditor holds a lien that attached to the
12 goods before the lease contract became enforceable.

13 ~~—(b) The creditor holds a security interest in the goods and~~
14 ~~the lessee did not give value and receive delivery of the goods~~
15 ~~without knowledge of the security interest.~~

16 ~~(c) The creditor holds a security interest in the goods~~
17 ~~which was perfected (section 9303) before the lease contract~~
18 ~~became enforceable.~~

19 (3) ~~—A lessee in the ordinary course of business takes the~~
20 ~~leasehold interest free of a security interest in the goods cre-~~
21 ~~ated by the lessor even though the security interest is perfected~~
22 ~~(section 9303) and the lessee knows of its existence.~~ EXCEPT AS
23 OTHERWISE PROVIDED IN SECTIONS 9317, 9321, AND 9323, A LESSEE
24 TAKES A LEASEHOLD INTEREST SUBJECT TO A SECURITY INTEREST HELD BY
25 A CREDITOR OF THE LESSOR.

26 ~~—(4) A lessee other than a lessee in the ordinary course of~~
27 ~~business takes the leasehold interest free of a security interest~~

1 ~~to the extent that it secures future advances made after the~~
2 ~~secured party acquires knowledge of the lease or more than 45~~
3 ~~days after the lease contract becomes enforceable, whichever~~
4 ~~first occurs, unless the future advances are made pursuant to a~~
5 ~~commitment entered into without knowledge of the lease and before~~
6 ~~the expiration of the 45-day period.~~

7 Sec. 2A309. (1) As used in this section:

8 (a) "Goods" are "fixtures" when they become so related to
9 particular real estate that an interest in them arises under real
10 estate law.

11 (b) A "fixture filing" is the filing, in the office where a
12 RECORD OF A mortgage on the real estate would be filed or
13 recorded, ~~or~~ of a financing statement covering goods that are
14 or are to become fixtures and conforming to the requirements of
15 section ~~9402(5)~~ 9502(1) AND (2).

16 (c) A "lease" is a "purchase money lease" unless the lessee
17 has possession or use of the goods or the right to possession or
18 use of the goods before the lease agreement is enforceable.

19 (d) A "mortgage" is a "construction mortgage" to the extent
20 it secures an obligation incurred for the construction of an
21 improvement on land including the acquisition cost of the land,
22 if the recorded writing so indicates.

23 (e) "Encumbrance" includes real estate mortgages and other
24 liens on real estate and all other rights in real estate that are
25 not ownership interests.

26 (2) Under this article a lease may be of goods that are
27 fixtures or may continue in goods that become fixtures, but no

1 lease exists under this article of ordinary building materials
2 incorporated into an improvement on land.

3 (3) This article does not prevent creation of a lease of
4 fixtures pursuant to real estate law.

5 (4) The perfected interest of a lessor of fixtures has pri-
6 ority over a conflicting interest of an encumbrancer or owner of
7 the real estate if either of the following applies:

8 (a) The lease is a purchase money lease, the conflicting
9 interest of the encumbrancer or owner arises before the goods
10 become fixtures, the interest of the lessor is perfected by a
11 fixture filing before the goods become fixtures or within 10 days
12 thereafter, and the lessee has an interest of record in the real
13 estate or is in possession of the real estate.

14 (b) The interest of the lessor is perfected by a fixture
15 filing before the interest of the encumbrancer or owner is of
16 record, the lessor's interest has priority over any conflicting
17 interest of a predecessor in title of the encumbrancer or owner,
18 and the lessee has an interest of record in the real estate or is
19 in possession of the real estate.

20 (5) The interest of a lessor of fixtures, whether or not
21 perfected, has priority over the conflicting interest of an
22 encumbrancer or owner of the real estate if any of the following
23 apply:

24 (a) The fixtures are readily removable factory or office
25 machines, readily removable equipment that is not primarily used
26 or leased for use in the operation of the real estate, or readily
27 removable replacements of domestic appliances that are goods

1 subject to a consumer lease, and before the goods become
2 fixtures, the lease contract is enforceable.

3 (b) The conflicting interest is a lien on the real estate
4 obtained by legal or equitable proceedings after the lease con-
5 tract is enforceable.

6 (c) The encumbrancer or owner has consented in writing to
7 the lease or has disclaimed an interest in the goods as
8 fixtures.

9 (d) The lessee has a right to remove the goods as against
10 the encumbrancer or owner. If the lessee's right to remove ter-
11 minates, the priority of the interest of the lessor continues for
12 a reasonable time.

13 (6) Notwithstanding subsection (4)(a) but otherwise subject
14 to subsections (4) and (5), the interest of a lessor of fixtures,
15 including the lessor's residual interest, is subordinate to the
16 conflicting interest of an encumbrancer of the real estate under
17 a construction mortgage recorded before the goods become fixtures
18 if the goods become fixtures before the completion of the
19 construction. To the extent given to refinance a construction
20 mortgage, the conflicting interest of an encumbrancer of the real
21 estate under a mortgage has this priority to the same extent as
22 the encumbrancer of the real estate under the construction
23 mortgage.

24 (7) In cases not within the preceding subsections, priority
25 between the interest of a lessor of fixtures, including the
26 lessor's residual interest, and the conflicting interest of an
27 encumbrancer or owner of the real estate who is not the lessee is

1 determined by the priority rules governing conflicting interests
2 in real estate.

3 (8) If the interest of a lessor of fixtures, including the
4 lessor's residual interest, has priority over all conflicting
5 interests of all owners and encumbrancers of the real estate, the
6 lessor or the lessee may (i) on default, expiration, termination,
7 or cancellation of the lease agreement but subject to the lease
8 agreement and this article, or (ii) if necessary to enforce other
9 rights and remedies of the lessor or lessee under this article,
10 remove the goods from the real estate, free and clear of all con-
11 flicting interests of all owners and encumbrancers of the real
12 estate, but the lessor or lessee must reimburse any encumbrancer
13 or owner of the real estate who is not the lessee and who has not
14 otherwise agreed for the cost of repair of any physical injury,
15 but not for any diminution in value of the real estate caused by
16 the absence of the goods removed or by any necessity of replacing
17 them. A person entitled to reimbursement may refuse permission
18 to remove until the party seeking removal gives adequate security
19 for the performance of this obligation.

20 (9) Even though the lease agreement does not create a secur-
21 ity interest, the interest of a lessor of fixtures, including the
22 lessor's residual interest, is perfected by filing a financing
23 statement as a fixture filing for leased goods that are or are to
24 become fixtures in accordance with the relevant provisions of
25 article 9.

1 Sec. 4210. (1) A collecting bank has a security interest in
2 an item and any accompanying documents or the proceeds of any of
3 the following:

4 (a) In case of an item deposited in an account to the extent
5 to which credit given for the item has been withdrawn or
6 applied.

7 (b) In case of an item for which it has given credit avail-
8 able for withdrawal as of right, to the extent of the credit
9 given whether or not the credit is drawn upon and whether or not
10 there is a right of charge-back.

11 (c) If it makes an advance on or against the item.

12 (2) If credit given for several items received at one time
13 or pursuant to a single agreement is withdrawn or applied in part
14 the security interest remains upon all the items, any accompany-
15 ing documents or the proceeds of either. For the purpose of this
16 section, credits first given are first withdrawn.

17 (3) Receipt by a collecting bank of a final settlement for
18 an item is a realization on its security interest in the item,
19 accompanying documents and proceeds. So long as the bank does
20 not receive final settlement for the item or give up possession
21 of the item or accompanying documents for purposes other than
22 collection, the security interest continues to that extent and is
23 subject to article 9 except for the following:

24 (a) No security agreement is necessary to make the security
25 interest enforceable ~~—(subsection (1)(b) of (section 9203—~~
26 9203(2)(C)(i)).

1 (b) No filing is required to perfect the security interest.

2 (c) The security interest has priority over conflicting
3 perfected security interests in the item, accompanying documents
4 or proceeds.

5 SEC. 5118. (1) AN ISSUER OR NOMINATED PERSON HAS A SECURITY
6 INTEREST IN A DOCUMENT PRESENTED UNDER A LETTER OF CREDIT TO THE
7 EXTENT THAT THE ISSUER OR NOMINATED PERSON HONORS OR GIVES VALUE
8 FOR THE PRESENTATION.

9 (2) SO LONG AS AND TO THE EXTENT THAT AN ISSUER OR NOMINATED
10 PERSON HAS NOT BEEN REIMBURSED OR HAS NOT OTHERWISE RECOVERED THE
11 VALUE GIVEN WITH RESPECT TO A SECURITY INTEREST IN A DOCUMENT
12 UNDER SUBSECTION (1), THE SECURITY INTEREST CONTINUES AND IS
13 SUBJECT TO ARTICLE 9, BUT ALL OF THE FOLLOWING APPLY:

14 (A) A SECURITY AGREEMENT IS NOT NECESSARY TO MAKE THE SECUR-
15 ITY INTEREST ENFORCEABLE UNDER SECTION 9203(2)(C).

16 (B) IF THE DOCUMENT IS PRESENTED IN A MEDIUM OTHER THAN A
17 WRITTEN OR OTHER TANGIBLE MEDIUM, THE SECURITY INTEREST IS
18 PERFECTED.

19 (C) IF THE DOCUMENT IS PRESENTED IN A WRITTEN OR OTHER TAN-
20 GIBLE MEDIUM AND IS NOT A CERTIFICATED SECURITY, CHATTEL PAPER, A
21 DOCUMENT OF TITLE, AN INSTRUMENT, OR A LETTER OF CREDIT, THE
22 SECURITY INTEREST IS PERFECTED AND HAS PRIORITY OVER A CONFLICT-
23 ING SECURITY INTEREST IN THE DOCUMENT SO LONG AS THE DEBTOR DOES
24 NOT HAVE POSSESSION OF THE DOCUMENT.

25 Sec. 7503. (1) A document of title confers no right in
26 goods against a person who before issuance of the document had a

1 legal interest or a perfected security interest in them and who
2 DID neither OF THE FOLLOWING:

3 (a) ~~delivered~~ DELIVERED or entrusted them or any document
4 of title covering them to the bailor or his OR HER nominee with
5 actual or apparent authority to ship, store or sell or with power
6 to obtain delivery under this article (section 7403) or with
7 power of disposition under this act (sections 2403 and ~~9307~~
8 9320) or other statute or rule of law. ~~nor~~

9 (b) ~~acquiesced~~ ACQUIESCED in the procurement by the bailor
10 or his OR HER nominee of any document of title.

11 (2) Title to goods based upon an unaccepted delivery order
12 is subject to the rights of anyone to whom a negotiable warehouse
13 receipt or bill of lading covering the goods has been duly
14 negotiated. Such a title may be defeated under the next section
15 to the same extent as the rights of the issuer or a transferee
16 from the issuer.

17 (3) Title to goods based upon a bill of lading issued to a
18 freight forwarder is subject to the rights of anyone to whom a
19 bill issued by the freight forwarder is duly negotiated; but
20 delivery by the carrier in accordance with part 4 of this article
21 pursuant to its own bill of lading discharges the carrier's obli-
22 gation to deliver.

23 Sec. 8103. (1) A share or similar equity interest issued by
24 a corporation, business trust, joint stock company, or similar
25 entity is a security.

26 (2) An investment company security is a security.

27 "Investment company security" means a share or similar equity

1 interest issued by an entity that is registered as an investment
2 company under the federal investment company laws, an interest in
3 a unit investment trust that is so registered, or a face-amount
4 certificate issued by a face-amount certificate company that is
5 so registered. Investment company security does not include an
6 insurance policy or endowment policy or annuity contract issued
7 by an insurance company.

8 (3) An interest in a partnership or limited liability com-
9 pany is not a security unless it is dealt in or traded on securi-
10 ties exchanges or in securities markets, its terms expressly pro-
11 vide that it is a security governed by this article, or it is an
12 investment company security. However, an interest in a partner-
13 ship or limited liability company is a financial asset if it is
14 held in a securities account.

15 (4) A writing that is a security certificate is governed by
16 this article and not by article 3, even though it also meets the
17 requirements of that article. However, a negotiable instrument
18 governed by article 3 is a financial asset if it is held in a
19 securities account.

20 (5) An option or similar obligation issued by a clearing
21 corporation to its participants is not a security, but is a
22 financial asset.

23 (6) A commodity contract, AS DEFINED IN SECTION 9102(1)(O),
24 is not a security or a financial asset.

25 Sec. 8106. (1) A purchaser has "control" of a certificated
26 security in bearer form if the certificated security is delivered
27 to the purchaser.

1 (2) A purchaser has "control" of a certificated security in
2 registered form if the certificated security is delivered to the
3 purchaser and if either of the following applies:

4 (a) The certificate is indorsed to the purchaser or in blank
5 by an effective indorsement.

6 (b) The certificate is registered in the name of the pur-
7 chaser, upon original issue or registration of transfer by the
8 issuer.

9 (3) A purchaser has "control" of an uncertificated security
10 if either of the following applies:

11 (a) The uncertificated security is delivered to the
12 purchaser.

13 (b) The issuer has agreed that it will comply with instruc-
14 tions originated by the purchaser without further consent by the
15 registered owner.

16 (4) A purchaser has "control" of a security entitlement if
17 ~~either~~ 1 of the following applies:

18 (a) The purchaser becomes the entitlement holder.

19 (b) The securities intermediary has agreed that it will
20 comply with entitlement orders originated by the purchaser with-
21 out further consent by the entitlement holder.

22 (C) ANOTHER PERSON HAS CONTROL OF THE SECURITY ENTITLEMENT
23 ON BEHALF OF THE PURCHASER OR, HAVING PREVIOUSLY ACQUIRED CONTROL
24 OF THE SECURITY ENTITLEMENT, ACKNOWLEDGES THAT IT HAS CONTROL ON
25 BEHALF OF THE PURCHASER.

1 (5) If an interest in a security entitlement is granted by
2 the entitlement holder to the entitlement holder's own securities
3 intermediary, the securities intermediary has control.

4 (6) A purchaser who has satisfied the requirements of sub-
5 section (3)(b) or (4)(b) has control even if the registered owner
6 in the case of subsection (3)(b) or the entitlement holder in the
7 case of subsection (4)(b) retains the right to make substitutions
8 for the uncertificated security or security entitlement, to orig-
9 inate instructions or entitlement orders to the issuer or securi-
10 ties intermediary, or otherwise to deal with the uncertificated
11 security or security entitlement.

12 (7) An issuer or a securities intermediary may not enter
13 into an agreement of the kind described in subsection (3)(b) or
14 (4)(b) without the consent of the registered owner or entitlement
15 holder, but an issuer or a securities intermediary is not
16 required to enter into such an agreement even though the regis-
17 tered owner or entitlement holder so directs. An issuer or
18 securities intermediary that has entered into such an agreement
19 is not required to confirm the existence of the agreement to
20 another party unless requested to do so by the registered owner
21 or entitlement holder.

22 Sec. 8110. (1) The law of the issuer's jurisdiction, as
23 specified in subsection (4), governs all of the following:

24 (a) The validity of a security.

25 (b) The rights and duties of the issuer with respect to reg-
26 istration of transfer.

1 (c) The effectiveness of registration of transfer by the
2 issuer.

3 (d) Whether the issuer owes any duties to an adverse claim-
4 ant to a security.

5 (e) Whether an adverse claim can be asserted against a
6 person to whom transfer of a certificated or uncertificated
7 security is registered or a person who obtains control of an
8 uncertificated security.

9 (2) The law of the securities intermediary's jurisdiction,
10 as specified in subsection (5), governs all of the following:

11 (a) Acquisition of a security entitlement from the securi-
12 ties intermediary.

13 (b) The rights and duties of the securities intermediary and
14 entitlement holder arising out of a security entitlement.

15 (c) Whether the securities intermediary owes any duties to
16 an adverse claimant to a security entitlement.

17 (d) Whether an adverse claim can be asserted against a
18 person who acquires a security entitlement from the securities
19 intermediary or a person who purchases a security entitlement or
20 interest therein from an entitlement holder.

21 (3) The law of the jurisdiction in which a security certifi-
22 cate is located at the time of delivery governs whether an
23 adverse claim can be asserted against a person to whom the secur-
24 ity certificate is delivered.

25 (4) "Issuer's jurisdiction" means the jurisdiction under
26 which the issuer of the security is organized or, if permitted by
27 the law of that jurisdiction, the law of another jurisdiction

1 specified by the issuer. An issuer organized under the law of
2 this state may specify the law of another jurisdiction as the law
3 governing the matters specified in subsection (1)(b) through
4 (e).

5 (5) The following rules determine a "securities
6 intermediary's jurisdiction" for the purposes of this section:

7 (a) If an agreement between the securities intermediary and
8 its entitlement holder ~~specifies that it is governed by the law~~
9 ~~of a particular jurisdiction~~ GOVERNING THE SECURITIES ACCOUNT
10 EXPRESSLY PROVIDES THAT A PARTICULAR JURISDICTION IS THE SECURI-
11 TIES INTERMEDIARY'S JURISDICTION FOR PURPOSES OF THIS PART, THIS
12 ARTICLE, OR THIS AMENDATORY ACT, that jurisdiction is the securi-
13 ties intermediary's jurisdiction.

14 (B) IF SUBDIVISION (A) DOES NOT APPLY AND AN AGREEMENT
15 BETWEEN THE SECURITIES INTERMEDIARY AND ITS ENTITLEMENT HOLDER
16 GOVERNING THE SECURITIES ACCOUNT EXPRESSLY PROVIDES THAT THE
17 AGREEMENT IS GOVERNED BY THE LAW OF A PARTICULAR JURISDICTION,
18 THAT JURISDICTION IS THE SECURITIES INTERMEDIARY'S JURISDICTION.

19 (C) ~~-(b)-~~ If NEITHER SUBDIVISION (A) NOR SUBDIVISION (B)
20 APPLIES AND an agreement between the securities intermediary and
21 its entitlement holder ~~does not specify the governing law as~~
22 ~~provided in subdivision (a), but~~ GOVERNING THE SECURITIES
23 ACCOUNT expressly ~~specifies~~ PROVIDES that the securities
24 account is maintained at an office in a particular jurisdiction,
25 that jurisdiction is the securities intermediary's jurisdiction.

26 (D) ~~-(c)-~~ If ~~an agreement between the securities~~
27 ~~intermediary and its entitlement holder does not specify a~~

1 ~~jurisdiction as provided in subdivision (a) or (b)~~ NONE OF THE
2 PRECEDING SUBDIVISIONS APPLY, the securities intermediary's
3 jurisdiction is the jurisdiction in which ~~is located~~ the office
4 identified in an account statement as the office serving the
5 entitlement holder's account IS LOCATED.

6 (E) ~~(d) If an agreement between the securities intermedi-~~
7 ~~ary and its entitlement holder does not specify a jurisdiction as~~
8 ~~provided in subdivision (a) or (b) and an account statement does~~
9 ~~not identify an office serving the entitlement holder's account~~
10 ~~as provided in subdivision (c)~~ NONE OF THE PRECEDING SUBDIVI-
11 SIONS APPLY, the securities intermediary's jurisdiction is the
12 jurisdiction in which ~~is located~~ the chief executive office of
13 the securities intermediary IS LOCATED.

14 (6) A securities intermediary's jurisdiction is not deter-
15 mined by the physical location of certificates representing
16 financial assets, or by the jurisdiction in which is organized
17 the issuer of the financial asset with respect to which an enti-
18 tlement holder has a security entitlement, or by the location of
19 facilities for data processing or other record-keeping concerning
20 the account.

21 Sec. 8301. (1) Delivery of a certificated security to a
22 purchaser occurs when 1 of the following occurs:

23 (a) The purchaser acquires possession of the security
24 certificate.

25 (b) Another person, other than a securities intermediary,
26 either acquires possession of the security certificate on behalf

1 of the purchaser or, having previously acquired possession of the
2 certificate, acknowledges that it holds for the purchaser.

3 (c) A securities intermediary acting on behalf of the pur-
4 chaser acquires possession of the security certificate, only if
5 the certificate is in registered form and ~~has been~~ IS (i) REG-
6 ISTERED IN THE NAME OF THE PURCHASER, (ii) PAYABLE TO THE ORDER
7 OF THE PURCHASER, OR (iii) specially indorsed to the purchaser by
8 an effective indorsement AND HAS NOT BEEN ENDORSED TO THE SECURI-
9 TIES INTERMEDIARY OR IN BLANK.

10 (2) Delivery of an uncertificated security to a purchaser
11 occurs when either of the following occurs:

12 (a) The issuer registers the purchaser as the registered
13 owner, upon original issue or registration of transfer.

14 (b) Another person, other than a securities intermediary,
15 either becomes the registered owner of the uncertificated secur-
16 ity on behalf of the purchaser or, having previously become the
17 registered owner, acknowledges that it holds for the purchaser.

18 Sec. 8302. (1) Except as otherwise provided in subsections
19 (2) and (3), ~~upon delivery~~ A PURCHASER of a certificated or
20 uncertificated security ~~to a purchaser, the purchaser~~ acquires
21 all rights in the security that the transferor had or had power
22 to transfer.

23 (2) A purchaser of a limited interest acquires rights only
24 to the extent of the interest purchased.

25 (3) A purchaser of a certificated security who as a previous
26 holder had notice of an adverse claim does not improve its
27 position by taking from a protected purchaser.

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1 Sec. 8510. (1) ~~An~~ IN A CASE NOT COVERED BY THE PRIORITY
2 RULES IN ARTICLE 9 OR THE RULES STATED IN SUBSECTION (3), AN
3 action based on an adverse claim to a financial asset or security
4 entitlement, whether framed in conversion, replevin, constructive
5 trust, equitable lien, or other theory, may not be asserted
6 against a person who purchases a security entitlement, or an
7 interest in a security entitlement, from an entitlement holder if
8 the purchaser gives value, does not have notice of the adverse
9 claim, and obtains control.

10 (2) If an adverse claim could not have been asserted against
11 an entitlement holder under section 8502, the adverse claim
12 cannot be asserted against a person who purchases a security
13 entitlement, or an interest in a security entitlement, from the
14 entitlement holder.

15 (3) In a case not covered by the priority rules in
16 article 9, a purchaser for value of a security entitlement, or an
17 interest in a security entitlement, who obtains control has pri-
18 ority over a purchaser of a security entitlement, or an interest
19 in a security entitlement, who does not obtain control.

20 ~~Purchasers~~ EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (4),
21 PURCHASERS who have control rank ~~equally, except that a~~
22 ACCORDING TO PRIORITY IN TIME OF 1 OF THE FOLLOWING:

23 (A) THE PURCHASER'S BECOMING THE PERSON FOR WHOM THE SECURI-
24 TIES ACCOUNT, IN WHICH THE SECURITY ENTITLEMENT IS CARRIED, IS
25 MAINTAINED, IF THE PURCHASER OBTAINED CONTROL UNDER SECTION
26 8106(4)(A).

1 (B) THE SECURITIES INTERMEDIARY'S AGREEMENT TO COMPLY WITH
2 THE PURCHASER'S ENTITLEMENT ORDERS WITH RESPECT TO SECURITY
3 ENTITLEMENTS CARRIED OR TO BE CARRIED IN THE SECURITIES ACCOUNT
4 IN WHICH THE SECURITY ENTITLEMENT IS CARRIED, IF THE PURCHASER
5 OBTAINED CONTROL UNDER SECTION 8106(4)(B).

6 (C) IF THE PURCHASER OBTAINED CONTROL THROUGH ANOTHER PERSON
7 UNDER SECTION 8106(4)(C), THE TIME ON WHICH PRIORITY WOULD BE
8 BASED UNDER THIS SUBSECTION IF THE OTHER PERSON WERE THE SECURED
9 PARTY.

10 (4) A securities intermediary as purchaser has priority over
11 a conflicting purchaser who has control unless otherwise agreed
12 by the securities intermediary.

13 ARTICLE 9

14 SECURED TRANSACTIONS ~~;/ SALES OF ACCOUNTS, AND CHATTEL PAPER~~

15 PART 1

16 ~~SHORT TITLE, APPLICABILITY, AND DEFINITIONS~~ GENERAL PROVISIONS

17 SUBPART 1. SHORT TITLE, DEFINITIONS, AND GENERAL CONCEPTS

18 Sec. 9102. ~~(1) Except as otherwise provided in section~~
19 ~~9104 on excluded transactions, this article applies;~~

20 ~~(a) To any transaction (regardless of its form) which is~~
21 ~~intended to create a security interest in personal property or~~
22 ~~fixtures including goods, documents, instruments, general intan-~~
23 ~~gibles, chattle paper or accounts; and also~~

24 ~~(b) To any sale of accounts or chattel paper.~~

25 ~~(2) This article applies to security interests created by~~
26 ~~contract including pledge, assignment, chattel mortgage, chattel~~
27 ~~trust, trust deed, factor's lien, equipment trust, conditional~~

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~~1 sale, trust receipt, other lien or title retention contract, and
2 lease or consignment intended as security. This article does not
3 apply to statutory liens except as provided in section 9310.~~

~~4 (3) The application of this article to a security interest
5 in a secured obligation is not affected by the fact that the
6 obligation is itself secured by a transaction or interest to
7 which this article does not apply.~~

8 (1) AS USED IN THIS ARTICLE:

9 (A) "ACCESSION" MEANS GOODS THAT ARE PHYSICALLY UNITED WITH
10 OTHER GOODS IN SUCH A MANNER THAT THE IDENTITY OF THE ORIGINAL
11 GOODS IS NOT LOST.

12 (B) "ACCOUNT", EXCEPT AS USED IN "ACCOUNT FOR", MEANS A
13 RIGHT TO PAYMENT OF A MONETARY OBLIGATION, WHETHER OR NOT EARNED
14 BY PERFORMANCE, FOR PROPERTY THAT HAS BEEN OR IS TO BE SOLD,
15 LEASED, LICENSED, ASSIGNED, OR OTHERWISE DISPOSED OF, FOR SERV-
16 ICES RENDERED OR TO BE RENDERED, FOR A POLICY OF INSURANCE ISSUED
17 OR TO BE ISSUED, FOR A SECONDARY OBLIGATION INCURRED OR TO BE
18 INCURRED, FOR ENERGY PROVIDED OR TO BE PROVIDED, FOR THE USE OR
19 HIRE OF A VESSEL UNDER A CHARTER OR OTHER CONTRACT, ARISING OUT
20 OF THE USE OF A CREDIT OR CHARGE CARD OR INFORMATION CONTAINED ON
21 OR FOR USE WITH THE CARD, OR AS WINNINGS IN A LOTTERY OR OTHER
22 GAME OF CHANCE OPERATED OR SPONSORED BY A STATE, GOVERNMENTAL
23 UNIT OF A STATE, OR PERSON LICENSED OR AUTHORIZED TO OPERATE THE
24 GAME BY A STATE OR GOVERNMENTAL UNIT OF A STATE. THE TERM
25 INCLUDES HEALTH-CARE-INSURANCE RECEIVABLES. THE TERM DOES NOT
26 INCLUDE RIGHTS TO PAYMENT EVIDENCED BY CHATTEL PAPER OR AN
27 INSTRUMENT, COMMERCIAL TORT CLAIMS, DEPOSIT ACCOUNTS, INVESTMENT

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1 PROPERTY, LETTER-OF-CREDIT RIGHTS OR LETTERS OF CREDIT, OR RIGHTS
2 TO PAYMENT FOR MONEY OR FUNDS ADVANCED OR SOLD, OTHER THAN RIGHTS
3 ARISING OUT OF THE USE OF A CREDIT OR CHARGE CARD OR INFORMATION
4 CONTAINED ON OR FOR USE WITH THE CARD.

5 (C) "ACCOUNT DEBTOR" MEANS A PERSON OBLIGATED ON AN ACCOUNT,
6 CHATTEL PAPER, OR GENERAL INTANGIBLE. THE TERM DOES NOT INCLUDE
7 PERSONS OBLIGATED TO PAY A NEGOTIABLE INSTRUMENT, EVEN IF THE
8 INSTRUMENT CONSTITUTES PART OF CHATTEL PAPER.

9 (D) "ACCOUNTING", EXCEPT AS USED IN "ACCOUNTING FOR", MEANS
10 A RECORD THAT MEETS ALL OF THE FOLLOWING REQUIREMENTS:

11 (i) AUTHENTICATED BY A SECURED PARTY.

12 (ii) INDICATING THE AGGREGATE UNPAID SECURED OBLIGATIONS AS
13 OF A DATE NOT MORE THAN 35 DAYS EARLIER OR 35 DAYS LATER THAN THE
14 DATE OF THE RECORD.

15 (iii) IDENTIFYING THE COMPONENTS OF THE OBLIGATIONS IN REA-
16 SONABLE DETAIL.

17 (E) "AGRICULTURAL LIEN" MEANS AN INTEREST, OTHER THAN A
18 SECURITY INTEREST, IN FARM PRODUCTS THAT MEETS ALL OF THE FOLLOW-
19 ING REQUIREMENTS:

20 (i) THE INTEREST SECURES PAYMENT OR PERFORMANCE OF AN OBLI-
21 GATION FOR 1 OR MORE OF THE FOLLOWING:

22 (A) GOODS OR SERVICES FURNISHED IN CONNECTION WITH A
23 DEBTOR'S FARMING OPERATION.

24 (B) RENT ON REAL PROPERTY LEASED BY A DEBTOR IN CONNECTION
25 WITH ITS FARMING OPERATION.

26 (ii) THE INTEREST IS CREATED BY STATUTE IN FAVOR OF A PERSON
27 THAT DID 1 OR MORE OF THE FOLLOWING:

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1 (A) IN THE ORDINARY COURSE OF ITS BUSINESS FURNISHED GOODS
2 OR SERVICES TO A DEBTOR IN CONNECTION WITH A DEBTOR'S FARMING
3 OPERATION.

4 (B) LEASED REAL PROPERTY TO A DEBTOR IN CONNECTION WITH THE
5 DEBTOR'S FARMING OPERATION.

6 (iii) THE EFFECTIVENESS OF THE INTEREST DOES NOT DEPEND ON
7 THE PERSON'S POSSESSION OF THE PERSONAL PROPERTY.

8 (F) "AS-EXTRACTED COLLATERAL" MEANS 1 OR MORE OF THE
9 FOLLOWING:

10 (i) OIL, GAS, OR OTHER MINERALS THAT ARE SUBJECT TO A SECUR-
11 ITY INTEREST THAT IS CREATED BY A DEBTOR HAVING AN INTEREST IN
12 THE MINERALS BEFORE EXTRACTION AND ATTACHES TO THE MINERALS AS
13 EXTRACTED.

14 (ii) ACCOUNTS ARISING OUT OF THE SALE AT THE WELLHEAD OR
15 MINEHEAD OF OIL, GAS, OR OTHER MINERALS IN WHICH THE DEBTOR HAD
16 AN INTEREST BEFORE EXTRACTION.

17 (G) "AUTHENTICATE" MEANS 1 OF THE FOLLOWING:

18 (i) TO SIGN.

19 (ii) TO EXECUTE OR OTHERWISE ADOPT A SYMBOL, OR ENCRYPT OR
20 SIMILARLY PROCESS A RECORD IN WHOLE OR IN PART, WITH THE PRESENT
21 INTENT OF THE AUTHENTICATING PERSON TO IDENTIFY THE PERSON AND
22 ADOPT OR ACCEPT A RECORD.

23 (H) "BANK" MEANS AN ORGANIZATION THAT IS ENGAGED IN THE
24 BUSINESS OF BANKING. THE TERM INCLUDES SAVINGS BANKS, SAVINGS
25 AND LOAN ASSOCIATIONS, CREDIT UNIONS, AND TRUST COMPANIES.

26 (I) "CASH PROCEEDS" MEANS PROCEEDS THAT ARE MONEY, CHECKS,
27 DEPOSIT ACCOUNTS, OR THE LIKE.

1 (J) "CERTIFICATE OF TITLE" MEANS A CERTIFICATE OF TITLE WITH
2 RESPECT TO WHICH A STATUTE PROVIDES FOR THE SECURITY INTEREST IN
3 QUESTION TO BE INDICATED ON THE CERTIFICATE AS A CONDITION OR
4 RESULT OF THE SECURITY INTEREST'S OBTAINING PRIORITY OVER THE
5 RIGHTS OF A LIEN CREDITOR WITH RESPECT TO THE COLLATERAL.

6 (K) "CHATTEL PAPER" MEANS A RECORD OR RECORDS THAT EVIDENCE
7 BOTH A MONETARY OBLIGATION AND A SECURITY INTEREST IN SPECIFIC
8 GOODS, A SECURITY INTEREST IN SPECIFIC GOODS AND SOFTWARE USED IN
9 THE GOODS, A SECURITY INTEREST IN SPECIFIC GOODS AND LICENSE OF
10 SOFTWARE USED IN THE GOODS, A LEASE OF SPECIFIC GOODS, OR A LEASE
11 OF SPECIFIC GOODS AND LICENSE OF SOFTWARE USED IN THE GOODS. AS
12 USED IN THIS SUBDIVISION, "MONETARY OBLIGATION" MEANS A MONETARY
13 OBLIGATION SECURED BY THE GOODS OR OWED UNDER A LEASE OF THE
14 GOODS AND INCLUDES A MONETARY OBLIGATION WITH RESPECT TO SOFTWARE
15 USED IN THE GOODS. THE TERM DOES NOT INCLUDE CHARTERS OR OTHER
16 CONTRACTS INVOLVING THE USE OR HIRE OF A VESSEL, OR RECORDS THAT
17 EVIDENCE A RIGHT TO PAYMENT ARISING OUT OF THE USE OF A CREDIT OR
18 CHARGE CARD OR INFORMATION CONTAINED ON OR FOR USE WITH THE
19 CARD. IF A TRANSACTION IS EVIDENCED BY RECORDS THAT INCLUDE AN
20 INSTRUMENT OR SERIES OF INSTRUMENTS, THE GROUP OF RECORDS TAKEN
21 TOGETHER CONSTITUTES CHATTEL PAPER.

22 (l) "COLLATERAL" MEANS THE PROPERTY SUBJECT TO A SECURITY
23 INTEREST OR AGRICULTURAL LIEN. THE TERM INCLUDES 1 OR MORE OF
24 THE FOLLOWING:

25 (i) PROCEEDS TO WHICH A SECURITY INTEREST ATTACHES.

26 (ii) ACCOUNTS, CHATTEL PAPER, PAYMENT INTANGIBLES, AND
27 PROMISSORY NOTES THAT HAVE BEEN SOLD.

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1 (iii) GOODS THAT ARE THE SUBJECT OF A CONSIGNMENT.

2 (M) "COMMERCIAL TORT CLAIM" MEANS A CLAIM ARISING IN TORT
3 WITH RESPECT TO WHICH 1 OF THE FOLLOWING APPLIES:

4 (i) THE CLAIMANT IS AN ORGANIZATION.

5 (ii) THE CLAIMANT IS AN INDIVIDUAL AND THE CLAIM AROSE IN
6 THE COURSE OF THE CLAIMANT'S BUSINESS OR PROFESSION AND DOES NOT
7 INCLUDE DAMAGES ARISING OUT OF PERSONAL INJURY TO OR THE DEATH OF
8 AN INDIVIDUAL.

9 (N) "COMMODITY ACCOUNT" MEANS AN ACCOUNT MAINTAINED BY A
10 COMMODITY INTERMEDIARY IN WHICH A COMMODITY CONTRACT IS CARRIED
11 FOR A COMMODITY CUSTOMER.

12 (O) "COMMODITY CONTRACT" MEANS A COMMODITY FUTURES CONTRACT,
13 AN OPTION ON A COMMODITY FUTURES CONTRACT, A COMMODITY OPTION, OR
14 ANOTHER CONTRACT IF THE CONTRACT OR OPTION IS 1 OF THE
15 FOLLOWING:

16 (i) TRADED ON OR SUBJECT TO THE RULES OF A BOARD OF TRADE
17 THAT HAS BEEN DESIGNATED AS A CONTRACT MARKET FOR SUCH A CONTRACT
18 PURSUANT TO FEDERAL COMMODITIES LAWS.

19 (ii) TRADED ON A FOREIGN COMMODITY BOARD OF TRADE, EXCHANGE,
20 OR MARKET, AND IS CARRIED ON THE BOOKS OF A COMMODITY INTERMEDI-
21 ARY FOR A COMMODITY CUSTOMER.

22 (P) "COMMODITY CUSTOMER" MEANS A PERSON FOR WHICH A COMMOD-
23 ITY INTERMEDIARY CARRIES A COMMODITY CONTRACT ON ITS BOOKS.

24 (Q) "COMMODITY INTERMEDIARY" MEANS 1 OF THE FOLLOWING:

25 (i) A PERSON THAT IS REGISTERED AS A FUTURES COMMISSION MER-
26 CHANT UNDER FEDERAL COMMODITIES LAW.

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1 (ii) A PERSON THAT IN THE ORDINARY COURSE OF ITS BUSINESS
2 PROVIDES CLEARANCE OR SETTLEMENT SERVICES FOR A BOARD OF TRADE
3 THAT HAS BEEN DESIGNATED AS A CONTRACT MARKET PURSUANT TO FEDERAL
4 COMMODITIES LAW.

5 (R) "COMMUNICATE" MEANS 1 OR MORE OF THE FOLLOWING:

6 (i) TO SEND A WRITTEN OR OTHER TANGIBLE RECORD.

7 (ii) TO TRANSMIT A RECORD BY ANY MEANS AGREED UPON BY THE
8 PERSONS SENDING AND RECEIVING THE RECORD.

9 (iii) IN THE CASE OF TRANSMISSION OF A RECORD TO OR BY A
10 FILING OFFICE, TO TRANSMIT A RECORD BY ANY MEANS PRESCRIBED BY
11 FILING-OFFICE RULE.

12 (S) "CONSIGNEE" MEANS A MERCHANT TO WHICH GOODS ARE DELIV-
13 ERED IN A CONSIGNMENT.

14 (T) "CONSIGNMENT" MEANS A TRANSACTION, REGARDLESS OF ITS
15 FORM, IN WHICH A PERSON DELIVERS GOODS TO A MERCHANT FOR THE PUR-
16 POSE OF SALE AND THAT MEETS ALL OF THE FOLLOWING:

17 (i) THE MERCHANT DEALS IN GOODS OF THAT KIND UNDER A NAME
18 OTHER THAN THE NAME OF THE PERSON MAKING DELIVERY, IS NOT AN AUC-
19 TIONEER, AND IS NOT GENERALLY KNOWN BY ITS CREDITORS TO BE SUB-
20 STANTIALY ENGAGED IN SELLING THE GOODS OF OTHERS.

21 (ii) WITH RESPECT TO EACH DELIVERY, THE AGGREGATE VALUE OF
22 THE GOODS IS \$1,000.00 OR MORE AT THE TIME OF DELIVERY.

23 (iii) THE GOODS ARE NOT CONSUMER GOODS IMMEDIATELY BEFORE
24 DELIVERY.

25 (iv) THE TRANSACTION DOES NOT CREATE A SECURITY INTEREST
26 THAT SECURES AN OBLIGATION.

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1 (U) "CONSIGNOR" MEANS A PERSON THAT DELIVERS GOODS TO A
2 CONSIGNEE IN A CONSIGNMENT.

3 (V) "CONSUMER DEBTOR" MEANS A DEBTOR IN A CONSUMER
4 TRANSACTION.

5 (W) "CONSUMER GOODS" MEANS GOODS THAT ARE USED OR BOUGHT FOR
6 USE PRIMARILY FOR PERSONAL, FAMILY, OR HOUSEHOLD PURPOSES.

7 (X) "CONSUMER-GOODS TRANSACTION" MEANS A CONSUMER TRANSAC-
8 TION IN WHICH AN INDIVIDUAL INCURS AN OBLIGATION PRIMARILY FOR
9 PERSONAL, FAMILY, OR HOUSEHOLD PURPOSES AND A SECURITY INTEREST
10 IN CONSUMER GOODS SECURES THE OBLIGATION.

11 (Y) "CONSUMER OBLIGOR" MEANS AN OBLIGOR WHO IS AN INDIVIDUAL
12 AND WHO INCURRED THE OBLIGATION AS PART OF A TRANSACTION ENTERED
13 INTO PRIMARILY FOR PERSONAL, FAMILY, OR HOUSEHOLD PURPOSES.

14 (Z) "CONSUMER TRANSACTION" MEANS A TRANSACTION IN WHICH AN
15 INDIVIDUAL INCURS AN OBLIGATION PRIMARILY FOR PERSONAL, FAMILY,
16 OR HOUSEHOLD PURPOSES, A SECURITY INTEREST SECURES THE OBLIGA-
17 TION, AND THE COLLATERAL IS HELD OR ACQUIRED PRIMARILY FOR PER-
18 SONAL, FAMILY, OR HOUSEHOLD PURPOSES. THE TERM INCLUDES
19 CONSUMER-GOODS TRANSACTIONS.

20 (AA) "CONTINUATION STATEMENT" MEANS AN AMENDMENT OF A
21 FINANCING STATEMENT WHICH IDENTIFIES, BY ITS FILE NUMBER, THE
22 INITIAL FINANCING STATEMENT TO WHICH IT RELATES AND INDICATES
23 THAT IT IS A CONTINUATION STATEMENT FOR, OR THAT IT IS FILED TO
24 CONTINUE THE EFFECTIVENESS OF, THE IDENTIFIED FINANCING
25 STATEMENT.

26 (BB) "DEBTOR" MEANS 1 OF THE FOLLOWING:

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1 (i) A PERSON HAVING AN INTEREST, OTHER THAN A SECURITY
2 INTEREST OR OTHER LIEN, IN THE COLLATERAL, WHETHER OR NOT THE
3 PERSON IS AN OBLIGOR.

4 (ii) A SELLER OF ACCOUNTS, CHATTEL PAPER, PAYMENT INTANGI-
5 BLES, OR PROMISSORY NOTES.

6 (iii) A CONSIGNEE.

7 (CC) "DEPOSIT ACCOUNT" MEANS A DEMAND, TIME, SAVINGS, PASS-
8 BOOK, OR SIMILAR ACCOUNT MAINTAINED WITH A BANK. THE TERM DOES
9 NOT INCLUDE INVESTMENT PROPERTY OR ACCOUNTS EVIDENCED BY AN
10 INSTRUMENT.

11 (DD) "DOCUMENT" MEANS A DOCUMENT OF TITLE OR A RECEIPT OF
12 THE TYPE DESCRIBED IN SECTION 7201(2).

13 (EE) "ELECTRONIC CHATTEL PAPER" MEANS CHATTEL PAPER EVI-
14 DENCED BY A RECORD OR RECORDS CONSISTING OF INFORMATION STORED IN
15 AN ELECTRONIC MEDIUM.

16 (FF) "ENCUMBRANCE" MEANS A RIGHT, OTHER THAN AN OWNERSHIP
17 INTEREST, IN REAL PROPERTY. THE TERM INCLUDES MORTGAGES AND
18 OTHER LIENS ON REAL PROPERTY.

19 (GG) "EQUIPMENT" MEANS GOODS OTHER THAN INVENTORY, FARM PRO-
20 DUCTS, OR CONSUMER GOODS.

21 (HH) "FARM PRODUCTS" MEANS GOODS, OTHER THAN STANDING
22 TIMBER, WITH RESPECT TO WHICH THE DEBTOR IS ENGAGED IN A FARMING
23 OPERATION AND WHICH ARE 1 OF THE FOLLOWING:

24 (i) CROPS GROWN, GROWING, OR TO BE GROWN, INCLUDING CROPS
25 PRODUCED ON TREES, VINES, AND BUSHES, AND AQUATIC GOODS PRODUCED
26 IN AQUACULTURAL OPERATIONS.

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1 (ii) LIVESTOCK, BORN OR UNBORN, INCLUDING AQUATIC GOODS
2 PRODUCED IN AQUACULTURAL OPERATIONS.

3 (iii) SUPPLIES USED OR PRODUCED IN A FARMING OPERATION.

4 (iv) PRODUCTS OF CROPS OR LIVESTOCK IN THEIR UNMANUFACTURED
5 STATES.

6 (II) "FARMING OPERATION" MEANS RAISING, CULTIVATING, PROPA-
7 GATING, FATTENING, GRAZING, OR ANY OTHER FARMING, LIVESTOCK, OR
8 AQUACULTURAL OPERATION.

9 (JJ) "FILE NUMBER" MEANS THE NUMBER ASSIGNED TO AN INITIAL
10 FINANCING STATEMENT PURSUANT TO SECTION 9519(1).

11 (KK) "FILING OFFICE" MEANS AN OFFICE DESIGNATED IN SECTION
12 9501 AS THE PLACE TO FILE A FINANCING STATEMENT.

13 (ll) "FILING-OFFICE RULE" MEANS A RULE ADOPTED PURSUANT TO
14 SECTION 9526.

15 (MM) "FINANCING STATEMENT" MEANS A RECORD OR RECORDS COM-
16 POSED OF AN INITIAL FINANCING STATEMENT AND ANY FILED RECORD
17 RELATING TO THE INITIAL FINANCING STATEMENT.

18 (NN) "FIXTURE FILING" MEANS THE FILING OF A FINANCING STATE-
19 MENT COVERING GOODS THAT ARE OR ARE TO BECOME FIXTURES AND SATIS-
20 FYING SECTION 9502(1) AND (2). THE TERM INCLUDES THE FILING OF A
21 FINANCING STATEMENT COVERING GOODS OF A TRANSMITTING UTILITY
22 WHICH ARE OR ARE TO BECOME FIXTURES.

23 (OO) "FIXTURES" MEANS GOODS THAT HAVE BECOME SO RELATED TO
24 PARTICULAR REAL PROPERTY THAT AN INTEREST IN THEM ARISES UNDER
25 REAL PROPERTY LAW.

26 (PP) "GENERAL INTANGIBLE" MEANS ANY PERSONAL PROPERTY,
27 INCLUDING THINGS IN ACTION, OTHER THAN ACCOUNTS, CHATTEL PAPER,

1 COMMERCIAL TORT CLAIMS, DEPOSIT ACCOUNTS, DOCUMENTS, GOODS,
2 INSTRUMENTS, INVESTMENT PROPERTY, LETTER-OF-CREDIT RIGHTS, LET-
3 TERS OF CREDIT, MONEY, AND OIL, GAS, OR OTHER MINERALS BEFORE
4 EXTRACTION. THE TERM INCLUDES PAYMENT INTANGIBLES AND SOFTWARE.

5 (QQ) "GOOD FAITH" MEANS HONESTY IN FACT AND THE OBSERVANCE
6 OF REASONABLE COMMERCIAL STANDARDS OF FAIR DEALING.

7 (RR) "GOODS" MEANS ALL THINGS THAT ARE MOVABLE WHEN A SECUR-
8 ITY INTEREST ATTACHES. THE TERM INCLUDES FIXTURES, STANDING
9 TIMBER THAT IS TO BE CUT AND REMOVED UNDER A CONVEYANCE OR CON-
10 TRACT FOR SALE, THE UNBORN YOUNG OF ANIMALS, CROPS GROWN, GROW-
11 ING, OR TO BE GROWN, EVEN IF THE CROPS ARE PRODUCED ON TREES,
12 VINES, OR BUSHES, AND MANUFACTURED HOMES. THE TERM ALSO INCLUDES
13 A COMPUTER PROGRAM EMBEDDED IN GOODS AND ANY SUPPORTING INFORMA-
14 TION PROVIDED IN CONNECTION WITH A TRANSACTION RELATING TO THE
15 PROGRAM IF THE PROGRAM IS ASSOCIATED WITH THE GOODS IN SUCH A
16 MANNER THAT IT CUSTOMARILY IS CONSIDERED PART OF THE GOODS, OR BY
17 BECOMING THE OWNER OF THE GOODS, A PERSON ACQUIRES A RIGHT TO USE
18 THE PROGRAM IN CONNECTION WITH THE GOODS. THE TERM DOES NOT
19 INCLUDE A COMPUTER PROGRAM EMBEDDED IN GOODS THAT CONSIST SOLELY
20 OF THE MEDIUM IN WHICH THE PROGRAM IS EMBEDDED. THE TERM ALSO
21 DOES NOT INCLUDE ACCOUNTS, CHATTEL PAPER, COMMERCIAL TORT CLAIMS,
22 DEPOSIT ACCOUNTS, DOCUMENTS, GENERAL INTANGIBLES, INSTRUMENTS,
23 INVESTMENT PROPERTY, LETTER-OF-CREDIT RIGHTS, LETTERS OF CREDIT,
24 MONEY, OR OIL, GAS, OR OTHER MINERALS BEFORE EXTRACTION.

25 (SS) "GOVERNMENTAL UNIT" MEANS A SUBDIVISION, AGENCY,
26 DEPARTMENT, COUNTY, PARISH, MUNICIPALITY, OR OTHER UNIT OF THE
27 GOVERNMENT OF THE UNITED STATES, A STATE, OR A FOREIGN COUNTRY.

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1 THE TERM INCLUDES AN ORGANIZATION HAVING A SEPARATE CORPORATE
2 EXISTENCE IF THE ORGANIZATION IS ELIGIBLE TO ISSUE DEBT ON WHICH
3 INTEREST IS EXEMPT FROM INCOME TAXATION UNDER THE LAWS OF THE
4 UNITED STATES.

5 (TT) "HEALTH-CARE-INSURANCE RECEIVABLE" MEANS AN INTEREST IN
6 OR CLAIM UNDER A POLICY OF INSURANCE WHICH IS A RIGHT TO PAYMENT
7 OF A MONETARY OBLIGATION FOR HEALTH-CARE GOODS OR SERVICES
8 PROVIDED.

9 (UU) "INSTRUMENT" MEANS A NEGOTIABLE INSTRUMENT OR ANY OTHER
10 WRITING THAT EVIDENCES A RIGHT TO THE PAYMENT OF A MONETARY OBLI-
11 GATION, IS NOT ITSELF A SECURITY AGREEMENT OR LEASE, AND IS OF A
12 TYPE THAT IN ORDINARY COURSE OF BUSINESS IS TRANSFERRED BY DELIV-
13 ERY WITH ANY NECESSARY INDORSEMENT OR ASSIGNMENT. THE TERM DOES
14 NOT INCLUDE INVESTMENT PROPERTY, LETTERS OF CREDIT, OR WRITINGS
15 THAT EVIDENCE A RIGHT TO PAYMENT ARISING OUT OF THE USE OF A
16 CREDIT OR CHARGE CARD OR INFORMATION CONTAINED ON OR FOR USE WITH
17 THE CARD.

18 (VV) "INVENTORY" MEANS GOODS, OTHER THAN FARM PRODUCTS, THAT
19 MEET 1 OF THE FOLLOWING:

20 (i) ARE LEASED BY A PERSON AS LESSOR.

21 (ii) ARE HELD BY A PERSON FOR SALE OR LEASE OR TO BE FUR-
22 NISHED UNDER A CONTRACT OF SERVICE.

23 (iii) ARE FURNISHED BY A PERSON UNDER A CONTRACT OF
24 SERVICE.

25 (iv) CONSIST OF RAW MATERIALS, WORK IN PROCESS, OR MATERIALS
26 USED OR CONSUMED IN A BUSINESS.

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1 (WW) "INVESTMENT PROPERTY" MEANS A SECURITY, WHETHER
2 CERTIFICATED OR UNCERTIFICATED, SECURITY ENTITLEMENT, SECURITIES
3 ACCOUNT, COMMODITY CONTRACT, OR COMMODITY ACCOUNT.

4 (XX) "JURISDICTION OF ORGANIZATION", WITH RESPECT TO A REG-
5 ISTERED ORGANIZATION, MEANS THE JURISDICTION UNDER WHOSE LAW THE
6 ORGANIZATION IS ORGANIZED.

7 (YY) "LETTER-OF-CREDIT RIGHT" MEANS A RIGHT TO PAYMENT OR
8 PERFORMANCE UNDER A LETTER OF CREDIT, WHETHER OR NOT THE BENEFI-
9 CIARY HAS DEMANDED OR IS AT THE TIME ENTITLED TO DEMAND PAYMENT
10 OR PERFORMANCE. THE TERM DOES NOT INCLUDE THE RIGHT OF A BENEFI-
11 CIARY TO DEMAND PAYMENT OR PERFORMANCE UNDER A LETTER OF CREDIT.

12 (ZZ) "LIEN CREDITOR" MEANS 1 OR MORE OF THE FOLLOWING:

13 (i) A CREDITOR THAT HAS ACQUIRED A LIEN ON THE PROPERTY
14 INVOLVED BY ATTACHMENT, LEVY, OR THE LIKE.

15 (ii) AN ASSIGNEE FOR BENEFIT OF CREDITORS FROM THE TIME OF
16 ASSIGNMENT.

17 (iii) A TRUSTEE IN BANKRUPTCY FROM THE DATE OF THE FILING OF
18 THE PETITION.

19 (iv) A RECEIVER IN EQUITY FROM THE TIME OF APPOINTMENT.

20 (AAA) "MANUFACTURED HOME" MEANS A STRUCTURE, TRANSPORTABLE
21 IN 1 OR MORE SECTIONS, WHICH, IN THE TRAVELING MODE, IS 8 BODY
22 FEET OR MORE IN WIDTH OR 40 BODY FEET OR MORE IN LENGTH, OR WHEN
23 ERECTED ON SITE, IS 320 OR MORE SQUARE FEET, AND WHICH IS BUILT
24 ON A PERMANENT CHASSIS AND DESIGNED TO BE USED AS A DWELLING WITH
25 OR WITHOUT A PERMANENT FOUNDATION WHEN CONNECTED TO THE REQUIRED
26 UTILITIES, AND INCLUDES THE PLUMBING, HEATING, AIR-CONDITIONING,
27 AND ELECTRICAL SYSTEMS CONTAINED THEREIN. THE TERM INCLUDES ANY

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1 STRUCTURE THAT MEETS ALL OF THE REQUIREMENTS OF THIS PARAGRAPH
2 EXCEPT THE SIZE REQUIREMENTS AND WITH RESPECT TO WHICH THE MANU-
3 FACTURER VOLUNTARILY FILES A CERTIFICATION REQUIRED BY THE SECRE-
4 TARY OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT AND COM-
5 PLIES WITH THE STANDARDS ESTABLISHED UNDER TITLE 42 OF THE UNITED
6 STATES CODE.

7 (BBB) "MANUFACTURED-HOME TRANSACTION" MEANS A SECURED TRANS-
8 ACTION THAT CREATES A PURCHASE-MONEY SECURITY INTEREST IN A MANU-
9 FACTURED HOME, OTHER THAN A MANUFACTURED HOME HELD AS INVENTORY,
10 OR IN WHICH A MANUFACTURED HOME, OTHER THAN A MANUFACTURED HOME
11 HELD AS INVENTORY, IS THE PRIMARY COLLATERAL.

12 (CCC) "MORTGAGE" MEANS A CONSENSUAL INTEREST IN REAL PROPER-
13 TY, INCLUDING FIXTURES, WHICH SECURES PAYMENT OR PERFORMANCE OF
14 AN OBLIGATION.

15 (DDD) "NEW DEBTOR" MEANS A PERSON THAT BECOMES BOUND AS
16 DEBTOR UNDER SECTION 9203(4) BY A SECURITY AGREEMENT PREVIOUSLY
17 ENTERED INTO BY ANOTHER PERSON.

18 (EEE) "NEW VALUE" MEANS MONEY, MONEY'S WORTH IN PROPERTY,
19 SERVICES, OR NEW CREDIT, OR RELEASE BY A TRANSFEREE OF AN INTER-
20 EST IN PROPERTY PREVIOUSLY TRANSFERRED TO THE TRANSFEREE. THE
21 TERM DOES NOT INCLUDE AN OBLIGATION SUBSTITUTED FOR ANOTHER
22 OBLIGATION.

23 (FFF) "NONCASH PROCEEDS" MEANS PROCEEDS OTHER THAN CASH
24 PROCEEDS.

25 (GGG) "OBLIGOR" MEANS A PERSON THAT, WITH RESPECT TO AN
26 OBLIGATION SECURED BY A SECURITY INTEREST IN OR AN AGRICULTURAL
27 LIEN ON THE COLLATERAL, OWES PAYMENT OR OTHER PERFORMANCE OF THE

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1 OBLIGATION, HAS PROVIDED PROPERTY OTHER THAN THE COLLATERAL TO
2 SECURE PAYMENT OR OTHER PERFORMANCE OF THE OBLIGATION, OR IS OTH-
3 ERWISE ACCOUNTABLE IN WHOLE OR IN PART FOR PAYMENT OR OTHER PER-
4 FORMANCE OF THE OBLIGATION. THE TERM DOES NOT INCLUDE ISSUERS OR
5 NOMINATED PERSONS UNDER A LETTER OF CREDIT.

6 (HHH) "ORIGINAL DEBTOR" MEANS, EXCEPT AS USED IN
7 SECTION 9310(3), A PERSON THAT, AS DEBTOR, ENTERED INTO A SECUR-
8 ITY AGREEMENT TO WHICH A NEW DEBTOR HAS BECOME BOUND UNDER SEC-
9 TION 9203(4).

10 (III) "PAYMENT INTANGIBLE" MEANS A GENERAL INTANGIBLE UNDER
11 WHICH THE ACCOUNT DEBTOR'S PRINCIPAL OBLIGATION IS A MONETARY
12 OBLIGATION.

13 (JJJ) "PERSON RELATED TO", WITH RESPECT TO AN INDIVIDUAL,
14 MEANS 1 OR MORE OF THE FOLLOWING:

15 (i) THE SPOUSE OF THE INDIVIDUAL.

16 (ii) A BROTHER, BROTHER-IN-LAW, SISTER, OR SISTER-IN-LAW OF
17 THE INDIVIDUAL.

18 (iii) AN ANCESTOR OR LINEAL DESCENDANT OF THE INDIVIDUAL OR
19 THE INDIVIDUAL'S SPOUSE.

20 (iv) ANY OTHER RELATIVE, BY BLOOD OR MARRIAGE, OF THE INDI-
21 VIDUAL OR THE INDIVIDUAL'S SPOUSE WHO SHARES THE SAME HOME WITH
22 THE INDIVIDUAL.

23 (KKK) "PERSON RELATED TO", WITH RESPECT TO AN ORGANIZATION,
24 MEANS 1 OR MORE OF THE FOLLOWING:

25 (i) A PERSON DIRECTLY OR INDIRECTLY CONTROLLING, CONTROLLED
26 BY, OR UNDER COMMON CONTROL WITH THE ORGANIZATION.

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1 (ii) AN OFFICER OR DIRECTOR OF, OR A PERSON PERFORMING
2 SIMILAR FUNCTIONS WITH RESPECT TO, THE ORGANIZATION.

3 (iii) AN OFFICER OR DIRECTOR OF, OR A PERSON PERFORMING SIM-
4 ILAR FUNCTIONS WITH RESPECT TO, A PERSON DESCRIBED IN SUBPARA-
5 GRAPH (i).

6 (iv) THE SPOUSE OF AN INDIVIDUAL DESCRIBED IN SUBPARAGRAPH
7 (i), (ii), OR (iii).

8 (v) AN INDIVIDUAL WHO IS RELATED BY BLOOD OR MARRIAGE TO AN
9 INDIVIDUAL DESCRIBED IN SUBPARAGRAPH (i), (ii), (iii), OR (iv)
10 AND SHARES THE SAME HOME WITH THE INDIVIDUAL.

11 (III) "PROCEEDS" MEANS, EXCEPT AS USED IN SECTION 9609(2), 1
12 OR MORE OF THE FOLLOWING PROPERTY:

13 (i) WHATEVER IS ACQUIRED UPON THE SALE, LEASE, LICENSE,
14 EXCHANGE, OR OTHER DISPOSITION OF COLLATERAL.

15 (ii) WHATEVER IS COLLECTED ON, OR DISTRIBUTED ON ACCOUNT OF,
16 COLLATERAL.

17 (iii) RIGHTS ARISING OUT OF COLLATERAL.

18 (iv) TO THE EXTENT OF THE VALUE OF COLLATERAL, CLAIMS ARIS-
19 ING OUT OF THE LOSS, NONCONFORMITY, OR INTERFERENCE WITH THE USE
20 OF, DEFECTS OR INFRINGEMENT OF RIGHTS IN, OR DAMAGE TO, THE
21 COLLATERAL.

22 (v) TO THE EXTENT OF THE VALUE OF COLLATERAL AND TO THE
23 EXTENT PAYABLE TO THE DEBTOR OR THE SECURED PARTY, INSURANCE PAY-
24 ABLE BY REASON OF THE LOSS OR NONCONFORMITY OF, DEFECTS OR
25 INFRINGEMENT OF RIGHTS IN, OR DAMAGE TO, THE COLLATERAL.

26 (MMM) "PROMISSORY NOTE" MEANS AN INSTRUMENT THAT EVIDENCES A
27 PROMISE TO PAY A MONETARY OBLIGATION, DOES NOT EVIDENCE AN ORDER

1 TO PAY, AND DOES NOT CONTAIN AN ACKNOWLEDGMENT BY A BANK THAT THE
2 BANK HAS RECEIVED FOR DEPOSIT A SUM OF MONEY OR FUNDS.

3 (NNN) "PROPOSAL" MEANS A RECORD AUTHENTICATED BY A SECURED
4 PARTY WHICH INCLUDES THE TERMS ON WHICH THE SECURED PARTY IS
5 WILLING TO ACCEPT COLLATERAL IN FULL OR PARTIAL SATISFACTION OF
6 THE OBLIGATION IT SECURES PURSUANT TO SECTIONS 9620, 9621, AND
7 9622.

8 (OOO) "PUBLIC-FINANCE TRANSACTION" MEANS A SECURED TRANSAC-
9 TION IN CONNECTION WITH WHICH ALL OF THE FOLLOWING ARE MET:

10 (i) DEBT SECURITIES ARE ISSUED.

11 (ii) ALL OR A PORTION OF THE SECURITIES ISSUED HAVE AN INI-
12 TIAL STATED MATURITY OF AT LEAST 20 YEARS.

13 (iii) THE DEBTOR, OBLIGOR, SECURED PARTY, ACCOUNT DEBTOR OR
14 OTHER PERSON OBLIGATED ON COLLATERAL, ASSIGNOR OR ASSIGNEE OF A
15 SECURED OBLIGATION, OR ASSIGNOR OR ASSIGNEE OF A SECURITY INTER-
16 EST IS A STATE OR A GOVERNMENTAL UNIT OF A STATE.

17 (PPP) "PURSUANT TO COMMITMENT", WITH RESPECT TO AN ADVANCE
18 MADE OR OTHER VALUE GIVEN BY A SECURED PARTY, MEANS PURSUANT TO
19 THE SECURED PARTY'S OBLIGATION, WHETHER OR NOT A SUBSEQUENT EVENT
20 OF DEFAULT OR OTHER EVENT NOT WITHIN THE SECURED PARTY'S CONTROL
21 HAS RELIEVED OR MAY RELIEVE THE SECURED PARTY FROM ITS
22 OBLIGATION.

23 (QQQ) "RECORD", EXCEPT AS USED IN "FOR RECORD", "OF RECORD",
24 "RECORD OR LEGAL TITLE", AND "RECORD OWNER", MEANS INFORMATION
25 THAT IS INSCRIBED ON A TANGIBLE MEDIUM OR WHICH IS STORED IN AN
26 ELECTRONIC OR OTHER MEDIUM AND IS RETRIEVABLE IN PERCEIVABLE
27 FORM.

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1 (RRR) "REGISTERED ORGANIZATION" MEANS AN ORGANIZATION
2 ORGANIZED SOLELY UNDER THE LAW OF A SINGLE STATE OR THE UNITED
3 STATES AND AS TO WHICH THE STATE OR THE UNITED STATES MUST MAIN-
4 TAIN A PUBLIC RECORD SHOWING THE ORGANIZATION TO HAVE BEEN
5 ORGANIZED.

6 (SSS) "SECONDARY OBLIGOR" MEANS AN OBLIGOR TO THE EXTENT
7 THAT THE OBLIGOR'S OBLIGATION IS SECONDARY OR THE OBLIGOR HAS A
8 RIGHT OF RECOURSE WITH RESPECT TO AN OBLIGATION SECURED BY COL-
9 LATERAL AGAINST THE DEBTOR, ANOTHER OBLIGOR, OR PROPERTY OF
10 EITHER.

11 (TTT) "SECURED PARTY" MEANS 1 OR MORE OF THE FOLLOWING:

12 (i) A PERSON IN WHOSE FAVOR A SECURITY INTEREST IS CREATED
13 OR PROVIDED FOR UNDER A SECURITY AGREEMENT, WHETHER OR NOT ANY
14 OBLIGATION TO BE SECURED IS OUTSTANDING.

15 (ii) A PERSON THAT HOLDS AN AGRICULTURAL LIEN.

16 (iii) A CONSIGNOR.

17 (iv) A PERSON TO WHICH ACCOUNTS, CHATTEL PAPER, PAYMENT
18 INTANGIBLES, OR PROMISSORY NOTES HAVE BEEN SOLD.

19 (v) A TRUSTEE, INDENTURE TRUSTEE, AGENT, COLLATERAL AGENT,
20 OR OTHER REPRESENTATIVE IN WHOSE FAVOR A SECURITY INTEREST OR
21 AGRICULTURAL LIEN IS CREATED OR PROVIDED FOR.

22 (vi) A PERSON THAT HOLDS A SECURITY INTEREST ARISING UNDER
23 SECTION 2401, 2505, 2711(3), 2A508(5), 4210, OR 5118.

24 (UUU) "SECURITY AGREEMENT" MEANS AN AGREEMENT THAT CREATES
25 OR PROVIDES FOR A SECURITY INTEREST.

26 (VVV) "SEND", IN CONNECTION WITH A RECORD OR NOTIFICATION,
27 MEANS 1 OF THE FOLLOWING:

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1 (i) TO DEPOSIT IN THE MAIL, DELIVER FOR TRANSMISSION, OR
2 TRANSMIT BY ANY OTHER USUAL MEANS OF COMMUNICATION, WITH POSTAGE
3 OR COST OF TRANSMISSION PROVIDED FOR, ADDRESSED TO ANY ADDRESS
4 REASONABLE UNDER THE CIRCUMSTANCES.

5 (ii) TO CAUSE THE RECORD OR NOTIFICATION TO BE RECEIVED
6 WITHIN THE TIME THAT IT WOULD HAVE BEEN RECEIVED IF PROPERLY SENT
7 UNDER SUBPARAGRAPH (i).

8 (WWW) "SOFTWARE" MEANS A COMPUTER PROGRAM AND ANY SUPPORTING
9 INFORMATION PROVIDED IN CONNECTION WITH A TRANSACTION RELATING TO
10 THE PROGRAM. THE TERM DOES NOT INCLUDE A COMPUTER PROGRAM THAT
11 IS INCLUDED IN THE DEFINITION OF GOODS.

12 (XXX) "STATE" MEANS A STATE OF THE UNITED STATES, THE
13 DISTRICT OF COLUMBIA, PUERTO RICO, THE UNITED STATES VIRGIN
14 ISLANDS, OR ANY TERRITORY OR INSULAR POSSESSION SUBJECT TO THE
15 JURISDICTION OF THE UNITED STATES.

16 (YYY) "SUPPORTING OBLIGATION" MEANS A LETTER-OF-CREDIT RIGHT
17 OR SECONDARY OBLIGATION THAT SUPPORTS THE PAYMENT OR PERFORMANCE
18 OF AN ACCOUNT, CHATTEL PAPER, A DOCUMENT, A GENERAL INTANGIBLE,
19 AN INSTRUMENT, OR INVESTMENT PROPERTY.

20 (ZZZ) "TANGIBLE CHATTEL PAPER" MEANS CHATTEL PAPER EVIDENCED
21 BY A RECORD OR RECORDS CONSISTING OF INFORMATION THAT IS
22 INSCRIBED ON A TANGIBLE MEDIUM.

23 (AAAA) "TERMINATION STATEMENT" MEANS AN AMENDMENT OF A
24 FINANCING STATEMENT THAT IDENTIFIES, BY ITS FILE NUMBER, THE INI-
25 TIAL FINANCING STATEMENT TO WHICH IT RELATES AND INDICATES EITHER
26 THAT IT IS A TERMINATION STATEMENT OR THAT THE IDENTIFIED
27 FINANCING STATEMENT IS NO LONGER EFFECTIVE.

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1 (BBBB) "TRANSMITTING UTILITY" MEANS A PERSON PRIMARILY
2 ENGAGED IN THE BUSINESS OF 1 OF THE FOLLOWING:

3 (i) OPERATING A RAILROAD, SUBWAY, STREET RAILWAY, OR TROLLEY
4 BUS.

5 (ii) TRANSMITTING COMMUNICATIONS ELECTRICALLY, ELECTROMAG-
6 NETICALLY, OR BY LIGHT.

7 (iii) TRANSMITTING GOODS BY PIPELINE OR SEWER.

8 (iv) TRANSMITTING OR PRODUCING AND TRANSMITTING ELECTRICITY,
9 STEAM, GAS, OR WATER.

10 (2) THE FOLLOWING DEFINITIONS IN OTHER ARTICLES APPLY TO
11 THIS ARTICLE:

12	"APPLICANT"	SECTION 5102
13	"BENEFICIARY"	SECTION 5102
14	"BROKER"	SECTION 8102
15	"CERTIFICATED SECURITY"	SECTION 8102
16	"CHECK"	SECTION 3104
17	"CLEARING CORPORATION"	SECTION 8102
18	"CONTRACT FOR SALE"	SECTION 2106
19	"CUSTOMER"	SECTION 4104
20	"ENTITLEMENT HOLDER"	SECTION 8102
21	"FINANCIAL ASSET"	SECTION 8102
22	"HOLDER IN DUE COURSE"	SECTION 3302
23	"ISSUER" (WITH RESPECT TO A LETTER	
24	OF CREDIT OR LETTER-OF-CREDIT RIGHT)	SECTION 5102
25	"ISSUER" (WITH RESPECT TO A	
26	SECURITY)	SECTION 8201

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1	"LEASE"	SECTION 2A103
2	"LEASE AGREEMENT"	SECTION 2A103
3	"LEASE CONTRACT"	SECTION 2A103
4	"LEASEHOLD INTEREST"	SECTION 2A103
5	"LESSEE"	SECTION 2A103
6	"LESSEE IN ORDINARY COURSE OF	
7	BUSINESS"	SECTION 2A103
8	"LESSOR"	SECTION 2A103
9	"LESSOR'S RESIDUAL INTEREST"	SECTION 2A103
10	"LETTER OF CREDIT"	SECTION 5102
11	"MERCHANT"	SECTION 2104
12	"NEGOTIABLE INSTRUMENT"	SECTION 3104
13	"NOMINATED PERSON"	SECTION 5102
14	"NOTE"	SECTION 3104
15	"PROCEEDS OF A LETTER OF CREDIT"	SECTION 5114
16	"PROVE"	SECTION 3103
17	"SALE"	SECTION 2106
18	"SECURITIES ACCOUNT"	SECTION 8501
19	"SECURITIES INTERMEDIARY"	SECTION 8102
20	"SECURITY"	SECTION 8102
21	"SECURITY CERTIFICATE"	SECTION 8102
22	"SECURITY ENTITLEMENT"	SECTION 8102
23	"UNCERTIFICATED SECURITY"	SECTION 8102.
24	(3) ARTICLE 1 CONTAINS GENERAL DEFINITIONS AND PRINCIPLES OF	
25	CONSTRUCTION AND INTERPRETATION APPLICABLE THROUGHOUT THIS	
26	ARTICLE.	

1 Sec. 9103. ~~-(1) Documents, instruments, and ordinary~~
2 ~~goods.~~

3 ~~(a) This subsection applies to documents, instruments,~~
4 ~~rights to proceeds of written letters of credit, and goods other~~
5 ~~than those covered by a certificate of title described in subsec-~~
6 ~~tion (2), mobile goods described in subsection (3), and minerals~~
7 ~~described in subsection (5).~~

8 ~~(b) Except as otherwise provided in this subsection, perfec-~~
9 ~~tion and the effect of perfection or nonperfection of a security~~
10 ~~interest in collateral are governed by the law of the jurisdic-~~
11 ~~tion where the collateral is when the last event occurs on which~~
12 ~~is based the assertion that the security interest is perfected or~~
13 ~~unperfected.~~

14 ~~(c) If the parties to a transaction creating a purchase~~
15 ~~money security interest in goods in 1 jurisdiction understand at~~
16 ~~the time that the security interest attaches that the goods will~~
17 ~~be kept in another jurisdiction, then the law of the other juris-~~
18 ~~diction governs the perfection and the effect of perfection or~~
19 ~~nonperfection of the security interest from the time it attaches~~
20 ~~until 30 days after the debtor receives possession of the goods~~
21 ~~and thereafter if the goods are taken to the other jurisdiction~~
22 ~~before the end of the 30-day period.~~

23 ~~(d) When collateral is brought into and kept in this state~~
24 ~~while subject to a security interest perfected under the law of~~
25 ~~the jurisdiction from which the collateral was removed, the~~
26 ~~security interest remains perfected, but if action is required by~~
27 ~~part 3 of this article to perfect the security interest:~~

1 ~~(i) If the action is not taken before the expiration of the~~
2 ~~period of perfection in the other jurisdiction or the end of 4~~
3 ~~months after the collateral is brought into this state, whichever~~
4 ~~period first expires, the security interest becomes unperfected~~
5 ~~at the end of that period and is thereafter deemed to have been~~
6 ~~unperfected as against a person who became a purchaser after~~
7 ~~removal.~~

8 ~~(ii) If the action is taken before the expiration of the~~
9 ~~period specified in subparagraph (i), the security interest con-~~
10 ~~tinues perfected thereafter.~~

11 ~~(iii) For the purpose of priority over a buyer of consumer~~
12 ~~goods, (section 9307(14)), the period of the effectiveness of a~~
13 ~~filing in the jurisdiction from which the collateral is removed~~
14 ~~is governed by the rules relating to perfection in subparagraphs~~
15 ~~(i) and (ii).~~

16 ~~(2) Certificate of title.~~

17 ~~(a) This subsection applies to goods covered by a certifi-~~
18 ~~cate of title issued under a statute of this state or of another~~
19 ~~jurisdiction under the law of which indication of a security~~
20 ~~interest on the certificate is required as a condition of~~
21 ~~perfection.~~

22 ~~(b) Except as otherwise provided in this subsection, perfec-~~
23 ~~tion and the effect of perfection or nonperfection of the secur-~~
24 ~~ity interest are governed by the law (including the conflict of~~
25 ~~laws rules) of the jurisdiction issuing the certificate until 4~~
26 ~~months after the goods are removed from that jurisdiction and~~
27 ~~thereafter until the goods are registered in another~~

1 ~~jurisdiction, but in any event not beyond surrender of the~~
2 ~~certificate. After the expiration of that period, the goods are~~
3 ~~not covered by the certificate of title within the meaning of~~
4 ~~this section.~~

5 ~~(c) Except with respect to the rights of a buyer described~~
6 ~~in the next paragraph, a security interest, perfected in another~~
7 ~~jurisdiction otherwise than by notation on a certificate of~~
8 ~~title, in goods brought into this state and thereafter covered by~~
9 ~~a certificate of title issued by this state, is subject to the~~
10 ~~rules stated in paragraph (d) of subsection (1).~~

11 ~~(d) If goods are brought into this state while a security~~
12 ~~interest therein is perfected in any manner under the law of the~~
13 ~~jurisdiction from which the goods are removed and a certificate~~
14 ~~of title is issued by the state and the certificate does not show~~
15 ~~that the goods are subject to the security interest or that they~~
16 ~~may be subject to security interests not shown on the certifi-~~
17 ~~cate, the security interest is subordinate to the rights of a~~
18 ~~buyer of the goods who is not in the business of selling goods of~~
19 ~~that kind to the extent that he or she gives value and receives~~
20 ~~delivery of the goods after issuance of the certificate and with-~~
21 ~~out knowledge of the security interest.~~

22 ~~(3) Accounts, general intangibles, and mobile goods.~~

23 ~~(a) This subsection applies to accounts (other than an~~
24 ~~account described in subsection (5) on minerals) and general~~
25 ~~intangibles (other than uncertificated securities), and to goods~~
26 ~~which are mobile and which are of a type normally used in more~~
27 ~~than 1 jurisdiction, such as motor vehicles, trailers, rolling~~

1 ~~stock, airplanes, shipping containers, road building and~~
2 ~~construction machinery, and commercial harvesting machinery and~~
3 ~~the like, if the goods are equipment or are inventory leased or~~
4 ~~held for lease by the debtor to others, and are not covered by a~~
5 ~~certificate of title described in subsection (2).~~

6 ~~(b) The law (including the conflict of laws rules) of the~~
7 ~~jurisdiction in which the debtor is located governs the perfec-~~
8 ~~tion and the effect of perfection or nonperfection of the secur-~~
9 ~~ity interest.~~

10 ~~(c) If, however, the debtor is located in a jurisdiction~~
11 ~~which is not a part of the United States, and which does not pro-~~
12 ~~vide for perfection of the security interest by filing or record-~~
13 ~~ing in that jurisdiction, the law of the jurisdiction in the~~
14 ~~United States in which the debtor has its major executive office~~
15 ~~in the United States governs the perfection and the effect of~~
16 ~~perfection or nonperfection of the security interest through~~
17 ~~filing. In the alternative, if the debtor is located in a juris-~~
18 ~~diction which is not a part of the United States or Canada and~~
19 ~~the collateral is accounts or general intangibles for money due~~
20 ~~or to become due, the security interest may be perfected by noti-~~
21 ~~fication to the account debtor. As used in this paragraph,~~
22 ~~"United States" includes its territories and possessions and the~~
23 ~~commonwealth of Puerto Rico.~~

24 ~~(d) A debtor shall be deemed located at his or her place of~~
25 ~~business if he or she has one, at his or her chief executive~~
26 ~~office if he or she has more than 1 place of business, otherwise~~
27 ~~at his or her residence. If, however, the debtor is a foreign~~

1 ~~air carrier under the federal aviation act of 1958, 49~~
2 ~~U.S.C. 1301, it shall be deemed located at the designated office~~
3 ~~of the agent upon whom service of process may be made on behalf~~
4 ~~of the foreign air carrier.~~

5 ~~(e) A security interest perfected under the law of the~~
6 ~~jurisdiction of the location of the debtor is perfected until the~~
7 ~~expiration of 4 months after a change of the debtor's location to~~
8 ~~another jurisdiction, or until perfection would have ceased by~~
9 ~~the law of the first jurisdiction, whichever period first~~
10 ~~expires. Unless perfected in the new jurisdiction before the end~~
11 ~~of that period, it becomes unperfected thereafter and is deemed~~
12 ~~to have been unperfected as against a person who became a pur-~~
13 ~~chaser after the change.~~

14 ~~(4) Chattel paper.~~

15 ~~The rules stated for goods in subsection (1) apply to a pos-~~
16 ~~sessory security interest in chattel paper. The rules stated for~~
17 ~~accounts in subsection (3) apply to a nonpossessory security~~
18 ~~interest in chattel paper, but the security interest may not be~~
19 ~~perfected by notification to the account debtor.~~

20 ~~(5) Minerals.~~

21 ~~Perfection and the effect of perfection or nonperfection of~~
22 ~~a security interest which is created by a debtor who has an~~
23 ~~interest in minerals or the like (including oil and gas) before~~
24 ~~extraction and which attaches thereto as extracted, or which~~
25 ~~attaches to an account resulting from the sale thereof at the~~
26 ~~wellhead or minehead are governed by the law (including the~~

1 ~~conflict of laws rules) of the jurisdiction where the wellhead or~~
2 ~~minehead is located.~~

3 ~~(6) Investment property.~~

4 ~~(a) This subsection applies to investment property.~~

5 ~~(b) Except as otherwise provided in paragraph (f), during~~
6 ~~the time that a security certificate is located in a jurisdic-~~
7 ~~tion, perfection of a security interest, the effect of perfection~~
8 ~~or nonperfection, and the priority of a security interest in the~~
9 ~~certificated security represented thereby are governed by the~~
10 ~~local law of that jurisdiction.~~

11 ~~(c) Except as otherwise provided in paragraph (f), perfec-~~
12 ~~tion of a security interest, the effect of perfection or nonper-~~
13 ~~fection, and the priority of a security interest in an uncertifi-~~
14 ~~cated security are governed by the local law of the issuer's~~
15 ~~jurisdiction as specified in section 8110(4).~~

16 ~~(d) Except as otherwise provided in paragraph (f), perfec-~~
17 ~~tion of a security interest, the effect of perfection or nonper-~~
18 ~~fection, and the priority of a security interest in a security~~
19 ~~entitlement or securities account are governed by the local law~~
20 ~~of the securities intermediary's jurisdiction as specified in~~
21 ~~section 8110(5).~~

22 ~~(e) Except as otherwise provided in paragraph (f), perfec-~~
23 ~~tion of a security interest, the effect of perfection or nonper-~~
24 ~~fection, and the priority of a security interest in a commodity~~
25 ~~contract or commodity account are governed by the local law of~~
26 ~~the commodity intermediary's jurisdiction. The following rules~~

1 ~~determine a "commodity intermediary's jurisdiction" for purposes~~
2 ~~of this paragraph.~~

3 ~~(i) If an agreement between the commodity intermediary and~~
4 ~~commodity customer specifies that it is governed by the law of a~~
5 ~~particular jurisdiction, that jurisdiction is the commodity~~
6 ~~intermediary's jurisdiction.~~

7 ~~(ii) If an agreement between the commodity intermediary and~~
8 ~~commodity customer does not specify the governing law as provided~~
9 ~~in subparagraph (i), but expressly specifies that the commodity~~
10 ~~account is maintained at an office in a particular jurisdiction,~~
11 ~~that jurisdiction is the commodity intermediary's jurisdiction.~~

12 ~~(iii) If an agreement between the commodity intermediary and~~
13 ~~commodity customer does not specify a jurisdiction as provided in~~
14 ~~subparagraph (i) or (ii), the commodity intermediary's jurisdic-~~
15 ~~tion is the jurisdiction in which is located the office identi-~~
16 ~~fied in an account statement as the office serving the commodity~~
17 ~~customer's account.~~

18 ~~(iv) If an agreement between the commodity intermediary and~~
19 ~~commodity customer does not specify a jurisdiction as provided in~~
20 ~~subparagraph (i) or (ii) and an account statement does not iden-~~
21 ~~tify an office serving the commodity customer's account as pro-~~
22 ~~vided in subparagraph (iii), the commodity intermediary's juris-~~
23 ~~diction is the jurisdiction in which is located the chief execu-~~
24 ~~tive office of the commodity intermediary.~~

25 ~~(f) Perfection of a security interest by filing, automatic~~
26 ~~perfection of a security interest in investment property granted~~
27 ~~by a broker or securities intermediary, and automatic perfection~~

~~1 of a security interest in a commodity contract or commodity
2 account granted by a commodity intermediary are governed by the
3 local law of the jurisdiction in which the debtor is located.~~

4 (1) AS USED IN THIS SECTION:

5 (A) "PURCHASE-MONEY COLLATERAL" MEANS GOODS OR SOFTWARE THAT
6 SECURES A PURCHASE-MONEY OBLIGATION INCURRED WITH RESPECT TO THAT
7 COLLATERAL.

8 (B) "PURCHASE-MONEY OBLIGATION" MEANS AN OBLIGATION OF AN
9 OBLIGOR INCURRED AS ALL OR PART OF THE PRICE OF THE COLLATERAL OR
10 FOR VALUE GIVEN TO ENABLE THE DEBTOR TO ACQUIRE RIGHTS IN OR THE
11 USE OF THE COLLATERAL IF THE VALUE IS IN FACT SO USED.

12 (2) A SECURITY INTEREST IN GOODS IS A PURCHASE-MONEY SECUR-
13 ITY INTEREST TO THE FOLLOWING EXTENT, AS APPLICABLE:

14 (A) TO THE EXTENT THAT THE GOODS ARE PURCHASE-MONEY COLLAT-
15 ERAL WITH RESPECT TO THAT SECURITY INTEREST.

16 (B) IF THE SECURITY INTEREST IS IN INVENTORY THAT IS OR WAS
17 PURCHASE-MONEY COLLATERAL, ALSO TO THE EXTENT THAT THE SECURITY
18 INTEREST SECURES A PURCHASE-MONEY OBLIGATION INCURRED WITH
19 RESPECT TO OTHER INVENTORY IN WHICH THE SECURED PARTY HOLDS OR
20 HELD A PURCHASE-MONEY SECURITY INTEREST.

21 (C) ALSO TO THE EXTENT THAT THE SECURITY INTEREST SECURES A
22 PURCHASE-MONEY OBLIGATION INCURRED WITH RESPECT TO SOFTWARE IN
23 WHICH THE SECURED PARTY HOLDS OR HELD A PURCHASE-MONEY SECURITY
24 INTEREST.

25 (3) A SECURITY INTEREST IN SOFTWARE IS A PURCHASE-MONEY
26 SECURITY INTEREST TO THE EXTENT THAT THE SECURITY INTEREST ALSO
27 SECURES A PURCHASE-MONEY OBLIGATION INCURRED WITH RESPECT TO

1 GOODS IN WHICH THE SECURED PARTY HOLDS OR HELD A PURCHASE-MONEY
2 SECURITY INTEREST IF THE DEBTOR ACQUIRED ITS INTEREST IN THE
3 SOFTWARE IN AN INTEGRATED TRANSACTION IN WHICH IT ACQUIRED AN
4 INTEREST IN THE GOODS, AND THE DEBTOR ACQUIRED ITS INTEREST IN
5 THE SOFTWARE FOR THE PRINCIPAL PURPOSE OF USING THE SOFTWARE IN
6 THE GOODS.

7 (4) THE SECURITY INTEREST OF A CONSIGNOR IN GOODS THAT ARE
8 THE SUBJECT OF A CONSIGNMENT IS A PURCHASE-MONEY SECURITY INTER-
9 EST IN INVENTORY.

10 (5) IN A TRANSACTION OTHER THAN A CONSUMER-GOODS TRANSAC-
11 TION, IF THE EXTENT TO WHICH A SECURITY INTEREST IS A
12 PURCHASE-MONEY SECURITY INTEREST DEPENDS ON THE APPLICATION OF A
13 PAYMENT TO A PARTICULAR OBLIGATION, THE PAYMENT MUST BE APPLIED
14 IN 1 OF THE FOLLOWING, AS APPLICABLE:

15 (A) IN ACCORDANCE WITH ANY REASONABLE METHOD OF APPLICATION
16 TO WHICH THE PARTIES AGREE.

17 (B) IN THE ABSENCE OF THE PARTIES' AGREEMENT TO A REASONABLE
18 METHOD, IN ACCORDANCE WITH ANY INTENTION OF THE OBLIGOR MANI-
19 FESTED AT OR BEFORE THE TIME OF PAYMENT.

20 (C) IN THE ABSENCE OF AN AGREEMENT TO A REASONABLE METHOD
21 AND A TIMELY MANIFESTATION OF THE OBLIGOR'S INTENTION, IN THE
22 FOLLOWING ORDER:

23 (i) TO OBLIGATIONS THAT ARE NOT SECURED.

24 (ii) IF MORE THAN 1 OBLIGATION IS SECURED, TO OBLIGATIONS
25 SECURED BY PURCHASE-MONEY SECURITY INTERESTS IN THE ORDER IN
26 WHICH THOSE OBLIGATIONS WERE INCURRED.

1 (6) IN A TRANSACTION OTHER THAN A CONSUMER-GOODS
2 TRANSACTION, A PURCHASE-MONEY SECURITY INTEREST DOES NOT LOSE ITS
3 STATUS AS SUCH, EVEN IF THE PURCHASE-MONEY COLLATERAL ALSO
4 SECURES AN OBLIGATION THAT IS NOT A PURCHASE-MONEY OBLIGATION,
5 COLLATERAL THAT IS NOT PURCHASE-MONEY COLLATERAL ALSO SECURES THE
6 PURCHASE-MONEY OBLIGATION, OR THE PURCHASE-MONEY OBLIGATION HAS
7 BEEN RENEWED, REFINANCED, CONSOLIDATED, OR RESTRUCTURED.

8 (7) IN A TRANSACTION OTHER THAN A CONSUMER-GOODS TRANSAC-
9 TION, A SECURED PARTY CLAIMING A PURCHASE-MONEY SECURITY INTEREST
10 HAS THE BURDEN OF ESTABLISHING THE EXTENT TO WHICH THE SECURITY
11 INTEREST IS A PURCHASE-MONEY SECURITY INTEREST.

12 (8) THE LIMITATION OF THE RULES IN SUBSECTIONS (5), (6), AND
13 (7) TO TRANSACTIONS OTHER THAN CONSUMER-GOODS TRANSACTIONS IS
14 INTENDED TO LEAVE TO THE COURT THE DETERMINATION OF THE PROPER
15 RULES IN CONSUMER-GOODS TRANSACTIONS. THE COURT MAY NOT INFER
16 FROM THAT LIMITATION THE NATURE OF THE PROPER RULE IN
17 CONSUMER-GOODS TRANSACTIONS AND MAY CONTINUE TO APPLY ESTABLISHED
18 APPROACHES.

19 Sec. 9104. ~~This article does not apply:~~

20 ~~(a) To a security interest subject to any statute of the~~
21 ~~United States to the extent that such statute governs the rights~~
22 ~~of parties to and third parties affected by transactions in par-~~
23 ~~ticular types of property; or~~

24 ~~(b) To a landlord's lien; or~~

25 ~~(c) To a lien given by a statute or other rule of law for~~
26 ~~services or materials except as provided in section 9310 on~~
27 ~~priority of such liens; or~~

1 ~~(d) To a transfer of a claim for wages, salary, or other~~
2 ~~compensation of an employee; or~~
3 ~~(e) To a transfer by a government or governmental subdivi-~~
4 ~~sion or agency; or~~
5 ~~(f) To a sale of accounts or chattel paper as part of a sale~~
6 ~~of the business out of which they arose, or an assignment of~~
7 ~~accounts or chattel paper which is for the purpose of collection~~
8 ~~only, or a transfer of a right to payment under a contract to an~~
9 ~~assignee who is also to do the performance under the contract or~~
10 ~~a transfer of a single account to an assignee in whole or partial~~
11 ~~satisfaction of a preexisting indebtedness; or~~
12 ~~(g) To a transfer of an interest or claim in or under any~~
13 ~~policy of insurance except as provided with respect to proceeds~~
14 ~~(section 9306) and priorities in proceeds (section 9312); or~~
15 ~~(h) To a right represented by a judgment, (other than a~~
16 ~~judgment taken on a right to payment which was collateral); or~~
17 ~~(i) To any right of setoff; or~~
18 ~~(j) Except to the extent that provision is made for fixtures~~
19 ~~in section 9313, to the creation or transfer of an interest in or~~
20 ~~lien on real estate, including a lease or rents thereunder; or~~
21 ~~(k) To a transfer in whole or in part of any claim arising~~
22 ~~out of tort; or~~
23 ~~(l) To a transfer of an interest in any deposit account~~
24 ~~(section 9105(1)), except as provided with respect to proceeds~~
25 ~~(section 9306) and priorities in proceeds (section 9312).~~
26 ~~(m) To a transfer of an interest in a letter of credit other~~
27 ~~than the rights to proceeds of a written letter of credit.~~

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1 (1) A SECURED PARTY HAS CONTROL OF A DEPOSIT ACCOUNT IF 1 OR
2 MORE OF THE FOLLOWING APPLY:

3 (A) THE SECURED PARTY IS THE BANK WITH WHICH THE DEPOSIT
4 ACCOUNT IS MAINTAINED.

5 (B) THE DEBTOR, SECURED PARTY, AND BANK HAVE AGREED IN AN
6 AUTHENTICATED RECORD THAT THE BANK WILL COMPLY WITH INSTRUCTIONS
7 ORIGINATED BY THE SECURED PARTY DIRECTING DISPOSITION OF THE
8 FUNDS IN THE DEPOSIT ACCOUNT WITHOUT FURTHER CONSENT BY THE
9 DEBTOR.

10 (C) THE SECURED PARTY BECOMES THE BANK'S CUSTOMER WITH
11 RESPECT TO THE DEPOSIT ACCOUNT.

12 (2) A SECURED PARTY THAT HAS SATISFIED SUBSECTION (1) HAS
13 CONTROL, EVEN IF THE DEBTOR RETAINS THE RIGHT TO DIRECT THE DIS-
14 POSITION OF FUNDS FROM THE DEPOSIT ACCOUNT.

15 Sec. 9105. ~~-(1) As used in this article unless the context~~
16 ~~otherwise requires:~~

17 ~~(a) "Account debtor" means the person who is obligated on an~~
18 ~~account, chattel paper, or general intangible.~~

19 ~~(b) "Chattel paper" means a writing or writings which evi-~~
20 ~~dence both a monetary obligation and a security interest in or a~~
21 ~~lease of specific goods, but a charter or other contract involv-~~
22 ~~ing the use or hire of a vessel is not chattel paper. When a~~
23 ~~transaction is evidenced both by such a security agreement or a~~
24 ~~lease and by an instrument or a series of instruments, the group~~
25 ~~of writings taken together constitutes chattel paper.~~

1 ~~(c) "Collateral" means the property subject to a security~~
2 ~~interest, and includes accounts and chattel paper which have been~~
3 ~~sold.~~

4 ~~(d) "Debtor" means the person who owes payment or other per-~~
5 ~~formance of the obligation secured, whether or not he or she owns~~
6 ~~or has rights in the collateral, and includes the seller of~~
7 ~~accounts or chattel paper. Where the debtor and the owner of the~~
8 ~~collateral are not the same person, the term "debtor" means the~~
9 ~~owner of the collateral in any provision of the article dealing~~
10 ~~with the collateral, the obligor in any provision dealing with~~
11 ~~the obligation, and may include both where the context so~~
12 ~~requires.~~

13 ~~(e) "Deposit account" means a demand, time, savings, pass-~~
14 ~~book, or like account maintained with a bank, savings and loan~~
15 ~~association, credit union, or like organization, other than an~~
16 ~~account evidenced by a certificate of deposit.~~

17 ~~(f) "Document" means document of title as defined in the~~
18 ~~general definitions of article 1, section 1201 and a receipt of~~
19 ~~the kind described in section 7201(2).~~

20 ~~(g) "Encumbrance" includes real estate mortgages and other~~
21 ~~liens on real estate and all other rights in real estate that are~~
22 ~~not ownership interests.~~

23 ~~(h) "Goods" includes all things which are movable at the~~
24 ~~time the security interest attaches or which are fixtures as~~
25 ~~described in section 9313, but does not include money, documents,~~
26 ~~instruments, investment property, accounts, chattel paper,~~
27 ~~general intangibles, or minerals or the like including, but not~~

1 ~~limited to, oil and gas before extraction. Goods also include~~
2 ~~standing timber which is to be cut and removed under a conveyance~~
3 ~~or contract for sale, the unborn young of animals, and growing~~
4 ~~crops.~~

5 ~~(i) "Instrument" means a negotiable instrument as defined in~~
6 ~~section 3104 or any other writing which evidences a right to the~~
7 ~~payment of money and is not itself a security agreement or lease~~
8 ~~and is of a type which is in ordinary course of business trans-~~
9 ~~ferred by delivery with any necessary indorsement or assignment.~~
10 ~~The term does not include investment property.~~

11 ~~(j) "Mortgage" means a consensual interest created by a real~~
12 ~~estate mortgage, a trust deed on real estate, or the like.~~

13 ~~(k) An advance is made "pursuant to commitment" if the~~
14 ~~secured party has bound himself or herself to make it, whether or~~
15 ~~not a subsequent event of default or other event not within his~~
16 ~~or her control has relieved or may relieve him or her from his or~~
17 ~~her obligation.~~

18 ~~(l) "Security agreement" means an agreement which creates or~~
19 ~~provides for a security interest.~~

20 ~~(m) "Secured party" means a lender, seller, or other person~~
21 ~~in whose favor there is a security interest, including a person~~
22 ~~to whom accounts or chattel paper have been sold. When the hold-~~
23 ~~ers of obligations issued under an indenture of trust, equipment~~
24 ~~trust agreement, or the like are represented by a trustee or~~
25 ~~other person, the representative is the secured party.~~

26 ~~(n) "Tax identification number" means a social security~~
27 ~~number or federal employer tax identification number.~~

1 ~~(c) "Transmitting utility" means any person primarily~~
2 ~~engaged in the railroad, street railway, or trolley bus business,~~
3 ~~the electric or electronics communications transmission business,~~
4 ~~the transmission of goods by pipeline, or the transmission or the~~
5 ~~production and transmission of electricity, steam, gas or water,~~
6 ~~or the provision of sewer service.~~

7 ~~(2) Other definitions applying to this article and the sec-~~
8 ~~tions in which they appear are:~~

9	"Account".	Section 9106.
10	"Attach".	Section 9203.
11	"Commodity contract".	Section 9115.
12	"Commodity customer".	Section 9115.
13	"Commodity intermediary".	Section 9115.
14	"Construction mortgage".	Section 9313(1).
15	"Consumer goods".	Section 9109(1).
16	"Control".	Section 9115.
17	"Equipment".	Section 9109(2).
18	"Farm products".	Section 9109(3).
19	"Fixture".	Section 9313.
20	"Fixture filing".	Section 9313.
21	"General intangibles".	Section 9106.
22	"Inventory".	Section 9109(4).
23	"Investment property".	Section 9115.
24	"Lien creditor".	Section 9301(3).
25	"Proceeds".	Section 9306(1).

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1 ~~"Purchase money security interest". Section 9107.~~

2 ~~"United States". Section 9103.~~

3 ~~(3) The following definitions in other articles apply to~~
4 ~~this article:~~

5 ~~"Broker". Section 8102.~~

6 ~~"Certificated security". Section 8102.~~

7 ~~"Check". Section 3104.~~

8 ~~"Clearing corporation". Section 8102.~~

9 ~~"Contract for sale". Section 2106.~~

10 ~~"Control". Section 8102.~~

11 ~~"Delivery". Section 8102.~~

12 ~~"Entitlement holder". Section 8102.~~

13 ~~"Financial asset". Section 8102.~~

14 ~~"Holder in due course". Section 3302.~~

15 ~~"Letter of credit". Section 5102.~~

16 ~~"Note". Section 3104.~~

17 ~~"Proceeds of a letter of credit". Section 5114.~~

18 ~~"Sale". Section 2106.~~

19 ~~"Security intermediary". Section 8102.~~

20 ~~"Security". Section 8102.~~

21 ~~"Security certificate". Section 8102.~~

22 ~~"Security entitlement". Section 8102.~~

23 ~~"Uncertificated security". Section 8102.~~

24 ~~(4) In addition article 1 contains general definitions and~~
25 ~~principles of construction and interpretation applicable~~
26 ~~throughout this article. A SECURED PARTY HAS CONTROL OF~~

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1 ELECTRONIC CHATTEL PAPER IF THE RECORD OR RECORDS COMPRISING THE
2 CHATTEL PAPER ARE CREATED, STORED, AND ASSIGNED IN SUCH A MANNER
3 THAT ALL OF THE FOLLOWING APPLY:

4 (A) A SINGLE AUTHORITATIVE COPY OF THE RECORD OR RECORDS
5 EXISTS WHICH IS UNIQUE, IDENTIFIABLE, AND, EXCEPT AS OTHERWISE
6 PROVIDED IN SUBDIVISIONS (D), (E), AND (F), UNALTERABLE.

7 (B) THE AUTHORITATIVE COPY IDENTIFIES THE SECURED PARTY AS
8 THE ASSIGNEE OF THE RECORD OR RECORDS.

9 (C) THE AUTHORITATIVE COPY IS COMMUNICATED TO AND MAINTAINED
10 BY THE SECURED PARTY OR ITS DESIGNATED CUSTODIAN.

11 (D) COPIES OR REVISIONS THAT ADD OR CHANGE AN IDENTIFIED
12 ASSIGNEE OF THE AUTHORITATIVE COPY CAN BE MADE ONLY WITH THE PAR-
13 TICIPATION OF THE SECURED PARTY.

14 (E) EACH COPY OF THE AUTHORITATIVE COPY AND ANY COPY OF A
15 COPY IS READILY IDENTIFIABLE AS A COPY THAT IS NOT THE AUTHORITA-
16 TIVE COPY.

17 (F) ANY REVISION OF THE AUTHORITATIVE COPY IS READILY IDEN-
18 TIFIABLE AS AN AUTHORIZED OR UNAUTHORIZED REVISION.

19 Sec. 9106. ~~"Account" means any right to payment for goods~~
20 ~~sold or leased or for services rendered which is not evidenced by~~
21 ~~an instrument or chattel paper whether or not it has been earned~~
22 ~~by performance. "General intangibles" means any personal prop-~~
23 ~~erty (including things in action) other than goods, accounts,~~
24 ~~chattel paper, documents, instruments, investment property,~~
25 ~~rights to proceeds of written letters of credit, and money. All~~
26 ~~rights to payment earned or unearned under a charter or other~~

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~~1 contract involving the use or hire of a vessel and all rights
2 incident to the charter or contract are accounts.~~

3 (1) A PERSON HAS CONTROL OF A CERTIFICATED SECURITY, UNCER-
4 TIFICATED SECURITY, OR SECURITY ENTITLEMENT AS PROVIDED IN SEC-
5 TION 8106.

6 (2) A SECURED PARTY HAS CONTROL OF A COMMODITY CONTRACT IF
7 EITHER OF THE FOLLOWING IS MET:

8 (A) THE SECURED PARTY IS THE COMMODITY INTERMEDIARY WITH
9 WHICH THE COMMODITY CONTRACT IS CARRIED.

10 (B) THE COMMODITY CUSTOMER, SECURED PARTY, AND COMMODITY
11 INTERMEDIARY HAVE AGREED THAT THE COMMODITY INTERMEDIARY WILL
12 APPLY ANY VALUE DISTRIBUTED ON ACCOUNT OF THE COMMODITY CONTRACT
13 AS DIRECTED BY THE SECURED PARTY WITHOUT FURTHER CONSENT BY THE
14 COMMODITY CUSTOMER.

15 (3) A SECURED PARTY HAVING CONTROL OF ALL SECURITY ENTITLE-
16 MENTS OR COMMODITY CONTRACTS CARRIED IN A SECURITIES ACCOUNT OR
17 COMMODITY ACCOUNT HAS CONTROL OVER THE SECURITIES ACCOUNT OR COM-
18 MODITY ACCOUNT.

19 Sec. 9107. ~~A security interest is a "purchase money secur-~~
20 ~~ity interest" to the extent that it is~~

21 ~~(a) taken or retained by the seller of the collateral to~~
22 ~~secure all or part of its price; or~~

23 ~~(b) taken by a person who by making advances or incurring an~~
24 ~~obligation gives value to enable the debtor to acquire rights in~~
25 ~~or the use of collateral if such value is in fact so used. A~~

26 SECURED PARTY HAS CONTROL OF A LETTER-OF-CREDIT RIGHT TO THE
27 EXTENT OF ANY RIGHT TO PAYMENT OR PERFORMANCE BY THE ISSUER OR

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1 ANY NOMINATED PERSON IF THE ISSUER OR NOMINATED PERSON HAS
2 CONSENTED TO AN ASSIGNMENT OF PROCEEDS OF THE LETTER OF CREDIT
3 UNDER SECTION 5114(3) OR OTHERWISE APPLICABLE LAW OR PRACTICE.

4 Sec. 9108. ~~Where a secured party makes an advance, incurs~~
5 ~~an obligation, releases a perfected security interest, or other-~~
6 ~~wise gives new value which is to be secured in whole or in part~~
7 ~~by after-acquired property his security interest in the~~
8 ~~after-acquired collateral shall be deemed to be taken for a new~~
9 ~~value and not as security for an antecedent debt if the debtor~~
10 ~~acquires his rights in such collateral either in the ordinary~~
11 ~~course of his business or under a contract of purchase made pur-~~
12 ~~suant to the security agreement within a reasonable time after~~
13 ~~new value is given.~~

14 (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTIONS (3), (4),
15 AND (5), A DESCRIPTION OF PERSONAL OR REAL PROPERTY IS SUFFI-
16 CIENT, WHETHER OR NOT IT IS SPECIFIC, IF IT REASONABLY IDENTIFIES
17 WHAT IS DESCRIBED.

18 (2) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (4), A
19 DESCRIPTION OF COLLATERAL REASONABLY IDENTIFIES THE COLLATERAL IF
20 IT IDENTIFIES THE COLLATERAL BY 1 OR MORE OF THE FOLLOWING:

21 (A) SPECIFIC LISTING.

22 (B) CATEGORY.

23 (C) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (5), A TYPE
24 OF COLLATERAL DEFINED IN THE UNIFORM COMMERCIAL CODE.

25 (D) QUANTITY.

26 (E) COMPUTATIONAL OR ALLOCATIONAL FORMULA OR PROCEDURE.

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1 (F) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (3), ANY
2 OTHER METHOD, IF THE IDENTITY OF THE COLLATERAL IS OBJECTIVELY
3 DETERMINABLE.

4 (3) A DESCRIPTION OF COLLATERAL AS "ALL THE DEBTOR'S ASSETS"
5 OR "ALL THE DEBTOR'S PERSONAL PROPERTY" OR USING WORDS OF SIMILAR
6 IMPORT DOES NOT REASONABLY IDENTIFY THE COLLATERAL.

7 (4) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (5), A
8 DESCRIPTION OF A SECURITY ENTITLEMENT, SECURITIES ACCOUNT, OR
9 COMMODITY ACCOUNT IS SUFFICIENT IF IT DESCRIBES 1 OR MORE OF THE
10 FOLLOWING:

11 (A) THE COLLATERAL BY THE TERM SECURITY ENTITLEMENT, SECURI-
12 TIES ACCOUNT, OR COMMODITY ACCOUNT, OR AS INVESTMENT PROPERTY.

13 (B) THE UNDERLYING FINANCIAL ASSET OR COMMODITY CONTRACT.

14 (5) A DESCRIPTION ONLY BY TYPE OF COLLATERAL DEFINED IN THE
15 UNIFORM COMMERCIAL CODE IS AN INSUFFICIENT DESCRIPTION OF EITHER
16 OF THE FOLLOWING:

17 (A) A COMMERCIAL TORT CLAIM.

18 (B) IN A CONSUMER TRANSACTION, CONSUMER GOODS, A SECURITY
19 ENTITLEMENT, A SECURITIES ACCOUNT, OR A COMMODITY ACCOUNT.

20 SUBPART 2. APPLICABILITY OF ARTICLE

21 Sec. 9109. ~~Goods are~~

22 ~~(1) "consumer goods" if they are used or bought for use pri-~~
23 ~~marily for personal, family or household purposes;~~

24 ~~(2) "equipment" if they are used or bought for use primarily~~
25 ~~in business (including farming or a profession) or by a debtor~~
26 ~~who is a nonprofit organization or a governmental subdivision or~~

1 ~~agency or if the goods are not included in the definitions of~~
2 ~~inventory, farm products or consumer goods;~~

3 ~~(3) "farm products" if they are crops or livestock or sup-~~
4 ~~plies used or produced in farming operations or if they are pro-~~
5 ~~ducts of crops or livestock in their unmanufactured states (such~~
6 ~~as ginned cotton, wool-clip, maple syrup, milk and eggs), and if~~
7 ~~they are in the possession of a debtor engaged in raising, fat-~~
8 ~~tening, grazing or other farming operations. If goods are farm~~
9 ~~products they are neither equipment nor inventory;~~

10 ~~(4) "inventory" if they are held by a person who holds them~~
11 ~~for sale or lease or to be furnished under contracts of service~~
12 ~~or if he has so furnished them, or if they are raw materials,~~
13 ~~work in process or materials used or consumed in a business.~~
14 ~~Inventory of a person is not to be classified as his equipment.~~

15 (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTIONS (3) AND (4),
16 THIS ARTICLE APPLIES TO ALL OF THE FOLLOWING:

17 (A) A TRANSACTION, REGARDLESS OF ITS FORM, THAT CREATES A
18 SECURITY INTEREST IN PERSONAL PROPERTY OR FIXTURES BY CONTRACT.

19 (B) AN AGRICULTURAL LIEN.

20 (C) A SALE OF ACCOUNTS, CHATTEL PAPER, PAYMENT INTANGIBLES,
21 OR PROMISSORY NOTES.

22 (D) A CONSIGNMENT.

23 (E) A SECURITY INTEREST ARISING UNDER SECTION 2401, 2505,
24 2711(3), OR 2A508(5), AS PROVIDED IN SECTION 9110.

25 (F) A SECURITY INTEREST ARISING UNDER SECTION 4210 OR 5118.

26 (2) THE APPLICATION OF THIS ARTICLE TO A SECURITY INTEREST
27 IN A SECURED OBLIGATION IS NOT AFFECTED BY THE FACT THAT THE

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1 OBLIGATION IS ITSELF SECURED BY A TRANSACTION OR INTEREST TO
2 WHICH THIS ARTICLE DOES NOT APPLY.

3 (3) THIS ARTICLE DOES NOT APPLY TO THE EXTENT THAT 1 OR MORE
4 OF THE FOLLOWING APPLY:

5 (A) A STATUTE, REGULATION, OR TREATY OF THE UNITED STATES
6 PREEMPTS THIS ARTICLE.

7 (B) ANOTHER STATUTE OF THIS STATE EXPRESSLY GOVERNS THE CRE-
8 ATION, PERFECTION, PRIORITY, OR ENFORCEMENT OF A SECURITY INTER-
9 EST CREATED BY THIS STATE OR A GOVERNMENTAL UNIT OF THIS STATE.

10 (C) A STATUTE OF ANOTHER STATE, A FOREIGN COUNTRY, OR A GOV-
11 ERNMENTAL UNIT OF ANOTHER STATE OR FOREIGN COUNTRY, OTHER THAN A
12 STATUTE GENERALLY APPLICABLE TO SECURITY INTERESTS, EXPRESSLY
13 GOVERNS CREATION, PERFECTION, PRIORITY, OR ENFORCEMENT OF A
14 SECURITY INTEREST CREATED BY THAT STATE, COUNTRY, OR GOVERNMENTAL
15 UNIT.

16 (D) THE RIGHTS OF A TRANSFEREE BENEFICIARY OR NOMINATED
17 PERSON UNDER A LETTER OF CREDIT ARE INDEPENDENT AND SUPERIOR
18 UNDER SECTION 5114.

19 (4) THIS ARTICLE DOES NOT APPLY TO ANY OF THE FOLLOWING:

20 (A) A LANDLORD'S LIEN, OTHER THAN AN AGRICULTURAL LIEN.

21 (B) A LIEN, OTHER THAN AN AGRICULTURAL LIEN, GIVEN BY STAT-
22 UTE OR OTHER RULE OF LAW FOR SERVICES OR MATERIALS, BUT SECTION
23 9333 APPLIES WITH RESPECT TO PRIORITY OF THE LIEN.

24 (C) AN ASSIGNMENT OF A CLAIM FOR WAGES, SALARY, OR OTHER
25 COMPENSATION OF AN EMPLOYEE.

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1 (D) A SALE OF ACCOUNTS, CHATTEL PAPER, PAYMENT INTANGIBLES,
2 OR PROMISSORY NOTES AS PART OF A SALE OF THE BUSINESS OUT OF
3 WHICH THEY AROSE.

4 (E) AN ASSIGNMENT OF ACCOUNTS, CHATTEL PAPER, PAYMENT INTAN-
5 GIBLES, OR PROMISSORY NOTES THAT IS FOR THE PURPOSE OF COLLECTION
6 ONLY.

7 (F) AN ASSIGNMENT OF A RIGHT TO PAYMENT UNDER A CONTRACT TO
8 AN ASSIGNEE THAT IS ALSO OBLIGATED TO PERFORM UNDER THE
9 CONTRACT.

10 (G) AN ASSIGNMENT OF A SINGLE ACCOUNT, PAYMENT INTANGIBLE,
11 OR PROMISSORY NOTE TO AN ASSIGNEE IN FULL OR PARTIAL SATISFACTION
12 OF A PREEXISTING INDEBTEDNESS.

13 (H) A TRANSFER OF AN INTEREST IN OR AN ASSIGNMENT OF A CLAIM
14 UNDER A POLICY OF INSURANCE, OTHER THAN AN ASSIGNMENT BY OR TO A
15 HEALTH-CARE PROVIDER OF A HEALTH-CARE-INSURANCE RECEIVABLE AND
16 ANY SUBSEQUENT ASSIGNMENT OF THE RIGHT TO PAYMENT, BUT SECTIONS
17 9315 AND 9322 APPLY WITH RESPECT TO PROCEEDS AND PRIORITIES IN
18 PROCEEDS.

19 (I) AN ASSIGNMENT OF A RIGHT REPRESENTED BY A JUDGMENT,
20 OTHER THAN A JUDGMENT TAKEN ON A RIGHT TO PAYMENT THAT WAS
21 COLLATERAL.

22 (J) A RIGHT OF RECOUPMENT OF SET-OFF, BUT SECTION 9340
23 APPLIES WITH RESPECT TO THE EFFECTIVENESS OF RIGHTS OF RECOUPMENT
24 OR SET-OFF AGAINST DEPOSIT ACCOUNTS AND SECTION 9404 APPLIES WITH
25 RESPECT TO DEFENSES OR CLAIMS OF AN ACCOUNT DEBTOR.

26 (K) THE CREATION OR TRANSFER OF AN INTEREST IN OR LIEN ON
27 REAL PROPERTY, INCLUDING A LEASE OR RENTS THEREUNDER, EXCEPT TO

1 THE EXTENT THAT PROVISION IS MADE FOR 1 OR MORE OF THE
2 FOLLOWING:

3 (i) LIENS ON REAL PROPERTY IN SECTIONS 9203 AND 9308.

4 (ii) FIXTURES IN SECTION 9334.

5 (iii) FIXTURE FILINGS IN SECTIONS 9501, 9502, 9512, 9516,
6 AND 9519.

7 (iv) SECURITY AGREEMENTS COVERING PERSONAL AND REAL PROPERTY
8 IN SECTION 9604.

[(L) THE CREATION OF OR TRANSFER OF AN INTEREST IN OR LIEN ON A
LAND CONTRACT MORTGAGE GOVERNED BY SECTIONS 6 THROUGH 11 OF 1879 PA
237, MCL 565.356 TO 565.361.]

9 [(M)] AN ASSIGNMENT OF A CLAIM ARISING IN TORT, OTHER THAN A
10 COMMERCIAL TORT CLAIM, BUT SECTIONS 9315 AND 9322 APPLY WITH
11 RESPECT TO PROCEEDS AND PRIORITIES IN PROCEEDS.

12 [(N)] AN ASSIGNMENT OF A DEPOSIT ACCOUNT IN A CONSUMER TRANS-
13 ACTION, BUT SECTIONS 9315 AND 9322 APPLY WITH RESPECT TO PROCEEDS
14 AND PRIORITIES IN PROCEEDS.

15 Sec. 9110. ~~For the purposes of this article any descrip-~~
16 ~~tion of personal property or real estate is sufficient whether or~~
17 ~~not it is specific if it reasonably identifies what is~~
18 ~~described.~~ A SECURITY INTEREST ARISING UNDER SECTION 2401, 2505,
19 2711(3), OR 2A508(5) IS SUBJECT TO THIS ARTICLE. HOWEVER, UNTIL
20 THE DEBTOR OBTAINS POSSESSION OF THE GOODS, ALL OF THE FOLLOWING
21 APPLY:

22 (A) THE SECURITY INTEREST IS ENFORCEABLE, EVEN IF SECTION
23 9203(2)(C) HAS NOT BEEN SATISFIED.

24 (B) FILING IS NOT REQUIRED TO PERFECT THE SECURITY
25 INTEREST.

26 (C) THE RIGHTS OF THE SECURED PARTY AFTER DEFAULT BY THE
27 DEBTOR ARE GOVERNED BY ARTICLE 2 OR 2A.

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1 (D) THE SECURITY INTEREST HAS PRIORITY OVER A CONFLICTING
2 SECURITY INTEREST CREATED BY THE DEBTOR.

3 PART 2

4 ~~VALIDITY OF SECURITY AGREEMENT AND~~ EFFECTIVENESS OF SECURITY
5 AGREEMENT; ATTACHMENT OF SECURITY INTEREST;
6 RIGHTS OF PARTIES ~~THERETO~~ TO SECURITY AGREEMENT

7 SUBPART 1. EFFECTIVENESS AND ATTACHMENT

8 Sec. 9201. ~~Except as otherwise provided by this act a~~
9 ~~security agreement is effective according to its terms between~~
10 ~~the parties, against purchasers of the collateral and against~~
11 ~~creditors. Nothing in this article validates any charge or prac-~~
12 ~~tice illegal under any statute or regulation thereunder governing~~
13 ~~usury, small loans, retail installment sales, or the like, or~~
14 ~~extends the application of any such statute or regulation to any~~
15 ~~transaction not otherwise subject thereto.~~

16 (1) EXCEPT AS OTHERWISE PROVIDED IN THIS ACT, A SECURITY
17 AGREEMENT IS EFFECTIVE ACCORDING TO ITS TERMS BETWEEN THE PAR-
18 TIES, AGAINST PURCHASERS OF THE COLLATERAL, AND AGAINST
19 CREDITORS.

20 (2) A TRANSACTION SUBJECT TO THIS ARTICLE IS SUBJECT TO ANY
21 APPLICABLE RULE OF LAW THAT ESTABLISHES A DIFFERENT RULE FOR CON-
22 SUMERS AND TO EACH OF THE FOLLOWING, AS APPLICABLE:

23 (A) THE REGULATORY LOAN ACT OF 1963, 1939 PA 21, MCL 493.1
24 TO 493.26.

25 (B) 1939 PA 305, MCL 566.301 TO 566.302.

26 (C) THE MOTOR VEHICLE SALES FINANCE ACT, 1950 (EX SESS)
27 PA 27, MCL 492.101 TO 492.141.

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1 (D) THE MOBILE HOME COMMISSION ACT, 1987 PA 96, MCL 125.2301
2 TO 125.2349.

3 (E) THE MICHIGAN VEHICLE CODE, 1949 PA 300, MCL 257.1 TO
4 257.923.

5 (F) 1978 PA 387, MCL 257.931 TO 257.937.

6 (G) 1986 PA 87, MCL 257.1401 TO 257.1410.

7 (H) THE GRAIN DEALERS ACT, 1939 PA 141, MCL 285.61 TO
8 285.82A.

9 (I) THE MICHIGAN FAMILY FARM DEVELOPMENT ACT, 1982 PA 220,
10 MCL 285.251 TO 285.279.

11 (J) THE NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION ACT,
12 1994 PA 451, MCL 324.101 TO 324.90106.

13 (K) 1982 PA 459, MCL 325.851 TO 325.858.

14 (L) 1970 PA 90, MCL 442.311 TO 442.315.

15 (M) 1971 PA 227, MCL 445.111 TO 445.117.

16 (N) THE RETAIL INSTALLMENT SALES ACT, 1966 PA 224,
17 MCL 445.851 TO 445.873.

18 (O) THE MICHIGAN CONSUMER PROTECTION ACT, 1976 PA 331,
19 MCL 445.901 TO 445.922.

20 (P) THE HOME IMPROVEMENT FINANCE ACT, 1965 PA 332,
21 MCL 445.1102 TO 445.1431.

22 (Q) 1941 PA 338, MCL 566.1.

23 (R) THE GARAGE KEEPER'S LIEN ACT, 1915 PA 312, MCL 570.301
24 TO 570.309.

25 (3) IN CASE OF CONFLICT BETWEEN THIS ARTICLE AND A RULE OF
26 LAW, STATUTE, OR REGULATION DESCRIBED IN SUBSECTION (2), THE RULE
27 OF LAW, STATUTE, OR REGULATION CONTROLS. FAILURE TO COMPLY WITH

1 A STATUTE OR REGULATION DESCRIBED IN SUBSECTION (2) HAS ONLY THE
2 EFFECT THE STATUTE OR REGULATION SPECIFIES.

3 (4) THIS ARTICLE DOES NOT VALIDATE ANY RATE, CHARGE, AGREE-
4 MENT, OR PRACTICE THAT VIOLATES A RULE OF LAW, STATUTE, OR REGU-
5 LATION DESCRIBED IN SUBSECTION (2), OR EXTEND THE APPLICATION OF
6 THE RULE OF LAW, STATUTE, OR REGULATION TO A TRANSACTION NOT OTH-
7 ERWISE SUBJECT TO IT.

8 Sec. 9202. ~~Each provision of this article with regard to~~
9 ~~rights, obligations and remedies applies whether title to collat-~~
10 ~~eral is in the secured party or in the debtor.~~ EXCEPT AS OTHER-
11 WISE PROVIDED WITH RESPECT TO CONSIGNMENTS OR SALES OF ACCOUNTS,
12 CHATTEL PAPER, PAYMENT INTANGIBLES, OR PROMISSORY NOTES, THE PRO-
13 VISIONS OF THIS ARTICLE WITH REGARD TO RIGHTS AND OBLIGATIONS
14 APPLY WHETHER TITLE TO COLLATERAL IS IN THE SECURED PARTY OR THE
15 DEBTOR.

16 Sec. 9203. ~~(1) Subject to section 4208 on the security~~
17 ~~interest of a collecting bank, sections 9115 and 9116 on security~~
18 ~~interests in investment property, and section 9113 on a security~~
19 ~~interest arising under the article on sales, a security interest~~
20 ~~is not enforceable against the debtor or third parties with~~
21 ~~respect to the collateral and does not attach unless all of the~~
22 ~~following are true:~~

23 ~~(a) The collateral is in the possession of the secured party~~
24 ~~pursuant to agreement, the collateral is investment property and~~
25 ~~the secured party has control pursuant to agreement, or the~~
26 ~~debtor has signed a security agreement that contains a~~
27 ~~description of the collateral and in addition, when the security~~

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1 ~~interest covers timber to be cut, a description of the land~~
2 ~~concerned.~~

3 ~~(b) Value has been given.~~

4 ~~(c) The debtor has rights in the collateral.~~

5 ~~(2) A security interest attaches when it becomes enforceable~~
6 ~~against the debtor with respect to the collateral. Attachment~~
7 ~~occurs as soon as all of the events specified in subsection (1)~~
8 ~~have taken place unless explicit agreement postpones the time of~~
9 ~~attaching.~~

10 ~~(3) Unless otherwise agreed a security agreement gives the~~
11 ~~secured party the rights to proceeds provided by section 9306.~~

12 ~~(4) A transaction, although subject to this article, is also~~
13 ~~subject to the regulatory loan act of 1963, 1939 PA 21, MCL 493.1~~
14 ~~to 493.26, 1939 PA 305, MCL 566.301 to 566.302, and the motor~~
15 ~~vehicle sales finance act, 1950 (Ex Sess) PA 27, MCL 492.101 to~~
16 ~~492.141. If a conflict arises between this article and another~~
17 ~~statute, the other statute controls. Failure to comply with any~~
18 ~~applicable statute has only the effect that is specified in that~~
19 ~~statute.~~

20 (1) A SECURITY INTEREST ATTACHES TO COLLATERAL WHEN IT
21 BECOMES ENFORCEABLE AGAINST THE DEBTOR WITH RESPECT TO THE COL-
22 LATERAL, UNLESS AN AGREEMENT EXPRESSLY POSTPONES THE TIME OF
23 ATTACHMENT.

24 (2) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTIONS (3) THROUGH
25 (9), A SECURITY INTEREST IS ENFORCEABLE AGAINST THE DEBTOR AND
26 THIRD PARTIES WITH RESPECT TO THE COLLATERAL ONLY IF ALL OF THE
27 FOLLOWING ARE MET:

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1 (A) VALUE HAS BEEN GIVEN.

2 (B) THE DEBTOR HAS RIGHTS IN THE COLLATERAL OR THE POWER TO
3 TRANSFER RIGHTS IN THE COLLATERAL TO A SECURED PARTY.

4 (C) ONE OR MORE OF THE FOLLOWING CONDITIONS ARE MET:

5 (i) THE DEBTOR HAS AUTHENTICATED A SECURITY AGREEMENT THAT
6 PROVIDES A DESCRIPTION OF THE COLLATERAL AND, IF THE SECURITY
7 INTEREST COVERS TIMBER TO BE CUT, A DESCRIPTION OF THE LAND
8 CONCERNED.

9 (ii) THE COLLATERAL IS NOT A CERTIFICATED SECURITY AND IS IN
10 THE POSSESSION OF THE SECURED PARTY UNDER SECTION 9313 PURSUANT
11 TO THE DEBTOR'S SECURITY AGREEMENT.

12 (iii) THE COLLATERAL IS A CERTIFICATED SECURITY IN REGIS-
13 TERED FORM AND THE SECURITY CERTIFICATE HAS BEEN DELIVERED TO THE
14 SECURED PARTY UNDER SECTION 8301 PURSUANT TO THE DEBTOR'S SECUR-
15 ITY AGREEMENT.

16 (iv) THE COLLATERAL IS DEPOSIT ACCOUNTS, ELECTRONIC CHATTEL
17 PAPER, INVESTMENT PROPERTY, OR LETTER-OF-CREDIT RIGHTS, AND THE
18 SECURED PARTY HAS CONTROL UNDER SECTION 9104, 9105, 9106, OR 9107
19 PURSUANT TO THE DEBTOR'S SECURITY AGREEMENT.

20 (3) SUBSECTION (2) IS SUBJECT TO SECTION 4210 ON THE SECUR-
21 ITY INTEREST OF A COLLECTING BANK, SECTION 5118 ON THE SECURITY
22 INTEREST OF A LETTER-OF-CREDIT ISSUER OR NOMINATED PERSON, SEC-
23 TION 9110 ON A SECURITY INTEREST ARISING UNDER ARTICLE 2 OR 2A,
24 AND SECTION 9206 ON SECURITY INTERESTS IN INVESTMENT PROPERTY.

25 (4) A PERSON BECOMES BOUND AS DEBTOR BY A SECURITY AGREEMENT
26 ENTERED INTO BY ANOTHER PERSON IF, BY OPERATION OF LAW OTHER THAN
27 THIS ARTICLE OR BY CONTRACT, EITHER OF THE FOLLOWING OCCURS:

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1 (A) THE SECURITY AGREEMENT BECOMES EFFECTIVE TO CREATE A
2 SECURITY INTEREST IN THE PERSON'S PROPERTY.

3 (B) THE PERSON BECOMES GENERALLY OBLIGATED FOR THE OBLIGA-
4 TIONS OF THE OTHER PERSON, INCLUDING THE OBLIGATION SECURED UNDER
5 THE SECURITY AGREEMENT, AND ACQUIRES OR SUCCEEDS TO ALL OR SUB-
6 STANTIALY ALL OF THE ASSETS OF THE OTHER PERSON.

7 (5) IF A NEW DEBTOR BECOMES BOUND AS DEBTOR BY A SECURITY
8 AGREEMENT ENTERED INTO BY ANOTHER PERSON, THE AGREEMENT SATISFIES
9 SUBSECTION (2)(C) WITH RESPECT TO EXISTING OR AFTER-ACQUIRED
10 PROPERTY OF THE NEW DEBTOR TO THE EXTENT THE PROPERTY IS
11 DESCRIBED IN THE AGREEMENT, AND ANOTHER AGREEMENT IS NOT NECES-
12 SARY TO MAKE A SECURITY INTEREST IN THE PROPERTY ENFORCEABLE.

13 (6) THE ATTACHMENT OF A SECURITY INTEREST IN COLLATERAL
14 GIVES THE SECURED PARTY THE RIGHTS TO PROCEEDS PROVIDED BY SEC-
15 TION 9315 AND IS ALSO ATTACHMENT OF A SECURITY INTEREST IN A SUP-
16 PORTING OBLIGATION FOR THE COLLATERAL.

17 (7) THE ATTACHMENT OF A SECURITY INTEREST IN A RIGHT TO PAY-
18 MENT OR PERFORMANCE SECURED BY A SECURITY INTEREST OR OTHER LIEN
19 ON PERSONAL OR REAL PROPERTY IS ALSO ATTACHMENT OF A SECURITY
20 INTEREST IN THE SECURITY INTEREST, MORTGAGE, OR OTHER LIEN.

21 (8) THE ATTACHMENT OF A SECURITY INTEREST IN A SECURITIES
22 ACCOUNT IS ALSO ATTACHMENT OF A SECURITY INTEREST IN THE SECURITY
23 ENTITLEMENTS CARRIED IN THE SECURITIES ACCOUNT.

24 (9) THE ATTACHMENT OF A SECURITY INTEREST IN A COMMODITY
25 ACCOUNT IS ALSO ATTACHMENT OF A SECURITY INTEREST IN THE COMMOD-
26 ITY CONTRACTS CARRIED IN THE COMMODITY ACCOUNT.

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1 Sec. 9204. ~~-(1) Except as provided in subsection (2), a~~
2 ~~security agreement may provide that any or all obligations~~
3 ~~covered by the security agreement are to be secured by~~
4 ~~after-acquired collateral.~~

5 ~~(2) No security interest attaches under an after-acquired~~
6 ~~property clause to consumer goods other than accessions (section~~
7 ~~9314) when given as additional security unless the debtor~~
8 ~~acquires rights in them within 10 days after the secured party~~
9 ~~gives value.~~

10 ~~(3) Obligations covered by a security agreement may include~~
11 ~~future advances or other value whether or not the advances or~~
12 ~~value are given pursuant to commitment (section 9105(1)).~~

13 (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (2), A SECUR-
14 ITY AGREEMENT MAY CREATE OR PROVIDE FOR A SECURITY INTEREST IN
15 AFTER-ACQUIRED COLLATERAL.

16 (2) A SECURITY INTEREST DOES NOT ATTACH UNDER A TERM CONSTI-
17 TUTING AN AFTER-ACQUIRED PROPERTY CLAUSE TO EITHER OF THE
18 FOLLOWING:

19 (A) CONSUMER GOODS, OTHER THAN AN ACCESSION WHEN GIVEN AS
20 ADDITIONAL SECURITY, UNLESS THE DEBTOR ACQUIRES RIGHTS IN THEM
21 WITHIN 10 DAYS AFTER THE SECURED PARTY GIVES VALUE.

22 (B) A COMMERCIAL TORT CLAIM.

23 (3) A SECURITY AGREEMENT MAY PROVIDE THAT COLLATERAL
24 SECURES, OR THAT ACCOUNTS, CHATTEL PAPER, PAYMENT INTANGIBLES, OR
25 PROMISSORY NOTES ARE SOLD IN CONNECTION WITH, FUTURE ADVANCES OR
26 OTHER VALUE, WHETHER OR NOT THE ADVANCES OR VALUE ARE GIVEN
27 PURSUANT TO COMMITMENT.

1 Sec. 9205. ~~A security interest is not invalid or~~
2 ~~fraudulent against creditors by reason of liberty in the debtor~~
3 ~~to use, commingle, or dispose of all or part of the collateral,~~
4 ~~(including returned or repossessed goods), or to collect or com-~~
5 ~~promise accounts or chattel paper, or to accept the return of~~
6 ~~goods or make repossessions, or to use, commingle, or dispose of~~
7 ~~proceeds, or by reason of the failure of the secured party to~~
8 ~~require the debtor to account for proceeds or replace~~
9 ~~collateral. This section does not relax the requirements of pos-~~
10 ~~session where perfection of a security interest depends upon pos-~~
11 ~~session of the collateral by the secured party or by a bailee.~~

12 (1) A SECURITY INTEREST IS NOT INVALID OR FRAUDULENT AGAINST
13 CREDITORS SOLELY BECAUSE OF EITHER OF THE FOLLOWING:

14 (A) THE DEBTOR HAS THE RIGHT OR ABILITY TO DO 1 OR MORE OF
15 THE FOLLOWING:

16 (i) USE, COMMINGLE, OR DISPOSE OF ALL OR PART OF THE COLLAT-
17 ERAL, INCLUDING RETURNED OR REPOSSESSED GOODS.

18 (ii) COLLECT, COMPROMISE, ENFORCE, OR OTHERWISE DEAL WITH
19 COLLATERAL.

20 (iii) ACCEPT THE RETURN OF COLLATERAL OR MAKE
21 REPOSSESSIONS.

22 (iv) USE, COMMINGLE, OR DISPOSE OF PROCEEDS.

23 (B) THE SECURED PARTY FAILS TO REQUIRE THE DEBTOR TO ACCOUNT
24 FOR PROCEEDS OR REPLACE COLLATERAL.

25 (2) THIS SECTION DOES NOT RELAX THE REQUIREMENTS OF POSSES-
26 SION IF ATTACHMENT, PERFECTION, OR ENFORCEMENT OR A SECURITY

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1 INTEREST DEPENDS UPON POSSESSION OF THE COLLATERAL BY THE SECURED
2 PARTY.

3 Sec. 9206. ~~-(1) Subject to any statute or decision which~~
4 ~~establishes a different rule for buyers or lessees of consumer~~
5 ~~goods, an agreement by a buyer or lessee that he will not assert~~
6 ~~against an assignee any claim or defense which he may have~~
7 ~~against the seller or lessor is enforceable by an assignee who~~
8 ~~takes his assignment for value, in good faith and without notice~~
9 ~~of a claim or defense, except as to defenses of a type which may~~
10 ~~be asserted against a holder in due course of a negotiable~~
11 ~~instrument under the article on commercial paper (article 3). A~~
12 ~~buyer who as part of one transaction signs both a negotiable~~
13 ~~instrument and a security agreement makes such an agreement.~~

14 ~~(2) When a seller retains a purchase money security interest~~
15 ~~in goods the article on sales (article 2) governs the sale and~~
16 ~~any disclaimer, limitation or modification of the seller's~~
17 ~~warranties.~~

18 (1) A SECURITY INTEREST IN FAVOR OF A SECURITIES INTERMEDI-
19 ARY ATTACHES TO A PERSON'S SECURITY ENTITLEMENT IF THE PERSON
20 BUYS A FINANCIAL ASSET THROUGH THE SECURITIES INTERMEDIARY IN A
21 TRANSACTION IN WHICH THE PERSON IS OBLIGATED TO PAY THE PURCHASE
22 PRICE TO THE SECURITIES INTERMEDIARY AT THE TIME OF THE PURCHASE,
23 AND THE SECURITIES INTERMEDIARY CREDITS THE FINANCIAL ASSET TO
24 THE BUYER'S SECURITIES ACCOUNT BEFORE THE BUYER PAYS THE SECURI-
25 TIES INTERMEDIARY.

26 (2) THE SECURITY INTEREST DESCRIBED IN SUBSECTION (1)
27 SECURES THE PERSON'S OBLIGATION TO PAY FOR THE FINANCIAL ASSET.

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1 (3) A SECURITY INTEREST IN FAVOR OF A PERSON THAT DELIVERS A
2 CERTIFICATED SECURITY OR OTHER FINANCIAL ASSET REPRESENTED BY A
3 WRITING ATTACHES TO THE SECURITY OR OTHER FINANCIAL ASSET IF BOTH
4 OF THE FOLLOWING ARE MET:

5 (A) THE SECURITY OR OTHER FINANCIAL ASSET IN THE ORDINARY
6 COURSE OF BUSINESS IS TRANSFERRED BY DELIVERY WITH ANY NECESSARY
7 INDORSEMENT OR ASSIGNMENT, AND IS DELIVERED UNDER AN AGREEMENT
8 BETWEEN PERSONS IN THE BUSINESS OF DEALING WITH THE SECURITIES OR
9 FINANCIAL ASSETS.

10 (B) THE AGREEMENT CALLS FOR DELIVERY AGAINST PAYMENT.

11 (4) THE SECURITY INTEREST DESCRIBED IN SUBSECTION (3)
12 SECURES THE OBLIGATION TO MAKE PAYMENT FOR THE DELIVERY.

13 SUBPART 2. RIGHTS AND DUTIES

14 Sec. 9207. ~~-(1) A secured party must use reasonable care in~~
15 ~~the custody and preservation of collateral in his possession. In~~
16 ~~the case of an instrument or chattel paper reasonable care~~
17 ~~includes taking necessary steps to preserve rights against prior~~
18 ~~parties unless otherwise agreed.~~

19 ~~-(2) Unless otherwise agreed, when collateral is in the~~
20 ~~secured party's possession~~

21 ~~-(a) reasonable expenses (including the cost of any insurance~~
22 ~~and payment of taxes or other charges) incurred in the custody,~~
23 ~~preservation, use or operation of the collateral are chargeable~~
24 ~~to the debtor and are secured by the collateral;~~

25 ~~-(b) the risk of accidental loss or damage is on the debtor~~
26 ~~to the extent of any deficiency in any effective insurance~~
27 ~~coverage;~~

1 ~~(c) the secured party may hold as additional security any~~
2 ~~increase or profits (except money) received from the collateral,~~
3 ~~but money so received, unless remitted to the debtor, shall be~~
4 ~~applied in reduction of the secured obligation;~~

5 ~~(d) the secured party must keep the collateral identifiable~~
6 ~~but fungible collateral may be commingled;~~

7 ~~(e) the secured party may repledge the collateral upon terms~~
8 ~~which do not impair the debtor's right to redeem it.~~

9 ~~(3) A secured party is liable for any loss caused by his~~
10 ~~failure to meet any obligation imposed by the preceding subsec-~~
11 ~~tions but does not lose his security interest.~~

12 ~~(4) A secured party may use or operate the collateral for~~
13 ~~the purpose of preserving the collateral or its value or pursuant~~
14 ~~to the order of a court of appropriate jurisdiction or, except in~~
15 ~~the case of consumer goods, in the manner and to the extent pro-~~
16 ~~vided in the security agreement.~~

17 (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (4), A
18 SECURED PARTY SHALL USE REASONABLE CARE IN THE CUSTODY AND PRE-
19 SERVATION OF COLLATERAL IN THE SECURED PARTY'S POSSESSION. IN
20 THE CASE OF CHATTEL PAPER OR AN INSTRUMENT, REASONABLE CARE
21 INCLUDES TAKING NECESSARY STEPS TO PRESERVE RIGHTS AGAINST PRIOR
22 PARTIES UNLESS OTHERWISE AGREED.

23 (2) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (4), IF A
24 SECURED PARTY HAS POSSESSION OF COLLATERAL ALL OF THE FOLLOWING
25 APPLY:

26 (A) REASONABLE EXPENSES, INCLUDING THE COST OF INSURANCE AND
27 PAYMENT OF TAXES OR OTHER CHARGES, INCURRED IN THE CUSTODY,

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1 PRESERVATION, USE, OR OPERATION OF THE COLLATERAL ARE CHARGEABLE
2 TO THE DEBTOR AND ARE SECURED BY THE COLLATERAL.

3 (B) THE RISK OF ACCIDENTAL LOSS OR DAMAGE IS ON THE DEBTOR
4 TO THE EXTENT OF A DEFICIENCY IN ANY EFFECTIVE INSURANCE
5 COVERAGE.

6 (C) THE SECURED PARTY SHALL KEEP THE COLLATERAL IDENTIFI-
7 FIABLE, BUT FUNGIBLE COLLATERAL MAY BE COMMINGLED.

8 (D) THE SECURED PARTY MAY USE OR OPERATE THE COLLATERAL FOR
9 THE PURPOSE OF PRESERVING THE COLLATERAL OR ITS VALUE; AS PERMIT-
10 TED BY AN ORDER OF A COURT HAVING COMPETENT JURISDICTION; OR
11 EXCEPT IN THE CASE OF CONSUMER GOODS, IN THE MANNER AND TO THE
12 EXTENT AGREED BY THE DEBTOR.

13 (3) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (4), A
14 SECURED PARTY HAVING POSSESSION OF COLLATERAL OR CONTROL OF COL-
15 LATERAL UNDER SECTION 9104, 9105, 9106, OR 9107 MAY HOLD AS ADDI-
16 TIONAL SECURITY ANY PROCEEDS, EXCEPT MONEY OR FUNDS, RECEIVED
17 FROM THE COLLATERAL, SHALL APPLY MONEY OR FUNDS RECEIVED FROM THE
18 COLLATERAL TO REDUCE THE SECURED OBLIGATION UNLESS REMITTED TO
19 THE DEBTOR, AND MAY CREATE A SECURITY INTEREST IN THE
20 COLLATERAL.

21 (4) IF THE SECURED PARTY IS A BUYER OF ACCOUNTS, CHATTEL
22 PAPER, PAYMENT INTANGIBLES, OR PROMISSORY NOTES OR A CONSIGNOR,
23 SUBSECTIONS (2) AND (3) DO NOT APPLY, AND SUBSECTION (1) DOES NOT
24 APPLY UNLESS THE SECURED PARTY IS ENTITLED UNDER AN AGREEMENT TO
25 CHARGE BACK UNCOLLECTED COLLATERAL OR OTHERWISE TO FULL OR
26 LIMITED RECOURSE AGAINST THE DEBTOR OR A SECONDARY OBLIGOR BASED

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1 ON THE NONPAYMENT OR OTHER DEFAULT OF AN ACCOUNT DEBTOR OR OTHER
2 OBLIGOR ON THE COLLATERAL.

3 Sec. 9208. ~~-(1) A debtor may sign a statement indicating~~
4 ~~what he believes to be the aggregate amount of unpaid indebted-~~
5 ~~ness as of a specified date and may send it to the secured party~~
6 ~~with a request that the statement be approved or corrected and~~
7 ~~returned to the debtor. When the security agreement or any other~~
8 ~~record kept by the secured party identifies the collateral a~~
9 ~~debtor may similarly request the secured party to approve or cor-~~
10 ~~rect a list of the collateral.~~

11 ~~-(2) The secured party must comply with such a request within~~
12 ~~2 weeks after receipt by sending a written correction or~~
13 ~~approval. If the secured party claims a security interest in all~~
14 ~~of a particular type of collateral owned by the debtor he may~~
15 ~~indicate that fact in his reply and need not approve or correct~~
16 ~~an itemized list of such collateral. If the secured party with-~~
17 ~~out reasonable excuse fails to comply he is liable for any loss~~
18 ~~caused to the debtor thereby; and if the debtor has properly~~
19 ~~included in his request a good faith statement of the obligation~~
20 ~~or a list of the collateral or both the secured party may claim a~~
21 ~~security interest only as shown in the statement against persons~~
22 ~~misled by his failure to comply. If he no longer has an interest~~
23 ~~in the obligation or collateral at the time the request is~~
24 ~~received he must disclose the name and address of any successor~~
25 ~~in interest known to him and he is liable for any loss caused to~~
26 ~~the debtor as a result of failure to disclose. A successor in~~

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1 ~~interest is not subject to this section until a request is~~
2 ~~received by him.~~

3 ~~(3) A debtor is entitled to such a statement once every 6~~
4 ~~months without charge. The secured party may require payment of~~
5 ~~a charge not exceeding \$10.00 for each additional statement~~
6 ~~furnished.~~

7 (1) THIS SECTION APPLIES TO CASES IN WHICH THERE IS NO OUT-
8 STANDING SECURED OBLIGATION AND THE SECURED PARTY IS NOT COMMIT-
9 TED TO MAKE ADVANCES, INCUR OBLIGATIONS, OR OTHERWISE GIVE
10 VALUE.

11 (2) WITHIN 10 DAYS AFTER RECEIVING AN AUTHENTICATED DEMAND
12 BY THE DEBTOR, A SECURED PARTY SHALL DO ALL OF THE FOLLOWING THAT
13 APPLY TO THE SECURED PARTY:

14 (A) A SECURED PARTY HAVING CONTROL OF A DEPOSIT ACCOUNT
15 UNDER SECTION 9104(1)(B) SHALL SEND TO THE BANK WITH WHICH THE
16 DEPOSIT ACCOUNT IS MAINTAINED AN AUTHENTICATED STATEMENT THAT
17 RELEASES THE BANK FROM ANY FURTHER OBLIGATION TO COMPLY WITH
18 INSTRUCTIONS ORIGINATED BY THE SECURED PARTY.

19 (B) A SECURED PARTY HAVING CONTROL OF A DEPOSIT ACCOUNT
20 UNDER SECTION 9104(1)(C) SHALL PAY THE DEBTOR THE BALANCE ON
21 DEPOSIT IN THE DEPOSIT ACCOUNT OR TRANSFER THE BALANCE ON DEPOSIT
22 INTO A DEPOSIT ACCOUNT IN THE DEBTOR'S NAME.

23 (C) A SECURED PARTY, OTHER THAN A BUYER, HAVING CONTROL OF
24 ELECTRONIC CHATTEL PAPER UNDER SECTION 9105 SHALL DO ALL OF THE
25 FOLLOWING:

26 (i) COMMUNICATE THE AUTHORITATIVE COPY OF THE ELECTRONIC
27 CHATTEL PAPER TO THE DEBTOR OR ITS DESIGNATED CUSTODIAN.

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1 (ii) IF THE DEBTOR DESIGNATES A CUSTODIAN THAT IS THE
2 DESIGNATED CUSTODIAN WITH WHICH THE AUTHORITATIVE COPY OF THE
3 ELECTRONIC CHATTEL PAPER IS MAINTAINED FOR THE SECURED PARTY,
4 COMMUNICATE TO THE CUSTODIAN AN AUTHENTICATED RECORD RELEASING
5 THE DESIGNATED CUSTODIAN FROM ANY FURTHER OBLIGATION TO COMPLY
6 WITH INSTRUCTIONS ORIGINATED BY THE SECURED PARTY AND INSTRUCTING
7 THE CUSTODIAN TO COMPLY WITH INSTRUCTIONS ORIGINATED BY THE
8 DEBTOR.

9 (iii) TAKE APPROPRIATE ACTION TO ENABLE THE DEBTOR OR ITS
10 DESIGNATED CUSTODIAN TO MAKE COPIES OF OR REVISIONS TO THE
11 AUTHORITATIVE COPY THAT ADD OR CHANGE AN IDENTIFIED ASSIGNEE OF
12 THE AUTHORITATIVE COPY WITHOUT THE CONSENT OF THE SECURED PARTY.

13 (D) A SECURED PARTY HAVING CONTROL OF INVESTMENT PROPERTY
14 UNDER SECTION 8106(4)(B) OR SECTION 9106(2) SHALL SEND TO THE
15 SECURITIES INTERMEDIARY OR COMMODITY INTERMEDIARY WITH WHICH THE
16 SECURITY ENTITLEMENT OR COMMODITY CONTRACT IS MAINTAINED AN
17 AUTHENTICATED RECORD THAT RELEASES THE SECURITIES INTERMEDIARY OR
18 COMMODITY INTERMEDIARY FROM ANY FURTHER OBLIGATION TO COMPLY WITH
19 ENTITLEMENT ORDERS OR DIRECTIONS ORIGINATED BY THE SECURED
20 PARTY.

21 (E) A SECURED PARTY HAVING CONTROL OF A LETTER-OF-CREDIT
22 RIGHT UNDER SECTION 9107 SHALL SEND TO EACH PERSON HAVING AN
23 UNFULFILLED OBLIGATION TO PAY OR DELIVER PROCEEDS OF THE LETTER
24 OF CREDIT TO THE SECURED PARTY AN AUTHENTICATED RELEASE FROM ANY
25 FURTHER OBLIGATION TO PAY OR DELIVER PROCEEDS OF THE LETTER OF
26 CREDIT TO THE SECURED PARTY.

1 SEC. 9209. (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION
2 (3), THIS SECTION APPLIES IF THERE IS NO OUTSTANDING SECURED
3 OBLIGATION AND THE SECURED PARTY IS NOT COMMITTED TO MAKE
4 ADVANCES, INCUR OBLIGATIONS, OR OTHERWISE GIVE VALUE.

5 (2) WITHIN 10 DAYS AFTER RECEIVING AN AUTHENTICATED DEMAND
6 BY THE DEBTOR, A SECURED PARTY SHALL SEND TO AN ACCOUNT DEBTOR
7 THAT HAS RECEIVED NOTIFICATION OF AN ASSIGNMENT TO THE SECURED
8 PARTY AS ASSIGNEE UNDER SECTION 9406(1) AN AUTHENTICATED RECORD
9 THAT RELEASES THE ACCOUNT DEBTOR FROM ANY FURTHER OBLIGATION TO
10 THE SECURED PARTY.

11 (3) THIS SECTION DOES NOT APPLY TO AN ASSIGNMENT CONSTITUT-
12 ING THE SALE OF AN ACCOUNT, CHATTEL PAPER, OR PAYMENT INTANGIBLE.

13 SEC. 9210. (1) AS USED IN THIS SECTION:

14 (A) "REQUEST" MEANS A RECORD OF A TYPE DESCRIBED IN SUBDIVI-
15 SION (B), (C), OR (D).

16 (B) "REQUEST FOR AN ACCOUNTING" MEANS A RECORD AUTHENTICATED
17 BY A DEBTOR REQUESTING THAT THE RECIPIENT PROVIDE AN ACCOUNTING
18 OF THE UNPAID OBLIGATIONS SECURED BY COLLATERAL AND REASONABLY
19 IDENTIFYING THE TRANSACTION OR RELATIONSHIP THAT IS THE SUBJECT
20 OF THE REQUEST.

21 (C) "REQUEST REGARDING A LIST OF COLLATERAL" MEANS A RECORD
22 AUTHENTICATED BY A DEBTOR REQUESTING THAT THE RECIPIENT APPROVE
23 OR CORRECT A LIST OF WHAT THE DEBTOR BELIEVES TO BE THE COLLAT-
24 ERAL SECURING AN OBLIGATION AND REASONABLY IDENTIFYING THE TRANS-
25 ACTION OR RELATIONSHIP THAT IS THE SUBJECT OF THE REQUEST.

26 (D) "REQUEST REGARDING A STATEMENT OF ACCOUNT" MEANS A
27 RECORD AUTHENTICATED BY A DEBTOR REQUESTING THAT THE RECIPIENT

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1 APPROVE OR CORRECT A STATEMENT INDICATING WHAT THE DEBTOR
2 BELIEVES TO BE THE AGGREGATE AMOUNT OF UNPAID OBLIGATIONS SECURED
3 BY COLLATERAL AS OF A SPECIFIED DATE AND REASONABLY IDENTIFYING
4 THE TRANSACTION OR RELATIONSHIP THAT IS THE SUBJECT OF THE
5 REQUEST.

6 (2) SUBJECT TO SUBSECTIONS (3), (4), (5), AND (6), A SECURED
7 PARTY, OTHER THAN A BUYER OF ACCOUNTS, CHATTEL PAPER, PAYMENT
8 INTANGIBLES, OR PROMISSORY NOTES OR A CONSIGNOR, SHALL COMPLY
9 WITH A REQUEST IN THE FOLLOWING MANNER WITHIN 14 DAYS AFTER THE
10 RECEIPT OF THE REQUEST:

11 (A) IN THE CASE OF A REQUEST FOR AN ACCOUNTING, BY AUTHENTI-
12 CATING AND SENDING TO THE DEBTOR AN ACCOUNTING.

13 (B) IN THE CASE OF A REQUEST REGARDING A LIST OF COLLATERAL
14 OR A REQUEST REGARDING A STATEMENT OF ACCOUNT, BY AUTHENTICATING
15 AND SENDING TO THE DEBTOR AN APPROVAL OR CORRECTION.

16 (3) A SECURED PARTY THAT CLAIMS A SECURITY INTEREST IN ALL
17 OF A PARTICULAR TYPE OF COLLATERAL OWNED BY THE DEBTOR MAY COMPLY
18 WITH A REQUEST REGARDING A LIST OF COLLATERAL BY SENDING TO THE
19 DEBTOR AN AUTHENTICATED RECORD INCLUDING A STATEMENT TO THAT
20 EFFECT WITHIN 14 DAYS AFTER RECEIPT.

21 (4) A PERSON THAT RECEIVES A REQUEST REGARDING A LIST OF
22 COLLATERAL, CLAIMS NO INTEREST IN THE COLLATERAL WHEN IT RECEIVES
23 THE REQUEST, AND CLAIMED AN INTEREST IN THE COLLATERAL AT AN EAR-
24 LIER TIME SHALL COMPLY WITH THE REQUEST WITHIN 14 DAYS AFTER
25 RECEIPT BY SENDING TO THE DEBTOR AN AUTHENTICATED RECORD DIS-
26 CLAIMING ANY INTEREST IN THE COLLATERAL, AND IF KNOWN TO THE

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1 RECIPIENT, PROVIDING THE NAME AND MAILING ADDRESS OF ANY ASSIGNEE
2 OF OR SUCCESSOR TO THE RECIPIENT'S INTEREST IN THE COLLATERAL.

3 (5) A PERSON THAT RECEIVES A REQUEST FOR AN ACCOUNTING OR A
4 REQUEST REGARDING A STATEMENT OF ACCOUNT, CLAIMS NO INTEREST IN
5 THE OBLIGATIONS WHEN IT RECEIVES THE REQUEST, AND CLAIMED AN
6 INTEREST IN THE OBLIGATIONS AT AN EARLIER TIME SHALL COMPLY WITH
7 THE REQUEST WITHIN 14 DAYS AFTER RECEIPT BY SENDING TO THE DEBTOR
8 AN AUTHENTICATED RECORD DISCLAIMING ANY INTEREST IN THE OBLIGA-
9 TIONS, AND IF KNOWN TO THE RECIPIENT, PROVIDING THE NAME AND
10 MAILING ADDRESS OF ANY ASSIGNEE OF OR SUCCESSOR TO THE
11 RECIPIENT'S INTEREST IN THE OBLIGATIONS.

12 (6) A DEBTOR IS ENTITLED WITHOUT CHARGE TO 1 RESPONSE TO A
13 REQUEST UNDER THIS SECTION DURING ANY 6-MONTH PERIOD. THE
14 SECURED PARTY MAY REQUIRE PAYMENT OF A CHARGE NOT EXCEEDING
15 \$25.00 FOR EACH ADDITIONAL RESPONSE.

16 PART 3

17 ~~RIGHTS OF THIRD PARTIES; PERFECTED AND UNPERFECTED SECURITY~~
18 ~~INTERESTS; RULES OF PERFECT AND PRIORITY~~

19 SUBPART 1. LAW GOVERNING PERFECTION AND PRIORITY

20 Sec. 9301. ~~(1) Except as otherwise provided in subsection~~
21 ~~(2), an unperfected security interest is subordinate to the~~
22 ~~rights of:~~

23 ~~(a) Persons entitled to priority under section 9312;~~

24 ~~(b) A person who becomes a lien creditor before the security~~
25 ~~interest is perfected;~~

26 ~~(c) In the case of goods, instruments, documents, and~~
27 ~~chattel paper, a person who is not a secured party and who is a~~

~~1 transferee in bulk or other buyer not in ordinary course of
2 business, or is a buyer of farm products in the ordinary course
3 of business, to the extent that the person gives value and
4 receives delivery of the collateral without knowledge of the
5 security interest and before it is perfected;~~

~~6 (d) In the case of accounts, general intangibles, and
7 investment property, a person who is not a secured party and who
8 is a transferee to the extent that the person gives value without
9 knowledge of the security interest and before it is perfected.~~

~~10 (2) If the secured party files with respect to a purchase
11 money security interest before or within 20 days after the debtor
12 receives possession of the collateral, the secured party takes
13 priority over the rights of a transferee in bulk or of a lien
14 creditor which arise between the time the security interest
15 attaches and the time of filing.~~

~~16 (3) A "lien creditor" means a creditor who has acquired a
17 lien on the property involved by attachment, levy, or the like
18 and includes an assignee for benefit of creditors from the time
19 of assignment, and a trustee in bankruptcy from the date of the
20 filing of the petition or a receiver in equity from the time of
21 appointment.~~

~~22 (4) A person who becomes a lien creditor while a security
23 interest is perfected takes subject to the security interest only
24 to the extent that it secures advances made before the person
25 becomes a lien creditor or within 45 days thereafter or made
26 without knowledge of the lien or pursuant to a commitment entered
27 into without knowledge of the lien. EXCEPT AS OTHERWISE PROVIDED~~

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1 IN SECTIONS 9303 THROUGH 9306, THE FOLLOWING RULES DETERMINE THE
2 LAW GOVERNING PERFECTION, THE EFFECT OF PERFECTION OR NONPERFEC-
3 TION, AND THE PRIORITY OF A SECURITY INTEREST IN COLLATERAL:

4 (A) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, WHILE A
5 DEBTOR IS LOCATED IN A JURISDICTION, THE LOCAL LAW OF THAT JURIS-
6 DICTION GOVERNS PERFECTION, THE EFFECT OF PERFECTION OR NONPER-
7 FECTION, AND THE PRIORITY OF A SECURITY INTEREST IN COLLATERAL.

8 (B) WHILE COLLATERAL IS LOCATED IN A JURISDICTION, THE LOCAL
9 LAW OF THAT JURISDICTION GOVERNS PERFECTION, THE EFFECT OF PER-
10 FECTION OR NONPERFECTION, AND THE PRIORITY OF A POSSESSORY SECUR-
11 ITY INTEREST IN THAT COLLATERAL.

12 (C) EXCEPT AS OTHERWISE PROVIDED IN SUBDIVISION (D), WHILE
13 NEGOTIABLE DOCUMENTS, GOODS, INSTRUMENTS, MONEY, OR TANGIBLE
14 CHATTEL PAPER IS LOCATED IN A JURISDICTION, THE LOCAL LAW OF THAT
15 JURISDICTION GOVERNS PERFECTION OF A SECURITY INTEREST IN THE
16 GOODS BY FILING A FIXTURE FILING, PERFECTION OF A SECURITY INTER-
17 EST IN TIMBER TO BE CUT, AND THE EFFECT OF PERFECTION OR NONPER-
18 FECTION AND THE PRIORITY OF A NONPOSSESSORY SECURITY INTEREST IN
19 THE COLLATERAL.

20 (D) THE LOCAL LAW OF THE JURISDICTION IN WHICH THE WELLHEAD
21 OR MINEHEAD IS LOCATED GOVERNS PERFECTION, THE EFFECT OF PERFEC-
22 TION OR NONPERFECTION, AND THE PRIORITY OF A SECURITY INTEREST IN
23 AS-EXTRACTED COLLATERAL.

24 Sec. 9302. ~~-(1) A financing statement must be filed to per-~~
25 ~~fect all security interests except the following:~~

26 ~~(a) A security interest in collateral in possession of the~~
27 ~~secured party under section 9305;~~

1 ~~(b) A security interest temporarily perfected in~~
2 ~~instruments, certificated securities, or documents without deliv-~~
3 ~~ery under section 9304 or in proceeds for a 10-day period under~~
4 ~~section 9306;~~

5 ~~(c) A security interest created by an assignment of a bene-~~
6 ~~ficial interest in a trust or a decedent's estate;~~

7 ~~(d) A purchase money security interest in consumer goods;~~
8 ~~other than a vehicle, mobile home, or watercraft, for which a~~
9 ~~certificate of title is required by the laws of this state, and~~
10 ~~fixture filing is required for priority over conflicting inter-~~
11 ~~ests in fixtures to the extent provided in section 9313;~~

12 ~~(e) An assignment of accounts which does not alone or in~~
13 ~~conjunction with other assignments to the same assignee transfer~~
14 ~~a significant part of the outstanding accounts of the assignor;~~

15 ~~(f) A security interest of a collecting bank (section 4210)~~
16 ~~or arising under the article on sales (see section 9113) or cov-~~
17 ~~ered in subsection (3) of this section;~~

18 ~~(g) An assignment for the benefit of all the creditors of~~
19 ~~the transferor, and subsequent transfers by the assignee~~
20 ~~thereunder.~~

21 ~~(h) A security interest in investment property which is per-~~
22 ~~fected without filing under section 9115 or section 9116.~~

23 ~~(2) If a secured party assigns a perfected security inter-~~
24 ~~est, no filing under this article is required in order to con-~~
25 ~~tinue the perfected status of the security interest against cred-~~
26 ~~itors of and transferees from the original debtor.~~

~~(3) The filing of a financing statement otherwise required by this article is not necessary or effective to perfect a security interest in property subject to:~~

~~(a) A statute or treaty of the United States which provides for a national or international registration or a national or international certificate of title or which specifies a place of filing different from that specified in this article for filing of the security interest; or~~

~~(b) The following statutes of this state: (i) section 216 of the Michigan vehicle code, Act No. 300 of the Public Acts of 1949, being section 257.216 of the Michigan Compiled Laws; (ii) section 80320 of part 803 (watercraft transfer and certificate of title) of the natural resources and environmental protection act, Act No. 451 of the Public Acts of 1994, being section 324.80320 of the Michigan Compiled Laws; and (iii) section 30 of the mobile home commission act, Act No. 96 of the Public Acts of 1987, being section 125.2330 of the Michigan Compiled Laws; but during any period in which collateral is inventory held for sale by a person who is in the business of selling goods of that kind, the filing provisions of this article (part 4) apply to a security interest in that collateral created by that person as debtor; or~~

~~(c) A certificate of title statute of another jurisdiction under the law of which indication of a security interest on the certificate is required as a condition of perfection as provided in section 9103(2).~~

~~(4) Compliance with a statute or treaty described in subsection (3)(a) or (3)(c), or in the case of subsection~~

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1 ~~(3)(b)(i), compliance with section 217 or 238 of Act No. 300 of~~
2 ~~the Public Acts of 1949, being sections 257.217 and 257.238 of~~
3 ~~the Michigan Compiled Laws, or in the case of subsection~~
4 ~~(3)(b)(ii), compliance with section 80320 of part 803 of Act~~
5 ~~No. 451 of the Public Acts of 1994, or in the case of subsection~~
6 ~~(3)(b)(iii), compliance with section 30a or 30d of Act No. 96 of~~
7 ~~the Public Acts of 1987, being sections 125.2330a and 125.2330d~~
8 ~~of the Michigan Compiled Laws, is equivalent to the filing of a~~
9 ~~financing statement under this article, and a security interest~~
10 ~~in property subject to the statute or treaty can be perfected~~
11 ~~only by compliance therewith except as provided in section 9103~~
12 ~~on multiple state transactions. Duration and renewal of perfec-~~
13 ~~tion of a security interest perfected by compliance with the~~
14 ~~statute or treaty are governed by the provisions of the statute~~
15 ~~or treaty. In other respects the security interest is subject to~~
16 ~~this article. WHILE FARM PRODUCTS ARE LOCATED IN A JURISDICTION,~~
17 ~~THE LOCAL LAW OF THAT JURISDICTION GOVERNS PERFECTION, THE EFFECT~~
18 ~~OF PERFECTION OR NONPERFECTION, AND THE PRIORITY OF AN AGRICUL-~~
19 ~~TURAL LIEN ON THE FARM PRODUCTS.~~

20 Sec. 9303. ~~(1) A security interest is perfected when it~~
21 ~~has attached and when all of the applicable steps required for~~
22 ~~perfection have been taken. Such steps are specified in sections~~
23 ~~9115, 9302, 9304, 9305 and 9306. If such steps are taken before~~
24 ~~the security interest attaches, it is perfected at the time when~~
25 ~~it attaches.~~

26 ~~(2) If a security interest is originally perfected in any~~
27 ~~way permitted under this article and is subsequently perfected in~~

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~~1 some other way under this article, without an intermediate period
2 when it was unperfected, the security interest shall be deemed to
3 be perfected continuously for the purposes of this article.~~

4 (1) THIS SECTION APPLIES TO GOODS COVERED BY A CERTIFICATE
5 OF TITLE, EVEN IF THERE IS NO OTHER RELATIONSHIP BETWEEN THE
6 JURISDICTION UNDER WHOSE CERTIFICATE OF TITLE THE GOODS ARE COV-
7 ERED AND THE GOODS OR THE DEBTOR.

8 (2) GOODS BECOME COVERED BY A CERTIFICATE OF TITLE WHEN A
9 VALID APPLICATION FOR THE CERTIFICATE OF TITLE AND THE APPLICABLE
10 FEE ARE DELIVERED TO THE APPROPRIATE AUTHORITY. GOODS CEASE TO
11 BE COVERED BY A CERTIFICATE OF TITLE AT THE EARLIER OF THE TIME
12 THE CERTIFICATE OF TITLE CEASES TO BE EFFECTIVE UNDER THE LAW OF
13 THE ISSUING JURISDICTION OR THE TIME THE GOODS BECOME COVERED
14 SUBSEQUENTLY BY A CERTIFICATE OF TITLE ISSUED BY ANOTHER
15 JURISDICTION.

16 (3) THE LOCAL LAW OF THE JURISDICTION UNDER WHOSE CERTIFI-
17 CATE OF TITLE THE GOODS ARE COVERED GOVERNS PERFECTION, THE
18 EFFECT OF PERFECTION OR NONPERFECTION, AND THE PRIORITY OF A
19 SECURITY INTEREST IN GOODS COVERED BY A CERTIFICATE OF TITLE FROM
20 THE TIME THE GOODS BECOME COVERED BY THE CERTIFICATE OF TITLE
21 UNTIL THE GOODS CEASE TO BE COVERED BY THE CERTIFICATE OF TITLE.

22 Sec. 9304. ~~(1) A security interest in chattel paper or
23 negotiable documents may be perfected by filing. A security
24 interest in the rights to proceeds of a written letter of credit
25 can be perfected only by the secured party's taking possession of
26 the letter of credit. A security interest in money or
27 instruments, other than instruments which constitute part of~~

1 ~~chattel paper, can be perfected only by the secured party's~~
2 ~~taking possession, except as provided in subsections (4) and (5)~~
3 ~~and section 9306(2) and (3) on proceeds.~~

4 ~~(2) During the period that goods are in the possession of~~
5 ~~the issuer of a negotiable document therefor, a security interest~~
6 ~~in the goods is perfected by perfecting a security interest in~~
7 ~~the document, and a security interest in the goods otherwise per-~~
8 ~~fected during such period is subject thereto.~~

9 ~~(3) A security interest in goods in the possession of a~~
10 ~~bailee other than one who has issued a negotiable document there-~~
11 ~~for is perfected by issuance of a document in the name of the~~
12 ~~security party or by the bailee's receipt of notification of the~~
13 ~~secured party's interest or by filing as to the goods.~~

14 ~~(4) A security interest in instruments, certificated securi-~~
15 ~~ties, or negotiable documents is perfected without filing or the~~
16 ~~taking of possession for a period of 21 days from the time it~~
17 ~~attaches to the extent that it arises for a new value given under~~
18 ~~a written security agreement.~~

19 ~~(5) A security interest remains perfected for a period of 21~~
20 ~~days without filing where a secured party having a perfected~~
21 ~~security interest in an instrument, a certificated security, a~~
22 ~~negotiable document, or goods in possession of a bailee other~~
23 ~~than one who has issued a negotiable document therefor:~~

24 ~~(a) Makes available to the debtor the goods or documents~~
25 ~~representing the goods for the purpose of ultimate sale or~~
26 ~~exchange or for the purpose of loading, unloading, storing,~~
27 ~~shipping, transshipping, manufacturing, processing, or otherwise~~

~~1 dealing with them in a manner preliminary to their sale or
2 exchange; but priority between conflicting security interests in
3 the goods is subject to section 9312(3); or~~

~~4 (b) Delivers the instrument or certificated security to the
5 debtor for the purpose of ultimate sale or exchange or of presen-
6 tation, collection, renewal, or registration of transfer.~~

~~7 (6) After the 21-day period in subsections (4) and (5), per-
8 fection depends upon compliance with applicable provisions of
9 this article.~~

10 (1) THE LOCAL LAW OF A BANK'S JURISDICTION GOVERNS PERFEC-
11 TION, THE EFFECT OF PERFECTION OR NONPERFECTION, AND THE PRIORITY
12 OF A SECURITY INTEREST IN A DEPOSIT ACCOUNT MAINTAINED WITH THAT
13 BANK.

14 (2) THE FOLLOWING RULES DETERMINE A BANK'S JURISDICTION FOR
15 PURPOSES OF THIS PART:

16 (A) IF AN AGREEMENT BETWEEN THE BANK AND THE DEBTOR GOVERN-
17 ING THE DEPOSIT ACCOUNT EXPRESSLY PROVIDES THAT A PARTICULAR
18 JURISDICTION IS THE BANK'S JURISDICTION FOR THE PURPOSE OF THIS
19 PART, THIS ARTICLE, OR THIS ACT, THAT JURISDICTION IS THE BANK'S
20 JURISDICTION.

21 (B) IF SUBDIVISION (A) DOES NOT APPLY AND AN AGREEMENT
22 BETWEEN THE BANK AND ITS CUSTOMER GOVERNING THE DEPOSIT ACCOUNT
23 EXPRESSLY PROVIDES THAT THE AGREEMENT IS GOVERNED BY THE LAW OF A
24 PARTICULAR JURISDICTION, THAT JURISDICTION IS THE BANK'S
25 JURISDICTION.

26 (C) IF NEITHER SUBDIVISION (A) NOR (B) APPLIES AND AN
27 AGREEMENT BETWEEN THE BANK AND ITS CUSTOMER GOVERNING THE DEPOSIT

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1 ACCOUNT EXPRESSLY PROVIDES THAT THE DEPOSIT ACCOUNT IS MAINTAINED
2 AT AN OFFICE IN A PARTICULAR JURISDICTION, THAT JURISDICTION IS
3 THE BANK'S JURISDICTION.

4 (D) IF NONE OF THE PRECEDING SUBDIVISIONS APPLY, THE BANK'S
5 JURISDICTION IS THE JURISDICTION IN WHICH THE OFFICE IDENTIFIED
6 IN AN ACCOUNT STATEMENT AS THE OFFICE SERVING THE CUSTOMER'S
7 ACCOUNT IS LOCATED.

8 (E) IF NONE OF THE PRECEDING SUBDIVISIONS APPLY, THE BANK'S
9 JURISDICTION IS THE JURISDICTION IN WHICH THE CHIEF EXECUTIVE
10 OFFICE OF THE BANK IS LOCATED.

11 Sec. 9305. ~~A security interest in letters of credit and~~
12 ~~advices of credit (section 5116(2)(a)), goods, instruments,~~
13 ~~money, negotiable documents, or chattel paper may be perfected by~~
14 ~~the secured party's taking possession of the collateral. A~~
15 ~~security interest in the rights to proceeds of a written letter~~
16 ~~of credit can be perfected only by the secured party's taking~~
17 ~~possession of the letter of credit. If such collateral other~~
18 ~~than goods covered by a negotiable document is held by a bailee,~~
19 ~~the secured party is deemed to have possession from the time the~~
20 ~~bailee receives notification of the secured party's interest. A~~
21 ~~security interest is perfected by possession from the time pos-~~
22 ~~session is taken without relation back and continues only so long~~
23 ~~as possession is retained, unless otherwise specified in this~~
24 ~~article. The security interest may be otherwise perfected as~~
25 ~~provided in this article before or after the period of possession~~
26 ~~by the secured party.~~

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1 (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (3), THE
2 FOLLOWING RULES APPLY:

3 (A) WHILE A SECURITY CERTIFICATE IS LOCATED IN A JURISDIC-
4 TION, THE LOCAL LAW OF THAT JURISDICTION GOVERNS PERFECTION, THE
5 EFFECT OF PERFECTION OR NONPERFECTION, AND THE PRIORITY OF A
6 SECURITY INTEREST IN THE CERTIFICATED SECURITY REPRESENTED
7 THEREBY.

8 (B) THE LOCAL LAW OF THE ISSUER'S JURISDICTION AS SPECIFIED
9 IN SECTION 8110(4) GOVERNS PERFECTION, THE EFFECT OF PERFECTION
10 OR NONPERFECTION, AND THE PRIORITY OF A SECURITY INTEREST IN AN
11 UNCERTIFICATED SECURITY.

12 (C) THE LOCAL LAW OF THE SECURITIES INTERMEDIARY'S JURISDIC-
13 TION AS SPECIFIED IN SECTION 8110(5) GOVERNS PERFECTION, THE
14 EFFECT OF PERFECTION OR NONPERFECTION, AND THE PRIORITY OF A
15 SECURITY INTEREST IN A SECURITY ENTITLEMENT OR SECURITIES
16 ACCOUNT.

17 (D) THE LOCAL LAW OF THE COMMODITY INTERMEDIARY'S JURISDIC-
18 TION GOVERNS PERFECTION, THE EFFECT OF PERFECTION OR NONPERFEC-
19 TION, AND THE PRIORITY OF A SECURITY INTEREST IN A COMMODITY CON-
20 TRACT OR COMMODITY ACCOUNT.

21 (2) THE FOLLOWING RULES DETERMINE A COMMODITY INTERMEDIARY'S
22 JURISDICTION FOR PURPOSES OF THIS PART:

23 (A) IF AN AGREEMENT BETWEEN THE COMMODITY INTERMEDIARY AND
24 COMMODITY CUSTOMER GOVERNING THE COMMODITY ACCOUNT EXPRESSLY PRO-
25 VIDES THAT A PARTICULAR JURISDICTION IS THE COMMODITY
26 INTERMEDIARY'S JURISDICTION FOR PURPOSES OF THIS PART, THIS

1 ARTICLE, OR THIS ACT, THAT JURISDICTION IS THE COMMODITY
2 INTERMEDIARY'S JURISDICTION.

3 (B) IF SUBDIVISION (A) DOES NOT APPLY AND AN AGREEMENT
4 BETWEEN THE COMMODITY INTERMEDIARY AND COMMODITY CUSTOMER GOVERN-
5 ING THE COMMODITY ACCOUNT EXPRESSLY PROVIDES THAT THE AGREEMENT
6 IS GOVERNED BY THE LAW OF A PARTICULAR JURISDICTION, THAT JURIS-
7 DICTION IS THE COMMODITY INTERMEDIARY'S JURISDICTION.

8 (C) IF NEITHER SUBDIVISION (A) NOR (B) APPLIES AND AN AGREE-
9 MENT BETWEEN THE COMMODITY INTERMEDIARY AND COMMODITY CUSTOMER
10 GOVERNING THE COMMODITY ACCOUNT EXPRESSLY PROVIDES THAT THE COM-
11 MODITY ACCOUNT IS MAINTAINED AT AN OFFICE IN A PARTICULAR JURIS-
12 DICTION, THAT JURISDICTION IS THE COMMODITY INTERMEDIARY'S
13 JURISDICTION.

14 (D) IF NONE OF THE PRECEDING SUBDIVISIONS APPLY, THE COMMOD-
15 ITY INTERMEDIARY'S JURISDICTION IS THE JURISDICTION IN WHICH THE
16 OFFICE IDENTIFIED IN AN ACCOUNT STATEMENT AS THE OFFICE SERVING
17 THE COMMODITY CUSTOMER'S ACCOUNT IS LOCATED.

18 (E) IF NONE OF THE PRECEDING SUBDIVISIONS APPLY, THE COMMOD-
19 ITY INTERMEDIARY'S JURISDICTION IS THE JURISDICTION IN WHICH THE
20 CHIEF EXECUTIVE OFFICE OF THE COMMODITY INTERMEDIARY IS LOCATED.

21 (3) THE LOCAL LAW OF THE JURISDICTION IN WHICH THE DEBTOR IS
22 LOCATED GOVERNS PERFECTION OF A SECURITY INTEREST IN INVESTMENT
23 PROPERTY BY FILING, AUTOMATIC PERFECTION OF A SECURITY INTEREST
24 IN INVESTMENT PROPERTY CREATED BY A BROKER OR SECURITIES INTERME-
25 DIARY, AND AUTOMATIC PERFECTION OF A SECURITY INTEREST IN A COM-
26 MODITY CONTRACT OR COMMODITY ACCOUNT CREATED BY A COMMODITY
27 INTERMEDIARY.

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1 Sec. 9306. ~~-(1) "Proceeds" includes whatever is received~~
2 ~~upon the sale, exchange, collection or other disposition of col-~~
3 ~~lateral, or proceeds. Insurance payable by reason of loss or~~
4 ~~damage to the collateral is proceeds, except to the extent that~~
5 ~~it is payable to a person other than a party to the security~~
6 ~~agreement. Any payments or distributions made with respect to~~
7 ~~investment property collateral are proceeds. Money, checks,~~
8 ~~deposit accounts, and the like are "cash proceeds". All other~~
9 ~~proceeds are "noncash proceeds".~~

10 ~~-(2) Except where this article otherwise provides, a security~~
11 ~~interest continues in collateral notwithstanding sale, exchange~~
12 ~~or other disposition thereof unless the disposition was autho-~~
13 ~~rized by the secured party in the security agreement or other-~~
14 ~~wise, and also continues in any identifiable proceeds including~~
15 ~~collections received by the debtor.~~

16 ~~-(3) The security interest in proceeds is a continuously per-~~
17 ~~fected security interest if the interest in the original collat-~~
18 ~~eral was perfected but it ceases to be a perfected security~~
19 ~~interest and becomes unperfected 10 days after receipt of the~~
20 ~~proceeds by the debtor unless:~~

21 ~~-(a) A filed financing statement covers the original collat-~~
22 ~~eral and the proceeds are collateral in which a security interest~~
23 ~~may be perfected by filing in the office or offices where the~~
24 ~~financing statement has been filed and, if the proceeds are~~
25 ~~acquired with cash proceeds, the description of collateral in the~~
26 ~~financing statement indicates the types of property constituting~~
27 ~~the proceeds; or~~

~~(b) A filed financing statement covers the original collateral and the proceeds are identifiable cash proceeds; or~~

~~(c) The original collateral was investment property and the proceeds are identifiable cash proceeds; or~~

~~(d) The security interest in the proceeds is perfected before the expiration of the 10-day period. Except as provided in this section, a security interest in proceeds can be perfected only by the methods or under the circumstances permitted in this article for original collateral of the same type.~~

~~(4) In the event of insolvency proceedings instituted by or against a debtor, a secured party with a perfected security interest in proceeds has a perfected security interest only in the following proceeds:~~

~~(a) In identifiable noncash proceeds and in separate deposit accounts containing only proceeds;~~

~~(b) In identifiable cash proceeds in the form of money which is neither commingled with other money nor deposited in a deposit account prior to the insolvency proceedings;~~

~~(c) In identifiable cash proceeds in the form of checks and the like which are not deposited in a deposit account prior to the insolvency proceedings; and~~

~~(d) In all cash and deposit accounts of the debtor, in which proceeds have been commingled with other funds, but the perfected security interest under this paragraph (d) is~~

~~(i) Subject to any right of setoff; and~~

~~(ii) Limited to an amount not greater than the amount of any cash proceeds received by the debtor within 10 days before the~~

~~1 institution of the insolvency proceedings less the sum of (i) the
2 payments to the secured party on account of cash proceeds
3 received by the debtor during such period and (ii) the cash pro-
4 ceeds received by the debtor during such period to which the
5 secured party is entitled under paragraphs (a) through (c) of
6 this subsection.~~

~~7 (5) If a sale of goods results in an account or chattel
8 paper which is transferred by the seller to a secured party, and
9 if the goods are returned to or are repossessed by the seller or
10 the secured party, the following rules determine priorities:~~

~~11 (a) If the goods were collateral at the time of sale for an
12 indebtedness of the seller which is still unpaid, the original
13 security interest attaches again to the goods and continues as a
14 perfected security interest if it was perfected at the time when
15 the goods were sold. If the security interest was originally
16 perfected by a filing which is still effective, nothing further
17 is required to continue the perfected status; in any other case,
18 the secured party must take possession of the returned or repos-
19 sessed goods or must file.~~

~~20 (b) An unpaid transferee of the chattel paper has a security
21 interest in the goods against the transferor. Such security
22 interest is prior to a security interest asserted under paragraph
23 (a) to the extent that the transferee of the chattel paper was
24 entitled to priority under section 9308.~~

~~25 (c) An unpaid transferee of the account has a security
26 interest in the goods against the transferor. Such security~~

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1 ~~interest is subordinate to a security interest asserted under~~
2 ~~paragraph (a).~~

3 ~~(d) A security interest of an unpaid transferee asserted~~
4 ~~under paragraph (b) or (c) must be perfected for protection~~
5 ~~against creditors of the transferor and purchasers of the~~
6 ~~returned or repossessed goods.~~

7 (1) SUBJECT TO SUBSECTION (3), THE LOCAL LAW OF THE ISSUER'S
8 JURISDICTION OR A NOMINATED PERSON'S JURISDICTION GOVERNS PERFEC-
9 TION, THE EFFECT OF PERFECTION OR NONPERFECTION, AND THE PRIORITY
10 OF A SECURITY INTEREST IN A LETTER-OF-CREDIT RIGHT IF THE
11 ISSUER'S JURISDICTION OR NOMINATED PERSON'S JURISDICTION IS A
12 STATE.

13 (2) FOR PURPOSES OF THIS PART, AN ISSUER'S JURISDICTION OR
14 NOMINATED PERSON'S JURISDICTION IS THE JURISDICTION WHOSE LAW
15 GOVERNS THE LIABILITY OF THE ISSUER OR NOMINATED PERSON WITH
16 RESPECT TO THE LETTER-OF-CREDIT RIGHT AS PROVIDED IN SECTION
17 5116.

18 (3) THIS SECTION DOES NOT APPLY TO A SECURITY INTEREST THAT
19 IS PERFECTED ONLY UNDER SECTION 9308(4).

20 Sec. 9307. ~~(1) Except as otherwise provided by subsection~~
21 ~~(10), a buyer in ordinary course of business, as defined in sec-~~
22 ~~tion 1201(9), takes free of a security interest created by his or~~
23 ~~her seller even though the security interest is perfected and~~
24 ~~even though the buyer knows of its existence.~~

25 ~~(2) Subsections (3) to (10) shall apply in the case of a~~
26 ~~person buying farm products from a person engaged in farming~~
27 ~~operations.~~

1 ~~(3) If requested by the secured party, a debtor engaged in~~
2 ~~farming operations who gives a security interest in farm products~~
3 ~~shall provide to the secured party a written list identifying~~
4 ~~potential buyers and points of delivery of the farm products.~~
5 ~~Except as otherwise provided by subsection (4), the number of~~
6 ~~potential buyers for each commodity shall not exceed 5. If a~~
7 ~~potential buyer has more than 1 point of delivery, each addi-~~
8 ~~tional point of delivery shall be counted as a potential buyer.~~

9 ~~(4) A debtor engaged in farming operations who provides a~~
10 ~~written list of potential buyers to a secured party pursuant to~~
11 ~~subsection (3) shall not sell farm products that secure the debt~~
12 ~~to a buyer who is not identified on the list without the prior~~
13 ~~written consent of the secured party. A person who knowingly or~~
14 ~~intentionally violates this subsection is guilty of a felony,~~
15 ~~punishable by imprisonment for not more than 3 years or a fine of~~
16 ~~not more than \$10,000.00, or both. If appropriate given the~~
17 ~~facts and circumstances of the case, the court shall place the~~
18 ~~person on probation upon the condition that restitution be made~~
19 ~~to the secured party. Payment of, or application of the proceeds~~
20 ~~to, the debt upon which the security interest is based shall be~~
21 ~~an absolute defense to a prosecution under this subsection if the~~
22 ~~payment or application is made prior to commencement of~~
23 ~~prosecution.~~

24 ~~(5) A secured party who is provided with a written list of~~
25 ~~potential buyers pursuant to subsection (3) may notify buyers~~
26 ~~identified on the list of the security interest as provided in~~
27 ~~this subsection. A secured party shall not notify a person not~~

1 ~~identified on the list, except that the secured party may notify~~
2 ~~a buyer concerning whom the secured party has given prior written~~
3 ~~consent pursuant to subsection (4) or to whom the secured party~~
4 ~~has reasonable cause to believe the debtor is about to sell the~~
5 ~~farm products. A notice provided pursuant to this subsection~~
6 ~~shall be in writing, and shall be mailed by certified mail or~~
7 ~~delivered by another method by which receipt can be verified.~~
8 ~~The notice may be in a form agreed upon in writing by the buyer~~
9 ~~and the secured party, but in absence of such an agreement the~~
10 ~~notice shall be an original financing statement or a carbon, pho-~~
11 ~~tographic, or other reproduction of an original that is effective~~
12 ~~under section 9402, or a statement that contains all of the~~
13 ~~following:~~

14 ~~(a) The full name and address of the debtor.~~

15 ~~(b) The full name and address of the secured party.~~

16 ~~(c) A description of the collateral.~~

17 ~~(d) The date and location of the filing of the security~~
18 ~~interest.~~

19 ~~(e) The date and signature of the secured party.~~

20 ~~(6) If the debt that is the basis of the security interest~~
21 ~~is satisfied, the secured party shall notify in writing each~~
22 ~~potential buyer to whom the secured party sent notice under sub-~~
23 ~~section (5). The notice may be given within a time period agreed~~
24 ~~upon in writing by the buyer and the secured party, but in~~
25 ~~absence of such an agreement the notice shall be given within 11~~
26 ~~days after the debt is satisfied.~~

1 ~~(7) A secured party who does any of the following is guilty~~
2 ~~of a misdemeanor, punishable by imprisonment for not more than~~
3 ~~90 days or a fine of not more than \$1,000.00, or both:~~

4 ~~(a) Knowingly or intentionally gives false or misleading~~
5 ~~information in a notice provided pursuant to subsection (5).~~

6 ~~(b) Sends notice to a potential buyer other than as permit-~~
7 ~~ted in subsection (5).~~

8 ~~(c) Fails to notify a potential buyer of the satisfaction of~~
9 ~~a debt within the time period prescribed by subsection (6).~~

10 ~~(8) A buyer of farm products who receives notice pursuant to~~
11 ~~subsection (5) of a security interest in the farm products shall~~
12 ~~make payment for the farm products by check or other instrument~~
13 ~~made payable to the seller and the secured party jointly, except~~
14 ~~that payment may be made directly to the secured party if autho-~~
15 ~~rized in writing by the seller. This subsection shall not apply~~
16 ~~to any payment or partial payment made before notice under sub-~~
17 ~~section (5) has been received by the buyer. A buyer of farm pro-~~
18 ~~ducts who violates this subsection is guilty of a misdemeanor,~~
19 ~~punishable by imprisonment for not more than 90 days or a fine of~~
20 ~~not more than \$1,000.00, or both. Payment of the debt upon which~~
21 ~~the security interest is based shall be an absolute defense to a~~
22 ~~prosecution under this subsection if payment is made prior to~~
23 ~~commencement of prosecution.~~

24 ~~(9) As used in subsections (2) to (8), "person buying farm~~
25 ~~products" or "buyer" includes a commission merchant or selling~~
26 ~~agent who sells farm products in the ordinary course of business~~
27 ~~for a person engaged in farming operations.~~

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1 ~~(10) A buyer in ordinary course of business who receives~~
2 ~~notice pursuant to subsection (5), who buys farm products from a~~
3 ~~person engaged in farming operations, and who withholds all or~~
4 ~~part of the proceeds of the sale from the seller in order to sat-~~
5 ~~isfy a debt owed by the seller to the buyer, takes subject to a~~
6 ~~security interest in those farm products created by the seller,~~
7 ~~unless the debt owed by the seller to the buyer was secured by a~~
8 ~~prior perfected security interest. For purposes of this subsec-~~
9 ~~tion, "debt" does not include the cost of harvesting; processing,~~
10 ~~including packaging, freezing, canning, and drying; storing; or~~
11 ~~marketing the farm products, or transporting the farm products to~~
12 ~~market.~~

13 ~~(11) Except as otherwise provided by subsection (12), a com-~~
14 ~~mission merchant or selling agent who sells farm products, in the~~
15 ~~ordinary course of business, for a person engaged in farming~~
16 ~~operations shall not be liable to the holder of a security inter-~~
17 ~~est in those farm products even though the security interest is~~
18 ~~perfected and even though the commission merchant or selling~~
19 ~~agent knows of its existence.~~

20 ~~(12) A commission merchant or selling agent who sells farm~~
21 ~~products, in the ordinary course of business, for a person~~
22 ~~engaged in farming operations, and who receives notice pursuant~~
23 ~~to subsection (5), shall not be protected from liability under~~
24 ~~subsection (11) if the commission merchant or selling agent with-~~
25 ~~holds from the seller all or part of the proceeds of a sale of~~
26 ~~the farm products in order to satisfy a debt owed by the seller~~
27 ~~to the commission merchant or selling agent, unless the debt was~~

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1 ~~secured by a prior perfected security interest. For purposes of~~
2 ~~this subsection, "debt" does not include the cost of harvesting,~~
3 ~~processing, including packaging, freezing, canning, and drying,~~
4 ~~storing, or marketing the farm products, or transporting the farm~~
5 ~~products to market.~~

6 ~~(13) A prosecution under subsections (8) to (10) shall not~~
7 ~~be commenced after the expiration of 2 years following the date~~
8 ~~the violation occurred.~~

9 ~~(14) In the case of consumer goods, a buyer takes free of a~~
10 ~~security interest even though perfected if the buyer buys without~~
11 ~~knowledge of the security interest, for value and for the buyer's~~
12 ~~own personal, family, or household purposes unless prior to the~~
13 ~~purchase the secured party has filed a financing statement cover-~~
14 ~~ing such goods.~~

15 ~~(15) A buyer other than a buyer in ordinary course of busi-~~
16 ~~ness under subsection (1) takes free of a security interest to~~
17 ~~the extent that it secures future advances made after the secured~~
18 ~~party acquires knowledge of the purchase, or more than 45 days~~
19 ~~after the purchase, whichever first occurs, unless made pursuant~~
20 ~~to a commitment entered into without knowledge of the purchase~~
21 ~~and before the expiration of the 45-day period.~~

22 (1) AS USED IN THIS SECTION, "PLACE OF BUSINESS" MEANS A
23 PLACE WHERE A DEBTOR CONDUCTS ITS AFFAIRS.

24 (2) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, THE FOL-
25 LOWING RULES DETERMINE A DEBTOR'S LOCATION:

26 (A) A DEBTOR WHO IS AN INDIVIDUAL IS LOCATED AT THE
27 INDIVIDUAL'S PRINCIPAL RESIDENCE.

1 (B) A DEBTOR THAT IS AN ORGANIZATION AND HAS ONLY 1 PLACE OF
2 BUSINESS IS LOCATED AT ITS PLACE OF BUSINESS.

3 (C) A DEBTOR THAT IS AN ORGANIZATION AND HAS MORE THAN 1
4 PLACE OF BUSINESS IS LOCATED AT ITS CHIEF EXECUTIVE OFFICE.

5 (3) SUBSECTION (2) APPLIES ONLY IF A DEBTOR'S RESIDENCE,
6 PLACE OF BUSINESS, OR CHIEF EXECUTIVE OFFICE, AS APPLICABLE, IS
7 LOCATED IN A JURISDICTION WHOSE LAW GENERALLY REQUIRES INFORMA-
8 TION CONCERNING THE EXISTENCE OF A NONPOSSESSORY SECURITY INTER-
9 EST TO BE MADE GENERALLY AVAILABLE IN A FILING, RECORDING, OR
10 REGISTRATION SYSTEM AS A CONDITION OR RESULT OF THE SECURITY
11 INTEREST'S OBTAINING PRIORITY OVER THE RIGHTS OF A LIEN CREDITOR
12 WITH RESPECT TO THE COLLATERAL. IF SUBSECTION (2) DOES NOT
13 APPLY, THE DEBTOR IS LOCATED IN THE DISTRICT OF COLUMBIA.

14 (4) A PERSON THAT CEASES TO EXIST, HAVE A RESIDENCE, OR HAVE
15 A PLACE OF BUSINESS CONTINUES TO BE LOCATED IN THE JURISDICTION
16 SPECIFIED BY SUBSECTIONS (2) AND (3).

17 (5) A REGISTERED ORGANIZATION THAT IS ORGANIZED UNDER THE
18 LAW OF A STATE IS LOCATED IN THAT STATE.

19 (6) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (9), A REGIS-
20 TERED ORGANIZATION THAT IS ORGANIZED UNDER THE LAW OF THE UNITED
21 STATES AND A BRANCH OR AGENCY OF A BANK THAT IS NOT ORGANIZED
22 UNDER THE LAW OF THE UNITED STATES OR A STATE ARE LOCATED IN 1 OF
23 THE FOLLOWING:

24 (A) IN THE STATE THAT THE LAW OF THE UNITED STATES DESIG-
25 NATES, IF THE LAW DESIGNATES A STATE OF LOCATION.

26 (B) IN THE STATE THAT THE REGISTERED ORGANIZATION, BRANCH,
27 OR AGENCY DESIGNATES, IF THE LAW OF THE UNITED STATES AUTHORIZES

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1 THE REGISTERED ORGANIZATION, BRANCH, OR AGENCY TO DESIGNATE ITS
2 STATE OF LOCATION.

3 (C) IN THE DISTRICT OF COLUMBIA, IF NEITHER SUBDIVISION (A)
4 NOR (B) APPLIES.

5 (7) A REGISTERED ORGANIZATION CONTINUES TO BE LOCATED IN THE
6 JURISDICTION SPECIFIED BY SUBSECTION (5) OR (6) NOTWITHSTANDING
7 THE OCCURRENCE OF 1 OF THE FOLLOWING:

8 (A) THE SUSPENSION, REVOCATION, FORFEITURE, OR LAPSE OF THE
9 REGISTERED ORGANIZATION'S STATUS AS SUCH IN ITS JURISDICTION OF
10 ORGANIZATION.

11 (B) THE DISSOLUTION, WINDING UP, OR CANCELLATION OF THE
12 EXISTENCE OF THE REGISTERED ORGANIZATION.

13 (8) THE UNITED STATES IS LOCATED IN THE DISTRICT OF
14 COLUMBIA.

15 (9) A BRANCH OR AGENCY OF A BANK THAT IS NOT ORGANIZED UNDER
16 THE LAW OF THE UNITED STATES OR A STATE IS LOCATED IN THE STATE
17 IN WHICH THE BRANCH OR AGENCY IS LICENSED, IF ALL BRANCHES AND
18 AGENCIES OF THE BANK ARE LICENSED IN ONLY 1 STATE.

19 (10) A FOREIGN AIR CARRIER IS LOCATED AT THE DESIGNATED
20 OFFICE OF THE AGENT UPON WHICH SERVICE OF PROCESS MAY BE MADE ON
21 BEHALF OF THE CARRIER UNDER SECTION 46103 OF TITLE 49 OF THE
22 UNITED STATES CODE, 49 U.S.C. 46103.

23 (11) THIS SECTION APPLIES ONLY FOR PURPOSES OF THIS PART.

24 SUBPART 2. PERFECTION

25 Sec. 9308. ~~A purchaser of chattel paper or an instrument~~
26 ~~who gives new value and takes possession of it in the ordinary~~

1 ~~course of his business has priority over a security interest in~~
2 ~~the chattel paper or instrument;~~

3 ~~(a) Which is perfected under section 9304 (permissive filing~~
4 ~~and temporary perfection) or under section 9306 (perfection as to~~
5 ~~proceeds) if he acts without knowledge that the specific paper or~~
6 ~~instrument is subject to a security interest; or~~

7 ~~(b) Which is claimed merely as proceeds of inventory subject~~
8 ~~to a security interest (section 9306) even though he knows that~~
9 ~~the specific paper or instrument is subject to the security~~
10 ~~interest.~~

11 (1) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION AND SECTION
12 9309, A SECURITY INTEREST IS PERFECTED IF IT HAS ATTACHED AND ALL
13 OF THE APPLICABLE REQUIREMENTS FOR PERFECTION IN SECTIONS 9310
14 THROUGH 9316 HAVE BEEN SATISFIED. A SECURITY INTEREST IS PERFEC-
15 TED WHEN IT ATTACHES IF THE APPLICABLE REQUIREMENTS ARE SATISFIED
16 BEFORE THE SECURITY INTEREST ATTACHES.

17 (2) AN AGRICULTURAL LIEN IS PERFECTED IF IT HAS BECOME
18 EFFECTIVE AND ALL OF THE APPLICABLE REQUIREMENTS FOR PERFECTION
19 IN SECTION 9310 HAVE BEEN SATISFIED. AN AGRICULTURAL LIEN IS
20 PERFECTED WHEN IT BECOMES EFFECTIVE IF THE APPLICABLE REQUIRE-
21 MENTS ARE SATISFIED BEFORE THE AGRICULTURAL LIEN BECOMES
22 EFFECTIVE.

23 (3) A SECURITY INTEREST OR AGRICULTURAL LIEN IS PERFECTED
24 CONTINUOUSLY IF IT IS ORIGINALLY PERFECTED BY 1 METHOD UNDER THIS
25 ARTICLE AND IS LATER PERFECTED BY ANOTHER METHOD UNDER THIS ARTI-
26 CLE, WITHOUT AN INTERMEDIATE PERIOD WHEN IT WAS UNPERFECTED.

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1 (4) PERFECTION OF A SECURITY INTEREST IN COLLATERAL ALSO
2 PERFECTS A SECURITY INTEREST IN A SUPPORTING OBLIGATION FOR THE
3 COLLATERAL.

4 (5) PERFECTION OF A SECURITY INTEREST IN A RIGHT TO PAYMENT
5 OR PERFORMANCE ALSO PERFECTS A SECURITY INTEREST IN A SECURITY
6 INTEREST, MORTGAGE, OR OTHER LIEN ON PERSONAL OR REAL PROPERTY
7 SECURING THE RIGHT.

8 (6) PERFECTION OF A SECURITY INTEREST IN A SECURITIES
9 ACCOUNT ALSO PERFECTS A SECURITY INTEREST IN THE SECURITY ENTI-
10 TLEMENTS CARRIED IN THE SECURITIES ACCOUNT.

11 (7) PERFECTION OF A SECURITY INTEREST IN A COMMODITY ACCOUNT
12 ALSO PERFECTS A SECURITY INTEREST IN THE COMMODITY CONTRACTS CAR-
13 RIED IN THE COMMODITY ACCOUNT.

14 Sec. 9309. ~~Nothing in this article limits the rights of a~~
15 ~~holder in due course of a negotiable instrument (section 3302) or~~
16 ~~a holder to whom a negotiable document of title has been duly~~
17 ~~negotiated (section 7501) or a protected purchaser of a security~~
18 ~~(section 8303) and such holders or purchasers take priority over~~
19 ~~an earlier security interest even though perfected. Filing under~~
20 ~~this article does not constitute notice of the security interest~~
21 ~~to such holders or purchasers.~~ EACH OF THE FOLLOWING SECURITY
22 INTERESTS IS PERFECTED WHEN IT ATTACHES:

23 (A) A PURCHASE-MONEY SECURITY INTEREST IN CONSUMER GOODS,
24 EXCEPT AS OTHERWISE PROVIDED IN SECTION 9311(2) WITH RESPECT TO
25 CONSUMER GOODS THAT ARE SUBJECT TO A STATUTE OR TREATY DESCRIBED
26 IN SECTION 9311(1).

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1 (B) AN ASSIGNMENT OF ACCOUNTS OR PAYMENT INTANGIBLES WHICH
2 DOES NOT BY ITSELF OR IN CONJUNCTION WITH OTHER ASSIGNMENTS TO
3 THE SAME ASSIGNEE TRANSFER A SIGNIFICANT PART OF THE ASSIGNOR'S
4 OUTSTANDING ACCOUNTS OR PAYMENT INTANGIBLES.

5 (C) A SALE OF A PAYMENT INTANGIBLE.

6 (D) A SALE OF A PROMISSORY NOTE.

7 (E) A SECURITY INTEREST CREATED BY THE ASSIGNMENT OF A
8 HEALTH-CARE-INSURANCE RECEIVABLE TO THE PROVIDER OF THE
9 HEALTH-CARE GOODS OR SERVICES.

10 (F) A SECURITY INTEREST ARISING UNDER SECTION 2401, 2505,
11 2711(3), OR 2A508(5), UNTIL THE DEBTOR OBTAINS POSSESSION OF THE
12 COLLATERAL.

13 (G) A SECURITY INTEREST OF A COLLECTING BANK ARISING UNDER
14 SECTION 4210.

15 (H) A SECURITY INTEREST OF AN ISSUER OR NOMINATED PERSON
16 ARISING UNDER SECTION 5118.

17 (I) A SECURITY INTEREST ARISING IN THE DELIVERY OF A FINAN-
18 CIAL ASSET UNDER SECTION 9206(3).

19 (J) A SECURITY INTEREST IN INVESTMENT PROPERTY CREATED BY A
20 BROKER OR SECURITIES INTERMEDIARY.

21 (K) A SECURITY INTEREST IN A COMMODITY CONTRACT OR A COMMOD-
22 ITY ACCOUNT CREATED BY A COMMODITY INTERMEDIARY.

23 (L) AN ASSIGNMENT FOR THE BENEFIT OF ALL CREDITORS OF THE
24 TRANSFEROR AND SUBSEQUENT TRANSFERS BY THE ASSIGNEE THEREUNDER.

25 (M) A SECURITY INTEREST CREATED BY AN ASSIGNMENT OF A BENE-
26 FICIAL INTEREST IN A DECEDENT'S ESTATE.

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1 Sec. 9310. ~~When a person in the ordinary course of his~~
2 ~~business furnishes services or materials with respect to goods~~
3 ~~subject to a security interest, a lien upon goods in the posses-~~
4 ~~sion of such person given by statute or rule of law for such~~
5 ~~materials or services takes priority over a perfected security~~
6 ~~interest unless the lien is statutory and the statute expressly~~
7 ~~provides otherwise.~~

8 (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (2) AND SEC-
9 TION 9312(2), A FINANCING STATEMENT MUST BE FILED TO PERFECT ALL
10 SECURITY INTERESTS AND AGRICULTURAL LIENS.

11 (2) THE FILING OF A FINANCING STATEMENT IS NOT NECESSARY TO
12 PERFECT 1 OR MORE OF THE FOLLOWING:

13 (A) A SECURITY INTEREST THAT IS PERFECTED UNDER SECTION
14 9308(4), (5), (6), OR (7).

15 (B) A SECURITY INTEREST THAT IS PERFECTED UNDER SECTION 9309
16 WHEN IT ATTACHES.

17 (C) A SECURITY INTEREST IN PROPERTY SUBJECT TO A STATUTE,
18 REGULATION, OR TREATY DESCRIBED IN SECTION 9311(1).

19 (D) A SECURITY INTEREST IN GOODS IN POSSESSION OF A BAILEE
20 THAT IS PERFECTED UNDER SECTION 9312(4)(A) OR (B).

21 (E) A SECURITY INTEREST IN CERTIFICATED SECURITIES, DOCU-
22 MENTS, GOODS, OR INSTRUMENTS THAT IS PERFECTED WITHOUT FILING OR
23 POSSESSION UNDER SECTION 9312(5), (6), OR (7).

24 (F) A SECURITY INTEREST IN COLLATERAL IN THE SECURED PARTY'S
25 POSSESSION UNDER SECTION 9313.

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1 (G) A SECURITY INTEREST IN A CERTIFICATED SECURITY THAT IS
2 PERFECTED BY DELIVERY OF THE SECURITY CERTIFICATE TO THE SECURED
3 PARTY UNDER SECTION 9313.

4 (H) A SECURITY INTEREST IN DEPOSIT ACCOUNTS, ELECTRONIC
5 CHATTEL PAPER, INVESTMENT PROPERTY, OR LETTER-OF-CREDIT RIGHTS
6 THAT IS PERFECTED BY CONTROL UNDER SECTION 9314.

7 (I) A SECURITY INTEREST IN PROCEEDS THAT IS PERFECTED UNDER
8 SECTION 9315.

9 (J) A SECURITY INTEREST THAT IS PERFECTED UNDER SECTION
10 9316.

11 (3) IF A SECURED PARTY ASSIGNS A PERFECTED SECURITY INTEREST
12 OR AGRICULTURAL LIEN, A FILING UNDER THIS ARTICLE IS NOT REQUIRED
13 TO CONTINUE THE PERFECTED STATUS OF THE SECURITY INTEREST AGAINST
14 CREDITORS OF AND TRANSFEREES FROM THE ORIGINAL DEBTOR.

15 Sec. 9311. ~~The debtor's rights in collateral may be volun-~~
16 ~~tarily or involuntarily transferred (by way of sale, creation of~~
17 ~~a security interest, attachment, levy, garnishment or other judi-~~
18 ~~cial process) notwithstanding a provision in the security agree-~~
19 ~~ment prohibiting any transfer or making the transfer constitute a~~
20 ~~default.~~

21 (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (4), THE
22 FILING OF A FINANCING STATEMENT IS NOT NECESSARY OR EFFECTIVE TO
23 PERFECT A SECURITY INTEREST IN PROPERTY SUBJECT TO 1 OR MORE OF
24 THE FOLLOWING:

25 (A) A STATUTE, REGULATION, OR TREATY OF THE UNITED STATES
26 WHOSE REQUIREMENTS FOR A SECURITY INTEREST'S OBTAINING PRIORITY

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1 OVER THE RIGHTS OF A LIEN CREDITOR WITH RESPECT TO THE PROPERTY
2 PREEMPT SECTION 9310(1).

3 (B) THE FOLLOWING STATUTES OF THIS STATE:

4 (i) CHAPTER II OF THE MICHIGAN VEHICLE CODE, 1949 PA 300,
5 MCL 257.201 TO 257.259.

6 (ii) PART 803 OF THE NATURAL RESOURCES AND ENVIRONMENTAL
7 PROTECTION ACT, 1994 PA 451, MCL 324.80301 TO 324.80322.

8 (iii) PART 811 OF THE NATURAL RESOURCES AND ENVIRONMENTAL
9 PROTECTION ACT, 1994 PA 451, MCL 324.81101 TO 324.81150.

10 (iv) SECTIONS 30 THROUGH 30H OF THE MOBILE HOME COMMISSION
11 ACT, 1987 PA 96, MCL 125.2330 TO 125.2330H.

12 (C) A CERTIFICATE-OF-TITLE STATUTE OF ANOTHER JURISDICTION
13 WHICH PROVIDES FOR A SECURITY INTEREST TO BE INDICATED ON THE
14 CERTIFICATE AS A CONDITION OR RESULT OF THE SECURITY INTEREST'S
15 OBTAINING PRIORITY OVER THE RIGHTS OF A LIEN CREDITOR WITH
16 RESPECT TO THE PROPERTY.

17 (2) COMPLIANCE WITH THE REQUIREMENTS OF A STATUTE, REGULA-
18 TION, OR TREATY DESCRIBED IN SUBSECTION (1) FOR OBTAINING PRIOR-
19 ITY OVER THE RIGHTS OF A LIEN CREDITOR IS EQUIVALENT TO THE
20 FILING OF A FINANCING STATEMENT UNDER THIS ARTICLE. EXCEPT AS
21 OTHERWISE PROVIDED IN SUBSECTION (4) AND SECTIONS 9313 AND
22 9316(4) AND (5) FOR GOODS COVERED BY A CERTIFICATE OF TITLE, A
23 SECURITY INTEREST IN PROPERTY SUBJECT TO A STATUTE, REGULATION,
24 OR TREATY DESCRIBED IN SUBSECTION (1) MAY BE PERFECTED ONLY BY
25 COMPLIANCE WITH THOSE REQUIREMENTS, AND A SECURITY INTEREST SO
26 PERFECTED REMAINS PERFECTED NOTWITHSTANDING A CHANGE IN THE USE
27 OR TRANSFER OF POSSESSION OF THE COLLATERAL.

1 (3) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (4) AND
2 SECTION 9316(4) AND (5), DURATION AND RENEWAL OF PERFECTION OF A
3 SECURITY INTEREST PERFECTED BY COMPLIANCE WITH THE REQUIREMENTS
4 PRESCRIBED BY A STATUTE, REGULATION, OR TREATY DESCRIBED IN SUB-
5 SECTION (1) ARE GOVERNED BY THE STATUTE, REGULATION, OR TREATY.
6 IN OTHER RESPECTS, THE SECURITY INTEREST IS SUBJECT TO THIS
7 ARTICLE.

8 (4) DURING ANY PERIOD IN WHICH COLLATERAL SUBJECT TO A STAT-
9 UTE SPECIFIED IN SUBSECTION (1)(B) IS INVENTORY HELD FOR SALE OR
10 LEASE BY A PERSON OR LEASED BY THAT PERSON AS LESSOR AND THAT
11 PERSON IS IN THE BUSINESS OF SELLING GOODS OF THAT KIND, THIS
12 SECTION DOES NOT APPLY TO A SECURITY INTEREST IN THAT COLLATERAL
13 CREATED BY THAT PERSON.

14 Sec. 9312. ~~-(1) The rules of priority stated in other sec-~~
15 ~~tions of this part and in the following sections shall govern~~
16 ~~when applicable: section 4210 with respect to the security~~
17 ~~interests of collecting banks in items being collected, accompa-~~
18 ~~nying documents and proceeds; section 9103 on security interests~~
19 ~~related to other jurisdictions; section 9114 on consignments; and~~
20 ~~section 9115 on security interests in investment property.~~

21 ~~-(2) A perfected security interest in crops for new value~~
22 ~~given to enable the debtor to produce the crops during the pro-~~
23 ~~duction season and given not more than 3 months before the crops~~
24 ~~become growing crops by planting or otherwise takes priority over~~
25 ~~an earlier perfected security interest to the extent that such~~
26 ~~earlier interest secures obligations due more than 6 months~~
27 ~~before the crops become growing crops by planting or otherwise,~~

1 ~~even though the person giving new value had knowledge of the~~
2 ~~earlier security interest.~~

3 ~~(3) Except as provided in subsection (4), a perfected pur-~~
4 ~~chase money security interest in inventory has priority over a~~
5 ~~conflicting security interest in the same inventory and also has~~
6 ~~priority in identifiable cash proceeds received on or before the~~
7 ~~delivery of the inventory to a buyer if:~~

8 ~~(a) The purchase money security interest is perfected at the~~
9 ~~time the debtor receives possession of the inventory; and~~

10 ~~(b) The purchase money secured party gives notification in~~
11 ~~writing to the holder of the conflicting security interest if the~~
12 ~~holder had filed a financing statement covering the same types of~~
13 ~~inventory; (i) before the date of the filing made by the purchase~~
14 ~~money secured party; or, (ii) before the beginning of the 21-day~~
15 ~~period where the purchase money security interest is temporarily~~
16 ~~perfected without filing or possession (section 9304(5)); and~~

17 ~~(c) The holder of the conflicting security interest receives~~
18 ~~the notification within 5 years before the debtor receives pos-~~
19 ~~session of the inventory; and~~

20 ~~(d) The notification states that the person giving the~~
21 ~~notice has or expects to acquire a purchase money security inter-~~
22 ~~est in inventory of the debtor, describing such inventory by item~~
23 ~~or type.~~

24 ~~(4) A purchase money security interest in inventory collat-~~
25 ~~eral which consists entirely of farm produce as defined in the~~
26 ~~grain dealers act, Act No. 141 of the Public Acts of 1939, being~~
27 ~~sections 285.61 to 285.82a of the Michigan Compiled Laws, and~~

~~1 which is retained by the producer of the farm produce shall have
2 priority over a conflicting security interest in the same collat-
3 eral, except for a security interest specified in subsection (2),
4 if the purchase money security interest is perfected at the time
5 the debtor receives possession of the collateral or within 20
6 days thereafter.~~

~~7 (5) A purchase money security interest in collateral other
8 than inventory has priority over a conflicting security interest
9 in the same collateral or its proceeds if the purchase money
10 security interest is perfected at the time the debtor receives
11 possession of the collateral or within 20 days thereafter.~~

~~12 (6) In all cases not governed by other rules stated in this
13 section, including cases of purchase money security interests
14 which do not qualify for the special priorities set forth in sub-
15 sections (3), (4), and (5) of this section, priority between con-
16 flicting security interests in the same collateral shall be
17 determined according to the following rules:~~

~~18 (a) Conflicting security interests rank according to prior-
19 ity in time of filing or perfection. Priority dates from the
20 time a filing is first made covering the collateral or the time
21 the security interest is first perfected, whichever is earlier,
22 provided that there is no period thereafter when there is neither
23 filing nor perfection.~~

~~24 (b) So long as conflicting security interests are unper-
25 fected, the first to attach has priority.~~

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1 ~~(7) For the purposes of subsection (6) a date of filing or~~
2 ~~perfection as to collateral is also a date of filing or~~
3 ~~perfection as to proceeds.~~

4 ~~(8) If future advances are made while a security interest is~~
5 ~~perfected by filing, the taking of possession, or under section~~
6 ~~9115 or section 9116 on investment property, the security inter-~~
7 ~~est has the same priority for the purposes of subsection (6) or~~
8 ~~section 9115(5) with respect to the future advances as it does~~
9 ~~with respect to the first advance. If a commitment is made~~
10 ~~before or while the security interest is so perfected, the secur-~~
11 ~~ity interest has the same priority with respect to advances made~~
12 ~~pursuant thereto. In other cases a perfected security interest~~
13 ~~has priority from the date the advance is made.~~

14 (1) A SECURITY INTEREST IN CHATTEL PAPER, NEGOTIABLE DOCU-
15 MENTS, INSTRUMENTS, OR INVESTMENT PROPERTY MAY BE PERFECTED BY
16 FILING.

17 (2) EXCEPT AS OTHERWISE PROVIDED IN SECTION 9315(3) AND (4)
18 FOR PROCEEDS, A SECURITY INTEREST IN A DEPOSIT ACCOUNT, A
19 LETTER-OF-CREDIT RIGHT, OR MONEY MAY BE PERFECTED ONLY AS
20 FOLLOWS:

21 (A) A SECURITY INTEREST IN A DEPOSIT ACCOUNT MAY BE PERFEC-
22 TED ONLY BY CONTROL UNDER SECTION 9314.

23 (B) EXCEPT AS OTHERWISE PROVIDED IN SECTION 9308(4), A
24 SECURITY INTEREST IN A LETTER-OF-CREDIT RIGHT MAY BE PERFECTED
25 ONLY BY CONTROL UNDER SECTION 9314.

26 (C) A SECURITY INTEREST IN MONEY MAY BE PERFECTED ONLY BY
27 THE SECURED PARTY'S TAKING POSSESSION UNDER SECTION 9313.

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1 (3) WHILE GOODS ARE IN THE POSSESSION OF A BAILEE THAT HAS
2 ISSUED A NEGOTIABLE DOCUMENT COVERING THE GOODS, A SECURITY
3 INTEREST IN THE GOODS MAY BE PERFECTED BY PERFECTING A SECURITY
4 INTEREST IN THE DOCUMENT, AND A SECURITY INTEREST PERFECTED IN
5 THE DOCUMENT HAS PRIORITY OVER ANY SECURITY INTEREST THAT BECOMES
6 PERFECTED IN THE GOODS BY ANOTHER METHOD DURING THAT TIME.

7 (4) WHILE GOODS ARE IN THE POSSESSION OF A BAILEE THAT HAS
8 ISSUED A NONNEGOTIABLE DOCUMENT COVERING THE GOODS, A SECURITY
9 INTEREST IN THE GOODS MAY BE PERFECTED BY 1 OR MORE OF THE
10 FOLLOWING:

11 (A) ISSUANCE OF A DOCUMENT IN THE NAME OF THE SECURED
12 PARTY.

13 (B) THE BAILEE'S RECEIPT OF NOTIFICATION OF THE SECURED
14 PARTY'S INTEREST.

15 (C) FILING AS TO THE GOODS.

16 (5) A SECURITY INTEREST IN CERTIFICATED SECURITIES, NEGOTIA-
17 BLE DOCUMENTS, OR INSTRUMENTS IS PERFECTED WITHOUT FILING OR THE
18 TAKING OF POSSESSION FOR A PERIOD OF 20 DAYS FROM THE TIME IT
19 ATTACHES TO THE EXTENT THAT IT ARISES FOR NEW VALUE GIVEN UNDER
20 AN AUTHENTICATED SECURITY AGREEMENT.

21 (6) A PERFECTED SECURITY INTEREST IN A NEGOTIABLE DOCUMENT
22 OR GOODS IN POSSESSION OF A BAILEE, OTHER THAN ONE THAT HAS
23 ISSUED A NEGOTIABLE DOCUMENT FOR THE GOODS, REMAINS PERFECTED FOR
24 20 DAYS WITHOUT FILING IF THE SECURED PARTY MAKES AVAILABLE TO
25 THE DEBTOR THE GOODS OR DOCUMENTS REPRESENTING THE GOODS FOR THE
26 PURPOSE OF ULTIMATE SALE OR EXCHANGE, OR FOR THE PURPOSE OF
27 LOADING, UNLOADING, STORING, SHIPPING, TRANSSHIPPING,

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1 MANUFACTURING, PROCESSING, OR OTHERWISE DEALING WITH THEM IN A
2 MANNER PRELIMINARY TO THEIR SALE OR EXCHANGE:

3 (7) A PERFECTED SECURITY INTEREST IN A CERTIFICATED SECURITY
4 OR INSTRUMENT REMAINS PERFECTED FOR 20 DAYS WITHOUT FILING IF THE
5 SECURED PARTY DELIVERS THE SECURITY CERTIFICATE OR INSTRUMENT TO
6 THE DEBTOR FOR THE PURPOSE OF ULTIMATE SALE OR EXCHANGE OR FOR
7 THE PURPOSE OF PRESENTATION, COLLECTION, ENFORCEMENT, RENEWAL, OR
8 REGISTRATION OF TRANSFER.

9 (8) AFTER THE 20-DAY PERIOD SPECIFIED IN SUBSECTION (5),
10 (6), OR (7) EXPIRES, PERFECTION DEPENDS UPON COMPLIANCE WITH THIS
11 ARTICLE.

12 Sec. 9313. ~~-(1) In this section and in the provisions of~~
13 ~~part 4 of this article referring to fixture filing, unless the~~
14 ~~context otherwise requires:~~

15 ~~(a) Goods are "fixtures" when they become so related to par-~~
16 ~~ticular real estate that an interest in them arises under real~~
17 ~~estate law. However, crops growing or to be grown are not~~
18 ~~fixtures.~~

19 ~~(b) A "fixture filing" is the filing in the office where a~~
20 ~~mortgage on the real estate would be filed or recorded of a~~
21 ~~financing statement covering goods which are or are to become~~
22 ~~fixtures.~~

23 ~~(c) A mortgage is a "construction mortgage" to the extent~~
24 ~~that it secures an obligation incurred for the construction of an~~
25 ~~improvement on land which may include the acquisition cost of the~~
26 ~~land, and if the recorded writing so indicates.~~

1 ~~(2) A security interest under this article may be created in~~
2 ~~goods which are fixtures or may continue in goods which becomes~~
3 ~~fixtures, but no security interest exists under this article in~~
4 ~~ordinary building materials incorporated into an improvement on~~
5 ~~land.~~

6 ~~(3) This article does not prevent creation of an encumbrance~~
7 ~~upon fixtures pursuant to real estate law.~~

8 ~~(4) A perfected security interest in fixtures has priority~~
9 ~~over the conflicting interest of an encumbrancer or owner of the~~
10 ~~real estate where:~~

11 ~~(a) The security interest is a purchase money security~~
12 ~~interest, the interest of the encumbrancer or owner arises before~~
13 ~~the goods become fixtures, the security interest is perfected by~~
14 ~~a fixture filing before the goods become fixtures or within 10~~
15 ~~days thereafter, and the debtor has an interest of record in the~~
16 ~~real estate or is in possession of the real estate; or~~

17 ~~(b) The security interest is perfected by a fixture filing~~
18 ~~before the interest of the encumbrancer or owner is of record,~~
19 ~~the security interest has priority over any conflicting interest~~
20 ~~of a predecessor in title of the encumbrancer or owner, and the~~
21 ~~debtor has an interest of record in the real estate or is in pos-~~
22 ~~session of the real estate; or~~

23 ~~(c) The fixtures are readily removable factory or office~~
24 ~~machines or readily removable replacements of domestic appliances~~
25 ~~which are consumer goods, and before the goods become fixtures~~
26 ~~the security interest is perfected by any method permitted by~~
27 ~~this article; or~~

1 ~~(d) The conflicting interest is a lien on the real estate~~
2 ~~obtained by legal or equitable proceedings after the security~~
3 ~~interest was perfected by any method permitted by this article.~~

4 ~~(5) A security interest in fixtures, whether or not perfec-~~
5 ~~ted, has priority over the conflicting interest of an encum-~~
6 ~~brancer or owner of the real estate where:~~

7 ~~(a) The encumbrancer or owner has consented in writing to~~
8 ~~the security interest or has disclaimed an interest in the goods~~
9 ~~as fixtures; or~~

10 ~~(b) The debtor has a right to remove the goods as against~~
11 ~~the encumbrancer or owner. If the debtor's right terminates, the~~
12 ~~priority of the security interest continues for a reasonable~~
13 ~~time.~~

14 ~~(6) Notwithstanding subsection (4)(a) but otherwise subject~~
15 ~~to subsections (4) and (5), a security interest in fixtures is~~
16 ~~subordinate to a construction mortgage recorded before the goods~~
17 ~~become fixtures if the goods become fixtures before the comple-~~
18 ~~tion of the construction. To the extent that it is given to~~
19 ~~refinance a construction mortgage, a mortgage has this priority~~
20 ~~to the same extent as the construction mortgage.~~

21 ~~(7) In cases not within the preceding subsections, a secur-~~
22 ~~ity interest in fixtures is subordinate to the conflicting inter-~~
23 ~~est of an encumbrancer or owner of the related real estate who is~~
24 ~~not the debtor.~~

25 ~~(8) When a secured party has priority over all owners and~~
26 ~~encumbrances of the real estate, he or she may, on default,~~
27 ~~subject to the provisions of part 5 of this article, remove his~~

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~~1 or her collateral from the real estate, but he or she must
2 reimburse any encumbrancer or owner of the real estate who is not
3 the debtor and who has not otherwise agreed for the cost of
4 repair of any physical injury, but not for any diminution in
5 value of the real estate caused by the absence of the goods
6 removed or by any necessity for replacing them. A person enti-
7 tled to reimbursement may refuse permission to remove until the
8 secured party gives adequate security for the performance of this
9 obligation.~~

10 (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (2), A
11 SECURED PARTY MAY PERFECT A SECURITY INTEREST IN NEGOTIABLE DOCU-
12 MENTS, GOODS, INSTRUMENTS, MONEY, OR TANGIBLE CHATTEL PAPER BY
13 TAKING POSSESSION OF THE COLLATERAL. A SECURED PARTY MAY PERFECT
14 A SECURITY INTEREST IN CERTIFICATED SECURITIES BY TAKING DELIVERY
15 OF THE CERTIFICATED SECURITIES UNDER SECTION 8301.

16 (2) WITH RESPECT TO GOODS COVERED BY A CERTIFICATE OF TITLE
17 ISSUED BY THIS STATE, A SECURED PARTY MAY PERFECT A SECURITY
18 INTEREST IN THE GOODS BY TAKING POSSESSION OF THE GOODS ONLY IN
19 THE CIRCUMSTANCES DESCRIBED IN SECTION 9316(5).

20 (3) WITH RESPECT TO COLLATERAL OTHER THAN CERTIFICATED
21 SECURITIES AND GOODS COVERED BY A DOCUMENT, A SECURED PARTY TAKES
22 POSSESSION OF COLLATERAL IN THE POSSESSION OF A PERSON OTHER THAN
23 THE DEBTOR, THE SECURED PARTY, OR A LESSEE OF THE COLLATERAL FROM
24 THE DEBTOR IN THE ORDINARY COURSE OF THE DEBTOR'S BUSINESS, WHEN
25 THE PERSON IN POSSESSION AUTHENTICATES A RECORD ACKNOWLEDGING
26 THAT IT HOLDS POSSESSION OF THE COLLATERAL FOR THE SECURED
27 PARTY'S BENEFIT, OR THE PERSON TAKES POSSESSION OF THE COLLATERAL

1 AFTER HAVING AUTHENTICATED A RECORD ACKNOWLEDGING THAT IT WILL
2 HOLD POSSESSION OF COLLATERAL FOR THE SECURED PARTY'S BENEFIT.

3 (4) IF THE PERFECTION OF A SECURITY INTEREST DEPENDS UPON
4 POSSESSION OF THE COLLATERAL BY A SECURED PARTY, PERFECTION
5 OCCURS NO EARLIER THAN THE TIME THE SECURED PARTY TAKES POSSES-
6 SION AND CONTINUES ONLY WHILE THE SECURED PARTY RETAINS
7 POSSESSION.

8 (5) A SECURITY INTEREST IN A CERTIFICATED SECURITY IN REGIS-
9 TERED FORM IS PERFECTED BY DELIVERY WHEN DELIVERY OF THE CERTIFI-
10 CATED SECURITY OCCURS UNDER SECTION 8301 AND REMAINS PERFECTED BY
11 DELIVERY UNTIL THE DEBTOR OBTAINS POSSESSION OF THE SECURITY
12 CERTIFICATE.

13 (6) A PERSON IN POSSESSION OF COLLATERAL IS NOT REQUIRED TO
14 ACKNOWLEDGE THAT IT HOLDS POSSESSION FOR A SECURED PARTY'S
15 BENEFIT.

16 (7) IF A PERSON ACKNOWLEDGES THAT IT HOLDS POSSESSION FOR
17 THE SECURED PARTY'S BENEFIT, THE ACKNOWLEDGMENT IS EFFECTIVE
18 UNDER SUBSECTION (3) OR SECTION 8301(1), EVEN IF THE ACKNOWLEDG-
19 MENT VIOLATES THE RIGHTS OF A DEBTOR, AND UNLESS THE PERSON OTH-
20 ERWISE AGREES OR LAW OTHER THAN THIS ARTICLE OTHERWISE PROVIDES,
21 THE PERSON DOES NOT OWE ANY DUTY TO THE SECURED PARTY AND IS NOT
22 REQUIRED TO CONFIRM THE ACKNOWLEDGMENT TO ANOTHER PERSON.

23 (8) A SECURED PARTY HAVING POSSESSION OF COLLATERAL DOES NOT
24 RELINQUISH POSSESSION BY DELIVERING THE COLLATERAL TO A PERSON
25 OTHER THAN THE DEBTOR OR A LESSEE OF THE COLLATERAL FROM THE
26 DEBTOR IN THE ORDINARY COURSE OF THE DEBTOR'S BUSINESS IF THE
27 PERSON WAS INSTRUCTED BEFORE THE DELIVERY OR IS INSTRUCTED

1 CONTEMPORANEOUSLY WITH THE DELIVERY TO HOLD POSSESSION OF THE
2 COLLATERAL FOR THE SECURED PARTY'S BENEFIT, OR TO REDELIVER THE
3 COLLATERAL TO THE SECURED PARTY.

4 (9) A SECURED PARTY DOES NOT RELINQUISH POSSESSION, EVEN IF
5 A DELIVERY UNDER SUBSECTION (8) VIOLATES THE RIGHTS OF A DEBTOR.
6 A PERSON TO WHICH COLLATERAL IS DELIVERED UNDER SUBSECTION (8)
7 DOES NOT OWE ANY DUTY TO THE SECURED PARTY AND IS NOT REQUIRED TO
8 CONFIRM THE DELIVERY TO ANOTHER PERSON UNLESS THE PERSON OTHER-
9 WISE AGREES OR LAW OTHER THAN THIS ARTICLE OTHERWISE PROVIDES.

10 Sec. 9314. ~~(1) A security interest in goods which attaches~~
11 ~~before they are installed in or affixed to other goods takes pri-~~
12 ~~ority as to the goods installed or affixed (called in this sec-~~
13 ~~tion "accessions") over the claims of all persons to the whole~~
14 ~~except as stated in subsection (3) and subject to section~~
15 ~~9315(1).~~

16 ~~(2) A security interest which attaches to goods after they~~
17 ~~become part of a whole is valid against all persons subsequently~~
18 ~~acquiring interests in the whole except as stated in subsection~~
19 ~~(3) but is invalid against any person with an interest in the~~
20 ~~whole at the time the security interest attaches to the goods who~~
21 ~~has not in writing consented to the security interest or dis-~~
22 ~~claimed an interest in the goods as part of the whole.~~

23 ~~(3) The security interests described in subsections (1) and~~
24 ~~(2) do not take priority over~~

25 ~~(a) a subsequent purchaser for value of any interest in the~~
26 ~~whole; or~~

1 ~~(b) a creditor with a lien on the whole subsequently~~
2 ~~obtained by judicial proceedings; or~~

3 ~~(c) a creditor with a prior perfected security interest in~~
4 ~~the whole to the extent that he makes subsequent advances~~
5 ~~if the subsequent purchase is made, the lien by judicial proceed-~~
6 ~~ings obtained or the subsequent advance under the prior perfected~~
7 ~~security interest is made or contracted for without knowledge of~~
8 ~~the security interest and before it is perfected. A purchaser of~~
9 ~~the whole at a foreclosure sale other than the holder of a per-~~
10 ~~fectured security interest purchasing at his own foreclosure sale~~
11 ~~is a subsequent purchaser within this section.~~

12 ~~(4) When under subsections (1) or (2) and (3) a secured~~
13 ~~party has an interest in accessions which has priority over the~~
14 ~~claims of all persons who have interests in the whole, he may on~~
15 ~~default subject to the provisions of part 5 remove his collateral~~
16 ~~from the whole but he must reimburse any encumbrancer or owner of~~
17 ~~the whole who is not the debtor and who has not otherwise agreed~~
18 ~~for the cost of repair of any physical injury but not for any~~
19 ~~diminution in value of the whole caused by the absence of the~~
20 ~~goods removed or by any necessity for replacing them. A person~~
21 ~~entitled to reimbursement may refuse permission to remove until~~
22 ~~the secured party gives adequate security for the performance of~~
23 ~~this obligation.~~

24 (1) A SECURITY INTEREST IN INVESTMENT PROPERTY, DEPOSIT
25 ACCOUNTS, LETTER-OF-CREDIT RIGHTS, OR ELECTRONIC CHATTEL PAPER
26 MAY BE PERFECTED BY CONTROL OF THE COLLATERAL UNDER SECTION 9104,
27 9105, 9106, OR 9107.

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1 (2) A SECURITY INTEREST IN DEPOSIT ACCOUNTS, ELECTRONIC
2 CHATTEL PAPER, OR LETTER-OF-CREDIT RIGHTS IS PERFECTED BY CONTROL
3 UNDER SECTION 9104, 9105, OR 9107 WHEN THE SECURED PARTY OBTAINS
4 CONTROL AND REMAINS PERFECTED BY CONTROL ONLY WHILE THE SECURED
5 PARTY RETAINS CONTROL.

6 (3) A SECURITY INTEREST IN INVESTMENT PROPERTY IS PERFECTED
7 BY CONTROL UNDER SECTION 9106 FROM THE TIME THE SECURED PARTY
8 OBTAINS CONTROL AND REMAINS PERFECTED BY CONTROL UNTIL BOTH OF
9 THE FOLLOWING OCCUR:

10 (A) THE SECURED PARTY DOES NOT HAVE CONTROL.

11 (B) ONE OF THE FOLLOWING OCCURS:

12 (i) IF THE COLLATERAL IS A CERTIFICATED SECURITY, THE DEBTOR
13 HAS OR ACQUIRES POSSESSION OF THE SECURITY CERTIFICATE.

14 (ii) IF THE COLLATERAL IS AN UNCERTIFICATED SECURITY, THE
15 ISSUER HAS REGISTERED OR REGISTERS THE DEBTOR AS THE REGISTERED
16 OWNER.

17 (iii) IF THE COLLATERAL IS A SECURITY ENTITLEMENT, THE
18 DEBTOR IS OR BECOMES THE ENTITLEMENT HOLDER.

19 Sec. 9315. ~~-(1) If a security interest in goods was perfec-~~
20 ~~ted and subsequently the goods or a part thereof have become part~~
21 ~~of a product or mass, the security interest continues in the pro-~~
22 ~~duct or mass if~~

23 ~~(a) the goods are so manufactured, processed, assembled or~~
24 ~~commingled that their identity is lost in the product or mass; or~~

25 ~~(b) a financing statement covering the original goods also~~
26 ~~covers the product into which the goods have been manufactured,~~
27 ~~processed or assembled.~~

1 ~~In a case to which paragraph (b) applies, no separate~~
2 ~~security interest in that part of the original goods which has~~
3 ~~been manufactured, processed or assembled into the product may be~~
4 ~~claimed under section 9314.~~

5 ~~(2) When under subsection (1) more than one security inter-~~
6 ~~est attaches to the product or mass, they rank equally according~~
7 ~~to the ratio that the cost of the goods to which each interest~~
8 ~~originally attached bears to the cost of the total product or~~
9 ~~mass.~~

10 (1) EXCEPT AS OTHERWISE PROVIDED IN THIS ARTICLE AND IN SEC-
11 TION 2403(2), BOTH OF THE FOLLOWING APPLY:

12 (A) A SECURITY INTEREST OR AGRICULTURAL LIEN CONTINUES IN
13 COLLATERAL NOTWITHSTANDING SALE, LEASE, LICENSE, EXCHANGE, OR
14 OTHER DISPOSITION THEREOF UNLESS THE SECURED PARTY AUTHORIZED THE
15 DISPOSITION FREE OF THE SECURITY INTEREST OR AGRICULTURAL LIEN.

16 (B) A SECURITY INTEREST ATTACHES TO ANY IDENTIFIABLE PRO-
17 CEEDS OF COLLATERAL.

18 (2) PROCEEDS THAT ARE COMMINGLED WITH OTHER PROPERTY ARE
19 IDENTIFIABLE PROCEEDS TO 1 OF THE FOLLOWING EXTENTS:

20 (A) IF THE PROCEEDS ARE GOODS, TO THE EXTENT PROVIDED BY
21 SECTION 9336.

22 (B) IF THE PROCEEDS ARE NOT GOODS, TO THE EXTENT THAT THE
23 SECURED PARTY IDENTIFIES THE PROCEEDS BY A METHOD OF TRACING,
24 INCLUDING APPLICATION OF EQUITABLE PRINCIPLES, THAT IS PERMITTED
25 UNDER LAW OTHER THAN THIS ARTICLE WITH RESPECT TO COMMINGLED
26 PROPERTY OF THE TYPE INVOLVED.

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1 (3) A SECURITY INTEREST IN PROCEEDS IS A PERFECTED SECURITY
2 INTEREST IF THE SECURITY INTEREST IN THE ORIGINAL COLLATERAL WAS
3 PERFECTED.

4 (4) A PERFECTED SECURITY INTEREST IN PROCEEDS BECOMES UNPER-
5 FECTED ON THE TWENTY-FIRST DAY AFTER THE SECURITY INTEREST
6 ATTACHES TO THE PROCEEDS UNLESS 1 OF THE FOLLOWING IS MET:

7 (A) ALL OF THE FOLLOWING CONDITIONS ARE SATISFIED:

8 (i) A FILED FINANCING STATEMENT COVERS THE ORIGINAL
9 COLLATERAL.

10 (ii) THE PROCEEDS ARE COLLATERAL IN WHICH A SECURITY INTER-
11 EST MAY BE PERFECTED BY FILING IN THE OFFICE IN WHICH THE FINANC-
12 ING STATEMENT HAS BEEN FILED.

13 (iii) THE PROCEEDS ARE NOT ACQUIRED WITH CASH PROCEEDS.

14 (B) THE PROCEEDS ARE IDENTIFIABLE CASH PROCEEDS.

15 (C) THE SECURITY INTEREST IN THE PROCEEDS IS PERFECTED OTHER
16 THAN UNDER SUBSECTION (3) WHEN THE SECURITY INTEREST ATTACHES TO
17 THE PROCEEDS OR WITHIN 20 DAYS THEREAFTER.

18 (5) IF A FILED FINANCING STATEMENT COVERS THE ORIGINAL COL-
19 LATERAL, A SECURITY INTEREST IN PROCEEDS WHICH REMAINS PERFECTED
20 UNDER SUBSECTION (4)(A) BECOMES UNPERFECTED AT THE LATER OF WHEN
21 THE EFFECTIVENESS OF THE FILED FINANCING STATEMENT LAPSES UNDER
22 SECTION 9515 OR IS TERMINATED UNDER SECTION 9513, OR THE
23 TWENTY-FIRST DAY AFTER THE SECURITY INTEREST ATTACHES TO THE
24 PROCEEDS.

25 Sec. 9316. ~~Nothing in this article prevents subordination~~
26 ~~by agreement by any person entitled to priority.~~

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1 (1) A SECURITY INTEREST PERFECTED PURSUANT TO THE LAW OF THE
2 JURISDICTION DESIGNATED IN SECTION 9301(A) OR 9305(3) REMAINS
3 PERFECTED UNTIL THE EARLIEST OF THE FOLLOWING:

4 (A) THE TIME PERFECTION WOULD HAVE CEASED UNDER THE LAW OF
5 THAT JURISDICTION.

6 (B) THE EXPIRATION OF 4 MONTHS AFTER A CHANGE OF THE
7 DEBTOR'S LOCATION TO ANOTHER JURISDICTION.

8 (C) THE EXPIRATION OF 1 YEAR AFTER A TRANSFER OF COLLATERAL
9 TO A PERSON THAT THEREBY BECOMES A DEBTOR AND IS LOCATED IN
10 ANOTHER JURISDICTION.

11 (2) IF A SECURITY INTEREST DESCRIBED IN SUBSECTION (1)
12 BECOMES PERFECTED UNDER THE LAW OF THE OTHER JURISDICTION BEFORE
13 THE EARLIEST TIME OR EVENT DESCRIBED IN THAT SUBSECTION, IT
14 REMAINS PERFECTED THEREAFTER. IF THE SECURITY INTEREST DOES NOT
15 BECOME PERFECTED UNDER THE LAW OF THE OTHER JURISDICTION BEFORE
16 THE EARLIEST TIME OR EVENT, IT BECOMES UNPERFECTED AND IS DEEMED
17 NEVER TO HAVE BEEN PERFECTED AS AGAINST A PURCHASER OF THE COL-
18 LATERAL FOR VALUE.

19 (3) A POSSESSORY SECURITY INTEREST IN COLLATERAL, OTHER THAN
20 GOODS COVERED BY A CERTIFICATE OF TITLE AND AS-EXTRACTED COLLAT-
21 ERAL CONSISTING OF GOODS, REMAINS CONTINUOUSLY PERFECTED IF ALL
22 OF THE FOLLOWING ARE MET:

23 (A) THE COLLATERAL IS LOCATED IN 1 JURISDICTION AND SUBJECT
24 TO A SECURITY INTEREST PERFECTED UNDER THE LAW OF THAT
25 JURISDICTION.

26 (B) THEREAFTER, THE COLLATERAL IS BROUGHT INTO ANOTHER
27 JURISDICTION.

1 (C) UPON ENTRY OF THE COLLATERAL INTO THE OTHER
2 JURISDICTION, THE SECURITY INTEREST IS PERFECTED UNDER THE LAW OF
3 THE OTHER JURISDICTION.

4 (4) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (5), A SECUR-
5 ITY INTEREST IN GOODS COVERED BY A CERTIFICATE OF TITLE THAT IS
6 PERFECTED BY ANY METHOD UNDER THE LAW OF ANOTHER JURISDICTION
7 WHEN THE GOODS BECOME COVERED BY A CERTIFICATE OF TITLE FROM THIS
8 STATE REMAINS PERFECTED UNTIL THE SECURITY INTEREST WOULD HAVE
9 BECOME UNPERFECTED UNDER THE LAW OF THE OTHER JURISDICTION HAD
10 THE GOODS NOT BECOME SO COVERED.

11 (5) A SECURITY INTEREST DESCRIBED IN SUBSECTION (4) BECOMES
12 UNPERFECTED AS AGAINST A PURCHASER OF THE GOODS FOR VALUE AND IS
13 DEEMED NEVER TO HAVE BEEN PERFECTED AS AGAINST A PURCHASER OF THE
14 GOODS FOR VALUE IF THE APPLICABLE REQUIREMENTS FOR PERFECTION
15 UNDER SECTION 9311(2) OR 9313 ARE NOT SATISFIED BEFORE THE EAR-
16 LIER OF THE FOLLOWING:

17 (A) THE TIME THE SECURITY INTEREST WOULD HAVE BECOME UNPER-
18 FECTED UNDER THE LAW OF THE OTHER JURISDICTION HAD THE GOODS NOT
19 BECOME COVERED BY A CERTIFICATE OF TITLE FROM THIS STATE.

20 (B) THE EXPIRATION OF 4 MONTHS AFTER THE GOODS HAD BECOME SO
21 COVERED.

22 (6) A SECURITY INTEREST IN DEPOSIT ACCOUNTS,
23 LETTER-OF-CREDIT RIGHTS, OR INVESTMENT PROPERTY THAT IS PERFECTED
24 UNDER THE LAW OF THE BANK'S JURISDICTION, THE ISSUER'S JURISDIC-
25 TION, A NOMINATED PERSON'S JURISDICTION, THE SECURITIES
26 INTERMEDIARY'S JURISDICTION, OR THE COMMODITY INTERMEDIARY'S

1 JURISDICTION, AS APPLICABLE, REMAINS PERFECTED UNTIL THE EARLIER
2 OF THE FOLLOWING:

3 (A) THE TIME THE SECURITY INTEREST WOULD HAVE BECOME UNPER-
4 FECTED UNDER THE LAW OF THAT JURISDICTION.

5 (B) THE EXPIRATION OF 4 MONTHS AFTER A CHANGE OF THE APPLI-
6 CABLE JURISDICTION TO ANOTHER JURISDICTION.

7 (7) IF A SECURITY INTEREST DESCRIBED IN SUBSECTION (6)
8 BECOMES PERFECTED UNDER THE LAW OF THE OTHER JURISDICTION BEFORE
9 THE EARLIER OF THE TIME OR THE END OF THE PERIOD DESCRIBED IN
10 THAT SUBSECTION, IT REMAINS PERFECTED THEREAFTER. IF THE SECUR-
11 ITY INTEREST DOES NOT BECOME PERFECTED UNDER THE LAW OF THE OTHER
12 JURISDICTION BEFORE THE EARLIER OF THAT TIME OR THE END OF THAT
13 PERIOD, IT BECOMES UNPERFECTED AND IS DEEMED NEVER TO HAVE BEEN
14 PERFECTED AS AGAINST A PURCHASER OF THE COLLATERAL FOR VALUE.

15 SUBPART 3. PRIORITY

16 Sec. 9317. ~~The mere existence of a security interest or~~
17 ~~authority given to the debtor to dispose of or use collateral~~
18 ~~does not impose contract or tort liability upon the secured party~~
19 ~~for the debtor's acts or omissions.~~

20 (1) A SECURITY INTEREST OR AGRICULTURAL LIEN IS SUBORDINATE
21 TO THE RIGHTS OF 1 OR MORE OF THE FOLLOWING:

22 (A) A PERSON ENTITLED TO PRIORITY UNDER SECTION 9322.

23 (B) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (5), A PERSON
24 THAT BECOMES A LIEN CREDITOR BEFORE THE EARLIER OF THE
25 FOLLOWING:

26 (i) THE TIME THE SECURITY INTEREST OR AGRICULTURAL LIEN IS
27 PERFECTED.

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1 (ii) THE TIME 1 OF THE CONDITIONS SPECIFIED IN
2 SECTION 9203(2)(C) IS MET AND A FINANCING STATEMENT COVERING THE
3 COLLATERAL IS FILED.

4 (2) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (5), A BUYER,
5 OTHER THAN A SECURED PARTY, OF TANGIBLE CHATTEL PAPER, DOCUMENTS,
6 GOODS, INSTRUMENTS, OR A SECURITY CERTIFICATE TAKES FREE OF A
7 SECURITY INTEREST OR AGRICULTURAL LIEN IF THE BUYER GIVES VALUE
8 AND RECEIVES DELIVERY OF THE COLLATERAL WITHOUT KNOWLEDGE OF THE
9 SECURITY INTEREST OR AGRICULTURAL LIEN AND BEFORE IT IS
10 PERFECTED.

11 (3) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (5), A LESSEE
12 OF GOODS TAKES FREE OF A SECURITY INTEREST OR AGRICULTURAL LIEN
13 IF THE LESSEE GIVES VALUE AND RECEIVES DELIVERY OF THE COLLATERAL
14 WITHOUT KNOWLEDGE OF THE SECURITY INTEREST OR AGRICULTURAL LIEN
15 AND BEFORE IT IS PERFECTED.

16 (4) A LICENSEE OF A GENERAL INTANGIBLE OR A BUYER, OTHER
17 THAN A SECURED PARTY, OF ACCOUNTS, ELECTRONIC CHATTEL PAPER, GEN-
18 ERAL INTANGIBLES, OR INVESTMENT PROPERTY OTHER THAN A CERTIFI-
19 CATED SECURITY TAKES FREE OF A SECURITY INTEREST IF THE LICENSEE
20 OR BUYER GIVES VALUE WITHOUT KNOWLEDGE OF THE SECURITY INTEREST
21 AND BEFORE IT IS PERFECTED.

22 (5) EXCEPT AS OTHERWISE PROVIDED IN SECTIONS 9320 AND 9321,
23 IF A PERSON FILES A FINANCING STATEMENT WITH RESPECT TO A
24 PURCHASE-MONEY SECURITY INTEREST BEFORE OR WITHIN 20 DAYS AFTER
25 THE DEBTOR RECEIVES DELIVERY OF THE COLLATERAL, THE SECURITY
26 INTEREST TAKES PRIORITY OVER THE RIGHTS OF A BUYER, LESSEE, OR

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1 LIEN CREDITOR THAT ARISE BETWEEN THE TIME THE SECURITY INTEREST
2 ATTACHES AND THE TIME OF FILING.

3 Sec. 9318. ~~-(1) Unless an account debtor has made an~~
4 ~~enforceable agreement not to assert defenses or claims arising~~
5 ~~out of a sale as provided in section 9206 the rights of an~~
6 ~~assignee are subject to:~~

7 ~~(a) All the terms of the contract between the account debtor~~
8 ~~and assignor and any defense or claim arising therefrom; and~~

9 ~~(b) Any other defense or claim of the account debtor against~~
10 ~~the assignor which accrues before the account debtor receives~~
11 ~~notification of the assignment.~~

12 ~~(2) So far as the right to payment or a part thereof under~~
13 ~~an assigned contract has not been fully earned by performance,~~
14 ~~and notwithstanding notification of the assignment, any modifica-~~
15 ~~tion of or substitution for the contract made in good faith and~~
16 ~~in accordance with reasonable commercial standards is effective~~
17 ~~against an assignee unless the account debtor has otherwise~~
18 ~~agreed but the assignee acquires corresponding rights under the~~
19 ~~modified or substituted contract. The assignment may provide~~
20 ~~that such modification or substitution is a breach by the~~
21 ~~assignor.~~

22 ~~(3) The account debtor is authorized to pay the assignor~~
23 ~~until the account debtor receives notification that the amount~~
24 ~~due or to become due has been assigned and that payment is to be~~
25 ~~made to the assignee. A notification which does not reasonably~~
26 ~~identify the rights assigned is ineffective. If requested by the~~
27 ~~account debtor, the assignee must seasonably furnish reasonable~~

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1 ~~proof that the assignment has been made and unless he does so the~~
2 ~~account debtor may pay the assignor.~~

3 ~~(4) A term in any contract between an account debtor and an~~
4 ~~assignor is ineffective if it prohibits assignment of an account~~
5 ~~or prohibits creation of a security interest in a general intan-~~
6 ~~gible for money due or to become due or requires the account~~
7 ~~debtor's consent to such assignment or security interest.~~

8 (1) A DEBTOR THAT HAS SOLD AN ACCOUNT, CHATTEL PAPER, PAY-
9 MENT INTANGIBLES, OR PROMISSORY NOTE DOES NOT RETAIN A LEGAL OR
10 EQUITABLE INTEREST IN THE COLLATERAL SOLD.

11 (2) FOR PURPOSES OF DETERMINING THE RIGHTS OF CREDITORS OF,
12 AND PURCHASERS FOR VALUE OF AN ACCOUNT OR CHATTEL PAPER FROM, A
13 DEBTOR THAT HAS SOLD AN ACCOUNT OR CHATTEL PAPER, WHILE THE
14 BUYER'S SECURITY INTEREST IS UNPERFECTED, THE DEBTOR IS DEEMED TO
15 HAVE RIGHTS AND TITLE TO THE ACCOUNT OR CHATTEL PAPER IDENTICAL
16 TO THOSE THE DEBTOR SOLD.

17 SEC. 9319. (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION
18 (2), FOR PURPOSES OF DETERMINING THE RIGHTS OF CREDITORS OF, AND
19 PURCHASERS FOR VALUE OF GOODS FROM, A CONSIGNEE, WHILE THE GOODS
20 ARE IN THE POSSESSION OF THE CONSIGNEE, THE CONSIGNEE IS DEEMED
21 TO HAVE RIGHTS AND TITLE TO THE GOODS IDENTICAL TO THOSE THE CON-
22 SIGNOR HAD OR HAD POWER TO TRANSFER.

23 (2) FOR PURPOSES OF DETERMINING THE RIGHTS OF A CREDITOR OF
24 A CONSIGNEE, LAW OTHER THAN THIS ARTICLE DETERMINES THE RIGHTS
25 AND TITLE OF A CONSIGNEE WHILE GOODS ARE IN THE CONSIGNEE'S POS-
26 SESSION IF, UNDER THIS PART, A PERFECTED SECURITY INTEREST HELD

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1 BY THE CONSIGNOR WOULD HAVE PRIORITY OVER THE RIGHTS OF THE
2 CREDITOR.

3 SEC. 9320. (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION
4 (5), A BUYER IN ORDINARY COURSE OF BUSINESS, OTHER THAN A PERSON
5 BUYING FARM PRODUCTS FROM A PERSON ENGAGED IN FARMING OPERATIONS,
6 TAKES FREE OF A SECURITY INTEREST CREATED BY THE BUYER'S SELLER,
7 EVEN IF THE SECURITY INTEREST IS PERFECTED AND THE BUYER KNOWS OF
8 ITS EXISTENCE.

9 (2) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (5), A BUYER
10 OF GOODS FROM A PERSON WHO USED OR BOUGHT THE GOODS FOR USE PRI-
11 MARILY FOR PERSONAL, FAMILY, OR HOUSEHOLD PURPOSES TAKES FREE OF
12 A SECURITY INTEREST, EVEN IF PERFECTED, IF THE BUYER BUYS WITHOUT
13 KNOWLEDGE OF THE SECURITY INTEREST, FOR VALUE, PRIMARILY FOR THE
14 BUYER'S PERSONAL, FAMILY, OR HOUSEHOLD PURPOSES, AND BEFORE THE
15 FILING OF A FINANCING STATEMENT COVERING THE GOODS.

16 (3) TO THE EXTENT THAT IT AFFECTS THE PRIORITY OF A SECURITY
17 INTEREST OVER A BUYER OF GOODS UNDER SUBSECTION (2), THE PERIOD
18 OF EFFECTIVENESS OF A FILING MADE IN THE JURISDICTION IN WHICH
19 THE SELLER IS LOCATED IS GOVERNED BY SECTION 9316(1) AND (2).

20 (4) A BUYER IN ORDINARY COURSE OF BUSINESS BUYING OIL, GAS,
21 OR OTHER MINERALS AT THE WELLHEAD OR MINEHEAD OR AFTER EXTRACTION
22 TAKES FREE OF AN INTEREST ARISING OUT OF AN ENCUMBRANCE.

23 (5) SUBSECTIONS (1) AND (2) DO NOT AFFECT A SECURITY INTER-
24 EST IN GOODS IN THE POSSESSION OF THE SECURED PARTY UNDER
25 SECTION 9313.

[(6) SUBSECTIONS (7) TO (14) SHALL APPLY IN THE CASE OF A
PERSON BUYING FARM PRODUCTS FROM A PERSON ENGAGED IN FARMING
OPERATIONS.

(7) IF REQUESTED BY THE SECURED PARTY, A DEBTOR ENGAGED IN
FARMING OPERATIONS WHO GIVES A SECURITY INTEREST IN FARM PRODUCTS
SHALL PROVIDE TO THE SECURED PARTY A WRITTEN LIST IDENTIFYING
POTENTIAL BUYERS AND POINTS OF DELIVERY OF THE FARM PRODUCTS. EXCEPT
AS OTHERWISE PROVIDED BY SUBSECTION (8), THE NUMBER OF POTENTIAL
BUYERS FOR EACH COMMODITY SHALL NOT EXCEED 5. IF A POTENTIAL BUYER
HAS MORE THAN 1 POINT OF DELIVERY, EACH ADDITIONAL POINT OF DELIVERY
SHALL BE COUNTED AS A POTENTIAL BUYER.

(8) A DEBTOR ENGAGED IN FARMING OPERATIONS WHO PROVIDES A
WRITTEN LIST OF POTENTIAL BUYERS TO A SECURED PARTY PURSUANT TO
SUBSECTION (7) SHALL NOT SELL FARM PRODUCTS THAT SECURE THE DEBT TO A
BUYER WHO IS NOT IDENTIFIED ON THE LIST WITHOUT THE PRIOR WRITTEN
CONSENT OF THE SECURED PARTY. A PERSON WHO KNOWINGLY OR INTENTIONALLY
VIOLATES THIS SUBSECTION IS GUILTY OF A FELONY, PUNISHABLE BY
IMPRISONMENT FOR NOT MORE THAN 3 YEARS OR A FINE OF NOT MORE THAN
\$10,000.00, OR BOTH. IF APPROPRIATE GIVEN THE FACTS AND CIRCUMSTANCES

OF THE CASE, THE COURT SHALL PLACE THE PERSON ON PROBATION UPON THE CONDITION THAT RESTITUTION BE MADE TO THE SECURED PARTY. PAYMENT OF, OR APPLICATION OF THE PROCEEDS TO, THE DEBT UPON

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WHICH THE SECURITY INTEREST IS BASED IS AN ABSOLUTE DEFENSE TO A PROSECUTION UNDER THIS SUBSECTION IF THE PAYMENT OR APPLICATION IS MADE PRIOR TO COMMENCEMENT OF PROSECUTION.

(9) A SECURED PARTY WHO IS PROVIDED WITH A WRITTEN LIST OF POTENTIAL BUYERS PURSUANT TO SUBSECTION (7) MAY NOTIFY BUYERS IDENTIFIED ON THE LIST OF THE SECURITY INTEREST AS PROVIDED IN THIS SUBSECTION. A SECURED PARTY SHALL NOT NOTIFY A PERSON NOT IDENTIFIED ON THE LIST, EXCEPT THAT THE SECURED PARTY MAY NOTIFY A BUYER CONCERNING WHOM THE SECURED PARTY HAS GIVEN PRIOR WRITTEN CONSENT PURSUANT TO SUBSECTION (8) OR TO WHOM THE SECURED PARTY HAS REASONABLE CAUSE TO BELIEVE THE DEBTOR IS ABOUT TO SELL THE FARM PRODUCTS. A NOTICE PROVIDED PURSUANT TO THIS SUBSECTION SHALL BE IN WRITING AND SHALL BE MAILED BY CERTIFIED MAIL OR DELIVERED BY ANOTHER METHOD BY WHICH RECEIPT CAN BE VERIFIED. THE NOTICE MAY BE IN A FORM AGREED UPON IN WRITING BY THE BUYER AND THE SECURED PARTY, BUT IN ABSENCE OF SUCH AN AGREEMENT THE NOTICE SHALL BE AN ORIGINAL FINANCING STATEMENT OR A CARBON, PHOTOGRAPHIC, OR OTHER REPRODUCTION OF AN ORIGINAL OR A STATEMENT THAT CONTAINS ALL OF THE FOLLOWING:

- (A) THE FULL NAME AND ADDRESS OF THE DEBTOR.
- (B) THE FULL NAME AND ADDRESS OF THE SECURED PARTY.
- (C) A DESCRIPTION OF THE COLLATERAL.
- (D) THE DATE AND LOCATION OF THE FILING OF THE SECURITY

INTEREST.

- (E) THE DATE AND SIGNATURE OF THE SECURED PARTY.

(10) IF THE DEBT THAT IS THE BASIS OF THE SECURITY INTEREST IS SATISFIED, THE SECURED PARTY SHALL NOTIFY IN WRITING EACH POTENTIAL BUYER TO WHOM THE SECURED PARTY SENT NOTICE UNDER SUBSECTION (9). THE NOTICE MAY BE GIVEN WITHIN A TIME PERIOD AGREED UPON IN WRITING BY THE BUYER AND THE SECURED PARTY, BUT IN ABSENCE OF SUCH AN AGREEMENT THE NOTICE SHALL BE GIVEN WITHIN 11 DAYS AFTER THE DEBT IS SATISFIED.

(11) A SECURED PARTY WHO DOES ANY OF THE FOLLOWING IS GUILTY OF A MISDEMEANOR, PUNISHABLE BY IMPRISONMENT FOR NOT MORE THAN 90 DAYS OR A FINE OF NOT MORE THAN \$1,000.00, OR BOTH:

- (A) KNOWINGLY OR INTENTIONALLY GIVES FALSE OR MISLEADING INFORMATION IN A NOTICE PROVIDED PURSUANT TO SUBSECTION (9).
- (B) SENDS NOTICE TO A POTENTIAL BUYER OTHER THAN AS PERMITTED IN SUBSECTION (9).

(C) FAILS TO NOTIFY A POTENTIAL BUYER OF THE SATISFACTION OF A DEBT WITHIN THE TIME PERIOD PRESCRIBED BY SUBSECTION (10).

(12) A BUYER OF FARM PRODUCTS WHO RECEIVES NOTICE PURSUANT TO SUBSECTION (9) OF A SECURITY INTEREST IN THE FARM PRODUCTS SHALL MAKE PAYMENT FOR THE FARM PRODUCTS BY CHECK OR OTHER INSTRUMENT MADE PAYABLE TO THE SELLER AND THE SECURED PARTY JOINTLY, EXCEPT THAT PAYMENT MAY BE MADE DIRECTLY TO THE SECURED PARTY IF AUTHORIZED IN WRITING BY THE SELLER. THIS SUBSECTION DOES NOT APPLY TO ANY PAYMENT OR PARTIAL PAYMENT MADE BEFORE NOTICE UNDER SUBSECTION (9) HAS BEEN RECEIVED BY THE BUYER. A BUYER OF FARM PRODUCTS WHO VIOLATES THIS SUBSECTION IS GUILTY OF A MISDEMEANOR, PUNISHABLE BY IMPRISONMENT FOR NOT MORE THAN 90 DAYS OR A FINE OF NOT MORE THAN \$1,000.00, OR BOTH. PAYMENT OF THE DEBT UPON WHICH THE SECURITY INTEREST IS BASED IS AN ABSOLUTE DEFENSE TO A PROSECUTION UNDER THIS SUBSECTION IF PAYMENT IS MADE PRIOR TO COMMENCEMENT OF PROSECUTION.

(13) AS USED IN SUBSECTIONS (6) TO (12), "PERSON BUYING FARM PRODUCTS" OR "BUYER" INCLUDES A COMMISSION MERCHANT OR SELLING AGENT WHO SELLS FARM PRODUCTS IN THE ORDINARY COURSE OF BUSINESS FOR A PERSON ENGAGED IN FARMING OPERATIONS.

(14) A BUYER IN ORDINARY COURSE OF BUSINESS WHO RECEIVES NOTICE PURSUANT TO SUBSECTION (9), WHO BUYS FARM PRODUCTS FROM A PERSON ENGAGED IN FARMING OPERATIONS, AND WHO WITHHOLDS ALL OR PART OF THE PROCEEDS OF THE SALE FROM THE SELLER IN ORDER TO SATISFY A DEBT OWED BY THE SELLER TO THE BUYER, TAKES SUBJECT TO A SECURITY INTEREST IN THOSE FARM PRODUCTS CREATED BY THE SELLER, UNLESS THE DEBT OWED BY THE SELLER TO THE BUYER WAS SECURED BY A PRIOR PERFECTED SECURITY INTEREST. FOR PURPOSES OF THIS SUBSECTION, "DEBT" DOES NOT INCLUDE THE COST OF HARVESTING; PROCESSING, INCLUDING PACKAGING, FREEZING, CANNING, AND DRYING; STORING; MARKETING; OR TRANSPORTING FARM PRODUCTS TO MARKET.

- (15) EXCEPT AS OTHERWISE PROVIDED BY SUBSECTION (16), A

COMMISSION MERCHANT OR SELLING AGENT WHO SELLS FARM PRODUCTS, IN THE ORDINARY COURSE OF BUSINESS, FOR A PERSON ENGAGED IN FARMING OPERATIONS IS NOT LIABLE TO THE HOLDER OF A SECURITY INTEREST IN THOSE FARM PRODUCTS EVEN THOUGH THE SECURITY INTEREST IS PERFECTED AND EVEN THOUGH THE COMMISSION MERCHANT OR SELLING AGENT KNOWS OF ITS EXISTENCE.

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(16) A COMMISSION MERCHANT OR SELLING AGENT WHO SELLS FARM PRODUCTS, IN THE ORDINARY COURSE OF BUSINESS, FOR A PERSON ENGAGED IN FARMING OPERATIONS, AND WHO RECEIVES NOTICE PURSUANT TO SUBSECTION (9), SHALL NOT BE PROTECTED FROM LIABILITY UNDER SUBSECTION (15) IF THE COMMISSION MERCHANT OR SELLING AGENT WITHHOLDS FROM THE SELLER ALL OR PART OF THE PROCEEDS OF A SALE OF THE FARM PRODUCTS IN ORDER TO SATISFY A DEBT OWED BY THE SELLER TO THE COMMISSION MERCHANT OR SELLING AGENT, UNLESS THE DEBT WAS SECURED BY A PRIOR PERFECTED SECURITY INTEREST. FOR PURPOSES OF THIS SUBSECTION, "DEBT" DOES NOT INCLUDE THE COST OF HARVESTING; PROCESSING, INCLUDING PACKAGING, FREEZING, CANNING, AND DRYING; STORING; MARKETING; OR TRANSPORTING FARM PRODUCTS TO MARKET.

(17) A PROSECUTION UNDER SUBSECTIONS (12) TO (14) SHALL NOT BE COMMENCED AFTER THE EXPIRATION OF 2 YEARS FOLLOWING THE DATE THE VIOLATION OCCURRED.]

26 SEC. 9321. (1) AS USED IN THIS SECTION, "LICENSEE IN
27 ORDINARY COURSE OF BUSINESS" MEANS A PERSON THAT BECOMES A

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1 LICENSEE OF A GENERAL INTANGIBLE IN GOOD FAITH, WITHOUT KNOWLEDGE
2 THAT THE LICENSE VIOLATES THE RIGHTS OF ANOTHER PERSON IN THE
3 GENERAL INTANGIBLE, AND IN THE ORDINARY COURSE FROM A PERSON IN
4 THE BUSINESS OF LICENSING GENERAL INTANGIBLES OF THAT KIND. A
5 PERSON BECOMES A LICENSEE IN THE ORDINARY COURSE IF THE LICENSE
6 TO THE PERSON COMPORTS WITH THE USUAL OR CUSTOMARY PRACTICES IN
7 THE KIND OF BUSINESS IN WHICH THE LICENSOR IS ENGAGED OR WITH THE
8 LICENSOR'S OWN USUAL OR CUSTOMARY PRACTICES.

9 (2) A LICENSEE IN ORDINARY COURSE OF BUSINESS TAKES ITS
10 RIGHTS UNDER A NONEXCLUSIVE LICENSE FREE OF A SECURITY INTEREST
11 IN THE GENERAL INTANGIBLE CREATED BY THE LICENSOR, EVEN IF THE
12 SECURITY INTEREST IS PERFECTED AND THE LICENSEE KNOWS OF ITS
13 EXISTENCE.

14 (3) A LESSEE IN ORDINARY COURSE OF BUSINESS TAKES ITS LEASE-
15 HOLD INTEREST FREE OF A SECURITY INTEREST IN THE GOODS CREATED BY
16 THE LESSOR, EVEN IF THE SECURITY INTEREST IS PERFECTED AND THE
17 LESSEE KNOWS OF ITS EXISTENCE.

18 SEC. 9322. (1) EXCEPT AS OTHERWISE PROVIDED IN THIS SEC-
19 TION, PRIORITY AMONG CONFLICTING SECURITY INTERESTS AND AGRICUL-
20 TURAL LIENS IN THE SAME COLLATERAL IS DETERMINED ACCORDING TO THE
21 FOLLOWING RULES:

22 (A) CONFLICTING PERFECTED SECURITY INTERESTS AND AGRICUL-
23 TURAL LIENS RANK ACCORDING TO PRIORITY IN TIME OF FILING OR
24 PERFECTION. PRIORITY DATES FROM THE EARLIER OF THE TIME A FILING
25 COVERING THE COLLATERAL IS FIRST MADE OR THE SECURITY INTEREST OR
26 AGRICULTURAL LIEN IS FIRST PERFECTED, IF THERE IS NO PERIOD
27 THEREAFTER WHEN THERE IS NEITHER FILING NOR PERFECTION.

1 (B) A PERFECTED SECURITY INTEREST OR AGRICULTURAL LIEN HAS
2 PRIORITY OVER A CONFLICTING UNPERFECTED SECURITY INTEREST OR
3 AGRICULTURAL LIEN.

4 (C) THE FIRST SECURITY INTEREST OR AGRICULTURAL LIEN TO
5 ATTACH OR BECOME EFFECTIVE HAS PRIORITY IF CONFLICTING SECURITY
6 INTERESTS AND AGRICULTURAL LIENS ARE UNPERFECTED.

7 (2) FOR THE PURPOSES OF SUBSECTION (1)(A), BOTH OF THE FOL-
8 LOWING APPLY:

9 (A) THE TIME OF FILING OR PERFECTION AS TO A SECURITY INTER-
10 EST IN COLLATERAL IS ALSO THE TIME OF FILING OR PERFECTION AS TO
11 A SECURITY INTEREST IN PROCEEDS.

12 (B) THE TIME OF FILING OF PERFECTION AS TO A SECURITY INTER-
13 EST IN COLLATERAL SUPPORTED BY A SUPPORTING OBLIGATION IS ALSO
14 THE TIME OF FILING OR PERFECTION AS TO A SECURITY INTEREST IN THE
15 SUPPORTING OBLIGATION.

16 (3) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (6), A SECUR-
17 ITY INTEREST IN COLLATERAL THAT QUALIFIES FOR PRIORITY OVER A
18 CONFLICTING SECURITY INTEREST UNDER SECTION 9327, 9328, 9329,
19 9330, OR 9331 ALSO HAS PRIORITY OVER A CONFLICTING SECURITY
20 INTEREST IN 1 OR MORE OF THE FOLLOWING:

21 (A) ANY SUPPORTING OBLIGATION FOR THE COLLATERAL.

22 (B) PROCEEDS OF THE COLLATERAL IF ALL OF THE FOLLOWING ARE
23 MET:

24 (i) THE SECURITY INTEREST IN PROCEEDS IS PERFECTED.

25 (ii) THE PROCEEDS ARE CASH PROCEEDS OR OF THE SAME TYPE AS
26 THE COLLATERAL.

1 (iii) IN THE CASE OF PROCEEDS THAT ARE PROCEEDS OF PROCEEDS,
2 ALL INTERVENING PROCEEDS ARE CASH PROCEEDS, PROCEEDS OF THE SAME
3 TYPE AS THE COLLATERAL, OR AN ACCOUNT RELATING TO THE
4 COLLATERAL.

5 (4) SUBJECT TO SUBSECTION (5) AND EXCEPT AS OTHERWISE PRO-
6 VIDED IN SUBSECTION (6), IF A SECURITY INTEREST IN CHATTEL PAPER,
7 DEPOSIT ACCOUNTS, NEGOTIABLE DOCUMENTS, INSTRUMENTS, INVESTMENT
8 PROPERTY, OR LETTER-OF-CREDIT RIGHTS IS PERFECTED BY A METHOD
9 OTHER THAN FILING, CONFLICTING PERFECTED SECURITY INTERESTS IN
10 PROCEEDS OF THE COLLATERAL RANK ACCORDING TO PRIORITY IN TIME OF
11 FILING.

12 (5) SUBSECTION (4) APPLIES ONLY IF THE PROCEEDS OF THE COL-
13 LATERAL ARE NOT CASH PROCEEDS, CHATTEL PAPER, NEGOTIABLE DOCU-
14 MENTS, INSTRUMENTS, INVESTMENT PROPERTY, OR LETTER-OF-CREDIT
15 RIGHTS.

16 (6) SUBSECTIONS (1) THROUGH (5) ARE SUBJECT TO ALL OF THE
17 FOLLOWING:

18 (A) SUBSECTION (7) AND THE OTHER PROVISIONS OF THIS PART.

19 (B) SECTION 4210 WITH RESPECT TO A SECURITY INTEREST OF A
20 COLLECTING BANK.

21 (C) SECTION 5118 WITH RESPECT TO A SECURITY INTEREST OF AN
22 ISSUER OR NOMINATED PERSON.

23 (D) SECTION 9110 WITH RESPECT TO A SECURITY INTEREST ARISING
24 UNDER ARTICLE 2 OR 2A.

25 (7) A PERFECTED AGRICULTURAL LIEN ON COLLATERAL HAS PRIORITY
26 OVER A CONFLICTING SECURITY INTEREST IN OR AGRICULTURAL LIEN ON

1 THE SAME COLLATERAL IF THE STATUTE CREATING THE AGRICULTURAL LIEN
2 SO PROVIDES.

3 SEC. 9323. (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION
4 (3), FOR PURPOSES OF DETERMINING THE PRIORITY OF A PERFECTED
5 SECURITY INTEREST UNDER SECTION 9322(1)(A), PERFECTION OF THE
6 SECURITY INTEREST DATES FROM THE TIME AN ADVANCE IS MADE TO THE
7 EXTENT THAT THE SECURITY INTEREST SECURES AN ADVANCE THAT MEETS
8 BOTH OF THE FOLLOWING:

9 (A) IS MADE WHILE THE SECURITY INTEREST IS PERFECTED ONLY
10 UNDER 1 OF THE FOLLOWING:

11 (i) UNDER SECTION 9309 WHEN IT ATTACHES.

12 (ii) TEMPORARILY UNDER SECTION 9312(5), (6), OR (7).

13 (B) IS NOT MADE PURSUANT TO A COMMITMENT ENTERED INTO BEFORE
14 OR WHILE THE SECURITY INTEREST IS PERFECTED BY A METHOD OTHER
15 THAN UNDER SECTION 9309 OR 9312(5), (6), OR (7).

16 (2) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (3), A SECUR-
17 ITY INTEREST IS SUBORDINATE TO THE RIGHTS OF A PERSON THAT
18 BECOMES A LIEN CREDITOR TO THE EXTENT THAT THE SECURITY INTEREST
19 SECURES AN ADVANCE MADE MORE THAN 45 DAYS AFTER THE PERSON
20 BECOMES A LIEN CREDITOR UNLESS THE ADVANCE IS MADE WITHOUT KNOWL-
21 EDGE OF THE LIEN, OR PURSUANT TO A COMMITMENT ENTERED INTO WITH-
22 OUT KNOWLEDGE OF THE LIEN.

23 (3) SUBSECTIONS (1) AND (2) DO NOT APPLY TO A SECURITY
24 INTEREST HELD BY A SECURED PARTY THAT IS A BUYER OF ACCOUNTS,
25 CHATTEL PAPER, PAYMENT INTANGIBLES, OR PROMISSORY NOTES OR A
26 CONSIGNOR.

1 (4) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (5), A BUYER
2 OF GOODS OTHER THAN A BUYER IN ORDINARY COURSE OF BUSINESS TAKES
3 FREE OF A SECURITY INTEREST TO THE EXTENT THAT IT SECURES
4 ADVANCES MADE AFTER THE EARLIER OF THE FOLLOWING:

5 (A) THE TIME THE SECURED PARTY ACQUIRES KNOWLEDGE OF THE
6 BUYER'S PURCHASE.

7 (B) FORTY-FIVE DAYS AFTER THE PURCHASE.

8 (5) SUBSECTION (4) DOES NOT APPLY IF THE ADVANCE IS MADE
9 PURSUANT TO A COMMITMENT ENTERED INTO WITHOUT KNOWLEDGE OF THE
10 BUYER'S PURCHASE AND BEFORE THE EXPIRATION OF THE 45-DAY PERIOD.

11 (6) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (7), A LESSEE
12 OF GOODS, OTHER THAN A LESSEE IN ORDINARY COURSE OF BUSINESS,
13 TAKES THE LEASEHOLD INTEREST FREE OF A SECURITY INTEREST TO THE
14 EXTENT THAT IT SECURES ADVANCES MADE AFTER THE EARLIER OF THE
15 FOLLOWING:

16 (A) THE TIME THE SECURED PARTY ACQUIRES KNOWLEDGE OF THE
17 LEASE.

18 (B) FORTY-FIVE DAYS AFTER THE LEASE CONTRACT BECOMES
19 ENFORCEABLE.

20 (7) SUBSECTION (6) DOES NOT APPLY IF THE ADVANCE IS MADE
21 PURSUANT TO A COMMITMENT ENTERED INTO WITHOUT KNOWLEDGE OF THE
22 LEASE AND BEFORE THE EXPIRATION OF THE 45-DAY PERIOD.

23 SEC. 9324. (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION
24 (7), A PERFECTED PURCHASE-MONEY SECURITY INTEREST IN GOODS OTHER
25 THAN INVENTORY OR LIVESTOCK HAS PRIORITY OVER A CONFLICTING
26 SECURITY INTEREST IN THE SAME GOODS, AND, EXCEPT AS OTHERWISE
27 PROVIDED IN SECTION 9327, A PERFECTED SECURITY INTEREST IN ITS

1 IDENTIFIABLE PROCEEDS ALSO HAS PRIORITY, IF THE PURCHASE-MONEY
2 SECURITY INTEREST IS PERFECTED WHEN THE DEBTOR RECEIVES POSSES-
3 SION OF THE COLLATERAL OR WITHIN 20 DAYS THEREAFTER.

4 (2) SUBJECT TO SUBSECTION (3) AND EXCEPT AS OTHERWISE PRO-
5 VIDED IN SUBSECTION (7), A PERFECTED PURCHASE-MONEY SECURITY
6 INTEREST IN INVENTORY HAS PRIORITY OVER A CONFLICTING SECURITY
7 INTEREST IN THE SAME INVENTORY, HAS PRIORITY OVER A CONFLICTING
8 SECURITY INTEREST IN CHATTEL PAPER OR AN INSTRUMENT CONSTITUTING
9 PROCEEDS OF THE INVENTORY AND IN PROCEEDS OF THE CHATTEL PAPER,
10 IF SO PROVIDED IN SECTION 9330, AND, EXCEPT AS OTHERWISE PROVIDED
11 IN SECTION 9327, ALSO HAS PRIORITY IN IDENTIFIABLE CASH PROCEEDS
12 OF THE INVENTORY TO THE EXTENT THE IDENTIFIABLE CASH PROCEEDS ARE
13 RECEIVED ON OR BEFORE THE DELIVERY OF THE INVENTORY TO A BUYER,
14 IF ALL OF THE FOLLOWING ARE MET:

15 (A) THE PURCHASE-MONEY SECURITY INTEREST IS PERFECTED WHEN
16 THE DEBTOR RECEIVES POSSESSION OF THE INVENTORY.

17 (B) THE PURCHASE-MONEY SECURED PARTY SENDS AN AUTHENTICATED
18 NOTIFICATION TO THE HOLDER OF THE CONFLICTING SECURITY INTEREST.

19 (C) THE HOLDER OF THE CONFLICTING SECURITY INTEREST RECEIVES
20 THE NOTIFICATION WITHIN 5 YEARS BEFORE THE DEBTOR RECEIVES POS-
21 SESSION OF THE INVENTORY.

22 (D) THE NOTIFICATION STATES THAT THE PERSON SENDING THE
23 NOTIFICATION HAS OR EXPECTS TO ACQUIRE A PURCHASE-MONEY SECURITY
24 INTEREST IN INVENTORY OF THE DEBTOR AND DESCRIBES THE INVENTORY.

25 (3) SUBSECTION (2)(B) THROUGH (D) APPLY ONLY IF THE HOLDER
26 OF THE CONFLICTING SECURITY INTEREST HAD FILED A FINANCING

1 STATEMENT COVERING THE SAME TYPES OF INVENTORY BEFORE 1 OF THE
2 FOLLOWING:

3 (A) IF THE PURCHASE-MONEY SECURITY INTEREST IS PERFECTED BY
4 FILING, BEFORE THE DATE OF THE FILING.

5 (B) IF THE PURCHASE-MONEY SECURITY INTEREST IS TEMPORARILY
6 PERFECTED WITHOUT FILING OR POSSESSION UNDER SECTION 9312(6),
7 BEFORE THE BEGINNING OF THE 20-DAY PERIOD THEREUNDER.

8 (4) SUBJECT TO SUBSECTION (5) AND EXCEPT AS OTHERWISE PRO-
9 VIDED IN SUBSECTION (7), A PERFECTED PURCHASE-MONEY SECURITY
10 INTEREST IN LIVESTOCK THAT ARE FARM PRODUCTS HAS PRIORITY OVER A
11 CONFLICTING SECURITY INTEREST IN THE SAME LIVESTOCK, AND, EXCEPT
12 AS OTHERWISE PROVIDED IN SECTION 9327, A PERFECTED SECURITY
13 INTEREST IN THEIR IDENTIFIABLE PROCEEDS AND IDENTIFIABLE PRODUCTS
14 IN THEIR UNMANUFACTURED STATES ALSO HAS PRIORITY, IF ALL OF THE
15 FOLLOWING ARE MET:

16 (A) THE PURCHASE-MONEY SECURITY INTEREST IS PERFECTED WHEN
17 THE DEBTOR RECEIVES POSSESSION OF THE LIVESTOCK.

18 (B) THE PURCHASE-MONEY SECURED PARTY SENDS AN AUTHENTICATED
19 NOTIFICATION TO THE HOLDER OF THE CONFLICTING SECURITY INTEREST.

20 (C) THE HOLDER OF THE CONFLICTING SECURITY INTEREST RECEIVES
21 THE NOTIFICATION WITHIN 6 MONTHS BEFORE THE DEBTOR RECEIVES POS-
22 SESSION OF THE LIVESTOCK.

23 (D) THE NOTIFICATION STATES THAT THE PERSON SENDING THE
24 NOTIFICATION HAS OR EXPECTS TO ACQUIRE A PURCHASE-MONEY SECURITY
25 INTEREST IN LIVESTOCK OF THE DEBTOR AND DESCRIBES THE LIVESTOCK.

26 (5) SUBSECTION (4)(B) THROUGH (D) APPLY ONLY IF THE HOLDER
27 OF THE CONFLICTING SECURITY INTEREST HAD FILED A FINANCING

1 STATEMENT COVERING THE SAME TYPES OF LIVESTOCK BEFORE 1 OF THE
2 FOLLOWING:

3 (A) IF THE PURCHASE-MONEY SECURITY INTEREST IS PERFECTED BY
4 FILING, BEFORE THE DATE OF THE FILING.

5 (B) IF THE PURCHASE-MONEY SECURITY INTEREST IS TEMPORARILY
6 PERFECTED WITHOUT FILING OR POSSESSION UNDER SECTION 9312(6),
7 BEFORE THE BEGINNING OF THE 20-DAY PERIOD THEREUNDER.

8 (6) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (7), A PER-
9 FECTED PURCHASE-MONEY SECURITY INTEREST IN SOFTWARE HAS PRIORITY
10 OVER A CONFLICTING SECURITY INTEREST IN THE SAME COLLATERAL, AND,
11 EXCEPT AS OTHERWISE PROVIDED IN SECTION 9327, A PERFECTED SECUR-
12 ITY INTEREST IN ITS IDENTIFIABLE PROCEEDS ALSO HAS PRIORITY, TO
13 THE EXTENT THAT THE PURCHASE-MONEY SECURITY INTEREST IN THE GOODS
14 IN WHICH THE SOFTWARE WAS ACQUIRED FOR USE HAS PRIORITY IN THE
15 GOODS AND PROCEEDS OF THE GOODS UNDER THIS SECTION.

16 (7) IF MORE THAN 1 SECURITY INTEREST QUALIFIES FOR PRIORITY
17 IN THE SAME COLLATERAL UNDER SUBSECTION (1), (2), (4), OR (6), 1
18 OF THE FOLLOWING APPLIES:

19 (A) A SECURITY INTEREST SECURING AN OBLIGATION INCURRED AS
20 ALL OR PART OF THE PRICE OF THE COLLATERAL HAS PRIORITY OVER A
21 SECURITY INTEREST SECURING AN OBLIGATION INCURRED FOR VALUE GIVEN
22 TO ENABLE THE DEBTOR TO ACQUIRE RIGHTS IN OR THE USE OF
23 COLLATERAL.

24 (B) IN ALL OTHER CASES, SECTION 9322(1) APPLIES TO THE QUAL-
25 IFYING SECURITY INTEREST.

26 SEC. 9325. (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION
27 (2), A SECURITY INTEREST CREATED BY A DEBTOR IS SUBORDINATE TO A

1 SECURITY INTEREST IN THE SAME COLLATERAL CREATED BY ANOTHER
2 PERSON IF ALL OF THE FOLLOWING ARE MET:

3 (A) THE DEBTOR ACQUIRED THE COLLATERAL SUBJECT TO THE SECUR-
4 ITY INTEREST CREATED BY THE OTHER PERSON.

5 (B) THE SECURITY INTEREST CREATED BY THE OTHER PERSON WAS
6 PERFECTED WHEN THE DEBTOR ACQUIRED THE COLLATERAL.

7 (C) THERE IS NO PERIOD THEREAFTER WHEN THE SECURITY INTEREST
8 IS UNPERFECTED.

9 (2) SUBSECTION (1) SUBORDINATES A SECURITY INTEREST ONLY IF
10 THE SECURITY INTEREST OTHERWISE WOULD HAVE PRIORITY SOLELY UNDER
11 SECTION 9322(1) OR 9324, OR AROSE SOLELY UNDER SECTION 2711(3) OR
12 2A508(5).

13 SEC. 9326. (1) SUBJECT TO SUBSECTION (2), A SECURITY INTER-
14 EST CREATED BY A NEW DEBTOR THAT IS PERFECTED BY A FILED FINANC-
15 ING STATEMENT THAT IS EFFECTIVE SOLELY UNDER SECTION 9508 IN COL-
16 LATERAL IN THAT A NEW DEBTOR HAS OR ACQUIRES RIGHTS IS SUBORDI-
17 NATE TO A SECURITY INTEREST IN THE SAME COLLATERAL THAT IS PER-
18 FECTED OTHER THAN BY A FILED FINANCING STATEMENT THAT IS EFFEC-
19 TIVE SOLELY UNDER SECTION 9508.

20 (2) THE OTHER PROVISIONS OF THIS PART DETERMINE THE PRIORITY
21 AMONG CONFLICTING SECURITY INTERESTS IN THE SAME COLLATERAL PER-
22 FECTED BY FILED FINANCING STATEMENTS THAT ARE EFFECTIVE SOLELY
23 UNDER SECTION 9508. HOWEVER, IF THE SECURITY AGREEMENTS TO WHICH
24 A NEW DEBTOR BECAME BOUND AS DEBTOR WERE NOT ENTERED INTO BY THE
25 SAME ORIGINAL DEBTOR, THE CONFLICTING SECURITY INTERESTS RANK
26 ACCORDING TO PRIORITY IN TIME OF THE NEW DEBTOR'S HAVING BECOME
27 BOUND.

1 SEC. 9327. THE FOLLOWING RULES GOVERN PRIORITY AMONG
2 CONFLICTING SECURITY INTERESTS IN THE SAME DEPOSIT ACCOUNT:

3 (A) A SECURITY INTEREST HELD BY A SECURED PARTY HAVING CON-
4 TROL OF THE DEPOSIT ACCOUNT UNDER SECTION 9104 HAS PRIORITY OVER
5 A CONFLICTING SECURITY INTEREST HELD BY A SECURED PARTY THAT DOES
6 NOT HAVE CONTROL.

7 (B) EXCEPT AS OTHERWISE PROVIDED IN SUBDIVISIONS (C) AND
8 (D), SECURITY INTERESTS PERFECTED BY CONTROL UNDER SECTION 9314
9 RANK ACCORDING TO PRIORITY IN TIME OF OBTAINING CONTROL.

10 (C) EXCEPT AS OTHERWISE PROVIDED IN SUBDIVISION (D), A
11 SECURITY INTEREST HELD BY THE BANK WITH WHICH THE DEPOSIT ACCOUNT
12 IS MAINTAINED HAS PRIORITY OVER A CONFLICTING SECURITY INTEREST
13 HELD BY ANOTHER SECURED PARTY.

14 (D) A SECURITY INTEREST PERFECTED BY CONTROL UNDER SECTION
15 9104(1)(C) HAS PRIORITY OVER A SECURITY INTEREST HELD BY THE BANK
16 WITH WHICH THE DEPOSIT ACCOUNT IS MAINTAINED.

17 SEC. 9328. THE FOLLOWING RULES GOVERN PRIORITY AMONG CON-
18 FLICTING SECURITY INTERESTS IN THE SAME INVESTMENT PROPERTY:

19 (A) A SECURITY INTEREST HELD BY A SECURED PARTY HAVING CON-
20 TROL OF INVESTMENT PROPERTY UNDER SECTION 9106 HAS PRIORITY OVER
21 A SECURITY INTEREST HELD BY A SECURED PARTY THAT DOES NOT HAVE
22 CONTROL OF THE INVESTMENT PROPERTY.

23 (B) EXCEPT AS OTHERWISE PROVIDED IN SUBDIVISIONS (C) AND
24 (D), CONFLICTING SECURITY INTERESTS HELD BY SECURED PARTIES EACH
25 OF WHICH HAS CONTROL UNDER SECTION 9106 RANK ACCORDING TO PRIOR-
26 ITY IN TIME OF 1 OF THE FOLLOWING:

1 (i) IF THE COLLATERAL IS A SECURITY, OBTAINING CONTROL.

2 (ii) IF THE COLLATERAL IS A SECURITY ENTITLEMENT CARRIED IN
3 A SECURITIES ACCOUNT, ACCORDING TO 1 OF THE FOLLOWING:

4 (A) IF THE SECURED PARTY OBTAINED CONTROL UNDER SECTION
5 8106(4)(A), THE SECURED PARTY'S BECOMING THE PERSON FOR WHICH THE
6 SECURITIES ACCOUNT IS MAINTAINED.

7 (B) IF THE SECURED PARTY OBTAINED CONTROL UNDER SECTION
8 8106(4)(B), THE SECURITIES INTERMEDIARY'S AGREEMENT TO COMPLY
9 WITH THE SECURED PARTY'S ENTITLEMENT ORDERS WITH RESPECT TO
10 SECURITY ENTITLEMENTS CARRIED OR TO BE CARRIED IN THE SECURITIES
11 ACCOUNT.

12 (C) IF THE SECURED PARTY OBTAINED CONTROL THROUGH ANOTHER
13 PERSON UNDER SECTION 8106(4)(C), THE TIME ON WHICH PRIORITY WOULD
14 BE BASED UNDER THIS PARAGRAPH IF THE OTHER PERSON WERE THE
15 SECURED PARTY.

16 (iii) IF THE COLLATERAL IS A COMMODITY CONTRACT CARRIED WITH
17 A COMMODITY INTERMEDIARY, THE SATISFACTION OF THE REQUIREMENT FOR
18 CONTROL SPECIFIED IN SECTION 9106(2)(B) WITH RESPECT TO COMMODITY
19 CONTRACTS CARRIED OR TO BE CARRIED WITH THE COMMODITY
20 INTERMEDIARY.

21 (C) A SECURITY INTEREST HELD BY A SECURITIES INTERMEDIARY IN
22 A SECURITY ENTITLEMENT OR A SECURITIES ACCOUNT MAINTAINED WITH
23 THE SECURITIES INTERMEDIARY HAS PRIORITY OVER A CONFLICTING
24 SECURITY INTEREST HELD BY ANOTHER SECURED PARTY.

25 (D) A SECURITY INTEREST HELD BY A COMMODITY INTERMEDIARY IN
26 A COMMODITY CONTRACT OR A COMMODITY ACCOUNT MAINTAINED WITH THE

1 COMMODITY INTERMEDIARY HAS PRIORITY OVER A CONFLICTING SECURITY
2 INTEREST HELD BY ANOTHER SECURED PARTY.

3 (E) A SECURITY INTEREST IN A CERTIFICATED SECURITY IN REGIS-
4 TERED FORM THAT IS PERFECTED BY TAKING DELIVERY UNDER SECTION
5 9313(1) AND NOT BY CONTROL UNDER SECTION 9314 HAS PRIORITY OVER A
6 CONFLICTING SECURITY INTEREST PERFECTED BY A METHOD OTHER THAN
7 CONTROL.

8 (F) CONFLICTING SECURITY INTERESTS CREATED BY A BROKER,
9 SECURITIES INTERMEDIARY, OR COMMODITY INTERMEDIARY THAT ARE PER-
10 FECTED WITHOUT CONTROL UNDER SECTION 9106 RANK EQUALLY.

11 (G) IN ALL OTHER CASES, PRIORITY AMONG CONFLICTING SECURITY
12 INTERESTS IN INVESTMENT PROPERTY IS GOVERNED BY SECTIONS 9322 AND
13 9323.

14 SEC. 9329. THE FOLLOWING RULES GOVERN PRIORITY AMONG CON-
15 FFLICTING SECURITY INTERESTS IN THE SAME LETTER-OF-CREDIT RIGHT:

16 (A) A SECURITY INTEREST HELD BY A SECURED PARTY HAVING CON-
17 TROL OF THE LETTER-OF-CREDIT RIGHT UNDER SECTION 9107 HAS PRIOR-
18 ITY TO THE EXTENT OF ITS CONTROL OVER A CONFLICTING SECURITY
19 INTEREST HELD BY A SECURED PARTY THAT DOES NOT HAVE CONTROL.

20 (B) SECURITY INTERESTS PERFECTED BY CONTROL UNDER SECTION
21 9314 RANK ACCORDING TO PRIORITY IN TIME OF OBTAINING CONTROL.

22 SEC. 9330. (1) A PURCHASER OF CHATTEL PAPER HAS PRIORITY
23 OVER A SECURITY INTEREST IN THE CHATTEL PAPER THAT IS CLAIMED
24 MERELY AS PROCEEDS OF INVENTORY SUBJECT TO A SECURITY INTEREST IF
25 BOTH OF THE FOLLOWING ARE MET:

26 (A) IN GOOD FAITH AND IN THE ORDINARY COURSE OF THE
27 PURCHASER'S BUSINESS, THE PURCHASER GIVES NEW VALUE AND TAKES

1 POSSESSION OF THE CHATTEL PAPER OR OBTAINS CONTROL OF THE CHATTEL
2 PAPER UNDER SECTION 9105.

3 (B) THE CHATTEL PAPER DOES NOT INDICATE THAT IT HAS BEEN
4 ASSIGNED TO AN IDENTIFIED ASSIGNEE OTHER THAN THE PURCHASER.

5 (2) A PURCHASER OF CHATTEL PAPER HAS PRIORITY OVER A SECUR-
6 ITY INTEREST IN THE CHATTEL PAPER THAT IS CLAIMED OTHER THAN
7 MERELY AS PROCEEDS OF INVENTORY SUBJECT TO A SECURITY INTEREST IF
8 THE PURCHASER GIVES NEW VALUE AND TAKES POSSESSION OF THE CHATTEL
9 PAPER OR OBTAINS CONTROL OF THE CHATTEL PAPER UNDER SECTION 9105
10 IN GOOD FAITH, IN THE ORDINARY COURSE OF THE PURCHASER'S BUSI-
11 NESS, AND WITHOUT KNOWLEDGE THAT THE PURCHASE VIOLATES THE RIGHTS
12 OF THE SECURED PARTY.

13 (3) EXCEPT AS OTHERWISE PROVIDED IN SECTION 9327, A PUR-
14 CHASER HAVING PRIORITY IN CHATTEL PAPER UNDER SUBSECTION (1) OR
15 (2) ALSO HAS PRIORITY IN PROCEEDS OF THE CHATTEL PAPER TO THE
16 EXTENT THAT SECTION 9322 PROVIDES FOR PRIORITY IN THE PROCEEDS,
17 OR THE PROCEEDS CONSIST OF THE SPECIFIC GOODS COVERED BY THE
18 CHATTEL PAPER OR CASH PROCEEDS OF THE SPECIFIC GOODS, EVEN IF THE
19 PURCHASER'S SECURITY INTEREST IN THE PROCEEDS IS UNPERFECTED.

20 (4) EXCEPT AS OTHERWISE PROVIDED IN SECTION 9331(1), A PUR-
21 CHASER OF AN INSTRUMENT HAS PRIORITY OVER A SECURITY INTEREST IN
22 THE INSTRUMENT PERFECTED BY A METHOD OTHER THAN POSSESSION IF THE
23 PURCHASER GIVES VALUE AND TAKES POSSESSION OF THE INSTRUMENT IN
24 GOOD FAITH AND WITHOUT KNOWLEDGE THAT THE PURCHASE VIOLATES THE
25 RIGHTS OF THE SECURED PARTY.

1 (5) FOR PURPOSES OF SUBSECTIONS (1) AND (2), THE HOLDER OF A
2 PURCHASE-MONEY SECURITY INTEREST IN INVENTORY GIVES NEW VALUE FOR
3 CHATTEL PAPER CONSTITUTING PROCEEDS OF THE INVENTORY.

4 (6) FOR PURPOSES OF SUBSECTIONS (2) AND (4), IF CHATTEL
5 PAPER OR AN INSTRUMENT INDICATES THAT IT HAS BEEN ASSIGNED TO AN
6 IDENTIFIED SECURED PARTY OTHER THAN THE PURCHASER, A PURCHASER OF
7 THE CHATTEL PAPER OR INSTRUMENT HAS KNOWLEDGE THAT THE PURCHASE
8 VIOLATES THE RIGHTS OF THE SECURED PARTY.

9 SEC. 9331. (1) THIS ARTICLE DOES NOT LIMIT THE RIGHTS OF A
10 HOLDER IN DUE COURSE OF A NEGOTIABLE INSTRUMENT, A HOLDER TO
11 WHICH A NEGOTIABLE DOCUMENT OF TITLE HAS BEEN DULY NEGOTIATED, OR
12 A PROTECTED PURCHASER OF A SECURITY. THESE HOLDERS OR PURCHASERS
13 TAKE PRIORITY OVER AN EARLIER SECURITY INTEREST, EVEN IF PERFEC-
14 TED, TO THE EXTENT PROVIDED IN ARTICLES 3, 7, AND 8.

15 (2) THIS ARTICLE DOES NOT LIMIT THE RIGHTS OF OR IMPOSE
16 LIABILITY ON A PERSON TO THE EXTENT THAT THE PERSON IS PROTECTED
17 AGAINST THE ASSERTION OF A CLAIM UNDER ARTICLE 8.

18 (3) FILING UNDER THIS ARTICLE DOES NOT CONSTITUTE NOTICE OF
19 A CLAIM OR DEFENSE TO THE HOLDERS, OR PURCHASERS, OR PERSONS
20 DESCRIBED IN SUBSECTIONS (1) AND (2).

21 SEC. 9332. (1) A TRANSFEREE OF MONEY TAKES THE MONEY FREE
22 OF A SECURITY INTEREST UNLESS THE TRANSFEREE ACTS IN COLLUSION
23 WITH THE DEBTOR IN VIOLATING THE RIGHTS OF THE SECURED PARTY.

24 (2) A TRANSFEREE OF FUNDS FROM A DEPOSIT ACCOUNT TAKES THE
25 FUNDS FREE OF A SECURITY INTEREST IN THE DEPOSIT ACCOUNT UNLESS
26 THE TRANSFEREE ACTS IN COLLUSION WITH THE DEBTOR IN VIOLATING THE
27 RIGHTS OF THE SECURED PARTY.

1 SEC. 9333. (1) AS USED IN THIS SECTION, "POSSESSORY LIEN"
2 MEANS AN INTEREST, OTHER THAN A SECURITY INTEREST OR AN AGRICUL-
3 TURAL LIEN, THAT MEETS ALL OF THE FOLLOWING:

4 (A) IT SECURES PAYMENT OR PERFORMANCE OF AN OBLIGATION FOR
5 SERVICES OR MATERIALS FURNISHED WITH RESPECT TO GOODS BY A PERSON
6 IN THE ORDINARY COURSE OF THE PERSON'S BUSINESS.

7 (B) IT IS CREATED BY STATUTE OR RULE OF LAW IN FAVOR OF THE
8 PERSON.

9 (C) ITS EFFECTIVENESS DEPENDS ON THE PERSON'S POSSESSION OF
10 THE GOODS.

11 (2) A POSSESSORY LIEN ON GOODS HAS PRIORITY OVER A SECURITY
12 INTEREST IN THE GOODS UNLESS THE LIEN IS CREATED BY A STATUTE
13 THAT EXPRESSLY PROVIDES OTHERWISE.

14 SEC. 9334. (1) A SECURITY INTEREST UNDER THIS ARTICLE MAY
15 BE CREATED IN GOODS THAT ARE FIXTURES OR MAY CONTINUE IN GOODS
16 THAT BECOME FIXTURES. A SECURITY INTEREST DOES NOT EXIST UNDER
17 THIS ARTICLE IN ORDINARY BUILDING MATERIALS INCORPORATED INTO AN
18 IMPROVEMENT ON LAND.

19 (2) THIS ARTICLE DOES NOT PREVENT CREATION OF AN ENCUMBRANCE
20 UPON FIXTURES UNDER REAL PROPERTY LAW.

21 (3) IN CASES NOT GOVERNED BY SUBSECTIONS (4) THROUGH (8), A
22 SECURITY INTEREST IN FIXTURES IS SUBORDINATE TO A CONFLICTING
23 INTEREST OF AN ENCUMBRANCER OR OWNER OF THE RELATED REAL PROPERTY
24 OTHER THAN THE DEBTOR.

25 (4) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (8), A PER-
26 FECTED SECURITY INTEREST IN FIXTURES HAS PRIORITY OVER A
27 CONFLICTING INTEREST OF AN ENCUMBRANCER OR OWNER OF THE REAL

1 PROPERTY IF THE DEBTOR HAS AN INTEREST OF RECORD IN OR IS IN
2 POSSESSION OF THE REAL PROPERTY AND ALL OF THE FOLLOWING ARE
3 MET:

4 (A) THE SECURITY INTEREST IS A PURCHASE-MONEY SECURITY
5 INTEREST.

6 (B) THE INTEREST OF THE ENCUMBRANCER OR OWNER ARISES BEFORE
7 THE GOODS BECOME FIXTURES.

8 (C) THE SECURITY INTEREST IS PERFECTED BY A FIXTURE FILING
9 BEFORE THE GOODS BECOME FIXTURES OR WITHIN 20 DAYS THEREAFTER.

10 (5) A PERFECTED SECURITY INTEREST IN FIXTURES HAS PRIORITY
11 OVER A CONFLICTING INTEREST OF AN ENCUMBRANCER OR OWNER OF THE
12 REAL PROPERTY IN EACH OF THE FOLLOWING CIRCUMSTANCES:

13 (A) IF THE DEBTOR HAS AN INTEREST OF RECORD IN THE REAL
14 PROPERTY OR IS IN POSSESSION OF THE REAL PROPERTY, AND THE SECUR-
15 ITY INTEREST IS PERFECTED BY A FIXTURE FILING BEFORE THE INTEREST
16 OF THE ENCUMBRANCER OR OWNER IS OF RECORD AND HAS PRIORITY OVER
17 ANY CONFLICTING INTEREST OF A PREDECESSOR IN TITLE OF THE ENCUM-
18 BRANCER OR OWNER.

19 (B) IF BEFORE THE GOODS BECOME FIXTURES, THE SECURITY INTER-
20 EST IS PERFECTED BY ANY METHOD PERMITTED BY THIS ARTICLE AND THE
21 FIXTURES ARE READILY REMOVABLE FACTORY OR OFFICE MACHINES,
22 READILY REMOVABLE EQUIPMENT THAT IS NOT PRIMARILY USED OR LEASED
23 FOR USE IN THE OPERATION OF THE REAL PROPERTY, OR READILY REMOV-
24 ABLE REPLACEMENTS OF DOMESTIC APPLIANCES THAT ARE CONSUMER
25 GOODS.

26 (C) IF THE CONFLICTING INTEREST IS A LIEN ON THE REAL
27 PROPERTY OBTAINED BY LEGAL OR EQUITABLE PROCEEDINGS AFTER THE

1 SECURITY INTEREST WAS PERFECTED BY ANY METHOD PERMITTED BY THIS
2 ARTICLE.

3 (D) IF THE SECURITY INTEREST IS CREATED IN A MANUFACTURED
4 HOME IN A MANUFACTURED-HOME TRANSACTION AND PERFECTED PURSUANT TO
5 A STATUTE DESCRIBED IN SECTION 9311(1)(B).

6 (6) A SECURITY INTEREST IN FIXTURES, WHETHER OR NOT PERFEC-
7 TED, HAS PRIORITY OVER A CONFLICTING INTEREST OF AN ENCUMBRANCER
8 OR OWNER OF THE REAL PROPERTY IF EITHER OF THE FOLLOWING IS MET:

9 (A) THE ENCUMBRANCER OR OWNER HAS, IN AN AUTHENTICATED
10 RECORD, CONSENTED TO THE SECURITY INTEREST OR DISCLAIMED AN
11 INTEREST IN THE GOODS AS FIXTURES.

12 (B) THE DEBTOR HAS A RIGHT TO REMOVE THE GOODS AS AGAINST
13 THE ENCUMBRANCER OR OWNER.

14 (7) THE PRIORITY OF THE SECURITY INTEREST UNDER SUBSECTION
15 (6)(B) CONTINUES FOR A REASONABLE TIME IF THE DEBTOR'S RIGHT TO
16 REMOVE THE GOODS AS AGAINST THE ENCUMBRANCER OR OWNER
17 TERMINATES.

18 (8) A MORTGAGE IS A CONSTRUCTION MORTGAGE TO THE EXTENT THAT
19 IT SECURES AN OBLIGATION INCURRED FOR THE CONSTRUCTION OF AN
20 IMPROVEMENT ON LAND, INCLUDING THE ACQUISITION COST OF THE LAND,
21 IF A RECORDED RECORD OF THE MORTGAGE SO INDICATES. EXCEPT AS
22 OTHERWISE PROVIDED IN SUBSECTIONS (5) AND (6), A SECURITY INTER-
23 EST IN FIXTURES IS SUBORDINATE TO A CONSTRUCTION MORTGAGE IF A
24 RECORD OF THE MORTGAGE IS RECORDED BEFORE THE GOODS BECOME FIX-
25 TURES AND THE GOODS BECOME FIXTURES BEFORE THE COMPLETION OF THE
26 CONSTRUCTION. A MORTGAGE HAS THIS PRIORITY TO THE SAME EXTENT AS

1 A CONSTRUCTION MORTGAGE TO THE EXTENT THAT IT IS GIVEN TO
2 REFINANCE A CONSTRUCTION MORTGAGE.

3 (9) A PERFECTED SECURITY INTEREST IN CROPS GROWING ON REAL
4 PROPERTY HAS PRIORITY OVER A CONFLICTING INTEREST OF AN ENCUM-
5 BRANCER OR OWNER OF THE REAL PROPERTY IF THE DEBTOR HAS AN INTER-
6 EST OR RECORD IN OR IS IN POSSESSION OF THE REAL PROPERTY.

7 SEC. 9335. (1) A SECURITY INTEREST MAY BE CREATED IN AN
8 ACCESSION AND CONTINUES IN COLLATERAL THAT BECOMES AN ACCESSION.

9 (2) IF A SECURITY INTEREST IS PERFECTED WHEN THE COLLATERAL
10 BECOMES AN ACCESSION, THE SECURITY INTEREST REMAINS PERFECTED IN
11 THE COLLATERAL.

12 (3) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (4), THE
13 OTHER PROVISIONS OF THIS PART DETERMINE THE PRIORITY OF A SECUR-
14 ITY INTEREST IN AN ACCESSION.

15 (4) A SECURITY INTEREST IN AN ACCESSION IS SUBORDINATE TO A
16 SECURITY INTEREST IN THE WHOLE WHICH IS PERFECTED BY COMPLIANCE
17 WITH THE REQUIREMENTS OF A CERTIFICATE-OF-TITLE STATUTE UNDER
18 SECTION 9311(2).

19 (5) AFTER DEFAULT, SUBJECT TO PART 6 OF THIS ARTICLE, A
20 SECURED PARTY MAY REMOVE AN ACCESSION FROM OTHER GOODS IF THE
21 SECURITY INTEREST IN THE ACCESSION HAS PRIORITY OVER THE CLAIMS
22 OF EVERY PERSON HAVING AN INTEREST IN THE WHOLE.

23 (6) A SECURED PARTY THAT REMOVES AN ACCESSION FROM OTHER
24 GOODS UNDER SUBSECTION (5) SHALL PROMPTLY REIMBURSE ANY HOLDER OF
25 A SECURITY INTEREST OR OTHER LIEN ON, OR OWNER OF, THE WHOLE OR
26 OF THE OTHER GOODS, OTHER THAN THE DEBTOR, FOR THE COST OF REPAIR
27 OF ANY PHYSICAL INJURY TO THE WHOLE OR THE OTHER GOODS. THE

1 SECURED PARTY NEED NOT REIMBURSE THE HOLDER OR OWNER FOR ANY
2 DIMINUTION IN VALUE OF THE WHOLE OR THE OTHER GOODS CAUSED BY THE
3 ABSENCE OF THE ACCESSION REMOVED OR BY ANY NECESSITY FOR REPLAC-
4 ING IT. A PERSON ENTITLED TO REIMBURSEMENT MAY REFUSE PERMISSION
5 TO REMOVE UNTIL THE SECURED PARTY GIVES ADEQUATE ASSURANCE FOR
6 THE PERFORMANCE OF THE OBLIGATION TO REIMBURSE.

7 SEC. 9336. (1) AS USED IN THIS SECTION, "COMMINGLED GOODS"
8 MEANS GOODS THAT ARE PHYSICALLY UNITED WITH OTHER GOODS IN SUCH A
9 MANNER THAT THEIR IDENTITY IS LOST IN A PRODUCT OR MASS.

10 (2) A SECURITY INTEREST DOES NOT EXIST IN COMMINGLED GOODS
11 AS SUCH. HOWEVER, A SECURITY INTEREST MAY ATTACH TO A PRODUCT OR
12 MASS THAT RESULTS WHEN GOODS BECOME COMMINGLED GOODS.

13 (3) IF COLLATERAL BECOMES COMMINGLED GOODS, A SECURITY
14 INTEREST ATTACHES TO THE PRODUCT OR MASS.

15 (4) IF A SECURITY INTEREST IN COLLATERAL IS PERFECTED BEFORE
16 THE COLLATERAL BECOMES COMMINGLED GOODS, THE SECURITY INTEREST
17 THAT ATTACHES TO THE PRODUCT OR MASS UNDER SUBSECTION (3) IS
18 PERFECTED.

19 (5) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (6), THE
20 OTHER PROVISIONS OF THIS PART DETERMINE THE PRIORITY OF A SECUR-
21 ITY INTEREST THAT ATTACHES TO THE PRODUCT OR MASS UNDER SUBSEC-
22 TION (3).

23 (6) IF MORE THAN 1 SECURITY INTEREST ATTACHES TO THE PRODUCT
24 OR MASS UNDER SUBSECTION (3), THE FOLLOWING RULES DETERMINE
25 PRIORITY:

1 (A) A SECURITY INTEREST THAT IS PERFECTED UNDER SUBSECTION
2 (4) HAS PRIORITY OVER A SECURITY INTEREST THAT IS UNPERFECTED AT
3 THE TIME THE COLLATERAL BECOMES COMMINGLED GOODS.

4 (B) IF MORE THAN 1 SECURITY INTEREST IS PERFECTED UNDER SUB-
5 SECTION (4), THE SECURITY INTERESTS RANK EQUALLY IN PROPORTION TO
6 THE VALUE OF THE COLLATERAL AT THE TIME IT BECAME COMMINGLED
7 GOODS.

8 SEC. 9337. IF, WHILE A SECURITY INTEREST IN GOODS IS PER-
9 FECTED BY ANY METHOD UNDER THE LAW OF ANOTHER JURISDICTION, THIS
10 STATE ISSUES A CERTIFICATE OF TITLE THAT DOES NOT SHOW THAT THE
11 GOODS ARE SUBJECT TO THE SECURITY INTEREST OR CONTAIN A STATEMENT
12 THAT THEY MAY BE SUBJECT TO SECURITY INTERESTS NOT SHOWN ON THE
13 CERTIFICATE, BOTH OF THE FOLLOWING APPLY:

14 (A) A BUYER OF THE GOODS, OTHER THAN A PERSON IN THE BUSI-
15 NESS OF SELLING GOODS OF THAT KIND, TAKES FREE OF THE SECURITY
16 INTEREST IF THE BUYER GIVES VALUE AND RECEIVES DELIVERY OF THE
17 GOODS AFTER ISSUANCE OF THE CERTIFICATE AND WITHOUT KNOWLEDGE OF
18 THE SECURITY INTEREST.

19 (B) THE SECURITY INTEREST IS SUBORDINATE TO A CONFLICTING
20 SECURITY INTEREST IN THE GOODS THAT ATTACHES, AND IS PERFECTED
21 UNDER SECTION 9311(2), AFTER ISSUANCE OF THE CERTIFICATE AND
22 WITHOUT THE CONFLICTING SECURED PARTY'S KNOWLEDGE OF THE SECURITY
23 INTERESTS.

24 SEC. 9338. IF A SECURITY INTEREST OR AGRICULTURAL LIEN IS
25 PERFECTED BY A FILED FINANCING STATEMENT PROVIDING INFORMATION
26 DESCRIBED IN SECTION 9516(2)(E) THAT IS INCORRECT AT THE TIME THE
27 FINANCING STATEMENT IS FILED, ALL OF THE FOLLOWING APPLY:

1 (A) THE SECURITY INTEREST OR AGRICULTURAL LIEN IS
2 SUBORDINATE TO A CONFLICTING PERFECTED SECURITY INTEREST IN THE
3 COLLATERAL TO THE EXTENT THAT THE HOLDER OF THE CONFLICTING
4 SECURITY INTEREST GIVES VALUE IN REASONABLE RELIANCE UPON THE
5 INCORRECT INFORMATION.

6 (B) A PURCHASER, OTHER THAN A SECURED PARTY, OF THE COLLAT-
7 ERAL TAKES FREE OF THE SECURITY INTEREST OR AGRICULTURAL LIEN TO
8 THE EXTENT THAT, IN REASONABLE RELIANCE UPON THE INCORRECT INFOR-
9 MATION, THE PURCHASER GIVES VALUE AND, IN THE CASE OF CHATTEL
10 PAPER, DOCUMENTS, GOODS, INSTRUMENTS, OR A SECURITY CERTIFICATE,
11 RECEIVES DELIVERY OF THE COLLATERAL.

12 SEC. 9339. THIS ARTICLE DOES NOT PRECLUDE SUBORDINATION BY
13 AGREEMENT BY A PERSON ENTITLED TO PRIORITY.

14 SUBPART 4. RIGHTS OF BANK

15 SEC. 9340. (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION
16 (3), A BANK WITH WHICH A DEPOSIT ACCOUNT IS MAINTAINED MAY EXER-
17 CISE ANY RIGHT OF RECOUPMENT OR SETOFF AGAINST A SECURED PARTY
18 THAT HOLDS A SECURITY INTEREST IN THE DEPOSIT ACCOUNT.

19 (2) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (3), THE
20 APPLICATION OF THIS ARTICLE TO A SECURITY INTEREST IN A DEPOSIT
21 ACCOUNT DOES NOT AFFECT A RIGHT OF RECOUPMENT OR SETOFF OF THE
22 SECURED PARTY AS TO A DEPOSIT ACCOUNT MAINTAINED WITH THE SECURED
23 PARTY.

24 (3) THE EXERCISE BY A BANK OF A SETOFF AGAINST A DEPOSIT
25 ACCOUNT IS INEFFECTIVE AGAINST A SECURED PARTY THAT HOLDS A
26 SECURITY INTEREST IN THE DEPOSIT ACCOUNT THAT IS PERFECTED BY

1 CONTROL UNDER SECTION 9104(1)(C), IF THE SETOFF IS BASED ON A
2 CLAIM AGAINST THE DEBTOR.

3 SEC. 9341. EXCEPT AS OTHERWISE PROVIDED IN SECTION 9340(3),
4 AND UNLESS THE BANK OTHERWISE AGREES IN AN AUTHENTICATED RECORD,
5 A BANK'S RIGHTS AND DUTIES WITH RESPECT TO A DEPOSIT ACCOUNT
6 MAINTAINED WITH THE BANK ARE NOT TERMINATED, SUSPENDED, OR MODI-
7 FIED BY 1 OR MORE OF THE FOLLOWING:

8 (A) THE CREATION, ATTACHMENT, OR PERFECTION OF A SECURITY
9 INTEREST IN THE DEPOSIT ACCOUNT.

10 (B) THE BANK'S KNOWLEDGE OF THE SECURITY INTEREST.

11 (C) THE BANK'S RECEIPT OF INSTRUCTIONS FROM THE SECURED
12 PARTY.

13 SEC. 9342. THIS ARTICLE DOES NOT REQUIRE A BANK TO ENTER
14 INTO AN AGREEMENT OF THE KIND DESCRIBED IN SECTION 9104(1)(B),
15 EVEN IF ITS CUSTOMER SO REQUESTS OR DIRECTS. A BANK THAT HAS
16 ENTERED INTO SUCH AN AGREEMENT IS NOT REQUIRED TO CONFIRM THE
17 EXISTENCE OF THE AGREEMENT TO ANOTHER PERSON UNLESS REQUESTED TO
18 DO SO BY ITS CUSTOMER.

19 PART 4

20 ~~FILING~~ RIGHTS OF THIRD PARTIES

21 Sec. 9401. ~~-(1) The proper place to file in order to per-~~
22 ~~fect a security interest is as follows:~~

23 ~~(a) When the collateral is equipment used in farming opera-~~
24 ~~tions, or farm products, or accounts or general intangibles aris-~~
25 ~~ing from or relating to the sale of farm products by a farmer, or~~
26 ~~consumer goods, then in the office of the register of deeds in~~
27 ~~the county of the debtor's residence, or if the debtor is not a~~

~~1 resident of this state, then in the office of the register of
2 deeds in the county where the goods are kept, and, in addition,
3 when the collateral is crops, growing or to be grown, in the
4 office of the register of deeds in the county where the land is
5 located, but shall not be recorded in the real estate records of
6 the county.~~

~~7 (b) When the collateral is timber to be cut or is minerals
8 or the like (including oil and gas), or accounts subject to sec-
9 tion 9103(5), or when the financing statement is filed as a fix-
10 ture filing under section 9313 and the collateral is goods which
11 are or are to become fixtures, then in the office where a mort-
12 gage on the real estate would be filed or recorded.~~

~~13 (c) In all other cases, in the office of the secretary of
14 state.~~

~~15 (2) A filing which is made in good faith in an improper
16 place or not in all of the places required by this section is
17 nevertheless effective with regard to any collateral as to which
18 the filing complied with the requirements of this article and is
19 also effective with regard to collateral covered by the financing
20 statement against any person who has knowledge of the contents of
21 such financing statement.~~

~~22 (3) A filing which is made in the proper place in this state
23 continues effective even though the debtor's residence or place
24 of business or the location of the collateral or its use, which-
25 ever controlled the original filing, is thereafter changed.~~

~~26 (4) The rules stated in section 9103 determine whether
27 filing is necessary in this state.~~

1 ~~(5) Notwithstanding the preceding subsections, and subject~~
2 ~~to section 9302(3), the proper place to file in order to perfect~~
3 ~~a security interest in collateral, including fixtures, of a~~
4 ~~transmitting utility is the office of the secretary of state.~~
5 ~~This filing constitutes a fixture filing (section 9313) as to the~~
6 ~~collateral described therein which is or is to become fixtures.~~

7 ~~(6) For the purposes of this section, the residence of an~~
8 ~~organization is its place of business if it has one or its chief~~
9 ~~executive office if it has more than 1 place of business.~~

10 (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (2) AND SEC-
11 TIONS 9406, 9407, 9408, AND 9409, WHETHER A DEBTOR'S RIGHTS IN
12 COLLATERAL MAY BE VOLUNTARILY OR INVOLUNTARILY TRANSFERRED IS
13 GOVERNED BY LAW OTHER THAN THIS ARTICLE.

14 (2) AN AGREEMENT BETWEEN THE DEBTOR AND SECURED PARTY THAT
15 PROHIBITS A TRANSFER OF THE DEBTOR'S RIGHTS IN COLLATERAL OR
16 MAKES THE TRANSFER A DEFAULT DOES NOT PREVENT THE TRANSFER FROM
17 TAKING EFFECT.

18 Sec. 9402. ~~-(1) A financing statement is sufficient if it~~
19 ~~gives the names of the debtor and the secured party, in printed~~
20 ~~or typewritten form, is signed by the debtor, gives an address of~~
21 ~~the secured party from which information concerning the security~~
22 ~~interest may be obtained, gives a mailing address of the debtor,~~
23 ~~and contains a statement indicating the types or describing the~~
24 ~~items of collateral. A financing statement may be filed before a~~
25 ~~security agreement is made or a security interest otherwise~~
26 ~~attaches. If the financing statement covers timber to be cut,~~
27 ~~covers minerals or similar substances, including oil and gas, or~~

~~1 accounts subject to section 9103(5), or if the financing
2 statement is filed as a fixture filing under section 9313 and the
3 collateral is goods that are or are to become fixtures, the
4 statement shall also comply with subsection (5). A copy of the
5 security agreement is sufficient as a financing statement if it
6 contains the above information and is signed by the debtor. A
7 legible carbon, photographic, or other reproduction of a security
8 agreement or a financing statement is sufficient as a financing
9 statement if the security agreement so provides or if the origi-
10 nal has been filed in this state.~~

~~11 (2) A financing statement that otherwise complies with sub-
12 section (1) is sufficient if it is signed by the secured party
13 instead of the debtor if it is filed to perfect a security inter-
14 est in any of the following:~~

~~15 (a) Collateral already subject to a security interest in
16 another jurisdiction when it is brought into this state, or when
17 the debtor's location is changed to this state. The financing
18 statement shall state that the collateral was brought into this
19 state or that the debtor's location was changed to this state
20 under those circumstances.~~

~~21 (b) Proceeds under section 9306 if the security interest in
22 the original collateral was perfected. The financing statement
23 shall describe the original collateral.~~

~~24 (c) Collateral as to which the filing has lapsed.~~

~~25 (d) Collateral acquired after a change of name, identity, or
26 corporate structure of the debtor as provided in subsection (7).~~

1 ~~(3) A form substantially as follows is sufficient to comply~~
2 ~~with subsection (1):~~

3 ~~(PRINT OR TYPE)~~

4 ~~Name of debtor (or assignor).....~~

5 ~~Address.....~~

6 ~~Name of secured party (or assignee).....~~

7 ~~Social security number or federal employer tax identification number~~

8 ~~of debtor (when required).....~~

9 ~~Address.....~~

10 ~~1. This financing statement covers the following types or items~~
11 ~~of property:~~

12 ~~(Describe).....~~

13 ~~2. (If applicable check box below)~~

14 ~~a. The goods are to become fixtures on _____ []~~

15 ~~b. The above described timber is standing on _____ []~~

16 ~~c. The above described minerals or the like (including~~
17 ~~oil and gas) are to be extracted from the wellhead~~

18 ~~or minehead of the well or mine located on _____ []~~

19 ~~d. The above described accounts include accounts~~

20 ~~resulting from the sale of minerals or the like~~

21 ~~(including oil and gas) to be extracted from the~~

22 ~~wellhead or minehead of the well or mine located on _____ []~~

23 ~~(Describe real estate).....~~

~~1 If 1 of the above boxes is checked, this financing statement is to be
2 recorded in the real estate records. If the debtor does not have an
3 interest of record, the name of the record owner is.....~~

~~4 3. (If products of collateral are claimed) Products of the col=
5 lateral are also covered.~~

~~6 (Use whichever is applicable)~~

~~7 Signature of debtor (or assignor).....~~

~~8 Signature of secured party (or assignee).....~~

~~9 (4) A financing statement may be amended by filing a writing
10 signed by both the debtor and the secured party that identifies
11 the original filing by file number and, if applicable, by liber
12 and page. An amendment also may, but is not required to, include
13 the debtor's tax identification number. An amendment does not
14 extend the period of effectiveness of a financing statement. If
15 any amendment adds collateral, it is effective as to the added
16 collateral only from the filing date of the amendment. As used
17 in this article, unless the context otherwise requires,
18 "financing statement" means the original financing statement and
19 any amendments.~~

~~20 (5) A financing statement covering timber to be cut, cover=
21 ing minerals or similar substances, including oil and gas, or
22 accounts subject to section 9103(5), or a financing statement
23 filed as a fixture filing under section 9313 if the debtor is not
24 a transmitting utility, shall show that it covers this type of
25 collateral, recite that it is to be recorded in the real estate
26 records, and contain a description of the real estate sufficient
27 if it were contained in a mortgage of the real estate to give~~

1 ~~constructive notice of the mortgage under the law of this state.~~
2 ~~If the debtor does not have an interest of record in the real~~
3 ~~estate, the financing statement shall show the name of a record~~
4 ~~owner.~~

5 ~~(6) A mortgage is effective as a financing statement filed~~
6 ~~as a fixture filing from the date of its recording if all of the~~
7 ~~following apply:~~

8 ~~(a) The goods are described in the mortgage by item or~~
9 ~~type.~~

10 ~~(b) The goods are or are to become fixtures related to the~~
11 ~~real estate described in the mortgage.~~

12 ~~(c) The mortgage complies with the requirements for a~~
13 ~~financing statement in this section other than a recital that it~~
14 ~~is to be recorded in the real estate records.~~

15 ~~(d) The mortgage is duly recorded. Other than the regular~~
16 ~~recording and satisfaction fees for the mortgage, a fee for the~~
17 ~~financing statement is not required.~~

18 ~~(7) A financing statement sufficiently shows the name of the~~
19 ~~debtor if it includes the individual, partnership, or corporate~~
20 ~~name of the debtor, whether or not it adds other trade names or~~
21 ~~the names of partners. If the debtor changes his or her name, or~~
22 ~~in the case of an organization, its name, identity, or corporate~~
23 ~~structure, so that a filed financing statement becomes seriously~~
24 ~~misleading, the filing is not effective to perfect a security~~
25 ~~interest in collateral acquired by the debtor more than 4 months~~
26 ~~after the debtor notifies the secured party in writing of the~~
27 ~~change, unless a new appropriate financing statement is filed~~

~~1 before the expiration of that time. A filed financing statement
2 remains effective for collateral transferred by the debtor even
3 though the secured party knows of or consents to the transfer.~~

~~4 (8) A financing statement substantially complying with the
5 requirements of this section is effective even though it contains
6 minor errors that are not seriously misleading.~~

~~7 (9) Any financing statement, indicating that it is to be
8 recorded in the real estate records, as provided in subsections
9 (3) and (5), and any continuation statement, termination state-
10 ment, amendment, or assignment relating to the statement and
11 meeting the formal requisites of this section, section 9404, and
12 section 9405, shall be recorded by the register of deeds of the
13 county in which the real property described in the financing
14 statement is located, notwithstanding the provisions for witness=
15 ing and acknowledging instruments to be recorded in the real
16 property records contained in section 47 of 1846 RS 65,
17 MCL 565.47.~~

~~18 (10) Each register of deeds shall certify on every financing
19 statement indicating that it is to be recorded in the real estate
20 records, as provided in subsections (3) and (5), and any continu-
21 ation statement, termination statement, amendment, or assignment
22 relating to the statement and meeting the formal requisites of
23 this section, section 9404, and section 9405, the date and time
24 when it was received for record, and a reference to the liber and
25 page where it is recorded.~~

~~26 (11) Each register of deeds shall enter any financing
27 statement indicating that it is to be recorded in the real estate~~

~~1 records, as provided in subsections (3) and (5), and any
2 continuation statement, termination statement, amendment, or
3 assignment relating to the statement and meeting the formal req=
4 uisites of this section, section 9404, and section 9405, in an
5 entry book where a real estate mortgage would be entered, noting
6 in the entry book the day, hour, and minute of reception, and
7 other particulars in the order in which the financing statements,
8 continuation statements, termination statements, amendments, and
9 assignments are respectively received, and each instrument shall
10 be considered recorded at the time so noted.~~

~~11 (12) Each register of deeds shall index each financing
12 statement, continuation statement, termination statement, amend=
13 ment, or assignment, recorded under subsection (11), in a book or
14 card index under the name of the debtor, and, if applicable,
15 under the name of the record owner of the real estate, in the
16 same manner as recordings of real estate mortgages are indexed.~~

~~17 (13) Beginning April 1, 1990 all original filings of a
18 security agreement or a financing statement tendered to the sec=
19 retary of state shall contain the tax identification number of
20 each debtor except for the following:~~

~~21 (a) A reproduction of a security agreement or of a financing
22 statement filed under the last sentence of subsection (1) if the
23 security agreement was entered into or the financing statement
24 was filed before April 1, 1990.~~

~~25 (b) A financing statement filed under subsection (2).~~

~~26 (c) A financing statement that is accompanied by a
27 certificate prescribed by the secretary of state and is signed by~~

1 ~~the debtor stating that the debtor does not have a tax~~
2 ~~identification number.~~

3 ~~(14) If an original filing of a security agreement or a~~
4 ~~financing statement fails to contain the tax identification~~
5 ~~number of each debtor and is not exempted under subsection (13),~~
6 ~~the secretary of state shall not accept it for filing and shall~~
7 ~~return it to the secured party or other person who submitted it.~~
8 ~~If the records of the secretary of state indicate that a debtor's~~
9 ~~tax identification number contained on a financing statement~~
10 ~~received for filing is or may be incorrect, the secretary of~~
11 ~~state shall nevertheless accept and file the financing~~
12 ~~statement. The secretary of state may request the secured party~~
13 ~~or other person who submitted the financing statement to file an~~
14 ~~amendment to the statement giving the debtor's correct tax iden-~~
15 ~~tification number. The signature of the debtor shall not be~~
16 ~~required on an amendment that changes only the debtor's tax iden-~~
17 ~~tification number.~~

18 ~~(15) Notwithstanding subsections (13) and (14), if the sec-~~
19 ~~retary of state files a financing statement that does not con-~~
20 ~~tain, or that incorrectly states, the debtor's tax identification~~
21 ~~number and if the financing statement otherwise complies with~~
22 ~~applicable requirements, the financing statement shall be consid-~~
23 ~~ered sufficient, valid, and effective.~~

24 ~~(16) The secretary of state shall adopt and utilize computer~~
25 ~~assisted search procedures to enable the secretary of state to~~
26 ~~provide information to a person making a request under~~
27 ~~section 9407(2). The secretary of state shall provide the~~

~~1 information requested by a person under section 9407(2) as~~
~~2 accurate and complete as the information the person would have~~
~~3 received if the same request had been processed under the search~~
~~4 procedures followed by the secretary of state immediately before~~
~~5 the implementation of computer assisted searches.~~ THE EXISTENCE
~~6 OF A SECURITY INTEREST, AGRICULTURAL LIEN, OR AUTHORITY GIVEN TO~~
~~7 A DEBTOR TO DISPOSE OF OR USE COLLATERAL, WITHOUT MORE, DOES NOT~~
~~8 SUBJECT A SECURED PARTY TO LIABILITY IN CONTRACT OR TORT FOR THE~~
~~9 DEBTOR'S ACTS OR OMISSIONS.~~

10 Sec. 9403. ~~-(1) Presentation for filing of a financing~~
~~11 statement and tender of the filing fee or acceptance of the~~
~~12 statement by the filing officer constitutes filing under this~~
~~13 article.~~

14 ~~-(2) Except as provided in subsection (7), a filed financing~~
~~15 statement is effective for a period of 5 years after the date of~~
~~16 filing. The effectiveness of a filed financing statement lapses~~
~~17 on the expiration of the 5-year period, unless a continuation~~
~~18 statement is filed within 6 months before the lapse. If a secur-~~
~~19 ity interest perfected by filing exists at the time insolvency~~
~~20 proceedings are commenced by or against the debtor, the security~~
~~21 interest remains perfected until termination of the insolvency~~
~~22 proceedings and thereafter for a period of 60 days or until expi-~~
~~23 ration of the 5-year period, whichever occurs later. Upon lapse,~~
~~24 the security interest becomes unperfected, unless it is perfected~~
~~25 without filing. If the security interest becomes unperfected~~
~~26 upon lapse, it is considered to have been unperfected as against~~

1 ~~a person who became a purchaser or lien creditor before the~~
2 ~~lapse.~~

3 ~~(3) A continuation statement may be filed or recorded by the~~
4 ~~secured party within 6 months before the expiration of the 5-year~~
5 ~~period specified in subsection (2). A continuation statement~~
6 ~~shall be signed by the secured party, identify the original~~
7 ~~statement by file number and, if the original financing statement~~
8 ~~describes real property, by the liber and page where the property~~
9 ~~is recorded, and state that the original statement is still~~
10 ~~effective. A continuation statement also may, but is not~~
11 ~~required to, include the debtor's tax identification number. A~~
12 ~~continuation statement signed by a person other than the secured~~
13 ~~party of record shall be accompanied by a separate written state-~~
14 ~~ment of assignment that is signed by the secured party of record~~
15 ~~and that complies with section 9405(2), including payment of the~~
16 ~~required fee. Upon timely filing of the continuation statement,~~
17 ~~the effectiveness of the financing statement is continued for 5~~
18 ~~years after the last date to which the filing was effective~~
19 ~~whereupon it lapses in the same manner as provided in subsection~~
20 ~~(2) unless another continuation statement is filed before the~~
21 ~~lapse. Succeeding continuation statements may be filed in the~~
22 ~~same manner to continue the effectiveness of the financing~~
23 ~~statement. Unless a statute on disposition of public records~~
24 ~~provides otherwise, the filing officer may remove a lapsed state-~~
25 ~~ment from the files and destroy it immediately if he or she has~~
26 ~~retained a reproduction pursuant to the records media act, or in~~
27 ~~other cases after 1 year after the lapse. The filing officer~~

~~1 shall so arrange matters by physical annexation of financing
2 statements to continuation statements or other related filings,
3 or by other means, that if he or she physically destroys the
4 financing statements of a period more than 5 years past, those
5 which have been continued by a continuation statement or which
6 are still effective under subsection (7) shall be retained.~~

~~7 (4) Except as provided in subsection (8), a filing officer
8 shall mark a statement with a file number and with the date and
9 hour of filing and shall hold the statement or a reproduction of
10 the statement pursuant to the records media act for public
11 inspection. In addition, the filing officer shall index the
12 statements according to the name of the debtor and shall note in
13 the index the file number and the address of the debtor given in
14 the statement.~~

~~15 (5) The uniform fee for filing and indexing and for stamping
16 a copy furnished by the secured party to show the date and place
17 of filing for an original financing statement, for a continuation
18 statement, for an amendment of a financing statement, or for an
19 assignment shall be as follows:~~

~~20 (a) For a filing with the secretary of state or the register
21 of deeds, \$3.00 if the statement includes the information
22 required under this act for the filing, and is in the standard
23 form prescribed by the secretary of state. For a statement not
24 complying with these requirements, the fee is \$6.00.~~

~~25 (b) For a filing with a register of deeds, if the financing
26 statement, continuation statement, assignment, or amendment
27 indicates that it is to be recorded in the real estate records,~~

1 ~~as provided in sections 9402(3) and 9402(5), \$5.00 for the first~~
2 ~~page and \$2.00 for each additional page.~~

3 ~~(6) The uniform fee for each name more than 1 required to be~~
4 ~~indexed is \$3.00. The secured party may, at his or her option,~~
5 ~~show a trade name for a person, and an extra uniform indexing fee~~
6 ~~of \$3.00 shall be paid with respect to that name.~~

7 ~~(7) If the debtor is a transmitting utility under section~~
8 ~~9401(5) and a filed financing statement so states, it is effec-~~
9 ~~tive until a termination statement is filed. A real estate mort-~~
10 ~~gage that is effective as a fixture filing under section 9402(6)~~
11 ~~remains effective as a fixture filing until the mortgage is~~
12 ~~released or satisfied of record or its effectiveness otherwise~~
13 ~~terminates as to the real estate.~~

14 ~~(8) If a financing statement covers timber to be cut, covers~~
15 ~~minerals or the like including oil and gas, or accounts subject~~
16 ~~to section 9103(5), or is filed as a fixture filing, it shall be~~
17 ~~recorded, and the filing officer shall index it under the names~~
18 ~~of the debtor and any owner of record shown on the financing~~
19 ~~statement in the same fashion as if they were the mortgagors in a~~
20 ~~mortgage of the real estate described, and, to the extent that~~
21 ~~the law of this state provides for indexing of mortgages under~~
22 ~~the name of the mortgagee, under the name of the secured party as~~
23 ~~if he or she were the mortgagee of the mortgage, or where index-~~
24 ~~ing is by description, in the same fashion as if the financing~~
25 ~~statement were a mortgage of the real estate described.~~

26 (1) AS USED IN THIS SECTION, "VALUE" HAS THE MEANING
27 PROVIDED IN SECTION 3303(1).

1 (2) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, AN
2 AGREEMENT BETWEEN AN ACCOUNT DEBTOR AND AN ASSIGNOR NOT TO ASSERT
3 AGAINST AN ASSIGNEE ANY CLAIM OR DEFENSE THAT THE ACCOUNT DEBTOR
4 MAY HAVE AGAINST THE ASSIGNOR IS ENFORCEABLE BY AN ASSIGNEE THAT
5 TAKES AN ASSIGNMENT FOR VALUE, IN GOOD FAITH, WITHOUT NOTICE OF A
6 CLAIM OF A PROPERTY OR POSSESSORY RIGHT TO THE PROPERTY ASSIGNED,
7 AND WITHOUT NOTICE OF A DEFENSE OR CLAIM IN RECOUPMENT OF THE
8 TYPE THAT MAY BE ASSERTED AGAINST A PERSON ENTITLED TO ENFORCE A
9 NEGOTIABLE INSTRUMENT UNDER SECTION 3305(1).

10 (3) SUBSECTION (2) DOES NOT APPLY TO DEFENSES OF A TYPE THAT
11 MAY BE ASSERTED AGAINST A HOLDER IN DUE COURSE OF A NEGOTIABLE
12 INSTRUMENT UNDER SECTION 3305(2).

13 (4) IN A CONSUMER TRANSACTION, IF A RECORD EVIDENCES THE
14 ACCOUNT DEBTOR'S OBLIGATION, LAW OTHER THAN THIS ARTICLE REQUIRES
15 THAT THE RECORD INCLUDE A STATEMENT TO THE EFFECT THAT THE RIGHTS
16 OF AN ASSIGNEE ARE SUBJECT TO CLAIMS OR DEFENSES THAT THE ACCOUNT
17 DEBTOR COULD ASSERT AGAINST THE ORIGINAL OBLIGEE, AND THE RECORD
18 DOES NOT INCLUDE SUCH A STATEMENT, ALL OF THE FOLLOWING APPLY:

19 (A) THE RECORD HAS THE SAME EFFECT AS IF THE RECORD INCLUDED
20 SUCH A STATEMENT.

21 (B) THE ACCOUNT DEBTOR MAY ASSERT AGAINST AN ASSIGNEE THOSE
22 CLAIMS AND DEFENSES THAT WOULD HAVE BEEN AVAILABLE IF THE RECORD
23 INCLUDED SUCH A STATEMENT.

24 (5) THIS SECTION IS SUBJECT TO LAW OTHER THAN THIS ARTICLE
25 THAT ESTABLISHES A DIFFERENT RULE FOR AN ACCOUNT DEBTOR WHO IS AN
26 INDIVIDUAL AND WHO INCURRED THE OBLIGATION PRIMARILY FOR
27 PERSONAL, FAMILY, OR HOUSEHOLD PURPOSES.

1 (6) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (4), THIS
2 SECTION DOES NOT DISPLACE LAW OTHER THAN THIS ARTICLE THAT GIVES
3 EFFECT TO AN AGREEMENT BY AN ACCOUNT DEBTOR NOT TO ASSERT A CLAIM
4 OR DEFENSE AGAINST AN ASSIGNEE.

5 Sec. 9404. ~~-(1) If a financing statement covering consumer~~
6 ~~goods is filed on or after January 1, 1979, then within 1 month~~
7 ~~or within 10 days following written demand by the debtor, which~~
8 ~~ever occurs first, after there is no outstanding secured obliga-~~
9 ~~tion and no commitment to make advances, incur obligations, or~~
10 ~~otherwise give value, and the secured party does not in good~~
11 ~~faith expect to make optional future advances, the secured party~~
12 ~~shall file with each filing officer with whom the financing~~
13 ~~statement was filed a termination statement to the effect that he~~
14 ~~or she no longer claims a security interest under the financing~~
15 ~~statement, which shall be identified by file number, and if the~~
16 ~~original financing statement describes real property, by liber~~
17 ~~and page of recording of the financing statement. In other~~
18 ~~cases, if there is no outstanding secured obligation and no com-~~
19 ~~mitment to make advances, incur obligations, or otherwise give~~
20 ~~value and the secured party does not in good faith expect to make~~
21 ~~future optional advances, the secured party shall, on written~~
22 ~~demand of the debtor, send for each filing officer with whom the~~
23 ~~financing statement was filed a termination statement to the~~
24 ~~effect that he or she no longer claims a security interest under~~
25 ~~the financing statement, which shall be identified by file~~
26 ~~number. With respect to original financing statements filed~~
27 ~~before July 1, 1976 with a filing officer other than the~~

~~1 secretary of state, the secured party may elect to send the
2 statement directly to the debtor instead of the filing officer.
3 A termination statement may, but is not required to, include the
4 debtor's tax identification number. A termination statement
5 signed by a person other than the secured party of record shall
6 be accompanied by a separate written statement of assignment
7 signed by the secured party of record complying with section
8 9405(2), including payment of the required fee. If the affected
9 secured party fails to file such a termination statement as
10 required by this subsection, or to send such a termination state-
11 ment within the required period, he or she is liable to the
12 debtor for any loss caused to the debtor by that failure. In
13 addition, the secured party is liable to the debtor for \$100.00
14 if he or she fails to file the termination statement within 20
15 days after written demand for the termination statement by the
16 debtor.~~

~~17 (2) On presentation to the filing officer of a termination
18 statement, the filing officer shall note it in the index. If the
19 filing officer has received the termination statement in dupli-
20 cate, he or she shall return 1 copy of the termination statement
21 to the secured party stamped to show the time of receipt of the
22 termination statement. If the filing officer has a reproduction
23 of the financing statement pursuant to the records media act, and
24 of any related continuation statement, statement of assignment,
25 and statement of release, he or she may remove the originals from
26 the files at any time after receipt of the termination statement,
27 or if the filing officer has no such record, he or she may remove~~

~~1 them from the files at any time after 1 year after receipt of the~~
~~2 termination statement.~~

~~3 (3) If the termination statement is in the standard form~~
~~4 prescribed by the secretary of state, the uniform fee for filing~~
~~5 and indexing a termination statement is \$1.00, and otherwise is~~
~~6 \$1.00, plus, in each case an additional fee of \$1.00 for each~~
~~7 additional name against which the termination statement is~~
~~8 required to be indexed, except that a fee shall not be charged~~
~~9 for the filing and indexing of a termination statement with~~
~~10 respect to an original financing statement filed after June 30,~~
~~11 1976, unless the filing was made with the register of deeds as~~
~~12 provided in sections 9402(3) and 9402(5), and in that event the~~
~~13 fee is the same as that required to file a discharge of a real~~
~~14 estate mortgage.~~

15 (1) UNLESS AN ACCOUNT DEBTOR HAS MADE AN ENFORCEABLE AGREE-
16 MENT NOT TO ASSERT DEFENSES OR CLAIMS, AND SUBJECT TO SUBSECTIONS
17 (2) THROUGH (5), THE RIGHTS OF AN ASSIGNEE ARE SUBJECT TO ALL OF
18 THE FOLLOWING:

19 (A) ALL TERMS OF THE AGREEMENT BETWEEN THE ACCOUNT DEBTOR
20 AND ASSIGNOR AND ANY DEFENSE OR CLAIM IN RECOUPMENT ARISING FROM
21 THE TRANSACTION THAT GAVE RISE TO THE CONTRACT.

22 (B) ANY OTHER DEFENSE OR CLAIM OF THE ACCOUNT DEBTOR AGAINST
23 THE ASSIGNOR THAT ACCRUES BEFORE THE ACCOUNT DEBTOR RECEIVES A
24 NOTIFICATION OF THE ASSIGNMENT AUTHENTICATED BY THE ASSIGNOR OR
25 THE ASSIGNEE.

26 (2) SUBJECT TO SUBSECTION (3) AND EXCEPT AS OTHERWISE
27 PROVIDED IN SUBSECTION (4), THE CLAIM OF AN ACCOUNT DEBTOR

1 AGAINST AN ASSIGNOR MAY BE ASSERTED AGAINST AN ASSIGNEE UNDER
2 SUBSECTION (1) ONLY TO REDUCE THE AMOUNT THE ACCOUNT DEBTOR
3 OWES.

4 (3) THIS SECTION IS SUBJECT TO LAW OTHER THAN THIS ARTICLE
5 THAT ESTABLISHES A DIFFERENT RULE FOR AN ACCOUNT DEBTOR WHO IS AN
6 INDIVIDUAL AND WHO INCURRED THE OBLIGATION PRIMARILY FOR PERSON-
7 AL, FAMILY, OR HOUSEHOLD PURPOSES.

8 (4) IN A CONSUMER TRANSACTION, IF A RECORD EVIDENCES THE
9 ACCOUNT DEBTOR'S OBLIGATION, LAW OTHER THAN THIS ARTICLE REQUIRES
10 THAT THE RECORD INCLUDE A STATEMENT TO THE EFFECT THAT THE
11 ACCOUNT DEBTOR'S RECOVERY AGAINST AN ASSIGNEE WITH RESPECT TO
12 CLAIMS AND DEFENSES AGAINST THE ASSIGNOR MAY NOT EXCEED AMOUNTS
13 PAID BY THE ACCOUNT DEBTOR UNDER THE RECORD, AND THE RECORD DOES
14 NOT INCLUDE SUCH A STATEMENT, THE EXTENT TO WHICH A CLAIM OF AN
15 ACCOUNT DEBTOR AGAINST THE ASSIGNOR MAY BE ASSERTED AGAINST AN
16 ASSIGNEE IS DETERMINED AS IF THE RECORD INCLUDED SUCH A
17 STATEMENT.

18 (5) THIS SECTION DOES NOT APPLY TO AN ASSIGNMENT OF A
19 HEALTH-CARE-INSURANCE RECEIVABLE.

20 Sec. 9405. ~~-(1) A financing statement may disclose an~~
21 ~~assignment of a security interest in the collateral described in~~
22 ~~the financing statement by indication in the financing statement~~
23 ~~of the name and address of the assignee, or by an assignment~~
24 ~~itself or a copy of the assignment on the face or back of the~~
25 ~~statement. On presentation to the filing officer of the financ-~~
26 ~~ing statement, the filing officer shall mark the same as provided~~
27 ~~in section 9403(4). The uniform fee for filing, indexing, and~~

~~1 furnishing filing data for a financing statement indicating an
2 assignment is \$3.00, if the statement is in the standard form
3 prescribed by the secretary of state. For statements not comply-
4 ing with these requirements, the fee is \$6.00, plus an additional
5 fee of \$3.00 for each name more than 1 against which the financ-
6 ing statement is required to be indexed.~~

~~7 (2) A secured party may assign of record all or a part of
8 his or her rights under a financing statement by filing, in the
9 place where the original financing statement was filed, a sepa-
10 rate written statement of assignment signed by the secured party
11 of record and setting forth the name of the secured party of
12 record and the debtor, the file number, and if the original
13 financing statement describes real property, by the liber and
14 page where the property is recorded, the date of filing of the
15 financing statement, the name and address of the assignee and a
16 description of the collateral assigned. A copy of the assignment
17 is sufficient as a separate statement if it complies with the
18 preceding sentence. An assignment also may, but is not required
19 to, include the debtor's tax identification number. On presenta-
20 tion to the filing officer of a separate statement, the filing
21 officer shall mark the separate statement with the date and hour
22 of the filing. The filing officer shall note the assignment on
23 the index of the financing statement, or for a fixture filing, a
24 filing covering timber to be cut, or covering minerals or the
25 like including oil and gas, or accounts subject to section
26 9103(5), he or she shall index the assignment under the name of
27 the assignor as grantor and, to the extent that the law of this~~

~~1 state provides for indexing the assignment of a mortgage under
2 the name of the assignee, he or she shall index the assignment of
3 the financing statement under the name of the assignee. The uni-
4 form fee for filing, indexing, and furnishing filing data about a
5 separate statement of assignment is \$3.00, if the statement is in
6 the standard form prescribed by the secretary of state. For
7 statements not complying with these requirements, the fee is
8 \$6.00, plus an additional fee of \$3.00 for each name more than 1
9 against which the statement of assignment is required to be
10 indexed. Notwithstanding the provisions of this subsection, an
11 assignment of record of a security interest in a fixture con-
12 tained in a mortgage effective as a fixture filing under section
13 9402(6) may be made only by an assignment of the mortgage in the
14 manner provided by the law of this state other than this act.~~

~~15 (3) After the disclosure or filing of an assignment under
16 this section, the assignee is the secured party of record.~~

17 (1) A MODIFICATION OF OR SUBSTITUTION FOR AN ASSIGNED CON-
18 TRACT IS EFFECTIVE AGAINST AN ASSIGNEE IF MADE IN GOOD FAITH.
19 THE ASSIGNEE ACQUIRES CORRESPONDING RIGHTS UNDER THE MODIFIED OR
20 SUBSTITUTED CONTRACT. THE ASSIGNMENT MAY PROVIDE THAT THE MODI-
21 FICATION OR SUBSTITUTION IS A BREACH OF CONTRACT BY THE
22 ASSIGNOR. THIS SUBSECTION IS SUBJECT TO SUBSECTIONS (2) THROUGH
23 (4).

24 (2) SUBSECTION (1) APPLIES TO THE EXTENT THAT THE RIGHT TO
25 PAYMENT OR A PART THEREOF UNDER AN ASSIGNED CONTRACT HAS NOT BEEN
26 FULLY EARNED BY PERFORMANCE, OR TO THE EXTENT THAT THE RIGHT TO
27 PAYMENT OR A PART THEREOF HAS BEEN FULLY EARNED BY PERFORMANCE

1 AND THE ACCOUNT DEBTOR HAS NOT RECEIVED NOTIFICATION OF THE
2 ASSIGNMENT UNDER SECTION 9406(1).

3 (3) THIS SECTION IS SUBJECT TO LAW OTHER THAN THIS ARTICLE
4 THAT ESTABLISHES A DIFFERENT RULE FOR AN ACCOUNT DEBTOR WHO IS AN
5 INDIVIDUAL AND WHO INCURRED THE OBLIGATION PRIMARILY FOR PERSON-
6 AL, FAMILY, OR HOUSEHOLD PURPOSES.

7 (4) THIS SECTION DOES NOT APPLY TO AN ASSIGNMENT OF A
8 HEALTH-CARE-INSURANCE RECEIVABLE.

9 Sec. 9406. ~~A secured party of record may by his or her~~
10 ~~signed statement release all or a part of any collateral~~
11 ~~described in a filed financing statement. The statement of~~
12 ~~release is sufficient if it contains a description of the collat-~~
13 ~~eral being released, the name and address of the debtor, the name~~
14 ~~and address of the secured party, and the file number of the~~
15 ~~financing statement. A statement of release may, but is not~~
16 ~~required to, include the debtor's tax identification number. A~~
17 ~~statement of release signed by a person other than the secured~~
18 ~~party of record shall be accompanied by a separate written state-~~
19 ~~ment of assignment signed by the secured party of record and com-~~
20 ~~plying with section 9405(2), including payment of the required~~
21 ~~fee. Upon presentation of the statement of release to the filing~~
22 ~~officer, he or she shall mark the statement with the hour and~~
23 ~~date of filing and shall also note this information on the margin~~
24 ~~of the index of the filing of the financing statement. The uni-~~
25 ~~form fee for filing and noting a statement of release is \$3.00 if~~
26 ~~the statement is in the standard form prescribed by the secretary~~
27 ~~of state. For financing statements not complying with the~~

~~1 requirements of this section as to form, the fee is \$6.00, plus
2 an additional fee of \$3.00 for each name more than 1 against
3 which the statement of release is required to be indexed.~~

4 (1) SUBJECT TO SUBSECTIONS (2) THROUGH (9), AN ACCOUNT
5 DEBTOR ON AN ACCOUNT, CHATTEL PAPER, OR A PAYMENT INTANGIBLE MAY
6 DISCHARGE ITS OBLIGATION BY PAYING THE ASSIGNOR UNTIL, BUT NOT
7 AFTER, THE ACCOUNT DEBTOR RECEIVES A NOTIFICATION, AUTHENTICATED
8 BY THE ASSIGNOR OR THE ASSIGNEE, THAT THE AMOUNT DUE OR TO BECOME
9 DUE HAS BEEN ASSIGNED AND THAT PAYMENT IS TO BE MADE TO THE
10 ASSIGNEE. AFTER RECEIPT OF THE NOTIFICATION, THE ACCOUNT DEBTOR
11 MAY DISCHARGE ITS OBLIGATION BY PAYING THE ASSIGNEE AND MAY NOT
12 DISCHARGE THE OBLIGATION BY PAYING THE ASSIGNOR.

13 (2) SUBJECT TO SUBSECTION (8), NOTIFICATION IS INEFFECTIVE
14 UNDER SUBSECTION (1) IF 1 OR MORE OF THE FOLLOWING APPLY:

15 (A) IF NOTIFICATION DOES NOT REASONABLY IDENTIFY THE RIGHTS
16 ASSIGNED.

17 (B) TO THE EXTENT THAT AN AGREEMENT BETWEEN AN ACCOUNT
18 DEBTOR AND A SELLER OF A PAYMENT INTANGIBLE LIMITS THE ACCOUNT
19 DEBTOR'S DUTY TO PAY A PERSON OTHER THAN THE SELLER AND THE LIMI-
20 TATION IS EFFECTIVE UNDER LAW OTHER THAN THIS ARTICLE.

21 (C) AT THE OPTION OF AN ACCOUNT DEBTOR, IF THE NOTIFICATION
22 NOTIFIES THE ACCOUNT DEBTOR TO MAKE LESS THAN THE FULL AMOUNT OF
23 ANY INSTALLMENT OR OTHER PERIODIC PAYMENT TO THE ASSIGNEE, EVEN
24 IF 1 OR MORE OF THE FOLLOWING OCCUR:

25 (i) ONLY A PORTION OF THE ACCOUNT, CHATTEL PAPER, OR PAYMENT
26 INTANGIBLE HAS BEEN ASSIGNED TO THAT ASSIGNEE.

1 (ii) A PORTION HAS BEEN ASSIGNED TO ANOTHER ASSIGNEE.

2 (iii) THE ACCOUNT DEBTOR KNOWS THAT THE ASSIGNMENT TO THAT
3 ASSIGNEE IS LIMITED.

4 (3) SUBJECT TO SUBSECTION (8), IF REQUESTED BY THE ACCOUNT
5 DEBTOR, AN ASSIGNEE SHALL SEASONABLY FURNISH REASONABLE PROOF
6 THAT THE ASSIGNMENT HAS BEEN MADE. UNLESS THE ASSIGNEE COMPLIES,
7 THE ACCOUNT DEBTOR MAY DISCHARGE ITS OBLIGATION BY PAYING THE
8 ASSIGNOR, EVEN IF THE ACCOUNT DEBTOR HAS RECEIVED A NOTIFICATION
9 UNDER SUBSECTION (1).

10 (4) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (5) AND SEC-
11 TIONS 2A303 AND 9407, AND SUBJECT TO SUBSECTION (8), A TERM IN AN
12 AGREEMENT BETWEEN AN ACCOUNT DEBTOR AND AN ASSIGNOR OR IN A PROM-
13 ISSORY NOTE IS INEFFECTIVE TO THE EXTENT THAT IT DOES 1 OR MORE
14 OF THE FOLLOWING:

15 (A) PROHIBITS, RESTRICTS, OR REQUIRES THE CONSENT OF THE
16 ACCOUNT DEBTOR OR PERSON OBLIGATED ON THE PROMISSORY NOTE TO THE
17 ASSIGNMENT OR TRANSFER OF, OR THE CREATION, ATTACHMENT, PERFEC-
18 TION, OR ENFORCEMENT OF A SECURITY INTEREST IN, THE ACCOUNT,
19 CHATTEL PAPER, PAYMENT INTANGIBLE, OR PROMISSORY NOTE.

20 (B) PROVIDES THAT THE ASSIGNMENT OR TRANSFER OR THE CRE-
21 ATION, ATTACHMENT, PERFECTION, OR ENFORCEMENT OF THE SECURITY
22 INTEREST MAY GIVE RISE TO A DEFAULT, BREACH, RIGHT OF RECOUPMENT,
23 CLAIM, DEFENSE, TERMINATION, RIGHT OF TERMINATION, OR REMEDY
24 UNDER THE ACCOUNT, CHATTEL PAPER, PAYMENT INTANGIBLE, OR PROMIS-
25 SORY NOTE.

26 (5) SUBSECTION (4) DOES NOT APPLY TO THE FOLLOWING:

1 (A) A CLAIM OR RIGHT TO RECEIVE AN AMOUNT THAT WOULD BE
2 EXCLUDED FROM GROSS INCOME UNDER SECTION 104(a)(1) OR (2) OF THE
3 INTERNAL REVENUE CODE OF 1986, 26 U.S.C. 104.

4 (B) A CLAIM OR RIGHT TO RECEIVE BENEFITS FROM A SPECIAL
5 NEEDS TRUST. FOR PURPOSES OF THIS SUBDIVISION, A "SPECIAL NEEDS
6 TRUST" IS A TRUST DESCRIBED IN SECTION 1917(d)(4)(A), (B), OR (C)
7 OF TITLE XIX OF THE SOCIAL SECURITY ACT, 42 U.S.C. 1396p.

8 (C) THE SALE OF A PAYMENT INTANGIBLE OR PROMISSORY NOTE.

9 (6) EXCEPT AS OTHERWISE PROVIDED IN SECTIONS 2A303 AND 9407
10 AND SUBJECT TO SUBSECTIONS (8) AND (9), A RULE OF LAW, STATUTE,
11 OR REGULATION, THAT PROHIBITS, RESTRICTS, OR REQUIRES THE CONSENT
12 OF A GOVERNMENT, GOVERNMENTAL BODY OR OFFICIAL, OR ACCOUNT DEBTOR
13 TO THE ASSIGNMENT OR TRANSFER OF, OR CREATION OF A SECURITY
14 INTEREST IN, AN ACCOUNT OR CHATTEL PAPER IS INEFFECTIVE TO THE
15 EXTENT THAT THE RULE OF LAW, STATUTE, OR REGULATION DOES 1 OR
16 MORE OF THE FOLLOWING:

17 (A) PROHIBITS, RESTRICTS, OR REQUIRES THE CONSENT OF THE
18 GOVERNMENT, GOVERNMENTAL BODY OR OFFICIAL, OR ACCOUNT DEBTOR TO
19 THE ASSIGNMENT OR TRANSFER OF, OR THE CREATION, ATTACHMENT, PER-
20 FECTION, OR ENFORCEMENT OF A SECURITY INTEREST IN, THE ACCOUNT OR
21 CHATTEL PAPER.

22 (B) PROVIDES THAT THE ASSIGNMENT OR TRANSFER OR THE CRE-
23 ATION, ATTACHMENT, PERFECTION, OR ENFORCEMENT OF THE SECURITY
24 INTEREST MAY GIVE RISE TO A DEFAULT, BREACH, RIGHT OF RECOUPMENT,
25 CLAIM, DEFENSE, TERMINATION, RIGHT OF TERMINATION, OR REMEDY
26 UNDER THE ACCOUNT OR CHATTEL PAPER.

1 (7) SUBJECT TO SUBSECTION (8), AN ACCOUNT DEBTOR MAY NOT
2 WAIVE OR VARY ITS OPTION UNDER SUBSECTION (2)(C).

3 (8) THIS SECTION IS SUBJECT TO LAW OTHER THAN THIS ARTICLE
4 THAT ESTABLISHES A DIFFERENT RULE FOR AN ACCOUNT DEBTOR WHO IS AN
5 INDIVIDUAL AND WHO INCURRED THE OBLIGATION PRIMARILY FOR PERSON-
6 AL, FAMILY, OR HOUSEHOLD PURPOSES.

7 (9) THIS SECTION DOES NOT APPLY TO AN ASSIGNMENT OF A
8 HEALTH-CARE-INSURANCE RECEIVABLE.

9 Sec. 9407. ~~(1) If the person filing a financing statement,~~
10 ~~termination statement, statement of assignment, or statement of~~
11 ~~release furnishes the filing officer a copy of the statement, the~~
12 ~~filing officer shall upon request note upon the copy the file~~
13 ~~number and date and hour of the filing of the original and~~
14 ~~deliver or send the copy to the person.~~

15 ~~(2) Upon request of any person, the filing officer shall~~
16 ~~issue a certificate showing whether there is on file, on the date~~
17 ~~and hour stated on the certificate, any presently effective~~
18 ~~financing statement naming a particular debtor and any statement~~
19 ~~of assignment and if there is, giving the date and hour of filing~~
20 ~~of each statement and the names and addresses of each secured~~
21 ~~party in the statement. The uniform fee for a certificate is~~
22 ~~\$3.00 if the request for the certificate is in the standard form~~
23 ~~prescribed by the secretary of state and, for certificates which~~
24 ~~concern financing statements filed beginning September 1, 1988,~~
25 ~~includes the social security number of the debtor or the debtor's~~
26 ~~federal employer tax identification number. If the request does~~
27 ~~not comply with these requirements, the fee is \$6.00. Upon~~

~~1 request, the filing officer shall furnish a copy of a filed
2 financing statement or statement of assignment for a uniform fee
3 of \$1.00 per page. The secretary of state shall charge an addi-
4 tional fee of \$25.00 if a person requests expediting of the regu-
5 lar search process. The secretary of state shall promulgate
6 rules under the administrative procedures act of 1969, Act
7 No. 306 of the Public Acts of 1969, being sections 24.201 to
8 24.328 of the Michigan Compiled Laws, to define what constitutes
9 expediting of the regular search process.~~

10 (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (2), A TERM
11 IN A LEASE AGREEMENT IS INEFFECTIVE TO THE EXTENT THAT IT DOES 1
12 OR MORE OF THE FOLLOWING:

13 (A) PROHIBITS, RESTRICTS, OR REQUIRES THE CONSENT OF A PARTY
14 TO THE LEASE TO THE ASSIGNMENT OR TRANSFER OF, OR THE CREATION,
15 ATTACHMENT, PERFECTION, OR ENFORCEMENT OF A SECURITY INTEREST IN,
16 AN INTEREST OF A PARTY UNDER THE LEASE CONTRACT OR IN THE
17 LESSOR'S RESIDUAL INTEREST IN THE GOODS.

18 (B) PROVIDES THAT THE ASSIGNMENT OR TRANSFER OR THE CRE-
19 ATION, ATTACHMENT, PERFECTION, OR ENFORCEMENT OF THE SECURITY
20 INTEREST MAY GIVE RISE TO A DEFAULT, BREACH, RIGHT OF RECOUPMENT,
21 CLAIM, DEFENSE, TERMINATION, RIGHT OF TERMINATION, OR REMEDY
22 UNDER THE LEASE.

23 (2) EXCEPT AS OTHERWISE PROVIDED IN SECTION 2A303(7), A TERM
24 DESCRIBED IN SUBSECTION (1)(B) IS EFFECTIVE TO THE EXTENT THAT
25 THERE IS 1 OR MORE OF THE FOLLOWING:

26 (A) A TRANSFER BY THE LESSEE OF THE LESSEE'S RIGHT OF
27 POSSESSION OR USE OF THE GOODS IN VIOLATION OF THE TERM.

1 (B) A DELEGATION OF A MATERIAL PERFORMANCE OF EITHER PARTY
2 TO THE LEASE CONTRACT IN VIOLATION OF THE TERM.

3 (3) THE CREATION, ATTACHMENT, PERFECTION, OR ENFORCEMENT OF
4 A SECURITY INTEREST IN THE LESSOR'S INTEREST UNDER THE LEASE CON-
5 TRACT OR THE LESSOR'S RESIDUAL INTEREST IN THE GOODS IS NOT A
6 TRANSFER THAT MATERIALLY IMPAIRS THE LESSEE'S PROSPECT OF OBTAIN-
7 ING RETURN PERFORMANCE OR MATERIALLY CHANGES THE DUTY OF OR MATE-
8 Rially INCREASES THE BURDEN OR RISK IMPOSED ON THE LESSEE WITHIN
9 THE PURVIEW OF SECTION 2A303(4) UNLESS, AND THEN ONLY TO THE
10 EXTENT THAT, ENFORCEMENT ACTUALLY RESULTS IN A DELEGATION OF
11 MATERIAL PERFORMANCE OF THE LESSOR.

12 Sec. 9408. ~~Registers of deeds need not accept at standard~~
13 ~~rates after January 1, 1964 chattel instruments or financing~~
14 ~~statements for filing unless prepared on paper 8 1/2x13 inches in~~
15 ~~size, with a 1/2 inch in length and width allowed for tolerance~~
16 ~~before such papers shall be deemed nonstandard, and of not less~~
17 ~~than 16 pound weight. Nonstandard chattel papers in size or~~
18 ~~weight may be filed by paying 50 cents extra for each paper so~~
19 ~~filed.~~

20 (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (2) OR (4), A
21 TERM IN A PROMISSORY NOTE OR IN AN AGREEMENT BETWEEN AN ACCOUNT
22 DEBTOR AND A DEBTOR THAT RELATES TO A HEALTH-CARE-INSURANCE
23 RECEIVABLE OR A GENERAL INTANGIBLE, INCLUDING A CONTRACT, PERMIT,
24 LICENSE, OR FRANCHISE, AND WHICH TERM PROHIBITS, RESTRICTS, OR
25 REQUIRES THE CONSENT OF THE PERSON OBLIGATED ON THE PROMISSORY
26 NOTE OR THE ACCOUNT DEBTOR TO, THE ASSIGNMENT OR TRANSFER OF, OR
27 CREATION, ATTACHMENT, OR PERFECTION OF A SECURITY INTEREST IN,

1 THE PROMISSORY NOTE, HEALTH-CARE-INSURANCE RECEIVABLE, OR GENERAL
2 INTANGIBLE, IS INEFFECTIVE TO THE EXTENT THAT THE TERM DOES 1 OR
3 MORE OF THE FOLLOWING:

4 (A) WOULD IMPAIR THE CREATION, ATTACHMENT, OR PERFECTION OF
5 A SECURITY INTEREST.

6 (B) PROVIDES THAT THE ASSIGNMENT OR TRANSFER OR THE CRE-
7 ATION, ATTACHMENT, OR PERFECTION OF THE SECURITY INTEREST MAY
8 GIVE RISE TO A DEFAULT, BREACH, RIGHT OF RECOUPMENT, CLAIM,
9 DEFENSE, TERMINATION, RIGHT OF TERMINATION, OR REMEDY UNDER THE
10 PROMISSORY NOTE, HEALTH-CARE-INSURANCE RECEIVABLE, OR GENERAL
11 INTANGIBLE.

12 (2) SUBSECTION (1) APPLIES TO A SECURITY INTEREST IN A PAY-
13 MENT INTANGIBLE OR PROMISSORY NOTE ONLY IF THE SECURITY INTEREST
14 ARISES OUT OF A SALE OF THE PAYMENT INTANGIBLE OR PROMISSORY
15 NOTE.

16 (3) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (4), A RULE
17 OF LAW, STATUTE, OR REGULATION THAT PROHIBITS, RESTRICTS, OR
18 REQUIRES THE CONSENT OF A GOVERNMENT, GOVERNMENTAL BODY OR OFFI-
19 CIAL, PERSON OBLIGATED ON A PROMISSORY NOTE, OR ACCOUNT DEBTOR TO
20 THE ASSIGNMENT OR TRANSFER OF, OR CREATION OF A SECURITY INTEREST
21 IN, A PROMISSORY NOTE, HEALTH-CARE-INSURANCE RECEIVABLE, OR GEN-
22 ERAL INTANGIBLE, INCLUDING A CONTRACT, PERMIT, LICENSE, OR FRAN-
23 CHISE BETWEEN AN ACCOUNT DEBTOR AND A DEBTOR, IS INEFFECTIVE TO
24 THE EXTENT THAT THE RULE OF LAW, STATUTE, OR REGULATION DOES 1 OR
25 MORE OF THE FOLLOWING:

26 (A) WOULD IMPAIR THE CREATION, ATTACHMENT, OR PERFECTION OF
27 A SECURITY INTEREST.

1 (B) PROVIDES THAT THE ASSIGNMENT OR TRANSFER OR THE
2 CREATION, ATTACHMENT, OR PERFECTION OF THE SECURITY INTEREST MAY
3 GIVE RISE TO A DEFAULT, BREACH, RIGHT OF RECOUPMENT, CLAIM,
4 DEFENSE, TERMINATION, RIGHT OF TERMINATION, OR REMEDY UNDER THE
5 PROMISSORY NOTE, HEALTH-CARE-INSURANCE RECEIVABLE, OR GENERAL
6 INTANGIBLE.

7 (4) TO THE EXTENT THAT A TERM IN A PROMISSORY NOTE OR IN AN
8 AGREEMENT BETWEEN AN ACCOUNT DEBTOR AND A DEBTOR THAT RELATES TO
9 A HEALTH-CARE-INSURANCE RECEIVABLE OR GENERAL INTANGIBLE OR A
10 RULE OF LAW, STATUTE, OR REGULATION DESCRIBED IN SUBSECTION (3)
11 WOULD BE EFFECTIVE UNDER LAW OTHER THAN THIS ARTICLE BUT IS INEF-
12 FECTIVE UNDER SUBSECTION (1) OR (3), THE CREATION, ATTACHMENT, OR
13 PERFECTION OF A SECURITY INTEREST IN THE PROMISSORY NOTE,
14 HEALTH-CARE-INSURANCE RECEIVABLE, OR GENERAL INTANGIBLE IS NOT OR
15 DOES NOT DO ALL OF THE FOLLOWING:

16 (A) IS NOT ENFORCEABLE AGAINST THE PERSON OBLIGATED ON THE
17 PROMISSORY NOTE OR THE ACCOUNT DEBTOR.

18 (B) DOES NOT IMPOSE A DUTY OR OBLIGATION ON THE PERSON OBLI-
19 GATED ON THE PROMISSORY NOTE OR THE ACCOUNT DEBTOR.

20 (C) DOES NOT REQUIRE THE PERSON OBLIGATED ON THE PROMISSORY
21 NOTE OR THE ACCOUNT DEBTOR TO RECOGNIZE THE SECURITY INTEREST,
22 PAY OR RENDER PERFORMANCE TO THE SECURED PARTY, OR ACCEPT PAYMENT
23 OR PERFORMANCE FROM THE SECURED PARTY.

24 (D) DOES NOT ENTITLE THE SECURED PARTY TO USE OR ASSIGN THE
25 DEBTOR'S RIGHTS UNDER THE PROMISSORY NOTE, HEALTH-CARE-INSURANCE
26 RECEIVABLE, OR GENERAL INTANGIBLE, INCLUDING ANY RELATED
27 INFORMATION OR MATERIALS FURNISHED TO THE DEBTOR IN THE

1 TRANSACTION GIVING RISE TO THE PROMISSORY NOTE,

2 HEALTH-CARE-INSURANCE RECEIVABLE, OR GENERAL INTANGIBLE.

3 (E) DOES NOT ENTITLE THE SECURED PARTY TO USE, ASSIGN, POS-
4 SESS, OR HAVE ACCESS TO ANY TRADE SECRETS OR CONFIDENTIAL INFOR-
5 MATION OF THE PERSON OBLIGATED ON THE PROMISSORY NOTE OR THE
6 ACCOUNT DEBTOR.

7 (F) DOES NOT ENTITLE THE SECURED PARTY TO ENFORCE THE SECUR-
8 ITY INTEREST IN THE PROMISSORY NOTE, HEALTH-CARE-INSURANCE
9 RECEIVABLE, OR GENERAL INTANGIBLE.

10 (5) SUBSECTIONS (1) AND (3) DO NOT APPLY TO EITHER OF THE
11 FOLLOWING:

12 (A) A CLAIM OR RIGHT TO RECEIVE AN AMOUNT THAT WOULD BE
13 EXCLUDED FROM GROSS INCOME UNDER SECTION 104(a)(1) OR (2) OF THE
14 INTERNAL REVENUE CODE OF 1986, 26 U.S.C. 104.

15 (B) A CLAIM OR RIGHT TO RECEIVE BENEFITS FROM A SPECIAL
16 NEEDS TRUST. FOR PURPOSES OF THIS SUBDIVISION, A "SPECIAL NEEDS
17 TRUST" IS A TRUST DESCRIBED IN SECTION 1917(d)(4)(A), (B), OR (C)
18 OF TITLE XIX OF THE SOCIAL SECURITY ACT, 42 U.S.C. 1396p.

19 Sec. 9409. ~~The fees collected by the secretary of state~~
20 ~~under this act shall be deposited in the general fund and are~~
21 ~~appropriated to the department of state to cover the secretary of~~
22 ~~state's expenses of administering this act, including the cost of~~
23 ~~converting secretary of state uniform commercial code records~~
24 ~~from a manual to an electronic data processing record-keeping~~
25 ~~system. Any unexpended and unencumbered balance remaining at the~~
26 ~~close of each fiscal year shall revert to the general fund.~~

1 (1) A TERM IN A LETTER OF CREDIT OR A RULE OF LAW, STATUTE,
2 REGULATION, CUSTOM, OR PRACTICE APPLICABLE TO THE LETTER OF
3 CREDIT THAT PROHIBITS, RESTRICTS, OR REQUIRES THE CONSENT OF AN
4 APPLICANT, ISSUER, OR NOMINATED PERSON TO A BENEFICIARY'S ASSIGN-
5 MENT OF OR CREATION OF A SECURITY INTEREST IN A LETTER-OF-CREDIT
6 RIGHT IS INEFFECTIVE TO THE EXTENT THAT THE TERM OR RULE OF LAW,
7 STATUTE, REGULATION, CUSTOM, OR PRACTICE DOES 1 OR MORE OF THE
8 FOLLOWING:

9 (A) WOULD IMPAIR THE CREATION, ATTACHMENT, OR PERFECTION OF
10 A SECURITY INTEREST IN THE LETTER-OF-CREDIT RIGHT.

11 (B) PROVIDES THAT THE ASSIGNMENT OR THE CREATION, ATTACH-
12 MENT, OR PERFECTION OF THE SECURITY INTEREST MAY GIVE RISE TO A
13 DEFAULT, BREACH, RIGHT OF RECOUPMENT, CLAIM, DEFENSE, TERMINA-
14 TION, RIGHT OF TERMINATION, OR REMEDY UNDER THE LETTER-OF-CREDIT
15 RIGHT.

16 (2) TO THE EXTENT THAT A TERM IN A LETTER OF CREDIT IS INEF-
17 FECTIVE UNDER SUBSECTION (1) BUT WOULD BE EFFECTIVE UNDER LAW
18 OTHER THAN THIS ARTICLE OR A CUSTOM OR PRACTICE APPLICABLE TO THE
19 LETTER OF CREDIT, TO THE TRANSFER OF A RIGHT TO DRAW OR OTHERWISE
20 DEMAND PERFORMANCE UNDER THE LETTER OF CREDIT, OR TO THE ASSIGN-
21 MENT OF A RIGHT TO PROCEEDS OF THE LETTER OF CREDIT, THE CRE-
22 ATION, ATTACHMENT, OR PERFECTION OF A SECURITY INTEREST IN THE
23 LETTER-OF-CREDIT RIGHT, THE TERM IS NOT ENFORCEABLE AGAINST THE
24 APPLICANT, ISSUER, NOMINATED PERSON, OR TRANSFEREE BENEFICIARY,
25 IMPOSES NO DUTIES OR OBLIGATIONS ON THE APPLICANT, ISSUER, NOMI-
26 NATED PERSON, OR TRANSFEREE BENEFICIARY, AND DOES NOT REQUIRE THE
27 APPLICANT, ISSUER, NOMINATED PERSON, OR TRANSFEREE BENEFICIARY TO

1 RECOGNIZE THE SECURITY INTEREST, PAY OR RENDER PERFORMANCE TO THE
2 SECURED PARTY, OR ACCEPT PAYMENT OR OTHER PERFORMANCE FROM THE
3 SECURED PARTY.

4 PART 5

5 ~~DEFAULT~~ FILING

6 SUBPART 1. FILING OFFICE; CONTENTS AND EFFECTIVENESS OF
7 FINANCING STATEMENT

8 Sec. 9501. ~~(1) When a debtor is in default under a secur-~~
9 ~~ity agreement, a secured party has the rights and remedies pro-~~
10 ~~vided in this part and except as limited by subsection (3) those~~
11 ~~provided in the security agreement. He may reduce his claim to~~
12 ~~judgment, foreclose, or otherwise enforce the security interest~~
13 ~~by any available judicial procedure. If the collateral is docu-~~
14 ~~ments the secured party may proceed either as to the documents,~~
15 ~~or as to the goods covered thereby. A secured party in posses-~~
16 ~~sion has the rights, remedies, and duties provided in section~~
17 ~~9207. The rights and remedies referred to in this subsection are~~
18 ~~cumulative.~~

19 ~~(2) After default, the debtor has the rights and remedies~~
20 ~~provided in this part, those provided in the security agreement,~~
21 ~~and those provided in section 9207.~~

22 ~~(3) To the extent that they give rights to the debtor and~~
23 ~~impose duties on the secured party, the rules stated in the sub-~~
24 ~~sections referred to below may not be waived or varied except as~~
25 ~~provided with respect to compulsory disposition of collateral~~
26 ~~(section 9504(3) and section 9505) and with respect to redemption~~
27 ~~of collateral (section 9506) but the parties may by agreement~~

1 ~~determine the standards by which the fulfillment of these rights~~
2 ~~and duties is to be measured if such standards are not manifestly~~
3 ~~unreasonable;~~

4 ~~(a) subsection (2) of section 9502 and subsection (2) of~~
5 ~~section 9504 insofar as they require accounting for surplus pro-~~
6 ~~ceeds of collateral;~~

7 ~~(b) subsection (3) of section 9504 and subsection (1) of~~
8 ~~section 9505 which deal with disposition of collateral;~~

9 ~~(c) subsection (2) of section 9505 which deals with accep-~~
10 ~~tance of collateral as discharge of obligation;~~

11 ~~(d) section 9506 which deals with redemption of collateral;~~
12 ~~and~~

13 ~~(e) subsection (1) of section 9507 which deals with the~~
14 ~~secured party's liability for failure to comply with this part.~~

15 ~~(4) If the security agreement covers both real and personal~~
16 ~~property, the secured party may proceed under this part as to the~~
17 ~~personal property or he may proceed as to both the real and the~~
18 ~~personal property in accordance with his rights and remedies in~~
19 ~~respect of the real property in which case the provisions of this~~
20 ~~part do not apply.~~

21 ~~(5) When a secured party has reduced his claim to judgment~~
22 ~~the lien of any levy which may be made upon his collateral by~~
23 ~~virtue of any execution based upon the judgment shall relate back~~
24 ~~to the date of the perfection of the security interest in such~~
25 ~~collateral. A judicial sale, pursuant to such execution, is a~~
26 ~~foreclosure of the security interest by judicial procedure within~~
27 ~~the meaning of this section, and the secured party may purchase~~

1 ~~at the sale and thereafter hold the collateral free of any other~~
2 ~~requirements of this article.~~

3 (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (2), THE
4 OFFICE IN WHICH TO FILE A FINANCING STATEMENT TO PERFECT THE
5 SECURITY INTEREST OR AGRICULTURAL LIEN IS 1 OF THE FOLLOWING:

6 (A) THE OFFICE DESIGNATED FOR THE FILING OR RECORDING OF A
7 RECORD OF A MORTGAGE ON THE RELATED REAL PROPERTY, IF THE COLLAT-
8 ERAL IS AS-EXTRACTED COLLATERAL OR TIMBER TO BE CUT, OR THE
9 FINANCING STATEMENT IS FILED AS A FIXTURE FILING AND THE COLLAT-
10 ERAL IS GOODS THAT ARE OR ARE TO BECOME FIXTURES.

11 (B) THE OFFICE OF SECRETARY OF STATE IN ALL OTHER CASES,
12 INCLUDING A CASE IN WHICH THE COLLATERAL IS GOODS THAT ARE OR ARE
13 TO BECOME FIXTURES AND THE FINANCING STATEMENT IS NOT FILED AS A
14 FIXTURE FILING.

15 (2) THE OFFICE IN WHICH TO FILE A FINANCING STATEMENT TO
16 PERFECT A SECURITY INTEREST IN COLLATERAL, INCLUDING FIXTURES, OF
17 A TRANSMITTING UTILITY IS THE OFFICE OF THE SECRETARY OF STATE.
18 THE FINANCING STATEMENT ALSO CONSTITUTES A FIXTURE FILING AS TO
19 THE COLLATERAL INDICATED IN THE FINANCING STATEMENT WHICH IS OR
20 IS TO BECOME FIXTURES.

21 (3) ANY FINANCING STATEMENT FILED UNDER SUBSECTION (1)(A)
22 WITH A REGISTER OF DEEDS AND ANY CONTINUATION STATEMENT, TERMINA-
23 TION STATEMENT, AMENDMENT, OR ASSIGNMENT RELATING TO THE FINANC-
24 ING STATEMENT AND MEETING THE FORMAL REQUISITES OF THIS PART
25 SHALL BE RECORDED BY THE REGISTER OF DEEDS, NOTWITHSTANDING THE
26 PROVISIONS FOR WITNESSING AND ACKNOWLEDGING INSTRUMENTS TO BE

1 RECORDED IN THE REAL PROPERTY RECORDS CONTAINED IN SECTION 47 OF
2 1846 RS 65, MCL 565.47.

3 Sec. 9502. ~~(1) When so agreed and in any event on default~~
4 ~~the secured party is entitled to notify an account debtor or the~~
5 ~~obligor on an instrument to make payment to him whether or not~~
6 ~~the assignor was theretofore making collections on the collateral,~~
7 ~~and also to take control of any proceeds to which he is enti-~~
8 ~~tled under section 9306.~~

9 ~~(2) A secured party who by agreement is entitled to charge~~
10 ~~back uncollected collateral or otherwise to full or limited~~
11 ~~recourse against the debtor and who undertakes to collect from~~
12 ~~the account debtors or obligors must proceed in a commercially~~
13 ~~reasonable manner and may deduct his reasonable expenses of real-~~
14 ~~ization from the collections. If the security agreement secures~~
15 ~~an indebtedness, the secured party must account to the debtor for~~
16 ~~any surplus, and unless otherwise agreed, the debtor is liable~~
17 ~~for any deficiency. But, if the underlying transaction was a~~
18 ~~sale of accounts or chattel paper, the debtor is entitled to any~~
19 ~~surplus or is liable for any deficiency only if the security~~
20 ~~agreement so provides.~~

21 (1) SUBJECT TO SUBSECTION (2), A FINANCING STATEMENT IS SUF-
22 FICIENT ONLY IF IT DOES ALL OF THE FOLLOWING:

23 (A) PROVIDES THE NAME OF THE DEBTOR.

24 (B) PROVIDES THE NAME OF THE SECURED PARTY OR A REPRESENTA-
25 TIVE OF THE SECURED PARTY.

26 (C) INDICATES THE COLLATERAL COVERED BY THE FINANCING
27 STATEMENT.

1 (2) EXCEPT AS OTHERWISE PROVIDED IN SECTION 9501(2), TO BE
2 SUFFICIENT, A FINANCING STATEMENT THAT COVERS AS-EXTRACTED COL-
3 LATERAL OR TIMBER TO BE CUT, OR THAT IS FILED AS A FIXTURE FILING
4 AND COVERS GOODS THAT ARE OR ARE TO BECOME FIXTURES, MUST SATISFY
5 SUBSECTION (1) AND ALSO DO ALL OF THE FOLLOWING:

6 (A) INDICATE THAT IT COVERS THIS TYPE OF COLLATERAL.

7 (B) INDICATE THAT IT IS TO BE RECORDED IN THE REAL PROPERTY
8 RECORDS.

9 (C) PROVIDE A DESCRIPTION OF THE REAL PROPERTY TO WHICH THE
10 COLLATERAL IS RELATED SUFFICIENT TO GIVE CONSTRUCTIVE NOTICE OF A
11 MORTGAGE UNDER THE LAW OF THIS STATE IF THE DESCRIPTION WERE CON-
12 TAINED IN A RECORD OF THE MORTGAGE OF THE REAL PROPERTY.

13 (D) IF THE DEBTOR DOES NOT HAVE AN INTEREST OF RECORD IN THE
14 REAL PROPERTY, PROVIDE THE NAME OF A RECORD OWNER.

15 (3) A RECORD OF A MORTGAGE IS EFFECTIVE, FROM THE DATE OF
16 RECORDING, AS A FINANCING STATEMENT FILED AS A FIXTURE FILING OR
17 AS A FINANCING STATEMENT COVERING AS-EXTRACTED COLLATERAL OR
18 TIMBER TO BE CUT ONLY IF ALL OF THE FOLLOWING APPLY:

19 (A) THE RECORD INDICATES THE GOODS OR ACCOUNTS THAT IT
20 COVERS.

21 (B) THE GOODS ARE OR ARE TO BECOME FIXTURES RELATED TO THE
22 REAL PROPERTY DESCRIBED IN THE RECORD OR THE COLLATERAL IS
23 RELATED TO THE REAL PROPERTY DESCRIBED IN THE RECORD AND IS
24 AS-EXTRACTED COLLATERAL OR TIMBER TO BE CUT.

25 (C) THE RECORD SATISFIES THE REQUIREMENTS FOR A FINANCING
26 STATEMENT IN THIS SECTION OTHER THAN AN INDICATION THAT IT IS TO
27 BE FILED IN THE REAL PROPERTY RECORDS.

1 (D) THE RECORD IS DULY RECORDED.

2 (4) A FINANCING STATEMENT MAY BE FILED BEFORE A SECURITY
3 AGREEMENT IS MADE OR A SECURITY INTEREST OTHERWISE ATTACHES.

4 Sec. 9503. ~~Unless otherwise agreed a secured party has on~~
5 ~~default the right to take possession of the collateral. In~~
6 ~~taking possession a secured party may proceed without judicial~~
7 ~~process if this can be done without breach of the peace or may~~
8 ~~proceed by action. If the security agreement so provides the~~
9 ~~secured party may require the debtor to assemble the collateral~~
10 ~~and make it available to the secured party at a place to be des-~~
11 ~~ignated by the secured party which is reasonably convenient to~~
12 ~~both parties. Without removal a secured party may render equip-~~
13 ~~ment unusable, and may dispose of collateral on the debtor's~~
14 ~~premises under section 9504.~~

15 (1) A FINANCING STATEMENT SUFFICIENTLY PROVIDES THE NAME OF
16 THE DEBTOR IF IT MEETS ALL OF THE FOLLOWING THAT APPLY TO THE
17 DEBTOR:

18 (A) IF THE DEBTOR IS A REGISTERED ORGANIZATION, ONLY IF THE
19 FINANCING STATEMENT PROVIDES THE NAME OF THE DEBTOR INDICATED ON
20 THE PUBLIC RECORD OF THE DEBTOR'S JURISDICTION OF ORGANIZATION
21 WHICH SHOWS THE DEBTOR TO HAVE BEEN ORGANIZED.

22 (B) IF THE DEBTOR IS A DECEDENT'S ESTATE, ONLY IF THE
23 FINANCING STATEMENT PROVIDES THE NAME OF THE DECEDENT AND INDI-
24 CATES THAT THE DEBTOR IS AN ESTATE.

25 (C) IF THE DEBTOR IS A TRUST OR A TRUSTEE ACTING WITH
26 RESPECT TO PROPERTY HELD IN TRUST, ONLY IF THE FINANCING
27 STATEMENT DOES BOTH OF THE FOLLOWING:

1 (i) PROVIDES THE NAME SPECIFIED FOR THE TRUST IN ITS ORGANIC
2 DOCUMENTS OR, IF NO NAME IS SPECIFIED, PROVIDES THE NAME OF THE
3 SETTLOR AND ADDITIONAL INFORMATION SUFFICIENT TO DISTINGUISH THE
4 DEBTOR FROM OTHER TRUSTS HAVING 1 OR MORE OF THE SAME SETTLORS.

5 (ii) INDICATES, IN THE DEBTOR'S NAME OR OTHERWISE, THAT THE
6 DEBTOR IS A TRUST OR IS A TRUSTEE ACTING WITH RESPECT TO PROPERTY
7 HELD IN TRUST.

8 (D) IN OTHER CASES, SATISFIES 1 OF THE FOLLOWING:

9 (i) IF THE DEBTOR HAS A NAME, ONLY IF IT PROVIDES THE INDI-
10 VIDUAL OR ORGANIZATIONAL NAME OF THE DEBTOR.

11 (ii) IF THE DEBTOR DOES NOT HAVE A NAME, ONLY IF IT PROVIDES
12 THE NAMES OF THE PARTNERS, MEMBERS, ASSOCIATES, OR OTHER PERSONS
13 COMPRISING THE DEBTOR.

14 (2) A FINANCING STATEMENT THAT PROVIDES THE NAME OF THE
15 DEBTOR IN ACCORDANCE WITH SUBSECTION (1) IS NOT RENDERED INEFFECTIVE
16 BY THE ABSENCE OF 1 OR MORE OF THE FOLLOWING:

17 (A) A TRADE NAME OR OTHER NAME OF THE DEBTOR.

18 (B) UNLESS REQUIRED UNDER SUBSECTION (1)(D)(ii), NAMES OF
19 PARTNERS, MEMBERS, ASSOCIATES, OR OTHER PERSONS COMPRISING THE
20 DEBTOR.

21 (3) A FINANCING STATEMENT THAT PROVIDES ONLY THE DEBTOR'S
22 TRADE NAME DOES NOT SUFFICIENTLY PROVIDE THE NAME OF THE DEBTOR.

23 (4) FAILURE TO INDICATE THE REPRESENTATIVE CAPACITY OF A
24 SECURED PARTY OR REPRESENTATIVE OF A SECURED PARTY DOES NOT
25 AFFECT THE SUFFICIENCY OF A FINANCING STATEMENT.

26 (5) A FINANCING STATEMENT MAY PROVIDE THE NAME OF MORE THAN
27 1 DEBTOR AND THE NAME OF MORE THAN 1 SECURED PARTY.

1 Sec. 9504. ~~-(1) A secured party after default may sell,~~
2 ~~lease, or otherwise dispose of any or all of the collateral in~~
3 ~~its then condition or following any commercially reasonable prep-~~
4 ~~aration or processing. Any sale of goods is subject to the arti-~~
5 ~~cle on sales (article 2). The proceeds of disposition shall be~~
6 ~~applied in the order following to:~~

7 ~~(a) The reasonable expenses of retaking, holding, preparing~~
8 ~~for sale or lease, selling, leasing, and the like and, to the~~
9 ~~extent provided for in the agreement and not prohibited by law,~~
10 ~~the reasonable attorneys' fees and legal expenses incurred by the~~
11 ~~secured party;~~

12 ~~(b) The satisfaction of indebtedness secured by the security~~
13 ~~interest under which the disposition is made;~~

14 ~~(c) The satisfaction of indebtedness secured by any subordi-~~
15 ~~nate security interest in the collateral if written notification~~
16 ~~of demand therefor is received before distribution of the pro-~~
17 ~~ceeds is completed. If requested by the secured party, the~~
18 ~~holder of a subordinate security interest must seasonably furnish~~
19 ~~reasonable proof of his interest, and unless he does so, the~~
20 ~~secured party need not comply with his demand.~~

21 ~~(2) If the security interest secures an indebtedness, the~~
22 ~~secured party must account to the debtor for any surplus, and,~~
23 ~~unless otherwise agreed, the debtor is liable for any~~
24 ~~deficiency. But if the underlying transaction was a sale of~~
25 ~~accounts or chattel paper, the debtor is entitled to any surplus~~
26 ~~or is liable for any deficiency only if the security agreement so~~
27 ~~provides.~~

1 ~~(3) Disposition of the collateral may be by public or~~
2 ~~private proceedings and may be made by way of 1 or more~~
3 ~~contracts. Sale or other disposition may be as a unit or in par-~~
4 ~~cels and at any time and place and on any terms but every aspect~~
5 ~~of the disposition including the method, manner, time, place, and~~
6 ~~terms must be commercially reasonable. Unless collateral is per-~~
7 ~~ishable or threatens to decline speedily in value or is of a type~~
8 ~~customarily sold on a recognized market, reasonable notification~~
9 ~~of the time and place of any public sale or reasonable notifica-~~
10 ~~tion of the time after which any private sale or other intended~~
11 ~~disposition is to be made shall be sent by the secured party to~~
12 ~~the debtor, if he has not signed after default a statement~~
13 ~~renouncing or modifying his right to notification of sale. In~~
14 ~~the case of consumer goods no other notification need be sent.~~
15 ~~In other cases notification shall be sent to any other secured~~
16 ~~party from whom the secured party has received (before sending~~
17 ~~his notification to the debtor or before the debtor's renuncia-~~
18 ~~tion of his rights) written notice of a claim of an interest in~~
19 ~~the collateral. The secured party may buy at any public sale and~~
20 ~~if the collateral is of a type customarily sold in a recognized~~
21 ~~market or is of a type which is the subject of widely distributed~~
22 ~~standard price quotations he may buy at private sale.~~

23 ~~(4) When collateral is disposed of by a secured party after~~
24 ~~default, the disposition transfers to a purchaser for value all~~
25 ~~of the debtor's rights therein, discharges the security interest~~
26 ~~under which it is made and any security interest or lien~~
27 ~~subordinate thereto. The purchaser takes free of all such rights~~

~~1 and interests even though the secured party fails to comply with
2 the requirements of this part or of any judicial proceedings:~~

~~3 (a) In the case of a public sale, if the purchaser has no
4 knowledge of any defects in the sale and if he does not buy in
5 collusion with the secured party, other bidders or the person
6 conducting the sale; or~~

~~7 (b) In any other case, if the purchaser acts in good faith.~~

~~8 (5) A person who is liable to a secured party under a guar-
9 anty, indorsement, repurchase agreement, or the like and who
10 receives a transfer of collateral from the secured party or is
11 subrogated to his rights has thereafter the rights and duties of
12 the secured party. Such a transfer of collateral is not a sale
13 or disposition of the collateral under this article. A FINANCING
14 STATEMENT SUFFICIENTLY INDICATES THE COLLATERAL THAT IT COVERS IF
15 THE FINANCING STATEMENT PROVIDES 1 OF THE FOLLOWING:~~

~~16 (A) A DESCRIPTION OF THE COLLATERAL PURSUANT TO SECTION
17 9108.~~

~~18 (B) AN INDICATION THAT THE FINANCING STATEMENT COVERS ALL
19 ASSETS OR ALL PERSONAL PROPERTY.~~

~~20 Sec. 9505. (1) If the debtor has paid 60% of the cash
21 price in the case of a purchase money security interest in con-
22 sumer goods or 60% of the loan in the case of another security
23 interest in consumer goods, and has not signed after default a
24 statement renouncing or modifying his rights under this part a
25 secured party who has taken possession of collateral must dispose
26 of it under section 9504, and if he fails to do so within 90 days
27 after he takes possession the debtor at his option may recover in~~

1 ~~conversion or under section 9507(1) on secured party's~~
2 ~~liability.~~

3 ~~(2) In any other case involving consumer goods or any other~~
4 ~~collateral a secured party in possession may, after default, pro-~~
5 ~~pose to retain the collateral in satisfaction of the obligation.~~
6 ~~Written notice of such proposal shall be sent to the debtor if he~~
7 ~~has not signed after default a statement renouncing or modifying~~
8 ~~his rights under this subsection. In the case of consumer goods~~
9 ~~no other notice need be given. In other cases notice shall be~~
10 ~~sent to any other secured party from whom the secured party has~~
11 ~~received (before sending his notice to the debtor or before the~~
12 ~~debtor's renunciation of his rights) written notice of a claim of~~
13 ~~an interest in the collateral. If the secured party receives~~
14 ~~objection in writing from a person entitled to receive notifica-~~
15 ~~tion within 21 days after the notice was sent, the secured party~~
16 ~~must dispose of the collateral under section 9504. In the~~
17 ~~absence of such written objection the secured party may retain~~
18 ~~the collateral in satisfaction of the debtor's obligation.~~

19 (1) A CONSIGNOR, LESSOR, OR OTHER BAILOR OF GOODS, A LICEN-
20 SOR, OR A BUYER OF A PAYMENT INTANGIBLE OR PROMISSORY NOTE MAY
21 FILE A FINANCING STATEMENT, OR MAY COMPLY WITH A STATUTE OR
22 TREATY DESCRIBED IN SECTION 9311(1), USING THE TERMS "CONSIGNOR",
23 "CONSIGNEE", "LESSOR", "LESSEE", "BAILOR", "BAILEE", "LICENSOR",
24 "LICENSEE", "OWNER", "REGISTERED OWNER", "BUYER", "SELLER", OR
25 WORDS OF SIMILAR IMPORT, INSTEAD OF THE TERMS "SECURED PARTY" AND
26 "DEBTOR".

1 (2) THIS PART APPLIES TO THE FILING OF A FINANCING STATEMENT
2 UNDER SUBSECTION (1) AND, AS APPROPRIATE, TO COMPLIANCE THAT IS
3 EQUIVALENT TO FILING A FINANCING STATEMENT UNDER SECTION 9311(2),
4 BUT THE FILING OR COMPLIANCE IS NOT OF ITSELF A FACTOR IN DETER-
5 MINING WHETHER THE COLLATERAL SECURES AN OBLIGATION. IF IT IS
6 DETERMINED FOR ANOTHER REASON THAT THE COLLATERAL SECURES AN
7 OBLIGATION, A SECURITY INTEREST HELD BY THE CONSIGNOR, LESSOR,
8 BAILOR, LICENSOR, OWNER, OR BUYER WHICH ATTACHES TO THE COLLAT-
9 ERAL IS PERFECTED BY THE FILING OR COMPLIANCE.

10 Sec. 9506. ~~At any time before the secured party has dis-~~
11 ~~posed of collateral or entered into a contract for its disposi-~~
12 ~~tion under section 9504 or before the obligation has been dis-~~
13 ~~charged under section 9505(2) the debtor or any other secured~~
14 ~~party may unless otherwise agreed in writing after default redeem~~
15 ~~the collateral by tendering fulfillment of all obligations~~
16 ~~secured by the collateral as well as the expenses reasonably~~
17 ~~incurred by the secured party in retaking, holding and preparing~~
18 ~~the collateral for disposition, in arranging for the sale, and to~~
19 ~~the extent provided in the agreement and not prohibited by law,~~
20 ~~his reasonable attorney's fees and legal expenses.~~

21 (1) A FINANCING STATEMENT SUBSTANTIALLY SATISFYING THE
22 REQUIREMENTS OF THIS PART IS EFFECTIVE, EVEN IF IT HAS MINOR
23 ERRORS OR OMISSIONS, UNLESS THE ERRORS OR OMISSIONS MAKE THE
24 FINANCING STATEMENT SERIOUSLY MISLEADING.

25 (2) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (3), A
26 FINANCING STATEMENT THAT FAILS SUFFICIENTLY TO PROVIDE THE NAME

1 OF THE DEBTOR IN ACCORDANCE WITH SECTION 9503(1) IS SERIOUSLY
2 MISLEADING.

3 (3) IF A SEARCH OF THE RECORDS OF THE FILING OFFICE UNDER
4 THE DEBTOR'S CORRECT NAME, USING THE FILING OFFICE'S STANDARD
5 SEARCH LOGIC, IF ANY, WOULD DISCLOSE A FINANCING STATEMENT THAT
6 FAILS SUFFICIENTLY TO PROVIDE THE NAME OF THE DEBTOR IN ACCORD-
7 ANCE WITH SECTION 9503(1), THE NAME PROVIDED DOES NOT MAKE THE
8 FINANCING STATEMENT SERIOUSLY MISLEADING.

9 (4) FOR PURPOSES OF SECTION 9508(2), THE "DEBTOR'S CORRECT
10 NAME" IN SUBSECTION (3) MEANS THE CORRECT NAME OF THE NEW DEBTOR.

11 Sec. 9507. ~~(1) If it is established that the secured party~~
12 ~~is not proceeding in accordance with the provisions of this part~~
13 ~~disposition may be ordered or restrained on appropriate terms and~~
14 ~~conditions. If the disposition has occurred the debtor or any~~
15 ~~person entitled to notification or whose security interest has~~
16 ~~been made known to the secured party prior to the disposition has~~
17 ~~a right to recover from the secured party any loss caused by a~~
18 ~~failure to comply with the provisions of this part. If the col-~~
19 ~~lateral is consumer goods, the debtor has a right to recover in~~
20 ~~any event an amount not less than the credit service charge plus~~
21 ~~10% of the principal amount of the debt or the time price differ-~~
22 ~~ential plus 10% of the cash price.~~

23 ~~(2) The fact that a better price could have been obtained by~~
24 ~~a sale at a different time or in a different method from that~~
25 ~~selected by the secured party is not of itself sufficient to~~
26 ~~establish that the sale was not made in a commercially reasonable~~
27 ~~manner. If the secured party either sells the collateral in the~~

~~1 usual manner in any recognized market therefor or if he sells at
2 the price current in such market at the time of his sale or if he
3 has otherwise sold in conformity with reasonable commercial prac-
4 tices among dealers in the type of property sold he has sold in a
5 commercially reasonable manner. The principles stated in the 2
6 preceding sentences with respect to sales also apply as may be
7 appropriate to other types of disposition. A disposition which
8 has been approved in any judicial proceeding or by any bona fide
9 creditors' committee or representative of creditors shall conclu-
10 sively be deemed to be commercially reasonable, but this sentence
11 does not indicate that any such approval must be obtained in any
12 case nor does it indicate that any disposition not so approved is
13 not commercially reasonable.~~

14 (1) A FILED FINANCING STATEMENT REMAINS EFFECTIVE WITH
15 RESPECT TO COLLATERAL THAT IS SOLD, EXCHANGED, LEASED, LICENSED,
16 OR OTHERWISE DISPOSED OF AND IN WHICH A SECURITY INTEREST OR
17 AGRICULTURAL LIEN CONTINUES, EVEN IF THE SECURED PARTY KNOWS OF
18 OR CONSENTS TO THE DISPOSITION.

19 (2) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (3) AND SEC-
20 TION 9508, A FINANCING STATEMENT IS NOT RENDERED INEFFECTIVE IF,
21 AFTER THE FINANCING STATEMENT IS FILED, THE INFORMATION PROVIDED
22 IN THE FINANCING STATEMENT BECOMES SERIOUSLY MISLEADING UNDER
23 SECTION 9506.

24 (3) IF A DEBTOR SO CHANGES ITS NAME THAT A FILED FINANCING
25 STATEMENT BECOMES SERIOUSLY MISLEADING UNDER SECTION 9506, BOTH
26 OF THE FOLLOWING APPLY:

1 (A) THE FINANCING STATEMENT IS EFFECTIVE TO PERFECT A
2 SECURITY INTEREST IN COLLATERAL ACQUIRED BY THE DEBTOR BEFORE, OR
3 WITHIN 4 MONTHS AFTER, THE CHANGE.

4 (B) THE FINANCING STATEMENT IS NOT EFFECTIVE TO PERFECT A
5 SECURITY INTEREST IN COLLATERAL ACQUIRED BY THE DEBTOR MORE THAN
6 4 MONTHS AFTER THE CHANGE, UNLESS AN AMENDMENT TO THE FINANCING
7 STATEMENT THAT RENDERS THE FINANCING STATEMENT NOT SERIOUSLY MIS-
8 LEADING IS FILED WITHIN 4 MONTHS AFTER THE CHANGE.

9 SEC. 9508. (1) EXCEPT AS OTHERWISE PROVIDED IN THIS SEC-
10 TION, A FILED FINANCING STATEMENT NAMING AN ORIGINAL DEBTOR IS
11 EFFECTIVE TO PERFECT A SECURITY INTEREST IN COLLATERAL IN WHICH A
12 NEW DEBTOR HAS OR ACQUIRES RIGHTS TO THE EXTENT THAT THE FINANC-
13 ING STATEMENT WOULD HAVE BEEN EFFECTIVE HAD THE ORIGINAL DEBTOR
14 ACQUIRED RIGHTS IN THE COLLATERAL.

15 (2) IF THE DIFFERENCE BETWEEN THE NAME OF THE ORIGINAL
16 DEBTOR AND THAT OF THE NEW DEBTOR CAUSES A FILED FINANCING STATE-
17 MENT THAT IS EFFECTIVE UNDER SUBSECTION (1) TO BE SERIOUSLY MIS-
18 LEADING UNDER SECTION 9506, BOTH OF THE FOLLOWING APPLY:

19 (A) THE FINANCING STATEMENT IS EFFECTIVE TO PERFECT A SECUR-
20 ITY INTEREST IN COLLATERAL ACQUIRED BY THE NEW DEBTOR BEFORE, AND
21 WITHIN 4 MONTHS AFTER, THE NEW DEBTOR BECOMES BOUND UNDER SECTION
22 9203(4).

23 (B) THE FINANCING STATEMENT IS NOT EFFECTIVE TO PERFECT A
24 SECURITY INTEREST IN COLLATERAL ACQUIRED BY THE NEW DEBTOR MORE
25 THAN 4 MONTHS AFTER THE NEW DEBTOR BECOMES BOUND UNDER SECTION
26 9203(4) UNLESS AN INITIAL FINANCING STATEMENT PROVIDING THE NAME
27 OF THE NEW DEBTOR IS FILED BEFORE THE EXPIRATION OF THAT TIME.

1 (3) THIS SECTION DOES NOT APPLY TO COLLATERAL AS TO WHICH A
2 FILED FINANCING STATEMENT REMAINS EFFECTIVE AGAINST THE NEW
3 DEBTOR UNDER SECTION 9507(1).

4 SEC. 9509. (1) A PERSON MAY FILE AN INITIAL FINANCING
5 STATEMENT, AMENDMENT THAT ADDS COLLATERAL COVERED BY A FINANCING
6 STATEMENT, OR AMENDMENT THAT ADDS A DEBTOR TO A FINANCING STATE-
7 MENT ONLY IF 1 OF THE FOLLOWING OCCURS:

8 (A) THE DEBTOR AUTHORIZES THE FILING IN AN AUTHENTICATED
9 RECORD OR PURSUANT TO SUBSECTION (2) OR (3).

10 (B) THE PERSON HOLDS AN AGRICULTURAL LIEN THAT HAS BECOME
11 EFFECTIVE AT TIME OF FILING AND THE FINANCING STATEMENT COVERS
12 ONLY COLLATERAL IN WHICH THE PERSON HOLDS AN AGRICULTURAL LIEN.

13 (2) BY AUTHENTICATING OR BECOMING BOUND AS DEBTOR BY A
14 SECURITY AGREEMENT, A DEBTOR OR NEW DEBTOR AUTHORIZES THE FILING
15 OF AN INITIAL FINANCING STATEMENT, AND AN AMENDMENT, COVERING
16 BOTH OF THE FOLLOWING:

17 (A) THE COLLATERAL DESCRIBED IN THE SECURITY AGREEMENT.

18 (B) PROPERTY THAT BECOMES COLLATERAL UNDER SECTION
19 9315(1)(B), WHETHER OR NOT THE SECURITY AGREEMENT EXPRESSLY
20 COVERS PROCEEDS.

21 (3) BY ACQUIRING COLLATERAL IN WHICH A SECURITY INTEREST OR
22 AGRICULTURAL LIEN CONTINUES UNDER SECTION 9315(1)(A), A DEBTOR
23 AUTHORIZES THE FILING OF AN INITIAL FINANCING STATEMENT, AND AN
24 AMENDMENT, COVERING THE COLLATERAL AND PROPERTY THAT BECOMES COL-
25 LATERAL UNDER SECTION 9315(1)(B).

26 (4) A PERSON MAY FILE AN AMENDMENT OTHER THAN AN AMENDMENT
27 THAT ADDS COLLATERAL COVERED BY A FINANCING STATEMENT OR AN

1 AMENDMENT THAT ADDS A DEBTOR TO A FINANCING STATEMENT ONLY IF 1
2 OF THE FOLLOWING APPLIES:

3 (A) THE SECURED PARTY OF RECORD AUTHORIZES THE FILING.

4 (B) THE AMENDMENT IS A TERMINATION STATEMENT FOR A FINANCING
5 STATEMENT AS TO WHICH THE SECURED PARTY OF RECORD HAS FAILED TO
6 FILE OR SEND A TERMINATION STATEMENT AS REQUIRED BY SECTION
7 9513(1) OR (3), THE DEBTOR AUTHORIZES THE FILING, AND THE TERMI-
8 NATION STATEMENT INDICATES THAT THE DEBTOR AUTHORIZED IT TO BE
9 FILED.

10 (5) IF THERE IS MORE THAN 1 SECURED PARTY OF RECORD FOR A
11 FINANCING STATEMENT, EACH SECURED PARTY OF RECORD MAY AUTHORIZE
12 THE FILING OF AN AMENDMENT UNDER SUBSECTION (4).

13 SEC. 9510. (1) A FILED RECORD IS EFFECTIVE ONLY TO THE
14 EXTENT THAT IT WAS FILED BY A PERSON THAT MAY FILE IT UNDER SEC-
15 TION 9509.

16 (2) A RECORD AUTHORIZED BY 1 SECURED PARTY OF RECORD DOES
17 NOT AFFECT THE FINANCING STATEMENT WITH RESPECT TO ANOTHER
18 SECURED PARTY OF RECORD.

19 (3) A CONTINUATION STATEMENT THAT IS NOT FILED WITHIN THE
20 6-MONTH PERIOD PRESCRIBED BY SECTION 9515(4) IS INEFFECTIVE.

21 SEC. 9511. (1) A SECURED PARTY OF RECORD WITH RESPECT TO A
22 FINANCING STATEMENT IS A PERSON WHOSE NAME IS PROVIDED AS THE
23 NAME OF THE SECURED PARTY OR A REPRESENTATIVE OF THE SECURED
24 PARTY IN AN INITIAL FINANCING STATEMENT THAT HAS BEEN FILED. IF
25 AN INITIAL FINANCING STATEMENT IS FILED UNDER SECTION 9514(1),
26 THE ASSIGNEE NAMED IN THE INITIAL FINANCING STATEMENT IS THE
27 SECURED PARTY OF RECORD WITH RESPECT TO THE FINANCING STATEMENT.

1 (2) IF AN AMENDMENT OF A FINANCING STATEMENT THAT PROVIDES
2 THE NAME OF A PERSON AS A SECURED PARTY OR A REPRESENTATIVE OF A
3 SECURED PARTY IS FILED, THE PERSON NAMED IN THE AMENDMENT IS A
4 SECURED PARTY OF RECORD. IF AN AMENDMENT IS FILED UNDER SECTION
5 9514(2), THE ASSIGNEE NAMED IN THE AMENDMENT IS A SECURED PARTY
6 OF RECORD.

7 (3) A PERSON REMAINS A SECURED PARTY OF RECORD UNTIL THE
8 FILING OF AN AMENDMENT OF THE FINANCING STATEMENT THAT DELETES
9 THE PERSON.

10 SEC. 9512. (1) SUBJECT TO SECTION 9509, A PERSON MAY ADD OR
11 DELETE COLLATERAL COVERED BY, CONTINUE OR TERMINATE THE EFFEC-
12 TIVENESS OF, OR, SUBJECT TO SUBSECTION (5), OTHERWISE AMEND THE
13 INFORMATION PROVIDED IN, A FINANCING STATEMENT BY FILING AN
14 AMENDMENT THAT DOES BOTH OF THE FOLLOWING:

15 (A) IDENTIFIES, BY ITS FILE NUMBER, AND, IF APPLICABLE, BY
16 LIBER AND PAGE, THE INITIAL FINANCING STATEMENT TO WHICH THE
17 AMENDMENT RELATES.

18 (B) IF THE AMENDMENT RELATES TO AN INITIAL FINANCING STATE-
19 MENT FILED OR RECORDED IN A FILING OFFICE DESCRIBED IN SECTION
20 9501(1)(A), PROVIDES THE DATE THAT THE INITIAL FINANCING STATE-
21 MENT WAS FILED OR RECORDED AND THE INFORMATION SPECIFIED IN SEC-
22 TION 9502(2).

23 (2) EXCEPT AS OTHERWISE PROVIDED IN SECTION 9515, THE FILING
24 OF AN AMENDMENT DOES NOT EXTEND THE PERIOD OF EFFECTIVENESS OF
25 THE FINANCING STATEMENT.

1 (3) A FINANCING STATEMENT THAT IS AMENDED BY AN AMENDMENT
2 THAT ADDS COLLATERAL IS EFFECTIVE AS TO THE ADDED COLLATERAL ONLY
3 FROM THE DATE OF THE FILING OF THE AMENDMENT.

4 (4) A FINANCING STATEMENT THAT IS AMENDED BY AN AMENDMENT
5 THAT ADDS A DEBTOR IS EFFECTIVE AS TO THE ADDED DEBTOR ONLY FROM
6 THE DATE OF THE FILING OF THE AMENDMENT.

7 (5) AN AMENDMENT IS INEFFECTIVE TO THE EXTENT 1 OR MORE OF
8 THE FOLLOWING APPLY TO IT:

9 (A) IT PURPORTS TO DELETE ALL DEBTORS AND FAILS TO PROVIDE
10 THE NAME OF A DEBTOR TO BE COVERED BY THE FINANCING STATEMENT.

11 (B) IT PURPORTS TO DELETE ALL SECURED PARTIES OF RECORD AND
12 FAILS TO PROVIDE THE NAME OF A NEW SECURED PARTY OF RECORD.

13 SEC. 9513. (1) A SECURED PARTY SHALL CAUSE THE SECURED
14 PARTY OF RECORD FOR A FINANCING STATEMENT TO FILE A TERMINATION
15 STATEMENT FOR THE FINANCING STATEMENT IF THE FINANCING STATEMENT
16 COVERS CONSUMER GOODS AND 1 OR MORE OF THE FOLLOWING APPLY:

17 (A) THERE IS NO OBLIGATION SECURED BY THE COLLATERAL COVERED
18 BY THE FINANCING STATEMENT AND NO COMMITMENT TO MAKE AN ADVANCE,
19 INCUR AN OBLIGATION, OR OTHERWISE GIVE VALUE.

20 (B) THE DEBTOR DID NOT AUTHORIZE THE FILING OF THE INITIAL
21 FINANCING STATEMENT.

22 (2) TO COMPLY WITH SUBSECTION (1), A SECURED PARTY SHALL
23 CAUSE THE SECURED PARTY OF RECORD TO FILE THE TERMINATION STATE-
24 MENT WITHIN 1 OF THE FOLLOWING PERIODS:

25 (A) WITHIN 1 MONTH AFTER THERE IS NO OBLIGATION SECURED BY
26 THE COLLATERAL COVERED BY THE FINANCING STATEMENT AND NO

1 COMMITMENT TO MAKE AN ADVANCE, INCUR AN OBLIGATION, OR OTHERWISE
2 GIVE VALUE.

3 (B) IF EARLIER, WITHIN 20 DAYS AFTER THE SECURED PARTY
4 RECEIVES AN AUTHENTICATED DEMAND FROM A DEBTOR.

5 (3) IN CASES NOT GOVERNED BY SUBSECTION (1), WITHIN 20 DAYS
6 AFTER A SECURED PARTY RECEIVES AN AUTHENTICATED DEMAND FROM A
7 DEBTOR, THE SECURED PARTY SHALL CAUSE THE SECURED PARTY OF RECORD
8 FOR A FINANCING STATEMENT TO SEND TO THE DEBTOR A TERMINATION
9 STATEMENT FOR THE FINANCING STATEMENT OR FILE THE TERMINATION
10 STATEMENT IN THE FILING OFFICE IF 1 OR MORE OF THE FOLLOWING
11 APPLY:

12 (A) EXCEPT IN THE CASE OF A FINANCING STATEMENT COVERING
13 ACCOUNTS OR CHATTEL PAPER THAT HAS BEEN SOLD OR GOODS THAT ARE
14 THE SUBJECT OF A CONSIGNMENT, THERE IS NO OBLIGATION SECURED BY
15 THE COLLATERAL COVERED BY THE FINANCING STATEMENT AND NO COMMIT-
16 MENT TO MAKE AN ADVANCE, INCUR AN OBLIGATION, OR OTHERWISE GIVE
17 VALUE.

18 (B) THE FINANCING STATEMENT COVERS ACCOUNTS OR CHATTEL PAPER
19 THAT HAS BEEN SOLD BUT AS TO WHICH THE ACCOUNT DEBTOR OR OTHER
20 PERSON OBLIGATED HAS DISCHARGED ITS OBLIGATION.

21 (C) THE FINANCING STATEMENT COVERS GOODS THAT WERE THE
22 SUBJECT OF A CONSIGNMENT TO THE DEBTOR BUT ARE NOT IN THE
23 DEBTOR'S POSSESSION.

24 (D) THE DEBTOR DID NOT AUTHORIZE THE FILING OF THE INITIAL
25 FINANCING STATEMENT.

26 (4) EXCEPT AS OTHERWISE PROVIDED IN SECTION 9510, UPON THE
27 FILING OF A TERMINATION STATEMENT WITH THE FILING OFFICE, THE

1 FINANCING STATEMENT TO WHICH THE TERMINATION STATEMENT RELATES
2 CEASES TO BE EFFECTIVE. EXCEPT AS OTHERWISE PROVIDED IN
3 SECTION 9510, FOR PURPOSES OF SECTIONS 9519(7), 9522(1), AND
4 9523(3), THE FILING WITH THE FILING OFFICE OF A TERMINATION
5 STATEMENT RELATING TO A FINANCING STATEMENT THAT INDICATES THAT
6 THE DEBTOR IS A TRANSMITTING UTILITY ALSO CAUSES THE EFFECTIVE-
7 NESS OF THE FINANCING STATEMENT TO LAPSE.

8 SEC. 9514. (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION
9 (3), AN INITIAL FINANCING STATEMENT MAY REFLECT AN ASSIGNMENT OF
10 ALL OF THE SECURED PARTY'S POWER TO AUTHORIZE AN AMENDMENT TO THE
11 FINANCING STATEMENT PROVIDING THE NAME AND MAILING ADDRESS OF THE
12 ASSIGNEE AS THE NAME AND ADDRESS OF THE SECURED PARTY.

13 (2) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (3), A
14 SECURED PARTY OF RECORD MAY ASSIGN OF RECORD ALL OR PART OF ITS
15 POWER TO AUTHORIZE AN AMENDMENT TO A FINANCING STATEMENT BY
16 FILING IN THE FILING OFFICE AN AMENDMENT OF THE FINANCING STATE-
17 MENT THAT DOES ALL OF THE FOLLOWING:

18 (A) IDENTIFIES, BY ITS FILE NUMBER, THE INITIAL FINANCING
19 STATEMENT TO WHICH IT RELATES.

20 (B) PROVIDES THE NAME OF THE ASSIGNOR.

21 (C) PROVIDES THE NAME AND MAILING ADDRESS OF THE ASSIGNEE.

22 (3) AN ASSIGNMENT OF RECORD OF A SECURITY INTEREST IN A FIX-
23 TURE COVERED BY A RECORD OF A MORTGAGE WHICH IS EFFECTIVE AS A
24 FINANCING STATEMENT FILED AS A FIXTURE FILING UNDER SECTION
25 9502(3) MAY BE MADE ONLY BY AN ASSIGNMENT OF RECORD OF THE MORT-
26 GAGE IN THE MANNER PROVIDED BY LAW OF THIS STATE OTHER THAN THIS
27 ACT.

1 SEC. 9515. (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTIONS
2 (2), (5), (6), AND (7), A FILED FINANCING STATEMENT IS EFFECTIVE
3 FOR A PERIOD OF 5 YEARS AFTER THE DATE OF FILING.

4 (2) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTIONS (5), (6),
5 AND (7), AN INITIAL FINANCING STATEMENT FILED IN CONNECTION WITH
6 A PUBLIC-FINANCE TRANSACTION OR MANUFACTURED-HOME TRANSACTION IS
7 EFFECTIVE FOR A PERIOD OF 30 YEARS AFTER THE DATE OF FILING IF IT
8 INDICATES THAT IT IS FILED IN CONNECTION WITH A PUBLIC-FINANCE
9 TRANSACTION OR MANUFACTURED-HOME TRANSACTION.

10 (3) THE EFFECTIVENESS OF A FILED FINANCING STATEMENT LAPSES
11 ON THE EXPIRATION OF THE PERIOD OF ITS EFFECTIVENESS UNLESS
12 BEFORE THE LAPSE A CONTINUATION STATEMENT IS FILED PURSUANT TO
13 SUBSECTION (4). UPON LAPSE, A FINANCING STATEMENT CEASES TO BE
14 EFFECTIVE AND ANY SECURITY INTEREST OR AGRICULTURAL LIEN THAT WAS
15 PERFECTED BY THE FINANCING STATEMENT BECOMES UNPERFECTED, UNLESS
16 THE SECURITY INTEREST IS PERFECTED OTHERWISE. IF THE SECURITY
17 INTEREST OR AGRICULTURAL LIEN BECOMES UNPERFECTED UPON LAPSE, IT
18 IS DEEMED NEVER TO HAVE BEEN PERFECTED AS AGAINST A PURCHASER OF
19 THE COLLATERAL FOR VALUE.

20 (4) A CONTINUATION STATEMENT MAY BE FILED ONLY WITHIN 6
21 MONTHS BEFORE THE EXPIRATION OF THE 5-YEAR PERIOD SPECIFIED IN
22 SUBSECTION (1) OR THE 30-YEAR PERIOD SPECIFIED IN SUBSECTION (2),
23 WHICHEVER IS APPLICABLE.

24 (5) EXCEPT AS OTHERWISE PROVIDED IN SECTION 9510, UPON
25 TIMELY FILING OF A CONTINUATION STATEMENT, THE EFFECTIVENESS OF
26 THE INITIAL FINANCING STATEMENT CONTINUES FOR A PERIOD OF 5 YEARS
27 COMMENCING ON THE DAY ON WHICH THE FINANCING STATEMENT WOULD HAVE

1 BECOME INEFFECTIVE IN THE ABSENCE OF THE FILING. UPON THE
2 EXPIRATION OF THE 5-YEAR PERIOD, THE FINANCING STATEMENT LAPSES
3 IN THE SAME MANNER AS PROVIDED IN SUBSECTION (3), UNLESS, BEFORE
4 THE LAPSE, ANOTHER CONTINUATION STATEMENT IS FILED PURSUANT TO
5 SUBSECTION (4). SUCCEEDING CONTINUATION STATEMENTS MAY BE FILED
6 IN THE SAME MANNER TO CONTINUE THE EFFECTIVENESS OF THE INITIAL
7 FINANCING STATEMENT.

8 (6) IF A DEBTOR IS A TRANSMITTING UTILITY AND A FILED
9 FINANCING STATEMENT SO INDICATES, THE FINANCING STATEMENT IS
10 EFFECTIVE UNTIL A TERMINATION STATEMENT IS FILED.

11 (7) A RECORD OF A MORTGAGE THAT IS EFFECTIVE AS A FINANCING
12 STATEMENT FILED AS A FIXTURE FILING UNDER SECTION 9502(3) REMAINS
13 EFFECTIVE AS A FINANCING STATEMENT FILED AS A FIXTURE FILING
14 UNTIL THE MORTGAGE IS RELEASED OR SATISFIED OF RECORD OR ITS
15 EFFECTIVENESS OTHERWISE TERMINATES AS TO THE REAL PROPERTY.

16 SEC. 9516. (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION
17 (2), COMMUNICATION OF A RECORD TO A FILING OFFICE AND TENDER OF
18 THE FILING FEE OR ACCEPTANCE OF THE RECORD BY THE FILING OFFICE
19 CONSTITUTES FILING.

20 (2) FILING DOES NOT OCCUR WITH RESPECT TO A RECORD THAT A
21 FILING OFFICE REFUSES TO ACCEPT BECAUSE OF 1 OR MORE OF THE
22 FOLLOWING:

23 (A) THE RECORD IS NOT COMMUNICATED BY A METHOD OR MEDIUM OF
24 COMMUNICATION AUTHORIZED BY THE FILING OFFICE.

25 (B) AN AMOUNT EQUAL TO OR GREATER THAN THE APPLICABLE FILING
26 FEE IS NOT TENDERED.

1 (C) THE FILING OFFICE IS UNABLE TO INDEX THE RECORD BECAUSE
2 OF 1 OR MORE OF THE FOLLOWING:

3 (i) IN THE CASE OF AN INITIAL FINANCING STATEMENT, THE
4 RECORD DOES NOT PROVIDE A NAME FOR THE DEBTOR.

5 (ii) IN THE CASE OF AN AMENDMENT OR CORRECTION STATEMENT,
6 THE RECORD DOES NOT IDENTIFY THE INITIAL FINANCING STATEMENT AS
7 REQUIRED BY SECTION 9512 OR 9518, AS APPLICABLE, OR IDENTIFIES AN
8 INITIAL FINANCING STATEMENT WHOSE EFFECTIVENESS HAS LAPSED UNDER
9 SECTION 9515.

10 (iii) IN THE CASE OF AN INITIAL FINANCING STATEMENT THAT
11 PROVIDES THE NAME OF A DEBTOR IDENTIFIED AS AN INDIVIDUAL OR AN
12 AMENDMENT THAT PROVIDES A NAME OF A DEBTOR IDENTIFIED AS AN INDI-
13 VIDUAL THAT WAS NOT PREVIOUSLY PROVIDED IN THE FINANCING STATE-
14 MENT TO WHICH THE RECORD RELATES, THE RECORD DOES NOT IDENTIFY
15 THE DEBTOR'S LAST NAME.

16 (iv) IN THE CASE OF A RECORD FILED OR RECORDED IN THE FILING
17 OFFICE DESCRIBED IN SECTION 9501(1)(A), THE RECORD DOES NOT PRO-
18 VIDE A SUFFICIENT DESCRIPTION OF THE REAL PROPERTY TO WHICH IT
19 RELATES.

20 (D) IN THE CASE OF AN INITIAL FINANCING STATEMENT OR AN
21 AMENDMENT THAT ADDS A SECURED PARTY OF RECORD, THE RECORD DOES
22 NOT PROVIDE A NAME AND MAILING ADDRESS FOR THE SECURED PARTY OF
23 RECORD.

24 (E) IN THE CASE OF AN INITIAL FINANCING STATEMENT OR AN
25 AMENDMENT THAT PROVIDES A NAME OF A DEBTOR WHICH WAS NOT PREVI-
26 OUSLY PROVIDED IN THE FINANCING STATEMENT TO WHICH THE AMENDMENT

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1 RELATES, THE RECORD DOES NOT PROVIDE OR INDICATE 1 OR MORE OF THE
2 FOLLOWING:

3 (i) PROVIDE A MAILING ADDRESS FOR THE DEBTOR.

4 (ii) INDICATE WHETHER THE DEBTOR IS AN INDIVIDUAL OR AN
5 ORGANIZATION.

6 (iii) IF THE FINANCING STATEMENT INDICATES THAT THE DEBTOR
7 IS AN ORGANIZATION, PROVIDE 1 OR MORE OF THE FOLLOWING:

8 (A) A TYPE OF ORGANIZATION FOR THE DEBTOR.

9 (B) A JURISDICTION OF ORGANIZATION FOR THE DEBTOR.

10 (C) AN ORGANIZATIONAL IDENTIFICATION NUMBER FOR THE DEBTOR
11 OR INDICATE THAT THE DEBTOR HAS NONE.

12 (F) IN THE CASE OF AN ASSIGNMENT REFLECTED IN AN INITIAL
13 FINANCING STATEMENT UNDER SECTION 9514(1) OR AN AMENDMENT FILED
14 UNDER SECTION 9514(2), THE RECORD DOES NOT PROVIDE A NAME AND
15 MAILING ADDRESS FOR THE ASSIGNEE.

16 (G) IN THE CASE OF A CONTINUATION STATEMENT, THE RECORD IS
17 NOT FILED WITHIN THE 6-MONTH PERIOD PRESCRIBED BY SECTION
18 9515(4).

19 (3) FOR PURPOSES OF SUBSECTION (2), BOTH OF THE FOLLOWING
20 APPLY:

21 (A) A RECORD DOES NOT PROVIDE INFORMATION IF THE FILING
22 OFFICE IS UNABLE TO READ OR DECIPHER THE INFORMATION.

23 (B) A RECORD THAT DOES NOT INDICATE THAT IT IS AN AMENDMENT
24 OR IDENTIFY AN INITIAL FINANCING STATEMENT TO WHICH IT RELATES,
25 AS REQUIRED BY SECTION 9512, 9514, OR 9518, IS AN INITIAL FINANC-
26 ING STATEMENT.

1 (4) A RECORD THAT IS COMMUNICATED TO THE FILING OFFICE WITH
2 TENDER OF THE FILING FEE, BUT WHICH THE FILING OFFICE REFUSES TO
3 ACCEPT FOR A REASON OTHER THAN ONE SET FORTH IN SUBSECTION (2),
4 IS EFFECTIVE AS A FILED RECORD EXCEPT AS AGAINST A PURCHASER OF
5 THE COLLATERAL WHICH GIVES VALUE IN REASONABLE RELIANCE UPON THE
6 ABSENCE OF THE RECORD FROM THE FILES.

7 SEC. 9517. THE FAILURE OF THE FILING OFFICE TO INDEX A
8 RECORD CORRECTLY DOES NOT AFFECT THE EFFECTIVENESS OF THE FILED
9 RECORD.

10 SEC. 9518. (1) A PERSON MAY FILE IN THE FILING OFFICE A
11 CORRECTION STATEMENT WITH RESPECT TO A RECORD INDEXED THERE UNDER
12 THE PERSON'S NAME IF THE PERSON BELIEVES THAT THE RECORD IS INAC-
13 CURATE OR WAS WRONGFULLY FILED.

14 (2) A CORRECTION STATEMENT MUST DO ALL OF THE FOLLOWING:

15 (A) IDENTIFY THE RECORD TO WHICH IT RELATES BY BOTH OF THE
16 FOLLOWING:

17 (i) THE FILE NUMBER ASSIGNED TO THE INITIAL FINANCING STATE-
18 MENT TO WHICH THE RECORD RELATES.

19 (ii) IF THE CORRECTION STATEMENT RELATES TO A RECORD FILED
20 OR RECORDED IN A FILING OFFICE DESCRIBED IN SECTION 9501(1)(A),
21 THE DATE THAT THE INITIAL FINANCING STATEMENT WAS FILED OR
22 RECORDED AND THE INFORMATION SPECIFIED IN SECTION 9502(2).

23 (B) INDICATE THAT IT IS A CORRECTION STATEMENT.

24 (C) PROVIDE THE BASIS FOR THE PERSON'S BELIEF THAT THE
25 RECORD IS INACCURATE AND INDICATE THE MANNER IN WHICH THE PERSON
26 BELIEVES THE RECORD SHOULD BE AMENDED TO CURE ANY INACCURACY OR

1 PROVIDE THE BASIS FOR THE PERSON'S BELIEF THAT THE RECORD WAS
2 WRONGFULLY FILED.

3 (3) THE FILING OF A CORRECTION STATEMENT DOES NOT AFFECT THE
4 EFFECTIVENESS OF AN INITIAL FINANCING STATEMENT OR OTHER FILED
5 RECORD.

6 SUBPART 2. DUTIES AND OPERATION OF FILING OFFICE

7 SEC. 9519. (1) FOR EACH RECORD FILED IN A FILING OFFICE,
8 THE FILING OFFICE SHALL DO ALL OF THE FOLLOWING:

9 (A) ASSIGN A UNIQUE NUMBER TO THE FILED RECORD.

10 (B) CREATE A RECORD THAT BEARS THE NUMBER ASSIGNED TO THE
11 FILED RECORD AND THE DATE AND TIME OF FILING.

12 (C) MAINTAIN THE FILED RECORD FOR PUBLIC INSPECTION.

13 (D) INDEX THE FILED RECORD IN ACCORDANCE WITH SUBSECTIONS
14 (3), (4), AND (5).

15 (2) A FILE NUMBER ASSIGNED AFTER JANUARY 1, 2002 MUST
16 INCLUDE A DIGIT THAT IS MATHEMATICALLY DERIVED FROM OR RELATED TO
17 THE OTHER DIGITS OF THE FILE NUMBER, AND AIDS THE FILING OFFICE
18 IN DETERMINING WHETHER A NUMBER COMMUNICATED AS THE FILE NUMBER
19 INCLUDES A SINGLE-DIGIT OR TRANSPOSITIONAL ERROR.

20 (3) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTIONS (4) AND (5),
21 THE FILING OFFICE SHALL DO BOTH OF THE FOLLOWING:

22 (A) INDEX AN INITIAL FINANCING STATEMENT ACCORDING TO THE
23 NAME OF THE DEBTOR AND INDEX ALL FILED RECORDS RELATING TO THE
24 INITIAL FINANCING STATEMENT IN A MANNER THAT ASSOCIATES WITH ONE
25 ANOTHER AN INITIAL FINANCING STATEMENT AND ALL FILED RECORDS
26 RELATING TO THE INITIAL FINANCING STATEMENT.

1 (B) INDEX A RECORD THAT PROVIDES A NAME OF A DEBTOR THAT WAS
2 NOT PREVIOUSLY PROVIDED IN THE FINANCING STATEMENT TO WHICH THE
3 RECORD RELATES ALSO ACCORDING TO THE NAME THAT WAS NOT PREVIOUSLY
4 PROVIDED.

5 (4) IF A FINANCING STATEMENT IS FILED AS A FIXTURE FILING OR
6 COVERS AS-EXTRACTED COLLATERAL OR TIMBER TO BE CUT, IT MUST BE
7 FILED FOR RECORD AND THE FILING OFFICE SHALL INDEX IT UNDER BOTH
8 OF THE FOLLOWING:

9 (A) UNDER THE NAMES OF THE DEBTOR AND OF EACH OWNER OF
10 RECORD SHOWN ON THE FINANCING STATEMENT AS IF THEY WERE THE MORT-
11 GAGORS UNDER A MORTGAGE OF THE REAL PROPERTY DESCRIBED.

12 (B) TO THE EXTENT THAT THE LAW OF THIS STATE PROVIDES FOR
13 INDEXING OF RECORDS OF MORTGAGES UNDER THE NAME OF THE MORTGAGEE,
14 UNDER THE NAME OF THE SECURED PARTY AS IF THE SECURED PARTY WERE
15 THE MORTGAGEE THEREUNDER, OR, IF INDEXING IS BY DESCRIPTION, AS
16 IF THE FINANCING STATEMENT WERE A RECORD OF A MORTGAGE OF THE
17 REAL PROPERTY DESCRIBED.

18 (5) IF A FINANCING STATEMENT IS FILED AS A FIXTURE FILING OR
19 COVERS AS-EXTRACTED COLLATERAL OR TIMBER TO BE CUT, THE FILING
20 OFFICE SHALL INDEX AN ASSIGNMENT FILED UNDER SECTION 9514(1) OR
21 AN AMENDMENT FILED UNDER SECTION 9514(2) UNDER BOTH OF THE
22 FOLLOWING:

23 (A) UNDER THE NAME OF THE ASSIGNOR AS GRANTOR.

24 (B) TO THE EXTENT THAT THE LAW OF THIS STATE PROVIDES FOR
25 INDEXING A RECORD OF THE ASSIGNMENT OF A MORTGAGE UNDER THE NAME
26 OF THE ASSIGNEE, UNDER THE NAME OF THE ASSIGNEE.

1 (6) THE FILING OFFICE SHALL MAINTAIN A CAPABILITY TO DO BOTH
2 OF THE FOLLOWING:

3 (A) TO RETRIEVE A RECORD BY THE NAME OF THE DEBTOR AND BY 1
4 OF THE FOLLOWING:

5 (i) IF THE FILING OFFICE IS DESCRIBED IN SECTION 9501(1)(A),
6 BY THE FILE NUMBER ASSIGNED TO THE INITIAL FINANCING STATEMENT TO
7 WHICH THE RECORD RELATES AND THE DATE THAT THE RECORD WAS FILED
8 OR RECORDED.

9 (ii) IF THE FILING OFFICE IS DESCRIBED IN SECTION
10 9501(1)(B), BY THE FILE NUMBER ASSIGNED TO THE INITIAL FINANCING
11 STATEMENT TO WHICH THE RECORD RELATES.

12 (B) TO ASSOCIATE AND RETRIEVE WITH ONE ANOTHER AN INITIAL
13 FINANCING STATEMENT AND EACH FILED RECORD RELATING TO THE INITIAL
14 FINANCING STATEMENT.

15 (7) THE FILING OFFICE SHALL NOT REMOVE A DEBTOR'S NAME FROM
16 THE INDEX UNTIL 1 YEAR AFTER THE EFFECTIVENESS OF A FINANCING
17 STATEMENT NAMING THE DEBTOR LAPSES UNDER SECTION 9515 WITH
18 RESPECT TO ALL SECURED PARTIES OF RECORD.

19 (8) THE FILING OFFICE SHALL PERFORM THE ACTS REQUIRED BY
20 SUBSECTIONS (1) THROUGH (5) AT THE TIME AND IN THE MANNER PRE-
21 SCRIBED BY FILING-OFFICE RULE, BUT NOT LATER THAN 2 BUSINESS DAYS
22 AFTER THE FILING OFFICE RECEIVES THE RECORD IN QUESTION.

23 (9) SUBSECTIONS (2) AND (8) DO NOT APPLY TO A FILING OFFICE
24 DESCRIBED IN SECTION 9501(1)(A).

25 SEC. 9520. (1) A FILING OFFICE SHALL REFUSE TO ACCEPT A
26 RECORD FOR FILING FOR A REASON SET FORTH IN SECTION 9516(2) AND

1 MAY REFUSE TO ACCEPT A RECORD FOR FILING ONLY FOR A REASON SET
2 FORTH IN SECTION 9516(2).

3 (2) IF A FILING OFFICE REFUSES TO ACCEPT A RECORD FOR
4 FILING, IT SHALL COMMUNICATE TO THE PERSON THAT PRESENTED THE
5 RECORD THE FACT OF AND REASON FOR THE REFUSAL AND THE DATE AND
6 TIME THE RECORD WOULD HAVE BEEN FILED HAD THE FILING OFFICE
7 ACCEPTED IT. THE COMMUNICATION MUST BE MADE AT THE TIME AND IN
8 THE MANNER PRESCRIBED BY FILING-OFFICE RULE BUT, IN THE CASE OF A
9 FILING OFFICE DESCRIBED IN SECTION 9501(1)(B), IN NO EVENT MORE
10 THAN 2 BUSINESS DAYS AFTER THE FILING OFFICE RECEIVES THE
11 RECORD.

12 (3) A FILED FINANCING STATEMENT SATISFYING SECTION 9502(1)
13 AND (2) IS EFFECTIVE, EVEN IF THE FILING OFFICE IS REQUIRED TO
14 REFUSE TO ACCEPT IT FOR FILING UNDER SUBSECTION (1). HOWEVER,
15 SECTION 9338 APPLIES TO A FILED FINANCING STATEMENT PROVIDING
16 INFORMATION DESCRIBED IN SECTION 9516(2)(E) THAT IS INCORRECT AT
17 THE TIME THE FINANCING STATEMENT IS FILED.

18 (4) IF A RECORD COMMUNICATED TO A FILING OFFICE PROVIDES
19 INFORMATION THAT RELATES TO MORE THAN 1 DEBTOR, THIS PART APPLIES
20 AS TO EACH DEBTOR SEPARATELY.

21 SEC. 9521. (1) A FILING OFFICE THAT ACCEPTS WRITTEN RECORDS
22 FOR FILING SHALL NOT REFUSE TO ACCEPT A WRITTEN INITIAL FINANCING
23 STATEMENT IN THE FOLLOWING FORM, EXCEPT FOR A REASON SET FORTH IN
24 SECTION 9516(2):

25 UCC FINANCING STATEMENT
26 FOLLOW INSTRUCTIONS (FRONT AND BACK) CAREFULLY

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1 A. NAME AND PHONE OF CONTACT AT FILER [OPTIONAL]

2

3 B. SEND ACKNOWLEDGMENT TO: (NAME AND ADDRESS)

4

THE ABOVE SPACE IS FOR

5

FILING OFFICE USE ONLY

6 1. DEBTOR'S EXACT FULL LEGAL NAME - INSERT ONLY 1 DEBTOR NAME

7 (1A OR 1B) - DO NOT ABBREVIATE OR COMBINE NAMES

8 1A. ORGANIZATION'S NAME

9

10 OR 1B. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

11

12 1C. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY

13

14 1D. TAX ID. NO. ADD'L INFO. RE 1E. TYPE OF ORGANIZATION

15 SSN OR EIN ORGANIZATION

16 DEBTOR

17

18 1F. JURISDICTION OF ORGANIZATION 1G. ORGANIZATIONAL ID. NO.,
19 IF ANY

20 [] NONE

21 2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - INSERT ONLY 1

22 DEBTOR NAME (2A OR 2B) - DO NOT ABBREVIATE OR COMBINE NAMES

23 2A. ORGANIZATION'S NAME

24

25 OR 2B. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

26

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1 2C. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY
2 _____
3 2D. TAX ID. NO. ADD'L INFO. RE 2E. TYPE OF ORGANIZATION
4 SSN OR EIN ORGANIZATION
5 DEBTOR
6 _____
7 2F. JURISDICTION OF ORGANIZATION 2G. ORGANIZATIONAL ID. NO.,
8 IF ANY
9 _____[] NONE
10 3. SECURED PARTY'S NAME (OR NAME OF TOTAL ASSIGNEE OF ASSIGNOR
11 S/P) - INSERT ONLY 1 SECURED PARTY NAME (3A OR 3B)
12 3A. ORGANIZATION'S NAME
13 _____
14 OR 3B. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX
15 _____
16 3C. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY
17 _____
18 4. THIS FINANCING STATEMENT COVERS THE FOLLOWING COLLATERAL:
19 _____
20 5. ALTERNATIVE DESIGNATION [IF APPLICABLE]: [] LESSEE/LESSOR
21 [] CONSIGNEE/CONSIGNOR [] BAILEE/BAILOR [] SELLER/BUYER
22 [] AG. LIEN [] NON-UCC FILING
23 6. [] THIS FINANCING STATEMENT IS TO BE FILED (FOR RECORD)
24 (OR RECORDED) IN THE REAL ESTATE RECORDS.
25 ATTACH ADDENDUM [IF APPLICABLE]
26 7. CHECK TO REQUEST SEARCH REPORT(S) ON DEBTOR(S)

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1 [] ALL DEBTORS [] DEBTOR 1 [] DEBTOR 2

2 [ADDITIONAL FEE] [OPTIONAL]

3 _____

4 8. OPTIONAL FILER REFERENCE DATA

5 _____

6 FILING OFFICE COPY - NATIONAL UCC FILING STATEMENT (FORM UCC 1)
7 (REV. 07/29/98)

8 [BACK OF FORM]

9 UCC FINANCING STATEMENT ADDENDUM

10 FOLLOW INSTRUCTIONS (FRONT AND BACK) CAREFULLY.

11 9. NAME OF FIRST DEBTOR (1A OR 1B) ON RELATED FINANCING
12 STATEMENT

13 _____

14 9A. ORGANIZATION'S NAME

15 _____

16 OR 9B. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

17 _____

18 10. MISCELLANEOUS:

19 _____ THE ABOVE SPACE IS FOR

20 _____ FILING OFFICE USE ONLY

21 11. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - INSERT ONLY 1
22 NAME (11A OR 11B) - DO NOT ABBREVIATE OR COMBINE NAMES

23 11A. ORGANIZATION'S NAME

24 _____

25 OR 11B. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

26 _____

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1 11C. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY
2 _____
3 11D. TAX ID. NO. ADD'L INFO. RE 11E. TYPE OF ORGANIZATION
4 SSN OR EIN ORGANIZATION
5 DEBTOR
6 _____
7 11F. JURISDICTION OF ORGANIZATION 11G. ORGANIZATIONAL
8 ID. NO., IF ANY
9 _____[] NONE
10 12. [] ADDITIONAL SECURED PARTY'S OR [] ASSIGNOR S/P'S NAME -
11 INSERT ONLY 1 NAME (12A OR 12B).
12 12A. ORGANIZATION'S NAME
13 _____
14 OR 12B. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX
15 _____
16 12C. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY
17 _____
18 13. THIS FINANCING STATEMENT COVERS [] TIMBER TO BE CUT OR
19 [] AS-EXTRACTED COLLATERAL, OR IS FILED AS A [] FIXTURE
20 FILING.
21 14. DESCRIPTION OF REAL ESTATE:
22 _____
23 15. NAME AND ADDRESS OF A RECORD OWNER OF THE ABOVE-DESCRIBED
24 REAL ESTATE (IF DEBTOR DOES NOT HAVE RECORD INTEREST):
25 16. ADDITIONAL COLLATERAL DESCRIPTION:
26 _____

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1 17. CHECK ONLY IF APPLICABLE AND CHECK ONLY 1 BOX:

2 DEBTOR IS A [] TRUST OR [] TRUSTEE ACTING WITH RESPECT TO
3 PROPERTY HELD IN TRUST OR [] DECEDENT'S ESTATE

4 18. CHECK ONLY IF APPLICABLE AND CHECK ONLY 1 BOX:

5 [] DEBTOR IS A TRANSMITTING UTILITY

6 [] FILED IN CONNECTION WITH A MANUFACTURED-HOME TRANSACTION
7 - EFFECTIVE 30 YEARS

8 [] FILED IN CONNECTION WITH A PUBLIC-FINANCE TRANSACTION -
9 EFFECTIVE 30 YEARS

10 FILING OFFICE COPY - NATIONAL UCC FILING STATEMENT
11 (FORM UCC 1AD) (REV.07/29/98)

12 (2) A FILING OFFICE THAT ACCEPTS WRITTEN RECORDS FOR FILING
13 SHALL NOT REFUSE TO ACCEPT A WRITTEN FINANCING STATEMENT AMEND-
14 MENT IN THE FOLLOWING FORM, EXCEPT FOR A REASON SET FORTH IN SEC-
15 TION 9516(2):

16 UCC FINANCING STATEMENT AMENDMENT

17 FOLLOW INSTRUCTIONS (FRONT AND BACK) CAREFULLY

18 A. NAME AND PHONE OF CONTACT AT FILER [OPTIONAL]

19 _____

20 B. SEND ACKNOWLEDGMENT TO: (NAME AND ADDRESS)

21 _____ THE ABOVE SPACE IS FOR

22 _____ FILING OFFICE USE ONLY

23 1A. INITIAL FINANCING STATEMENT FILE NO.

24 _____

25 1B. [] THIS FINANCING STATEMENT AMENDMENT IS TO BE FILED (FOR
26 RECORD) (OR RECORDED) IN THE REAL ESTATE RECORDS.

1 2. [] TERMINATION: EFFECTIVENESS OF THE FINANCING STATEMENT
2 IDENTIFIED ABOVE IS TERMINATED WITH RESPECT TO SECURITY
3 INTEREST(S) OF THE SECURED PARTY AUTHORIZING THIS TERMINATION
4 STATEMENT.

5 3. [] CONTINUATION: EFFECTIVENESS OF THE FINANCING STATEMENT
6 IDENTIFIED ABOVE WITH RESPECT TO SECURITY INTEREST(S) OF THE
7 SECURED PARTY AUTHORIZING THIS CONTINUATION STATEMENT IS CON-
8 TINUED FOR THE ADDITIONAL PERIOD PROVIDED BY APPLICABLE LAW.

9 4. [] ASSIGNMENT (FULL OR PARTIAL): GIVE NAME OF ASSIGNEE IN
10 ITEM 7A OR 7B AND ADDRESS OF ASSIGNEE IN ITEM 7C; AND ALSO
11 GIVE NAME OF ASSIGNOR IN ITEM 9.

12 _____
13 5. AMENDMENT (PARTY INFORMATION): THIS AMENDMENT AFFECTS
14 [] DEBTOR OR [] SECURED PARTY OF RECORD. CHECK ONLY 1 OF
15 THESE 2 BOXES. ALSO CHECK 1 OF THE FOLLOWING THREE BOXES AND
16 PROVIDE APPROPRIATE INFORMATION IN ITEMS 6 AND/OR 7.

17 [] CHANGE NAME AND/OR ADDRESS: GIVE CURRENT RECORD NAME IN
18 ITEM 6A OR 6B; ALSO GIVE NEW NAME (IF NAME CHANGE) IN ITEM 7A
19 OR 7B AND/OR NEW ADDRESS (IF ADDRESS CHANGE) IN ITEM 7C.

20 [] DELETE NAME: GIVE RECORD NAME TO BE DELETED IN ITEM 6A
21 OR 6B.

22 [] ADD NAME: COMPLETE ITEM 7A OR 7B, AND ALSO ITEM 7C; ALSO
23 COMPLETE ITEMS 7D-7G (IF APPLICABLE).

24 6. CURRENT RECORD INFORMATION:

25 6A. ORGANIZATION'S NAME

26 _____

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1 OR 6B. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

2

3 7. CHANGED (NEW) OR ADDED INFORMATION:

4 7A. ORGANIZATION'S NAME

5

6 OR 7B. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

7

8 7C. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY

9

10 7D. TAX ID. NO. ADD'L INFO. RE 7E. TYPE OF ORGANIZATION

11 SSN OR EIN ORGANIZATION

12 DEBTOR

13

14 7F. JURISDICTION OF ORGANIZATION 7G. ORGANIZATIONAL ID. NO.,

15 IF ANY

16 [] NONE

17 8. AMENDMENT (COLLATERAL CHANGE): CHECK ONLY 1 BOX

18 DESCRIBE COLLATERAL [] DELETED OR [] ADDED, OR GIVE

19 ENTIRE [] RESTATED COLLATERAL DESCRIPTION, OR DESCRIBE

20 COLLATERAL [] ASSIGNED.

21

22 9. NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT

23 (NAME OF ASSIGNOR, IF THIS IS AN ASSIGNMENT). IF THIS IS AN

24 AMENDMENT AUTHORIZED BY A DEBTOR WHICH ADDS COLLATERAL OR

25 ADDS THE AUTHORIZING DEBTOR, OR IF THIS IS A TERMINATION

26 AUTHORIZED BY A DEBTOR, CHECK HERE [] AND ENTER NAME OF

27 DEBTOR AUTHORIZING THIS AMENDMENT.

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1 9A. ORGANIZATION'S NAME

3 OR **9B.** INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

4 _____

5 10. OPTIONAL FILE REFERENCE DATA

6 _____

7 FILING OFFICE COPY - NATIONAL UCC FINANCING STATEMENT AMENDMENT

8 (FORM UCC3) (REV. 07/29/98)

9 [BACK OF FORM]

10 UCC FINANCING STATEMENT AMENDMENT ADDENDUM

11 FOLLOW INSTRUCTIONS (FRONT AND BACK) CAREFULLY

12 11. INITIAL FINANCING STATEMENT FILE NO. (SAME AS ITEM 1A ON

13 AMENDMENT FORM)

14

15 12. NAME OF PARTY AUTHORIZING THIS AMENDMENT (SAME AS ITEM 9 ON

16 AMENDMENT FORM)

17 12A. ORGANIZATION'S NAME

18

19 OR 12B. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

20

21 13. USE THIS SPACE FOR ADDITIONAL INFORMATION

22 _____ THIS SPACE IS FOR

23 _____ FILING OFFICE USE ONLY

24 FILING OFFICE COPY - NATIONAL UCC FINANCING STATEMENT AMENDMENT

25 ADDENDUM (FORM UCC3AD) (REV. 07/29/98)

1 (3) A FORM THAT A FILING OFFICE MAY NOT REFUSE TO ACCEPT
2 UNDER SUBSECTION (1) OR (2) MUST CONFORM TO THE FORMAT PRESCRIBED
3 FOR THE FORM BY THE NATIONAL CONFERENCE OF COMMISSIONERS.

4 SEC. 9522. (1) THE FILING OFFICE SHALL MAINTAIN A RECORD OF
5 THE INFORMATION PROVIDED IN A FILED FINANCING STATEMENT FOR AT
6 LEAST 1 YEAR AFTER THE EFFECTIVENESS OF THE FINANCING STATEMENT
7 HAS LAPSED UNDER SECTION 9515 WITH RESPECT TO ALL SECURED PARTIES
8 OF RECORD. THE RECORD MUST BE RETRIEVABLE BY USING THE NAME OF
9 THE DEBTOR AND 1 OF THE FOLLOWING:

10 (A) IF THE RECORD WAS FILED OR RECORDED IN THE FILING OFFICE
11 DESCRIBED IN SECTION 9501(1)(A), BY USING THE FILE NUMBER
12 ASSIGNED TO THE INITIAL FINANCING STATEMENT TO WHICH THE RECORD
13 RELATES AND THE DATE THAT THE RECORD WAS FILED OR RECORDED.

14 (B) IF RECORD WAS FILED IN THE FILING OFFICE DESCRIBED IN
15 SECTION 9501(1)(B), BY USING THE FILE NUMBER ASSIGNED TO THE INI-
16 TIAL FINANCING STATEMENT TO WHICH THE RECORD RELATES.

17 (2) EXCEPT TO THE EXTENT THAT A STATUTE GOVERNING DISPOS-
18 TION OF PUBLIC RECORDS PROVIDES OTHERWISE, THE FILING OFFICE
19 IMMEDIATELY MAY DESTROY ANY WRITTEN RECORD EVIDENCING A FINANCING
20 STATEMENT. HOWEVER, IF THE FILING OFFICE DESTROYS A WRITTEN
21 RECORD, IT SHALL MAINTAIN ANOTHER RECORD OF THE FINANCING STATE-
22 MENT THAT COMPLIES WITH SUBSECTION (1).

23 SEC. 9523. (1) IF A PERSON THAT FILES A WRITTEN RECORD
24 REQUESTS AN ACKNOWLEDGMENT OF THE FILING, THE FILING OFFICE SHALL
25 SEND TO THE PERSON AN IMAGE OF THE RECORD SHOWING THE NUMBER
26 ASSIGNED TO THE RECORD PURSUANT TO SECTION 9519(1)(A) AND THE
27 DATE AND TIME OF THE FILING OF THE RECORD. HOWEVER, IF THE

1 PERSON FURNISHES A COPY OF THE RECORD TO THE FILING OFFICE, THE
2 FILING OFFICE MAY INSTEAD DO BOTH OF THE FOLLOWING:

3 (A) NOTE UPON THE COPY THE NUMBER ASSIGNED TO THE RECORD
4 PURSUANT TO SECTION 9519(1)(A) AND THE DATE AND TIME OF THE
5 FILING OF THE RECORD.

6 (B) SEND THE COPY TO THE PERSON.

7 (2) IF A PERSON FILES A RECORD OTHER THAN A WRITTEN RECORD,
8 THE FILING OFFICE SHALL COMMUNICATE TO THE PERSON AN ACKNOWLEDG-
9 MENT THAT PROVIDES ALL OF THE FOLLOWING:

10 (A) THE INFORMATION IN THE RECORD.

11 (B) THE NUMBER ASSIGNED TO THE RECORD PURSUANT TO SECTION
12 9519(1)(A).

13 (C) THE DATE AND TIME OF THE FILING OF THE RECORD.

14 (3) THE FILING OFFICE SHALL COMMUNICATE OR OTHERWISE MAKE
15 AVAILABLE IN A RECORD 1 OR MORE OF THE FOLLOWING INFORMATION TO
16 ANY PERSON THAT REQUESTS IT:

17 (A) WHETHER THERE IS ON FILE ON A DATE AND TIME SPECIFIED BY
18 THE FILING OFFICE, BUT NOT A DATE EARLIER THAN 3 BUSINESS DAYS
19 BEFORE THE FILING OFFICE RECEIVES THE REQUEST, ANY FINANCING
20 STATEMENT THAT MEETS ALL OF THE FOLLOWING:

21 (i) DESIGNATES A PARTICULAR DEBTOR OR, IF THE REQUEST SO
22 STATES, DESIGNATES A PARTICULAR DEBTOR AT THE ADDRESS SPECIFIED
23 IN THE REQUEST.

24 (ii) HAS NOT LAPSED UNDER SECTION 9515 WITH RESPECT TO ALL
25 SECURED PARTIES OF RECORD.

1 (iii) IF THE REQUEST SO STATES, HAS LAPSED UNDER SECTION
2 9515 AND A RECORD OF WHICH IS MAINTAINED BY THE FILING OFFICE
3 UNDER SECTION 9522(1).

4 (B) THE DATE AND TIME OF FILING OF EACH FINANCING
5 STATEMENT.

6 (C) THE INFORMATION PROVIDED IN EACH FINANCING STATEMENT.

7 (4) IN COMPLYING WITH ITS DUTY UNDER SUBSECTION (3), THE
8 FILING OFFICE MAY COMMUNICATE INFORMATION IN ANY MEDIUM.
9 HOWEVER, IF REQUESTED, THE FILING OFFICE SHALL COMMUNICATE INFOR-
10 MATION BY ISSUING ITS WRITTEN CERTIFICATE OR ANOTHER RECORD THAT
11 CAN BE ADMITTED INTO EVIDENCE IN THE COURTS OF THIS STATE WITHOUT
12 EXTRINSIC EVIDENCE OF ITS AUTHENTICITY.

13 (5) THE FILING OFFICE SHALL PERFORM THE ACTS REQUIRED BY
14 SUBSECTIONS (1) THROUGH (4) AT THE TIME AND IN THE MANNER PRE-
15 SCRIBED BY FILING-OFFICE RULE, BUT, IN THE CASE OF A FILING
16 OFFICE DESCRIBED IN SECTION 9501(1)(B), NOT LATER THAN 2 BUSINESS
17 DAYS AFTER THE FILING OFFICE RECEIVES THE REQUEST.

18 (6) AT LEAST WEEKLY, THE FILING OFFICE SHALL OFFER TO SELL
19 OR LICENSE TO THE PUBLIC ON A NONEXCLUSIVE BASIS, IN BULK, COPIES
20 OF ALL RECORDS FILED IN IT UNDER THIS PART, IN EVERY MEDIUM FROM
21 TIME TO TIME AVAILABLE TO THE FILING OFFICE.

22 SEC. 9524. DELAY BY THE FILING OFFICE BEYOND A TIME LIMIT
23 PRESCRIBED BY THIS PART IS EXCUSED IF BOTH OF THE FOLLOWING
24 APPLY:

25 (A) THE DELAY IS CAUSED BY INTERRUPTION OF COMMUNICATION OR
26 COMPUTER FACILITIES, WAR, EMERGENCY CONDITIONS, FAILURE OF

1 EQUIPMENT, OR OTHER CIRCUMSTANCES BEYOND CONTROL OF THE FILING
2 OFFICE.

3 (B) THE FILING OFFICE EXERCISES REASONABLE DILIGENCE UNDER
4 THE CIRCUMSTANCES.

5 SEC. 9525. (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION
6 (3), THE FEE FOR FILING AND INDEXING A RECORD UNDER THIS PART IS
7 [\$10.00, PLUS 1 OR MORE OF THE FOLLOWING, IF APPLICABLE:

8 (A) IF THE RECORD IS A FINANCING STATEMENT IN A FORM OTHER THAN
9 THE FORM CONTAINED IN SECTION 9521(1), OR THE RECORD IS A FINANCING
10 STATEMENT AMENDMENT IN A FORM OTHER THAN THE FORM CONTAINED IN
11 SECTION 9521(2), AN ADDITIONAL FEE OF \$7.00.

12 (B) IF THE RECORD CONTAINS MORE THAN 100 PAGES, AN ADDITIONAL
13 FEE OF \$12.00.

14 (C) IF THE FILING OFFICE IS REQUIRED TO INDEX MORE THAN 2
15 NAMES, AN ADDITIONAL FEE OF \$10.00 FOR EACH NAME MORE THAN 2 THAT
16 THE FILING OFFICE IS REQUIRED TO INDEX.

17 (2) A FILING OFFICE SHALL CHARGE A PERSON A FEE FOR RESPONDING
18 TO A REQUEST FOR A SEARCH OF THE RECORDS FILED WITH A FILING OFFICE
19 CONCERNING A DEBTOR, INCLUDING ISSUANCE OF A CERTIFICATE DESCRIBING
20 EACH PRESENTLY EFFECTIVE RECORD FILED CONCERNING THE DEBTOR IF
21 REQUESTED. THE FEE IS \$6.00, PLUS 1 OR MORE OF THE FOLLOWING, IF
22 APPLICABLE:

23 (A) IF THE PERSON REQUESTS A CERTIFICATE AND THE SEARCH
24 DISCLOSES MORE THAN 100 PRESENTLY EFFECTIVE RECORDS FILED CONCERNING
25 THE DEBTOR, AN ADDITIONAL FEE OF \$6.00.

26 (B) IF THE PERSON REQUESTS EXPEDITING OF THE REGULAR SEARCH

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1 PROCESS, AN ADDITIONAL FEE OF \$25.00.

2 (C) IF THE PERSON REQUESTS COPIES OF THE PRESENTLY EFFECTIVE
3 RECORDS DISCLOSED BY THE SEARCH, AN ADDITIONAL FEE OF \$2.00 PER
4 PAGE.

5 (D) IF THE FILING OFFICE IS THE SECRETARY OF STATE AND THE
6 PERSON REQUESTS THAT THE SECRETARY OF STATE INCLUDE AN IMPRESSION OF
7 THE OFFICIAL SEAL OF THE SECRETARY OF STATE ON THE CERTIFICATE, AN
8 ADDITIONAL FEE OF \$6.00.]

8 (3) THIS SECTION DOES NOT REQUIRE A FEE WITH RESPECT TO A
9 RECORD OF A MORTGAGE THAT IS EFFECTIVE AS A FINANCING STATEMENT
10 FILED AS A FIXTURE FILING OR AS A FINANCING STATEMENT COVERING
11 AS-EXTRACTED COLLATERAL OR TIMBER TO BE CUT UNDER SECTION
12 9502(3). HOWEVER, THE RECORDING AND SATISFACTION FEES THAT OTH-
13 ERWISE WOULD BE APPLICABLE TO THE RECORD OF THE MORTGAGE APPLY.

14 SEC. 9526. (1) THE SECRETARY OF STATE SHALL ADOPT AND PUB-
15 LISH RULES TO IMPLEMENT THIS ARTICLE. THE FILING-OFFICE RULES
16 MUST BE CONSISTENT WITH THIS ARTICLE AND ADOPTED AND PUBLISHED IN
17 ACCORDANCE WITH THE ADMINISTRATIVE PROCEDURES ACT OF 1969, 1969
18 PA 306, MCL 24.201 TO 24.328.

19 (2) TO KEEP THE FILING-OFFICE RULES AND PRACTICES OF THE
20 FILING OFFICE IN HARMONY WITH THE RULES AND PRACTICES OF FILING
21 OFFICES IN OTHER JURISDICTIONS THAT ENACT SUBSTANTIALLY THIS
22 PART, AND TO KEEP THE TECHNOLOGY USED BY THE FILING OFFICE COM-
23 PATIBLE WITH THE TECHNOLOGY USED BY FILING OFFICES IN OTHER
24 JURISDICTIONS THAT ENACT SUBSTANTIALLY THIS PART, THE SECRETARY
25 OF STATE, SO FAR AS IS CONSISTENT WITH THE PURPOSES, POLICIES,
26 AND PROVISIONS OF THIS ARTICLE, IN ADOPTING, AMENDING, AND
27 REPEALING FILING-OFFICE RULES, SHALL DO ALL OF THE FOLLOWING:

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1 (A) CONSULT WITH FILING OFFICES IN OTHER JURISDICTIONS THAT
2 ENACT SUBSTANTIALLY THIS PART.

3 (B) CONSULT THE MOST RECENT VERSION OF THE MODEL RULES
4 PROMULGATED BY THE INTERNATIONAL ASSOCIATION OF CORPORATE ADMIN-
5 ISTRATORS OR ANY SUCCESSOR ORGANIZATION.

6 (C) TAKE INTO CONSIDERATION THE RULES AND PRACTICES OF, AND
7 THE TECHNOLOGY USED BY, FILING OFFICES IN OTHER JURISDICTIONS
8 THAT ENACT SUBSTANTIALLY THIS PART.

9 SEC. 9527. THE SECRETARY OF STATE SHALL REPORT ANNUALLY TO
10 THE GOVERNOR AND LEGISLATURE ON THE OPERATION OF THE FILING
11 OFFICE. THE REPORT MUST CONTAIN A STATEMENT OF THE EXTENT TO
12 WHICH THE FILING-OFFICE RULES ARE NOT IN HARMONY WITH THE RULES
13 OF FILING OFFICES IN OTHER JURISDICTIONS THAT ENACT SUBSTANTIALLY
14 THIS PART AND THE REASONS FOR THESE VARIATIONS, AND THE
15 FILING-OFFICE RULES ARE NOT IN HARMONY WITH THE MOST RECENT VER-
16 SION OF THE MODEL RULES PROMULGATED BY THE INTERNATIONAL ASSOCIA-
17 TION OF CORPORATE ADMINISTRATORS, OR ANY SUCCESSOR ORGANIZATION,
18 AND THE REASONS FOR THESE VARIATIONS.

19 PART 6

20 DEFAULT

21 SUBPART 1. DEFAULT AND ENFORCEMENT OF SECURITY INTEREST

22 SEC. 9601. (1) AFTER DEFAULT, A SECURED PARTY HAS THE
23 RIGHTS PROVIDED IN THIS PART AND, EXCEPT AS OTHERWISE PROVIDED IN
24 SECTION 9602, THOSE PROVIDED BY AGREEMENT OF THE PARTIES. A
25 SECURED PARTY MAY DO 1 OR MORE OF THE FOLLOWING:

1 (A) MAY REDUCE A CLAIM TO JUDGMENT, FORECLOSE, OR OTHERWISE
2 ENFORCE THE CLAIM, SECURITY INTEREST, OR AGRICULTURAL LIEN BY ANY
3 AVAILABLE JUDICIAL PROCEDURE.

4 (B) IF THE COLLATERAL IS DOCUMENTS, MAY PROCEED EITHER AS TO
5 THE DOCUMENTS OR AS TO THE GOODS THEY COVER.

6 (2) A SECURED PARTY IN POSSESSION OF COLLATERAL OR CONTROL
7 OF COLLATERAL UNDER SECTION 9104, 9105, 9106, OR 9107 HAS THE
8 RIGHTS AND DUTIES PROVIDED IN SECTION 9207.

9 (3) THE RIGHTS UNDER SUBSECTIONS (1) AND (2) ARE CUMULATIVE
10 AND MAY BE EXERCISED SIMULTANEOUSLY.

11 (4) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (7) AND SEC-
12 TION 9605, AFTER DEFAULT, A DEBTOR AND AN OBLIGOR HAVE THE RIGHTS
13 PROVIDED IN THIS PART AND BY AGREEMENT OF THE PARTIES.

14 (5) IF A SECURED PARTY HAS REDUCED ITS CLAIM TO JUDGMENT,
15 THE LIEN OF ANY LEVY THAT MAY BE MADE UPON THE COLLATERAL BY
16 VIRTUE OF AN EXECUTION BASED UPON THE JUDGMENT RELATES BACK TO
17 THE EARLIEST OF THE FOLLOWING:

18 (A) THE DATE OF PERFECTION OF THE SECURITY INTEREST OR AGRI-
19 CULTURAL LIEN IN THE COLLATERAL.

20 (B) THE DATE OF FILING A FINANCING STATEMENT COVERING THE
21 COLLATERAL.

22 (C) ANY DATE SPECIFIED IN A STATUTE UNDER WHICH THE AGRICUL-
23 TURAL LIEN WAS CREATED.

24 (6) A SALE PURSUANT TO AN EXECUTION IS A FORECLOSURE OF THE
25 SECURITY INTEREST OR AGRICULTURAL LIEN BY JUDICIAL PROCEDURE
26 WITHIN THE MEANING OF THIS SECTION. A SECURED PARTY MAY PURCHASE

1 AT THE SALE AND THEREAFTER HOLD THE COLLATERAL FREE OF ANY OTHER
2 REQUIREMENTS OF THIS ARTICLE.

3 (7) EXCEPT AS OTHERWISE PROVIDED IN SECTION 9607(3), THIS
4 PART IMPOSES NO DUTIES UPON A SECURED PARTY THAT IS A CONSIGNOR
5 OR IS A BUYER OF ACCOUNTS, CHATTEL PAPER, PAYMENT INTANGIBLES, OR
6 PROMISSORY NOTES.

7 SEC. 9602. EXCEPT AS OTHERWISE PROVIDED IN SECTION 9624, TO
8 THE EXTENT THAT THEY GIVE RIGHTS TO A DEBTOR OR OBLIGOR AND
9 IMPOSE DUTIES ON A SECURED PARTY, THE DEBTOR OR OBLIGOR MAY NOT
10 WAIVE OR VARY THE RULES STATED IN THE FOLLOWING LISTED SECTIONS:

11 (A) SECTION 9207(2)(D)(iii), WHICH DEALS WITH USE AND OPERA-
12 TION OF THE COLLATERAL BY THE SECURED PARTY.

13 (B) SECTION 9210, WHICH DEALS WITH REQUESTS FOR AN ACCOUNT-
14 ING AND REQUESTS CONCERNING A LIST OF COLLATERAL AND STATEMENT OF
15 ACCOUNT.

16 (C) SECTION 9607(3), WHICH DEALS WITH COLLECTION AND
17 ENFORCEMENT OF COLLATERAL.

18 (D) SECTIONS 9608(1) AND 9615(3) TO THE EXTENT THAT THEY
19 DEAL WITH APPLICATION OR PAYMENT OF NONCASH PROCEEDS OF COLLEC-
20 TION, ENFORCEMENT, OR DISPOSITION.

21 (E) SECTIONS 9608(1) AND 9615(4) TO THE EXTENT THAT THEY
22 REQUIRE ACCOUNTING FOR OR PAYMENT OF SURPLUS PROCEEDS OF
23 COLLATERAL.

24 (F) SECTION 9609 TO THE EXTENT THAT IT IMPOSES UPON A
25 SECURED PARTY THAT TAKES POSSESSION OF COLLATERAL WITHOUT JUDI-
26 CIAL PROCESS THE DUTY TO DO SO WITHOUT BREACH OF THE PEACE.

1 (G) SECTIONS 9610(2), 9611, 9613, AND 9614, WHICH DEAL WITH
2 DISPOSITION OF COLLATERAL.

3 (H) SECTION 9615(6), WHICH DEALS WITH CALCULATION OF A DEFICI-
4 CIENCY OR SURPLUS WHEN A DISPOSITION IS MADE TO THE SECURED
5 PARTY, A PERSON RELATED TO THE SECURED PARTY, OR A SECONDARY
6 OBLIGOR.

7 (I) SECTION 9616, WHICH DEALS WITH EXPLANATION OF THE CALCU-
8 LATION OF A SURPLUS OR DEFICIENCY.

9 (J) SECTIONS 9620, 9621, AND 9622, WHICH DEAL WITH ACCEP-
10 TANCE OF COLLATERAL IN SATISFACTION OF OBLIGATION.

11 (K) SECTION 9623, WHICH DEALS WITH REDEMPTION OF
12 COLLATERAL.

13 (L) SECTION 9624, WHICH DEALS WITH PERMISSIBLE WAIVERS.

14 (M) SECTIONS 9625 AND 9626, WHICH DEAL WITH THE SECURED
15 PARTY'S LIABILITY FOR FAILURE TO COMPLY WITH THIS ARTICLE.

16 SEC. 9603. (1) THE PARTIES MAY DETERMINE BY AGREEMENT THE
17 STANDARDS MEASURING THE FULFILLMENT OF THE RIGHTS OF A DEBTOR OR
18 OBLIGOR AND THE DUTIES OF A SECURED PARTY UNDER A RULE STATED IN
19 SECTION 9602 IF THE STANDARDS ARE NOT MANIFESTLY UNREASONABLE.

20 (2) SUBSECTION (1) DOES NOT APPLY TO THE DUTY UNDER SECTION
21 9609 TO REFRAIN FROM BREACHING THE PEACE.

22 SEC. 9604. (1) IF A SECURITY AGREEMENT COVERS BOTH PERSONAL
23 AND REAL PROPERTY, A SECURED PARTY MAY DO EITHER OF THE
24 FOLLOWING:

25 (A) PROCEED UNDER THIS PART AS TO THE PERSONAL PROPERTY
26 WITHOUT PREJUDICING ANY RIGHTS WITH RESPECT TO THE REAL
27 PROPERTY.

1 (B) PROCEED AS TO BOTH THE PERSONAL PROPERTY AND THE REAL
2 PROPERTY IN ACCORDANCE WITH THE RIGHTS WITH RESPECT TO THE REAL
3 PROPERTY, IN WHICH CASE THE OTHER PROVISIONS OF THIS PART DO NOT
4 APPLY.

5 (2) SUBJECT TO SUBSECTION (3), IF A SECURITY AGREEMENT
6 COVERS GOODS THAT ARE OR BECOME FIXTURES, A SECURED PARTY MAY DO
7 EITHER OF THE FOLLOWING:

8 (A) PROCEED UNDER THIS PART.

9 (B) PROCEED IN ACCORDANCE WITH THE RIGHTS WITH RESPECT TO
10 REAL PROPERTY, IN WHICH CASE THE OTHER PROVISIONS OF THIS PART DO
11 NOT APPLY.

12 (3) SUBJECT TO THE OTHER PROVISIONS OF THIS PART, IF A
13 SECURED PARTY HOLDING A SECURITY INTEREST IN FIXTURES HAS PRIOR-
14 ITY OVER ALL OWNERS AND ENCUMBRANCERS OF THE REAL PROPERTY, THE
15 SECURED PARTY, AFTER DEFAULT, MAY REMOVE THE COLLATERAL FROM THE
16 REAL PROPERTY.

17 (4) A SECURED PARTY THAT REMOVES COLLATERAL SHALL PROMPTLY
18 REIMBURSE ANY ENCUMBRANCER OR OWNER OF THE REAL PROPERTY, OTHER
19 THAN THE DEBTOR, FOR THE COST OF REPAIR OF ANY PHYSICAL INJURY
20 CAUSED BY THE REMOVAL. THE SECURED PARTY NEED NOT REIMBURSE THE
21 ENCUMBRANCER OR OWNER FOR ANY DIMINUTION IN VALUE OF THE REAL
22 PROPERTY CAUSED BY THE ABSENCE OF THE GOODS REMOVED OR BY ANY
23 NECESSITY OF REPLACING THEM. A PERSON ENTITLED TO REIMBURSEMENT
24 MAY REFUSE PERMISSION TO REMOVE UNTIL THE SECURED PARTY GIVES
25 ADEQUATE ASSURANCE FOR THE PERFORMANCE OF THE OBLIGATION TO
26 REIMBURSE.

1 SEC. 9605. A SECURED PARTY DOES NOT OWE A DUTY BASED ON ITS
2 STATUS AS SECURED PARTY TO EITHER OF THE FOLLOWING:

3 (A) TO A PERSON THAT IS A DEBTOR OR OBLIGOR, UNLESS THE
4 SECURED PARTY KNOWS ALL OF THE FOLLOWING:

5 (i) THAT THE PERSON IS A DEBTOR OR OBLIGOR.

6 (ii) THE IDENTITY OF THE PERSON.

7 (iii) HOW TO COMMUNICATE WITH THE PERSON.

8 (B) TO A SECURED PARTY OR LIENHOLDER THAT HAS FILED A
9 FINANCING STATEMENT AGAINST A PERSON, UNLESS THE SECURED PARTY
10 KNOWS BOTH OF THE FOLLOWING:

11 (i) THAT THE PERSON IS A DEBTOR.

12 (ii) THE IDENTITY OF THE PERSON.

13 SEC. 9606. FOR PURPOSES OF THIS PART, A DEFAULT OCCURS IN
14 CONNECTION WITH AN AGRICULTURAL LIEN AT THE TIME THE SECURED
15 PARTY BECOMES ENTITLED TO ENFORCE THE LIEN IN ACCORDANCE WITH THE
16 STATUTE UNDER WHICH IT WAS CREATED.

17 SEC. 9607. (1) IF SO AGREED, AND IN ANY EVENT AFTER
18 DEFAULT, A SECURED PARTY MAY DO 1 OR MORE OF THE FOLLOWING:

19 (A) NOTIFY AN ACCOUNT DEBTOR OR OTHER PERSON OBLIGATED ON
20 COLLATERAL TO MAKE PAYMENT OR OTHERWISE RENDER PERFORMANCE TO OR
21 FOR THE BENEFIT OF THE SECURED PARTY.

22 (B) TAKE ANY PROCEEDS TO WHICH THE SECURED PARTY IS ENTITLED
23 UNDER SECTION 9315.

24 (C) ENFORCE THE OBLIGATIONS OF AN ACCOUNT DEBTOR OR OTHER
25 PERSON OBLIGATED ON COLLATERAL AND EXERCISE THE RIGHTS OF THE
26 DEBTOR WITH RESPECT TO THE OBLIGATION OF THE ACCOUNT DEBTOR OR
27 OTHER PERSON OBLIGATED ON COLLATERAL TO MAKE PAYMENT OR OTHERWISE

1 RENDER PERFORMANCE TO THE DEBTOR, AND WITH RESPECT TO ANY
2 PROPERTY THAT SECURES THE OBLIGATIONS OF THE ACCOUNT DEBTOR OR
3 OTHER PERSON OBLIGATED ON THE COLLATERAL.

4 (D) IF IT HOLDS A SECURITY INTEREST IN A DEPOSIT ACCOUNT
5 PERFECTED BY CONTROL UNDER SECTION 9104(1)(A), APPLY THE BALANCE
6 OF THE DEPOSIT ACCOUNT TO THE OBLIGATION SECURED BY THE DEPOSIT
7 ACCOUNT.

8 (E) IF IT HOLDS A SECURITY INTEREST IN A DEPOSIT ACCOUNT
9 PERFECTED BY CONTROL UNDER SECTION 9104(1)(B) OR (C), INSTRUCT
10 THE BANK TO PAY THE BALANCE OF THE DEPOSIT ACCOUNT TO OR FOR THE
11 BENEFIT OF THE SECURED PARTY.

12 (2) IF NECESSARY TO ENABLE A SECURED PARTY TO EXERCISE UNDER
13 SUBSECTION (1)(C) THE RIGHT OF A DEBTOR TO ENFORCE A MORTGAGE
14 NONJUDICIALLY, THE SECURED PARTY MAY RECORD BOTH OF THE FOLLOWING
15 IN THE OFFICE IN WHICH A RECORD OF THE MORTGAGE IS RECORDED:

16 (A) A COPY OF THE SECURITY AGREEMENT THAT CREATES OR PRO-
17 VIDES FOR A SECURITY INTEREST IN THE OBLIGATION SECURED BY THE
18 MORTGAGE.

19 (B) THE SECURED PARTY'S SWORN AFFIDAVIT IN RECORDABLE FORM
20 STATING THAT A DEFAULT HAS OCCURRED AND THE SECURED PARTY IS
21 ENTITLED TO ENFORCE THE MORTGAGE NONJUDICIALLY.

22 (3) A SECURED PARTY SHALL PROCEED IN A COMMERCIALY REASON-
23 ABLE MANNER IF THE SECURED PARTY MEETS BOTH OF THE FOLLOWING:

24 (A) UNDERTAKES TO COLLECT FROM OR ENFORCE AN OBLIGATION OF
25 AN ACCOUNT DEBTOR OR OTHER PERSON OBLIGATED ON COLLATERAL.

1 (B) IS ENTITLED TO CHARGE BACK UNCOLLECTED COLLATERAL OR
2 OTHERWISE TO FULL OR LIMITED RECOURSE AGAINST THE DEBTOR OR A
3 SECONDARY OBLIGOR.

4 (4) A SECURED PARTY MAY DEDUCT FROM THE COLLECTIONS MADE
5 PURSUANT TO SUBSECTION (3) REASONABLE EXPENSES OF COLLECTION AND
6 ENFORCEMENT, INCLUDING REASONABLE ATTORNEY FEES AND LEGAL
7 EXPENSES INCURRED BY THE SECURED PARTY.

8 (5) THIS SECTION DOES NOT DETERMINE WHETHER AN ACCOUNT
9 DEBTOR, BANK, OR OTHER PERSON OBLIGATED ON COLLATERAL OWES A DUTY
10 TO A SECURED PARTY.

11 SEC. 9608. (1) IF A SECURITY INTEREST OR AGRICULTURAL LIEN
12 SECURES PAYMENT OR PERFORMANCE OF AN OBLIGATION, THE FOLLOWING
13 RULES APPLY:

14 (A) A SECURED PARTY SHALL APPLY OR PAY OVER FOR APPLICATION
15 THE CASH PROCEEDS OF COLLECTION OR ENFORCEMENT UNDER SECTION 9607
16 IN THE FOLLOWING ORDER TO:

17 (i) THE REASONABLE EXPENSES OF COLLECTION AND ENFORCEMENT
18 AND, TO THE EXTENT PROVIDED FOR BY AGREEMENT AND NOT PROHIBITED
19 BY LAW, REASONABLE ATTORNEY FEES AND LEGAL EXPENSES INCURRED BY
20 THE SECURED PARTY.

21 (ii) THE SATISFACTION OF OBLIGATIONS SECURED BY THE SECURITY
22 INTEREST OR AGRICULTURAL LIEN UNDER WHICH THE COLLECTION OR
23 ENFORCEMENT IS MADE.

24 (iii) THE SATISFACTION OF OBLIGATIONS SECURED BY ANY SUBOR-
25 DINATE SECURITY INTEREST IN OR OTHER LIEN ON THE COLLATERAL
26 SUBJECT TO THE SECURITY INTEREST OR AGRICULTURAL LIEN UNDER WHICH
27 THE COLLECTION OR ENFORCEMENT IS MADE IF THE SECURED PARTY

1 RECEIVES AN AUTHENTICATED DEMAND FOR PROCEEDS BEFORE DISTRIBUTION
2 OF THE PROCEEDS IS COMPLETED.

3 (B) IF REQUESTED BY A SECURED PARTY, A HOLDER OF A SUBORDI-
4 NATE SECURITY INTEREST OR OTHER LIEN SHALL FURNISH REASONABLE
5 PROOF OF THE INTEREST OR LIEN WITHIN A REASONABLE TIME. UNLESS
6 THE HOLDER COMPLIES, THE SECURED PARTY NEED NOT COMPLY WITH THE
7 HOLDER'S DEMAND UNDER SUBDIVISION (A)(iii).

8 (C) A SECURED PARTY NEED NOT APPLY OR PAY OVER FOR APPLICA-
9 TION NONCASH PROCEEDS OF COLLECTION AND ENFORCEMENT UNDER
10 SECTION 9607 UNLESS THE FAILURE TO DO SO WOULD BE COMMERCIALY
11 UNREASONABLE. A SECURED PARTY THAT APPLIES OR PAYS OVER FOR
12 APPLICATION NONCASH PROCEEDS SHALL DO SO IN A COMMERCIALY REA-
13 SONABLE MANNER.

14 (D) A SECURED PARTY SHALL ACCOUNT TO AND PAY A DEBTOR FOR
15 ANY SURPLUS, AND THE OBLIGOR IS LIABLE FOR ANY DEFICIENCY.

16 (2) IF THE UNDERLYING TRANSACTION IS A SALE OF ACCOUNTS,
17 CHATTEL PAPER, PAYMENT INTANGIBLES, OR PROMISSORY NOTES, THE
18 DEBTOR IS NOT ENTITLED TO ANY SURPLUS, AND THE OBLIGOR IS NOT
19 LIABLE FOR ANY DEFICIENCY.

20 SEC. 9609. (1) AFTER DEFAULT, A SECURED PARTY MAY DO 1 OR
21 MORE OF THE FOLLOWING:

22 (A) TAKE POSSESSION OF THE COLLATERAL.

23 (B) WITHOUT REMOVAL, RENDER EQUIPMENT UNUSABLE AND DISPOSE
24 OF COLLATERAL ON A DEBTOR'S PREMISES UNDER SECTION 9610.

25 (2) A SECURED PARTY MAY PROCEED UNDER SUBSECTION (1) EITHER
26 PURSUANT TO JUDICIAL PROCESS, OR WITHOUT JUDICIAL PROCESS IF IT
27 PROCEEDS WITHOUT BREACH OF THE PEACE.

1 (3) IF SO AGREED, AND IN ANY EVENT AFTER DEFAULT, A SECURED
2 PARTY MAY REQUIRE THE DEBTOR TO ASSEMBLE THE COLLATERAL AND MAKE
3 IT AVAILABLE TO THE SECURED PARTY AT A PLACE TO BE DESIGNATED BY
4 THE SECURED PARTY THAT IS REASONABLY CONVENIENT TO BOTH PARTIES.

5 SEC. 9610. (1) AFTER DEFAULT, A SECURED PARTY MAY SELL,
6 LEASE, LICENSE, OR OTHERWISE DISPOSE OF ANY OR ALL OF THE COLLAT-
7 ERAL IN ITS PRESENT CONDITION OR FOLLOWING ANY COMMERCIALY REA-
8 SONABLE PREPARATION OR PROCESSING.

9 (2) EVERY ASPECT OF A DISPOSITION OF COLLATERAL, INCLUDING
10 THE METHOD, MANNER, TIME, PLACE, AND OTHER TERMS, MUST BE COMMER-
11 CIALY REASONABLE. IF COMMERCIALY REASONABLE, A SECURED PARTY
12 MAY DISPOSE OF COLLATERAL BY PUBLIC OR PRIVATE PROCEEDINGS, BY 1
13 OR MORE CONTRACTS, AS A UNIT OR IN PARCELS, AND AT ANY TIME AND
14 PLACE AND ON ANY TERMS.

15 (3) A SECURED PARTY MAY PURCHASE COLLATERAL EITHER AT A
16 PUBLIC DISPOSITION, OR AT A PRIVATE DISPOSITION ONLY IF THE COL-
17 LATERAL IS OF A KIND THAT IS CUSTOMARILY SOLD ON A RECOGNIZED
18 MARKET OR THE SUBJECT OF WIDELY DISTRIBUTED STANDARD PRICE
19 QUOTATIONS.

20 (4) A CONTRACT FOR SALE, LEASE, LICENSE, OR OTHER DISPOSI-
21 TION INCLUDES THE WARRANTIES RELATING TO TITLE, POSSESSION, QUIET
22 ENJOYMENT, AND THE LIKE WHICH BY OPERATION OF LAW ACCOMPANY A
23 VOLUNTARY DISPOSITION OF PROPERTY OF THE KIND SUBJECT TO THE
24 CONTRACT.

25 (5) A SECURED PARTY MAY DISCLAIM OR MODIFY WARRANTIES UNDER
26 SUBSECTION (4) EITHER IN A MANNER THAT WOULD BE EFFECTIVE TO
27 DISCLAIM OR MODIFY THE WARRANTIES IN A VOLUNTARY DISPOSITION OF

1 PROPERTY OF THE KIND SUBJECT TO THE CONTRACT OF DISPOSITION, OR
2 BY COMMUNICATING TO THE PURCHASER A RECORD EVIDENCING THE CON-
3 TRACT FOR DISPOSITION AND INCLUDING AN EXPRESS DISCLAIMER OR MOD-
4 IFICATION OF THE WARRANTIES.

5 (6) A RECORD IS SUFFICIENT TO DISCLAIM WARRANTIES UNDER SUB-
6 SECTION (5) IF IT INDICATES "THERE IS NO WARRANTY RELATING TO
7 TITLE, POSSESSION, QUIET ENJOYMENT, OR THE LIKE IN THIS
8 DISPOSITION" OR USES WORDS OF SIMILAR IMPORT.

9 SEC. 9611. (1) AS USED IN THIS SECTION, "NOTIFICATION DATE"
10 MEANS THE EARLIER OF THE DATE ON WHICH 1 OF THE FOLLOWING
11 OCCURS:

12 (A) A SECURED PARTY SENDS TO THE DEBTOR AND ANY SECONDARY
13 OBLIGOR AN AUTHENTICATED NOTIFICATION OF DISPOSITION.

14 (B) THE DEBTOR AND ANY SECONDARY OBLIGOR WAIVE THE RIGHT TO
15 NOTIFICATION.

16 (2) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (4), A
17 SECURED PARTY THAT DISPOSES OF COLLATERAL UNDER SECTION 9610
18 SHALL SEND TO THE PERSONS SPECIFIED IN SUBSECTION (3) A REASON-
19 ABLE AUTHENTICATED NOTIFICATION OF DISPOSITION.

20 (3) TO COMPLY WITH SUBSECTION (2), THE SECURED PARTY SHALL
21 SEND AN AUTHENTICATED NOTIFICATION OF DISPOSITION TO ALL OF THE
22 FOLLOWING:

23 (A) THE DEBTOR.

24 (B) ANY SECONDARY OBLIGOR.

25 (C) IF THE COLLATERAL IS OTHER THAN CONSUMER GOODS, ALL OF
26 THE FOLLOWING, AS APPLICABLE:

1 (i) ANY OTHER PERSON FROM WHICH THE SECURED PARTY HAS
2 RECEIVED, BEFORE THE NOTIFICATION DATE, AN AUTHENTICATED
3 NOTIFICATION OF A CLAIM OF AN INTEREST IN THE COLLATERAL.

4 (ii) ANY OTHER SECURED PARTY OR LIENHOLDER THAT, 10 DAYS
5 BEFORE THE NOTIFICATION DATE, HELD A SECURITY INTEREST IN OR
6 OTHER LIEN ON THE COLLATERAL PERFECTED BY THE FILING OF A FINANC-
7 ING STATEMENT THAT IDENTIFIED THE COLLATERAL, WAS INDEXED UNDER
8 THE DEBTOR'S NAME AS OF THAT DATE, AND WAS FILED IN THE OFFICE IN
9 WHICH TO FILE A FINANCING STATEMENT AGAINST THE DEBTOR COVERING
10 THE COLLATERAL AS OF THAT DATE.

11 (iii) ANY OTHER SECURED PARTY THAT, 10 DAYS BEFORE THE NOTI-
12 FICATION DATE, HELD A SECURITY INTEREST IN THE COLLATERAL PERFEC-
13 TED BY COMPLIANCE WITH A STATUTE, REGULATION, OR TREATY DESCRIBED
14 IN SECTION 9311(1).

15 (4) SUBSECTION (2) DOES NOT APPLY IF THE COLLATERAL IS PER-
16 ISHABLE OR THREATENS TO DECLINE SPEEDILY IN VALUE OR IS OF A TYPE
17 CUSTOMARILY SOLD ON A RECOGNIZED MARKET.

18 (5) A SECURED PARTY COMPLIES WITH THE REQUIREMENT FOR NOTI-
19 FICATION PRESCRIBED BY SUBSECTION (3)(C)(ii) IF THE SECURED PARTY
20 DOES BOTH OF THE FOLLOWING:

21 (A) NOT LATER THAN 20 DAYS OR EARLIER THAN 30 DAYS BEFORE
22 THE NOTIFICATION DATE, THE SECURED PARTY REQUESTS, IN A COMMER-
23 CIALY REASONABLE MANNER, INFORMATION CONCERNING FINANCING STATE-
24 MENTS INDEXED UNDER THE DEBTOR'S NAME IN THE OFFICE INDICATED IN
25 SUBSECTION (3)(C)(ii).

26 (B) BEFORE THE NOTIFICATION DATE, 1 OF THE FOLLOWING
27 APPLIES:

1 (i) THE SECURED PARTY DID NOT RECEIVE A RESPONSE TO THE
2 REQUEST FOR INFORMATION.

3 (ii) THE SECURED PARTY RECEIVED A RESPONSE TO THE REQUEST
4 FOR INFORMATION AND SENT AN AUTHENTICATED NOTIFICATION OF DISPO-
5 SITION TO EACH SECURED PARTY OR OTHER LIENHOLDER NAMED IN THAT
6 RESPONSE WHOSE FINANCING STATEMENT COVERED THE COLLATERAL.

7 SEC. 9612. (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION
8 (2), WHETHER A NOTIFICATION IS SENT WITHIN A REASONABLE TIME IS A
9 QUESTION OF FACT.

10 (2) IN A TRANSACTION OTHER THAN A CONSUMER TRANSACTION, A
11 NOTIFICATION OF DISPOSITION SENT AFTER DEFAULT AND 10 DAYS OR
12 MORE BEFORE THE EARLIEST TIME OF DISPOSITION SET FORTH IN THE
13 NOTIFICATION IS SENT WITHIN A REASONABLE TIME BEFORE THE
14 DISPOSITION.

15 SEC. 9613. EXCEPT IN A CONSUMER-GOODS TRANSACTION, THE FOL-
16 LOWING RULES APPLY:

17 (A) THE CONTENTS OF A NOTIFICATION OF DISPOSITION ARE SUFFI-
18 CIENT IF THE NOTIFICATION DOES ALL OF THE FOLLOWING:

19 (i) DESCRIBES THE DEBTOR AND THE SECURED PARTY.

20 (ii) DESCRIBES THE COLLATERAL THAT IS THE SUBJECT OF THE
21 INTENDED DISPOSITION.

22 (iii) STATES THE METHOD OF INTENDED DISPOSITION.

23 (iv) STATES THAT THE DEBTOR IS ENTITLED TO AN ACCOUNTING OF
24 THE UNPAID INDEBTEDNESS AND STATES THE CHARGE, IF ANY, FOR AN
25 ACCOUNTING.

26 (v) STATES THE TIME AND PLACE OF A PUBLIC DISPOSITION OR THE
27 TIME AFTER WHICH ANY OTHER DISPOSITION IS TO BE MADE.

1 (B) WHETHER THE CONTENTS OF A NOTIFICATION THAT LACKS ANY OF
2 THE INFORMATION SPECIFIED IN SUBDIVISION (A) ARE NEVERTHELESS
3 SUFFICIENT IS A QUESTION OF FACT.

4 (C) THE CONTENTS OF A NOTIFICATION PROVIDING SUBSTANTIALLY
5 THE INFORMATION SPECIFIED IN SUBDIVISION (A) ARE SUFFICIENT, EVEN
6 IF THE NOTIFICATION INCLUDES INFORMATION NOT SPECIFIED BY THAT
7 PARAGRAPH OR MINOR ERRORS THAT ARE NOT SERIOUSLY MISLEADING.

8 (D) A PARTICULAR PHRASING OF THE NOTIFICATION IS NOT
9 REQUIRED.

10 (E) THE FOLLOWING FORM OF NOTIFICATION AND THE FORM APPEAR-
11 ING IN SECTION 9614(C), WHEN COMPLETED, EACH PROVIDES SUFFICIENT
12 INFORMATION:

13 NOTIFICATION OF DISPOSITION OF COLLATERAL

14 TO: [NAME OF DEBTOR, OBLIGOR, OR OTHER PERSON TO
15 WHICH THE NOTIFICATION IS SENT]
16 FROM: [NAME, ADDRESS, AND TELEPHONE NUMBER OF
17 SECURED PARTY]
18 NAME OF DEBTOR(S): [INCLUDE ONLY IF DEBTOR(S) ARE NOT AN
19 ADDRESSEE]
20 [FOR A PUBLIC DISPOSITION:]

21 WE WILL SELL [OR LEASE OR LICENSE, AS APPLICABLE] THE
22 [DESCRIBE COLLATERAL] [TO THE HIGHEST QUALIFIED BIDDER] IN PUBLIC
23 AS FOLLOWS:

24 DAY AND DATE: _____
25 TIME: _____
26 PLACE: _____

27 [FOR A PRIVATE DISPOSITION:]

28 WE WILL SELL [OR LEASE OR LICENSE, AS APPLICABLE] THE
29 [DESCRIBE COLLATERAL] PRIVATELY SOMETIME AFTER [DAY AND DATE].

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1 YOU ARE ENTITLED TO AN ACCOUNTING OF THE UNPAID INDEBTEDNESS
2 SECURED BY THE PROPERTY THAT WE INTEND TO SELL [OR LEASE OR
3 LICENSE, AS APPLICABLE] [FOR A CHARGE OF \$_____]. YOU
4 MAY REQUEST AN ACCOUNTING BY CALLING US AT [TELEPHONE NUMBER].

[END OF FORM]

6 SEC. 9614. IN A CONSUMER-GOODS TRANSACTION, THE FOLLOWING
7 RULES APPLY:

8 (A) A NOTIFICATION OF DISPOSITION MUST PROVIDE ALL OF THE
9 FOLLOWING INFORMATION:

10 (i) THE INFORMATION SPECIFIED IN SECTION 9613(A).

11 (ii) A DESCRIPTION OF ANY LIABILITY FOR A DEFICIENCY OF THE
12 PERSON TO WHICH THE NOTIFICATION IS SENT.

13 (iii) A TELEPHONE NUMBER FROM WHICH THE AMOUNT THAT MUST BE
14 PAID TO THE SECURED PARTY TO REDEEM THE COLLATERAL UNDER SECTION
15 9623 IS AVAILABLE.

16 (iv) A TELEPHONE NUMBER OR MAILING ADDRESS FROM WHICH ADDI-
17 TIONAL INFORMATION CONCERNING THE DISPOSITION AND THE OBLIGATION
18 SECURED IS AVAILABLE.

19 (B) A PARTICULAR PHRASING OF THE NOTIFICATION IS NOT
20 REQUIRED.

21 (C) THE FOLLOWING FORM OF NOTIFICATION, WHEN COMPLETED, PRO-
22 VIDES SUFFICIENT INFORMATION:

23 [NAME AND ADDRESS OF SECURED PARTY]

24 [DATE]

25 NOTICE OF OUR PLAN TO SELL PROPERTY

26 [NAME AND ADDRESS OF ANY OBLIGOR WHO IS ALSO A DEBTOR]

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1 SUBJECT: [IDENTIFICATION OF TRANSACTION]

2 WE HAVE YOUR [DESCRIBE COLLATERAL], BECAUSE YOU BROKE
3 PROMISES IN OUR AGREEMENT.

4 [FOR A PUBLIC DISPOSITION:]

5 WE WILL SELL [DESCRIBE COLLATERAL] AT PUBLIC SALE. A SALE
6 COULD INCLUDE A LEASE OR LICENSE. THE SALE WILL BE HELD AS
7 FOLLOWS:

8 DATE: _____

9 TIME: _____

10 PLACE: _____

11 YOU MAY ATTEND THE SALE AND BRING BIDDERS IF YOU WANT.

12 [FOR A PRIVATE DISPOSITION:]

13 WE WILL SELL [DESCRIBE COLLATERAL] AT PRIVATE SALE SOMETIME
14 AFTER [DATE]. A SALE COULD INCLUDE A LEASE OR LICENSE.

15 THE MONEY THAT WE GET FROM THE SALE (AFTER PAYING OUR COSTS)
16 WILL REDUCE THE AMOUNT YOU OWE. IF WE GET LESS MONEY THAN YOU
17 OWE, YOU [WILL OR WILL NOT, AS APPLICABLE] STILL OWE US THE
18 DIFFERENCE. IF WE GET MORE MONEY THAN YOU OWE, YOU WILL GET THE
19 EXTRA MONEY, UNLESS WE MUST PAY IT TO SOMEONE ELSE.

20 YOU CAN GET THE PROPERTY BACK AT ANY TIME BEFORE WE SELL IT
21 BY PAYING US THE FULL AMOUNT YOU OWE (NOT JUST THE PAST DUE
22 PAYMENTS), INCLUDING OUR EXPENSES. TO LEARN THE EXACT AMOUNT YOU
23 MUST PAY, CALL US AT [TELEPHONE NUMBER].

24 IF YOU WANT US TO EXPLAIN TO YOU IN WRITING HOW WE HAVE FIG-
25 URED THE AMOUNT THAT YOU OWE US, YOU MAY CALL US AT [TELEPHONE
26 NUMBER] [OR WRITE US AT [SECURED PARTY'S ADDRESS]] AND REQUEST A
27 WRITTEN EXPLANATION. [WE WILL CHARGE YOU \$_____ FOR

1 THE EXPLANATION IF WE SENT YOU ANOTHER WRITTEN EXPLANATION OF THE
2 AMOUNT YOU OWE US WITHIN THE LAST 6 MONTHS.]

3 IF YOU NEED MORE INFORMATION ABOUT THE SALE, CALL US AT
4 [TELEPHONE NUMBER] [OR WRITE US AT [SECURED PARTY'S ADDRESS]].

5 WE ARE SENDING THIS NOTICE TO THE FOLLOWING OTHER PEOPLE WHO
6 HAVE AN INTEREST IN [DESCRIBE COLLATERAL] OR WHO OWE MONEY UNDER
7 YOUR AGREEMENT: [NAMES OF ALL OTHER DEBTORS AND OBLIGORS, IF
8 ANY].

9 [END OF FORM]

10 (D) A NOTIFICATION IN THE FORM OF SUBDIVISION (C) IS SUFFI-
11 CIENT, EVEN IF ADDITIONAL INFORMATION APPEARS AT THE END OF THE
12 FORM.

13 (E) A NOTIFICATION IN THE FORM OF SUBDIVISION (C) IS SUFFI-
14 CIENT, EVEN IF IT INCLUDES ERRORS IN INFORMATION NOT REQUIRED BY
15 SUBDIVISION (A), UNLESS THE ERROR IS MISLEADING WITH RESPECT TO
16 RIGHTS ARISING UNDER THIS ARTICLE.

17 (F) IF A NOTIFICATION UNDER THIS SECTION IS NOT IN THE FORM
18 OF SUBDIVISION (C), LAW OTHER THAN THIS ARTICLE DETERMINES THE
19 EFFECT OF INCLUDING INFORMATION NOT REQUIRED BY SUBDIVISION (A).

20 SEC. 9615. (1) A SECURED PARTY SHALL APPLY OR PAY OVER FOR
21 APPLICATION THE CASH PROCEEDS OF DISPOSITION UNDER SECTION 9610
22 IN THE FOLLOWING ORDER:

23 (A) TO THE REASONABLE EXPENSES OF RETAKING, HOLDING, PREPAR-
24 ING FOR DISPOSITION, PROCESSING, AND DISPOSING, AND, TO THE
25 EXTENT PROVIDED FOR BY AGREEMENT AND NOT PROHIBITED BY LAW, REA-
26 SONABLE ATTORNEY FEES AND LEGAL EXPENSES INCURRED BY THE SECURED
27 PARTY.

1 (B) TO THE SATISFACTION OF OBLIGATIONS SECURED BY THE
2 SECURITY INTEREST OR AGRICULTURAL LIEN UNDER WHICH THE DISPOSI-
3 TION IS MADE.

4 (C) TO THE SATISFACTION OF OBLIGATIONS SECURED BY ANY SUBOR-
5 DINATE SECURITY INTEREST IN OR OTHER SUBORDINATE LIEN ON THE COL-
6 LATERAL IF BOTH OF THE FOLLOWING, IF APPLICABLE, ARE MET:

7 (i) THE SECURED PARTY RECEIVES FROM THE HOLDER OF THE SUBOR-
8 DINATE SECURITY INTEREST OR OTHER LIEN AN AUTHENTICATED DEMAND
9 FOR PROCEEDS BEFORE DISTRIBUTION OF THE PROCEEDS IS COMPLETED.

10 (ii) IN A CASE IN WHICH A CONSIGNOR HAS AN INTEREST IN THE
11 COLLATERAL, THE SUBORDINATE SECURITY INTEREST OR OTHER LIEN IS
12 SENIOR TO THE INTEREST OF THE CONSIGNOR.

13 (D) TO A SECURED PARTY THAT IS A CONSIGNOR OF THE COLLATERAL
14 IF THE SECURED PARTY RECEIVES FROM THE CONSIGNOR AN AUTHENTICATED
15 DEMAND FOR PROCEEDS BEFORE DISTRIBUTION OF THE PROCEEDS IS
16 COMPLETED.

17 (2) IF REQUESTED BY A SECURED PARTY, A HOLDER OF A SUBORDI-
18 NATE SECURITY INTEREST OR OTHER LIEN SHALL FURNISH REASONABLE
19 PROOF OF THE INTEREST OR LIEN WITHIN A REASONABLE TIME. UNLESS
20 THE HOLDER DOES SO, THE SECURED PARTY NEED NOT COMPLY WITH THE
21 HOLDER'S DEMAND UNDER SUBSECTION (1)(C).

22 (3) A SECURED PARTY NEED NOT APPLY OR PAY OVER FOR APPLICA-
23 TION NONCASH PROCEEDS OF DISPOSITION UNDER SECTION 9610 UNLESS
24 THE FAILURE TO DO SO WOULD BE COMMERCIALY UNREASONABLE. A
25 SECURED PARTY THAT APPLIES OR PAYS OVER FOR APPLICATION NONCASH
26 PROCEEDS SHALL DO SO IN A COMMERCIALY REASONABLE MANNER.

1 (4) IF THE SECURITY INTEREST UNDER WHICH A DISPOSITION IS
2 MADE SECURES PAYMENT OR PERFORMANCE OF AN OBLIGATION, AFTER
3 MAKING THE PAYMENTS AND APPLICATIONS REQUIRED BY SUBSECTION (1)
4 AND PERMITTED BY SUBSECTION (3), BOTH OF THE FOLLOWING APPLY:

5 (A) UNLESS SUBSECTION (1)(D) REQUIRES THE SECURED PARTY TO
6 APPLY OR PAY OVER CASH PROCEEDS TO A CONSIGNOR, THE SECURED PARTY
7 SHALL ACCOUNT TO AND PAY A DEBTOR FOR ANY SURPLUS.

8 (B) THE OBLIGOR IS LIABLE FOR ANY DEFICIENCY.

9 (5) IF THE UNDERLYING TRANSACTION IS A SALE OF ACCOUNTS,
10 CHATTEL PAPER, PAYMENT INTANGIBLES, OR PROMISSORY NOTES, THE
11 DEBTOR IS NOT ENTITLED TO ANY SURPLUS, AND THE OBLIGOR IS NOT
12 LIABLE FOR ANY DEFICIENCY.

13 (6) THE SURPLUS OR DEFICIENCY FOLLOWING A DISPOSITION IS
14 CALCULATED BASED ON THE AMOUNT OF PROCEEDS THAT WOULD HAVE BEEN
15 REALIZED IN A DISPOSITION COMPLYING WITH THIS PART TO A TRANS-
16 FEREY OTHER THAN THE SECURED PARTY, A PERSON RELATED TO THE
17 SECURED PARTY, OR A SECONDARY OBLIGOR IF BOTH OF THE FOLLOWING
18 APPLY:

19 (A) THE TRANSFEREE IN THE DISPOSITION IS THE SECURED PARTY,
20 A PERSON RELATED TO THE SECURED PARTY, OR A SECONDARY OBLIGOR.

21 (B) THE AMOUNT OF PROCEEDS OF THE DISPOSITION IS SIGNIFI-
22 CANTLY BELOW THE RANGE OF PROCEEDS THAT A COMPLYING DISPOSITION
23 TO A PERSON OTHER THAN THE SECURED PARTY, A PERSON RELATED TO THE
24 SECURED PARTY, OR A SECONDARY OBLIGOR WOULD HAVE BROUGHT.

25 (7) ALL OF THE FOLLOWING APPLY TO A SECURED PARTY THAT
26 RECEIVES CASH PROCEEDS OF A DISPOSITION IN GOOD FAITH AND WITHOUT
27 KNOWLEDGE THAT THE RECEIPT VIOLATES THE RIGHTS OF THE HOLDER OF A

1 SECURITY INTEREST OR OTHER LIEN THAT IS NOT SUBORDINATE TO THE
2 SECURITY INTEREST OR AGRICULTURAL LIEN UNDER WHICH THE DISPOSI-
3 TION IS MADE:

4 (A) THE SECURED PARTY TAKES THE CASH PROCEEDS FREE OF THE
5 SECURITY INTEREST OR OTHER LIEN.

6 (B) THE SECURED PARTY IS NOT OBLIGATED TO APPLY THE PROCEEDS
7 OF THE DISPOSITION TO THE SATISFACTION OF OBLIGATIONS SECURED BY
8 THE SECURITY INTEREST OR OTHER LIEN.

9 (C) THE SECURED PARTY IS NOT OBLIGATED TO ACCOUNT TO OR PAY
10 THE HOLDER OF THE SECURITY INTEREST OR OTHER LIEN FOR ANY
11 SURPLUS.

12 SEC. 9616. (1) AS USED IN THIS SECTION:

13 (A) "EXPLANATION" MEANS A WRITING THAT DOES ALL OF THE
14 FOLLOWING:

15 (i) STATES THE AMOUNT OF THE SURPLUS OR DEFICIENCY.

16 (ii) PROVIDES AN EXPLANATION IN ACCORDANCE WITH SUBSECTION
17 (3) OF HOW THE SECURED PARTY CALCULATED THE SURPLUS OR
18 DEFICIENCY.

19 (iii) STATES, IF APPLICABLE, THAT FUTURE DEBITS, CREDITS,
20 CHARGES, INCLUDING ADDITIONAL CREDIT SERVICE CHARGES OR INTEREST,
21 REBATES, AND EXPENSES MAY AFFECT THE AMOUNT OF THE SURPLUS OR
22 DEFICIENCY.

23 (iv) PROVIDES A TELEPHONE NUMBER OR MAILING ADDRESS FROM
24 WHICH ADDITIONAL INFORMATION CONCERNING THE TRANSACTION IS
25 AVAILABLE.

26 (B) "REQUEST" MEANS A RECORD THAT MEETS ALL OF THE
27 FOLLOWING:

1 (i) AUTHENTICATED BY A DEBTOR OR CONSUMER OBLIGOR.
2 (ii) REQUESTING THAT THE RECIPIENT PROVIDE AN EXPLANATION.
3 (iii) SENT AFTER DISPOSITION OF THE COLLATERAL UNDER SECTION
4 9610.

5 (2) IN A CONSUMER-GOODS TRANSACTION IN WHICH THE DEBTOR IS
6 ENTITLED TO A SURPLUS OR A CONSUMER OBLIGOR IS LIABLE FOR A DEFICI-
7 CIENCY UNDER SECTION 9615, THE SECURED PARTY SHALL DO BOTH OF THE
8 FOLLOWING:

9 (A) SEND AN EXPLANATION TO THE DEBTOR OR CONSUMER OBLIGOR,
10 AS APPLICABLE, AFTER THE DISPOSITION AND IN ACCORDANCE WITH BOTH
11 OF THE FOLLOWING:

12 (i) SENT BEFORE OR WHEN THE SECURED PARTY ACCOUNTS TO THE
13 DEBTOR AND PAYS ANY SURPLUS OR FIRST MAKES WRITTEN DEMAND ON THE
14 CONSUMER OBLIGOR AFTER THE DISPOSITION FOR PAYMENT OF THE
15 DEFICIENCY.

16 (ii) SENT WITHIN 14 DAYS AFTER RECEIPT OF A REQUEST.

17 (B) IN THE CASE OF A CONSUMER OBLIGOR WHO IS LIABLE FOR A
18 DEFICIENCY, WITHIN 14 DAYS AFTER RECEIPT OF A REQUEST, SEND TO
19 THE CONSUMER OBLIGOR A RECORD WAIVING THE SECURED PARTY'S RIGHT
20 TO A DEFICIENCY.

21 (3) TO COMPLY WITH SUBSECTION (1)(A)(ii), A WRITING MUST
22 PROVIDE THE FOLLOWING INFORMATION IN THE FOLLOWING ORDER:

23 (A) THE AGGREGATE AMOUNT OF OBLIGATIONS SECURED BY THE
24 SECURITY INTEREST UNDER WHICH THE DISPOSITION WAS MADE, AND, IF
25 THE AMOUNT REFLECTS A REBATE OF UNEARNED INTEREST OR CREDIT SERV-
26 ICE CHARGE, AN INDICATION OF THAT FACT, CALCULATED AS OF A
27 SPECIFIED DATE, THAT IS 1 OF THE FOLLOWING:

1 (i) IF THE SECURED PARTY TAKES OR RECEIVES POSSESSION OF THE
2 COLLATERAL AFTER DEFAULT, NOT MORE THAN 35 DAYS BEFORE THE
3 SECURED PARTY TAKES OR RECEIVES POSSESSION.

4 (ii) IF THE SECURED PARTY TAKES OR RECEIVES POSSESSION OF
5 THE COLLATERAL BEFORE DEFAULT OR DOES NOT TAKE POSSESSION OF THE
6 COLLATERAL, NOT MORE THAN 35 DAYS BEFORE THE DISPOSITION.

7 (B) THE AMOUNT OF PROCEEDS OF THE DISPOSITION.

8 (C) THE AGGREGATE AMOUNT OF THE OBLIGATIONS AFTER DEDUCTING
9 THE AMOUNT OF PROCEEDS.

10 (D) THE AMOUNT, IN THE AGGREGATE OR BY TYPE, AND TYPES OF
11 EXPENSES, INCLUDING EXPENSES OF RETAKING, HOLDING, PREPARING FOR
12 DISPOSITION, PROCESSING, AND DISPOSING OF THE COLLATERAL, AND
13 ATTORNEY FEES SECURED BY THE COLLATERAL THAT ARE KNOWN TO THE
14 SECURED PARTY AND RELATE TO THE CURRENT DISPOSITION.

15 (E) THE AMOUNT, IN THE AGGREGATE OR BY TYPE, AND TYPES OF
16 CREDITS, INCLUDING REBATES OF INTEREST OR CREDIT SERVICE CHARGES,
17 TO WHICH THE OBLIGOR IS KNOWN TO BE ENTITLED AND THAT ARE NOT
18 REFLECTED IN THE AMOUNT IN SUBDIVISION (A).

19 (F) THE AMOUNT OF THE SURPLUS OR DEFICIENCY.

20 (4) A PARTICULAR PHRASING OF THE EXPLANATION IS NOT
21 REQUIRED. AN EXPLANATION COMPLYING SUBSTANTIALLY WITH THE
22 REQUIREMENTS OF SUBSECTION (1) IS SUFFICIENT, EVEN IF IT INCLUDES
23 MINOR ERRORS THAT ARE NOT SERIOUSLY MISLEADING.

24 (5) A DEBTOR OR CONSUMER OBLIGOR IS ENTITLED WITHOUT CHARGE
25 TO 1 RESPONSE TO A REQUEST UNDER THIS SECTION DURING ANY 6-MONTH
26 PERIOD IN WHICH THE SECURED PARTY DID NOT SEND TO THE DEBTOR OR
27 CONSUMER OBLIGOR AN EXPLANATION PURSUANT TO SUBSECTION (2)(A).

1 THE SECURED PARTY MAY REQUIRE PAYMENT OF A CHARGE NOT EXCEEDING
2 \$25.00 FOR EACH ADDITIONAL RESPONSE.

3 SEC. 9617. (1) A SECURED PARTY'S DISPOSITION OF COLLATERAL
4 AFTER DEFAULT DOES ALL OF THE FOLLOWING:

5 (A) TRANSFERS TO A TRANSFEREE FOR VALUE ALL OF THE DEBTOR'S
6 RIGHTS IN THE COLLATERAL.

7 (B) DISCHARGES THE SECURITY INTEREST UNDER WHICH THE DISPO-
8 SITION IS MADE.

9 (C) DISCHARGES ANY SUBORDINATE SECURITY INTEREST OR OTHER
10 SUBORDINATE LIEN.

11 (2) A TRANSFEREE THAT ACTS IN GOOD FAITH TAKES FREE OF THE
12 RIGHTS AND INTERESTS DESCRIBED IN SUBSECTION (1), EVEN IF THE
13 SECURED PARTY FAILS TO COMPLY WITH THIS ARTICLE OR THE REQUIRE-
14 MENTS OF ANY JUDICIAL PROCEEDING.

15 (3) IF A TRANSFEREE DOES NOT TAKE FREE OF THE RIGHTS AND
16 INTERESTS DESCRIBED IN SUBSECTION (1), THE TRANSFEREE TAKES THE
17 COLLATERAL SUBJECT TO ALL OF THE FOLLOWING:

18 (A) THE DEBTOR'S RIGHTS IN THE COLLATERAL.

19 (B) THE SECURITY INTEREST OR AGRICULTURAL LIEN UNDER WHICH
20 THE DISPOSITION IS MADE.

21 (C) ANY OTHER SECURITY INTEREST OR OTHER LIEN.

22 SEC. 9618. (1) A SECONDARY OBLIGOR ACQUIRES THE RIGHTS AND
23 BECOMES OBLIGATED TO PERFORM THE DUTIES OF THE SECURED PARTY
24 AFTER ALL OF THE FOLLOWING:

25 (A) THE SECONDARY OBLIGOR RECEIVES AN ASSIGNMENT OF A
26 SECURED OBLIGATION FROM THE SECURED PARTY.

1 (B) THE SECONDARY OBLIGOR RECEIVES A TRANSFER OF COLLATERAL
2 FROM THE SECURED PARTY AND AGREES TO ACCEPT THE RIGHTS AND ASSUME
3 THE DUTIES OF THE SECURED PARTY.

4 (C) THE SECONDARY OBLIGOR IS SUBROGATED TO THE RIGHTS OF A
5 SECURED PARTY WITH RESPECT TO COLLATERAL.

6 (2) AN ASSIGNMENT, TRANSFER, OR SUBROGATION DESCRIBED IN
7 SUBSECTION (1) RESULTS IN BOTH OF THE FOLLOWING:

8 (A) IT IS NOT A DISPOSITION OF COLLATERAL UNDER SECTION
9 9610.

10 (B) IT RELIEVES THE SECURED PARTY OF FURTHER DUTIES UNDER
11 THIS ARTICLE.

12 SEC. 9619. (1) AS USED IN THIS SECTION, "TRANSFER
13 STATEMENT" MEANS A RECORD AUTHENTICATED BY A SECURED PARTY STAT-
14 ING ALL OF THE FOLLOWING:

15 (A) THAT THE DEBTOR HAS DEFAULTED IN CONNECTION WITH AN
16 OBLIGATION SECURED BY SPECIFIED COLLATERAL.

17 (B) THAT THE SECURED PARTY HAS EXERCISED ITS POSTDEFAULT
18 REMEDIES WITH RESPECT TO THE COLLATERAL.

19 (C) THAT, BY REASON OF THE EXERCISE, A TRANSFEREE HAS
20 ACQUIRED THE RIGHTS OF THE DEBTOR IN THE COLLATERAL.

21 (D) THE NAME AND MAILING ADDRESS OF THE SECURED PARTY,
22 DEBTOR, AND TRANSFEREE.

23 (2) A TRANSFER STATEMENT ENTITLES THE TRANSFEREE TO THE
24 TRANSFER OF RECORD OF ALL RIGHTS OF THE DEBTOR IN THE COLLATERAL
25 SPECIFIED IN THE STATEMENT IN ANY OFFICIAL FILING, RECORDING,
26 REGISTRATION, OR CERTIFICATE-OF-TITLE SYSTEM COVERING THE
27 COLLATERAL. IF A TRANSFER STATEMENT IS PRESENTED WITH THE

1 APPLICABLE FEE AND REQUEST FORM TO THE OFFICIAL OR OFFICE
2 RESPONSIBLE FOR MAINTAINING THE SYSTEM, THE OFFICIAL OR OFFICE
3 SHALL DO ALL OF THE FOLLOWING:

4 (A) ACCEPT THE TRANSFER STATEMENT.

5 (B) PROMPTLY AMEND ITS RECORDS TO REFLECT THE TRANSFER.

6 (C) IF APPLICABLE, ISSUE A NEW APPROPRIATE CERTIFICATE OF
7 TITLE IN THE NAME OF THE TRANSFEREE.

8 (3) A TRANSFER OF THE RECORD OR LEGAL TITLE TO COLLATERAL TO
9 A SECURED PARTY UNDER SUBSECTION (2) OR OTHERWISE IS NOT OF
10 ITSELF A DISPOSITION OF COLLATERAL UNDER THIS ARTICLE AND DOES
11 NOT OF ITSELF RELIEVE THE SECURED PARTY OF ITS DUTIES UNDER THIS
12 ARTICLE.

13 SEC. 9620. (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION
14 (7), A SECURED PARTY MAY ACCEPT COLLATERAL IN FULL OR PARTIAL
15 SATISFACTION OF THE OBLIGATION IT SECURES ONLY IF ALL OF THE FOL-
16 LOWING ARE MET:

17 (A) THE DEBTOR CONSENTS TO THE ACCEPTANCE UNDER SUBSECTION
18 (3).

19 (B) THE SECURED PARTY DOES NOT RECEIVE, WITHIN THE TIME SET
20 FORTH IN SUBSECTION (4), A NOTIFICATION OF OBJECTION TO THE PRO-
21 POSAL AUTHENTICATED BY 1 OF THE FOLLOWING:

22 (i) A PERSON TO WHICH THE SECURED PARTY WAS REQUIRED TO SEND
23 A PROPOSAL UNDER SECTION 9621.

24 (ii) ANY OTHER PERSON, OTHER THAN THE DEBTOR, HOLDING AN
25 INTEREST IN THE COLLATERAL SUBORDINATE TO THE SECURITY INTEREST
26 THAT IS THE SUBJECT OF THE PROPOSAL.

1 (C) IF THE COLLATERAL IS CONSUMER GOODS, THE COLLATERAL IS
2 NOT IN THE POSSESSION OF THE DEBTOR WHEN THE DEBTOR CONSENTS TO
3 THE ACCEPTANCE.

4 (D) SUBSECTION (5) DOES NOT REQUIRE THE SECURED PARTY TO
5 DISPOSE OF THE COLLATERAL OR THE DEBTOR WAIVES THE REQUIREMENT
6 PURSUANT TO SECTION 9624.

7 (2) A PURPORTED OR APPARENT ACCEPTANCE OF COLLATERAL UNDER
8 THIS SECTION IS INEFFECTIVE UNLESS BOTH OF THE FOLLOWING OCCUR:

9 (A) THE SECURED PARTY CONSENTS TO THE ACCEPTANCE IN AN
10 AUTHENTICATED RECORD OR SENDS A PROPOSAL TO THE DEBTOR.

11 (B) THE CONDITIONS OF SUBSECTION (1) ARE MET.

12 (3) ALL OF THE FOLLOWING APPLY FOR PURPOSES OF THIS
13 SECTION:

14 (A) A DEBTOR CONSENTS TO AN ACCEPTANCE OF COLLATERAL IN PAR-
15 TIAL SATISFACTION OF THE OBLIGATION IT SECURES ONLY IF THE DEBTOR
16 AGREES TO THE TERMS OF THE ACCEPTANCE IN A RECORD AUTHENTICATED
17 AFTER DEFAULT.

18 (B) A DEBTOR CONSENTS TO AN ACCEPTANCE OF COLLATERAL IN FULL
19 SATISFACTION OF THE OBLIGATION IT SECURES ONLY IF THE DEBTOR
20 AGREES TO THE TERMS OF THE ACCEPTANCE IN A RECORD AUTHENTICATED
21 AFTER DEFAULT OR THE SECURED PARTY MEETS ALL OF THE FOLLOWING
22 REQUIREMENTS:

23 (i) SENDS TO THE DEBTOR AFTER DEFAULT A PROPOSAL THAT IS
24 UNCONDITIONAL OR SUBJECT ONLY TO A CONDITION THAT COLLATERAL NOT
25 IN THE POSSESSION OF THE SECURED PARTY BE PRESERVED OR
26 MAINTAINED.

1 (ii) IN THE PROPOSAL, PROPOSES TO ACCEPT COLLATERAL IN FULL
2 SATISFACTION OF THE OBLIGATION IT SECURES.

3 (iii) DOES NOT RECEIVE A NOTIFICATION OF OBJECTION AUTHENTI-
4 CATED BY THE DEBTOR WITHIN 20 DAYS AFTER THE PROPOSAL IS SENT.

5 (4) TO BE EFFECTIVE UNDER SUBSECTION (1)(B), A NOTIFICATION
6 OF OBJECTION MUST BE RECEIVED BY THE SECURED PARTY WITHIN OR
7 BEFORE 1 OF THE FOLLOWING:

8 (A) IN THE CASE OF A PERSON TO WHICH THE PROPOSAL WAS SENT
9 PURSUANT TO SECTION 9621, WITHIN 20 DAYS AFTER NOTIFICATION WAS
10 SENT TO THAT PERSON.

11 (B) IN OTHER CASES, 1 OF THE FOLLOWING:

12 (i) WITHIN 20 DAYS AFTER THE LAST NOTIFICATION WAS SENT PUR-
13 SUANT TO SECTION 9621.

14 (ii) IF A NOTIFICATION WAS NOT SENT, BEFORE THE DEBTOR CON-
15 SENDS TO THE ACCEPTANCE UNDER SUBSECTION (3).

16 (5) A SECURED PARTY THAT HAS TAKEN POSSESSION OF COLLATERAL
17 SHALL DISPOSE OF THE COLLATERAL PURSUANT TO SECTION 9610 WITHIN
18 THE TIME SPECIFIED IN SUBSECTION (6) IF 1 OF THE FOLLOWING IS
19 MET:

20 (A) SIXTY PERCENT OF THE CASH PRICE HAS BEEN PAID IN THE
21 CASE OF A PURCHASE-MONEY SECURITY INTEREST IN CONSUMER GOODS.

22 (B) SIXTY PERCENT OF THE PRINCIPAL AMOUNT OF THE OBLIGATION
23 SECURED HAS BEEN PAID IN THE CASE OF A NON-PURCHASE-MONEY SECUR-
24 ITY INTEREST IN CONSUMER GOODS.

25 (6) TO COMPLY WITH SUBSECTION (5), THE SECURED PARTY SHALL
26 DISPOSE OF THE COLLATERAL WITHIN 1 OF THE FOLLOWING:

1 (A) WITHIN 90 DAYS AFTER TAKING POSSESSION.

2 (B) WITHIN ANY LONGER PERIOD TO WHICH THE DEBTOR AND ALL
3 SECONDARY OBLIGORS HAVE AGREED IN AN AGREEMENT TO THAT EFFECT
4 ENTERED INTO AND AUTHENTICATED AFTER DEFAULT.

5 (7) IN A CONSUMER TRANSACTION, A SECURED PARTY MAY NOT
6 ACCEPT COLLATERAL IN PARTIAL SATISFACTION OF THE OBLIGATION IT
7 SECURES.

8 SEC. 9621. (1) A SECURED PARTY THAT DESIRES TO ACCEPT COL-
9 LATERAL IN FULL OR PARTIAL SATISFACTION OF THE OBLIGATION IT
10 SECURES SHALL SEND ITS PROPOSAL TO ALL OF THE FOLLOWING:

11 (A) ANY PERSON FROM WHICH THE SECURED PARTY HAS RECEIVED,
12 BEFORE THE DEBTOR CONSENTED TO THE ACCEPTANCE, AN AUTHENTICATED
13 NOTIFICATION OF A CLAIM OF AN INTEREST IN THE COLLATERAL.

14 (B) ANY OTHER SECURED PARTY OR LIENHOLDER THAT, 10 DAYS
15 BEFORE THE DEBTOR CONSENTED TO THE ACCEPTANCE, HELD A SECURITY
16 INTEREST IN OR OTHER LIEN ON THE COLLATERAL PERFECTED BY THE
17 FILING OF A FINANCING STATEMENT THAT MET ALL OF THE FOLLOWING:

18 (i) IDENTIFIED THE COLLATERAL.

19 (ii) WAS INDEXED UNDER THE DEBTOR'S NAME AS OF THAT DATE.

20 (iii) WAS FILED IN THE OFFICE OR OFFICES IN WHICH TO FILE A
21 FINANCING STATEMENT AGAINST THE DEBTOR COVERING THE COLLATERAL AS
22 OF THAT DATE.

23 (C) ANY OTHER SECURED PARTY THAT, 10 DAYS BEFORE THE DEBTOR
24 CONSENTED TO THE ACCEPTANCE, HELD A SECURITY INTEREST IN THE COL-
25 LATERAL PERFECTED BY COMPLIANCE WITH A STATUTE, REGULATION, OR
26 TREATY DESCRIBED IN SECTION 9311(1).

1 (2) A SECURED PARTY THAT DESIRES TO ACCEPT COLLATERAL IN
2 PARTIAL SATISFACTION OF THE OBLIGATION IT SECURES SHALL SEND ITS
3 PROPOSAL TO ANY SECONDARY OBLIGOR IN ADDITION TO THE PERSONS
4 DESCRIBED IN SUBSECTION (1).

5 SEC. 9622. (1) A SECURED PARTY'S ACCEPTANCE OF COLLATERAL
6 IN FULL OR PARTIAL SATISFACTION OF THE OBLIGATION IT SECURES DOES
7 ALL OF THE FOLLOWING:

8 (A) DISCHARGES THE OBLIGATION TO THE EXTENT CONSENTED TO BY
9 THE DEBTOR.

10 (B) TRANSFERS TO THE SECURED PARTY ALL OF A DEBTOR'S RIGHTS
11 IN THE COLLATERAL.

12 (C) DISCHARGES THE SECURITY INTEREST OR AGRICULTURAL LIEN
13 THAT IS THE SUBJECT OF THE DEBTOR'S CONSENT AND ANY SUBORDINATE
14 SECURITY INTEREST OR OTHER SUBORDINATE LIEN.

15 (D) TERMINATES ANY OTHER SUBORDINATE INTEREST.

16 (2) A SUBORDINATE INTEREST IS DISCHARGED OR TERMINATED UNDER
17 SUBSECTION (1), EVEN IF THE SECURED PARTY FAILS TO COMPLY WITH
18 THIS ARTICLE.

19 SEC. 9623. (1) A DEBTOR, ANY SECONDARY OBLIGOR, OR ANY
20 OTHER SECURED PARTY OR LIENHOLDER MAY REDEEM COLLATERAL.

21 (2) TO REDEEM COLLATERAL, A PERSON SHALL TENDER BOTH OF THE
22 FOLLOWING:

23 (A) FULFILLMENT OF ALL OBLIGATIONS SECURED BY THE
24 COLLATERAL.

25 (B) THE REASONABLE EXPENSES AND ATTORNEY FEES DESCRIBED IN
26 SECTION 9615(1)(A).

1 (3) A REDEMPTION MAY OCCUR AT ANY TIME BEFORE A SECURED
2 PARTY HAS DONE 1 OF THE FOLLOWING:

3 (A) HAS COLLECTED COLLATERAL UNDER SECTION 9607.

4 (B) HAS DISPOSED OF COLLATERAL OR ENTERED INTO A CONTRACT
5 FOR ITS DISPOSITION UNDER SECTION 9610.

6 (C) HAS ACCEPTED COLLATERAL IN FULL OR PARTIAL SATISFACTION
7 OF THE OBLIGATION IT SECURES UNDER SECTION 9622.

8 SEC. 9624. (1) A DEBTOR OR SECONDARY OBLIGOR MAY WAIVE THE
9 RIGHT TO NOTIFICATION OF DISPOSITION OF COLLATERAL UNDER SECTION
10 9611 ONLY BY AN AGREEMENT TO THAT EFFECT ENTERED INTO AND AUTHEN-
11 TICATED AFTER DEFAULT.

12 (2) A DEBTOR MAY WAIVE THE RIGHT TO REQUIRE DISPOSITION OF
13 COLLATERAL UNDER SECTION 9620(5) ONLY BY AN AGREEMENT TO THAT
14 EFFECT ENTERED INTO AND AUTHENTICATED AFTER DEFAULT.

15 (3) EXCEPT IN A CONSUMER-GOODS TRANSACTION, A DEBTOR OR SEC-
16 ONDARY OBLIGOR MAY WAIVE THE RIGHT TO REDEEM COLLATERAL UNDER
17 SECTION 9623 ONLY BY AN AGREEMENT TO THAT EFFECT ENTERED INTO AND
18 AUTHENTICATED AFTER DEFAULT.

19 SUBPART 2. NONCOMPLIANCE WITH ARTICLE

20 SEC. 9625. (1) IF IT IS ESTABLISHED THAT A SECURED PARTY IS
21 NOT PROCEEDING IN ACCORDANCE WITH THIS ARTICLE, A COURT MAY ORDER
22 OR RESTRAIN COLLECTION, ENFORCEMENT, OR DISPOSITION OF COLLATERAL
23 ON APPROPRIATE TERMS AND CONDITIONS.

24 (2) SUBJECT TO SUBSECTIONS (3), (4), AND (6), A PERSON IS
25 LIABLE FOR DAMAGES IN THE AMOUNT OF ANY LOSS CAUSED BY A FAILURE
26 TO COMPLY WITH THIS ARTICLE. LOSS CAUSED BY A FAILURE TO COMPLY

1 MAY INCLUDE LOSS RESULTING FROM THE DEBTOR'S INABILITY TO OBTAIN,
2 OR INCREASED COSTS OF, ALTERNATIVE FINANCING.

3 (3) EXCEPT AS OTHERWISE PROVIDED IN SECTION 9628, BOTH OF
4 THE FOLLOWING APPLY:

5 (A) A PERSON THAT, AT THE TIME OF THE FAILURE, WAS A DEBTOR,
6 WAS AN OBLIGOR, OR HELD A SECURITY INTEREST IN OR OTHER LIEN ON
7 THE COLLATERAL MAY RECOVER DAMAGES UNDER SUBSECTION (2) FOR ITS
8 LOSS.

9 (B) IF THE COLLATERAL IS CONSUMER GOODS, A PERSON THAT WAS A
10 DEBTOR OR A SECONDARY OBLIGOR AT THE TIME A SECURED PARTY FAILED
11 TO COMPLY WITH THIS PART MAY RECOVER FOR THAT FAILURE IN ANY
12 EVENT AN AMOUNT NOT LESS THAN THE CREDIT SERVICE CHARGE PLUS 10%
13 OF THE PRINCIPAL AMOUNT OF THE OBLIGATION OR THE TIME-PRICE DIF-
14 FERENTIAL PLUS 10% OF THE CASH PRICE.

15 (4) A DEBTOR WHOSE DEFICIENCY IS ELIMINATED UNDER SECTION
16 9626 MAY RECOVER DAMAGES FOR THE LOSS OF ANY SURPLUS. HOWEVER, A
17 DEBTOR OR SECONDARY OBLIGOR WHOSE DEFICIENCY IS ELIMINATED OR
18 REDUCED UNDER SECTION 9626 MAY NOT OTHERWISE RECOVER UNDER SUB-
19 SECTION (2) FOR NONCOMPLIANCE WITH THE PROVISIONS OF THIS PART
20 RELATING TO COLLECTION, ENFORCEMENT, DISPOSITION, OR ACCEPTANCE.

21 (5) IN ADDITION TO ANY DAMAGES RECOVERABLE UNDER SUBSECTION
22 (2), THE DEBTOR, CONSUMER OBLIGOR, OR PERSON NAMED AS A DEBTOR IN
23 A FILED RECORD, AS APPLICABLE, MAY RECOVER \$500.00 IN EACH CASE
24 FROM A PERSON THAT DOES 1 OR MORE OF THE FOLLOWING:

25 (A) FAILS TO COMPLY WITH SECTION 9208.

26 (B) FAILS TO COMPLY WITH SECTION 9209.

1 (C) FILES A RECORD THAT THE PERSON IS NOT ENTITLED TO FILE
2 UNDER SECTION 9509(1).

3 (D) FAILS TO CAUSE THE SECURED PARTY OF RECORD TO FILE OR
4 SEND A TERMINATION STATEMENT AS REQUIRED BY SECTION 9513(1) OR
5 (3).

6 (E) FAILS TO COMPLY WITH SECTION 9616(2)(A) AND WHOSE FAIL-
7 URE IS PART OF A PATTERN, OR CONSISTENT WITH A PRACTICE, OF
8 NONCOMPLIANCE.

9 (F) FAILS TO COMPLY WITH SECTION 9616(2)(B).

10 (6) A DEBTOR OR CONSUMER OBLIGOR MAY RECOVER DAMAGES UNDER
11 SUBSECTION (2) AND, IN ADDITION, \$500.00 IN EACH CASE FROM A
12 PERSON THAT, WITHOUT REASONABLE CAUSE, FAILS TO COMPLY WITH A
13 REQUEST UNDER SECTION 9210. A RECIPIENT OF A REQUEST UNDER SEC-
14 TION 9210 THAT NEVER CLAIMED AN INTEREST IN THE COLLATERAL OR
15 OBLIGATIONS THAT ARE THE SUBJECT OF A REQUEST UNDER THAT SECTION
16 HAS A REASONABLE EXCUSE FOR FAILURE TO COMPLY WITH THE REQUEST
17 WITHIN THE MEANING OF THIS SUBSECTION.

18 (7) IF A SECURED PARTY FAILS TO COMPLY WITH A REQUEST
19 REGARDING A LIST OF COLLATERAL OR A STATEMENT OF ACCOUNT UNDER
20 SECTION 9210, THE SECURED PARTY MAY CLAIM A SECURITY INTEREST
21 ONLY AS SHOWN IN THE LIST OR STATEMENT INCLUDED IN THE REQUEST AS
22 AGAINST A PERSON THAT IS REASONABLY MISLED BY THE FAILURE.

23 SEC. 9626. (1) IN AN ACTION ARISING FROM A TRANSACTION,
24 OTHER THAN A CONSUMER TRANSACTION, IN WHICH THE AMOUNT OF A DEFI-
25 CIENCY OR SURPLUS IS IN ISSUE, THE FOLLOWING RULES APPLY:

26 (A) A SECURED PARTY NEED NOT PROVE COMPLIANCE WITH THE
27 PROVISIONS OF THIS PART RELATING TO COLLECTION, ENFORCEMENT,

1 DISPOSITION, OR ACCEPTANCE UNLESS THE DEBTOR OR A SECONDARY

2 OBLIGOR PLACES THE SECURED PARTY'S COMPLIANCE IN ISSUE.

3 (B) IF THE SECURED PARTY'S COMPLIANCE IS PLACED IN ISSUE,

4 THE SECURED PARTY HAS THE BURDEN OF ESTABLISHING THAT THE COLLEC-

5 TION, ENFORCEMENT, DISPOSITION, OR ACCEPTANCE WAS CONDUCTED IN

6 ACCORDANCE WITH THIS PART.

7 (C) EXCEPT AS OTHERWISE PROVIDED IN SECTION 9628, IF A

8 SECURED PARTY FAILS TO PROVE THAT THE COLLECTION, ENFORCEMENT,

9 DISPOSITION, OR ACCEPTANCE WAS CONDUCTED IN ACCORDANCE WITH THE

10 PROVISIONS OF THIS PART RELATING TO COLLECTION, ENFORCEMENT, DIS-

11 POSITION, OR ACCEPTANCE, THE LIABILITY OF A DEBTOR OR A SECONDARY

12 OBLIGOR FOR A DEFICIENCY IS LIMITED TO AN AMOUNT BY WHICH THE SUM

13 OF THE SECURED OBLIGATION, EXPENSES, AND ATTORNEY FEES EXCEEDS

14 THE GREATER OF 1 OF THE FOLLOWING:

15 (i) THE PROCEEDS OF THE COLLECTION, ENFORCEMENT, DISPOSI-

16 TION, OR ACCEPTANCE.

17 (ii) THE AMOUNT OF PROCEEDS THAT WOULD HAVE BEEN REALIZED

18 HAD THE NONCOMPLYING SECURED PARTY PROCEEDED IN ACCORDANCE WITH

19 THE PROVISIONS OF THIS PART RELATING TO COLLECTION, ENFORCEMENT,

20 DISPOSITION, OR ACCEPTANCE.

21 (D) FOR PURPOSES OF SUBDIVISION (C)(ii), THE AMOUNT OF PRO-

22 CEEDS THAT WOULD HAVE BEEN REALIZED IS EQUAL TO THE SUM OF THE

23 SECURED OBLIGATION, EXPENSES, AND ATTORNEY FEES UNLESS THE

24 SECURED PARTY PROVES THAT THE AMOUNT IS LESS THAN THAT SUM.

25 (E) IF A DEFICIENCY OR SURPLUS IS CALCULATED UNDER SECTION

26 9615(6), THE DEBTOR OR OBLIGOR HAS THE BURDEN OF ESTABLISHING

27 THAT THE AMOUNT OF PROCEEDS OF THE DISPOSITION IS SIGNIFICANTLY

1 BELOW THE RANGE OF PRICES THAT A COMPLYING DISPOSITION TO A
2 PERSON OTHER THAN THE SECURED PARTY, A PERSON RELATED TO THE
3 SECURED PARTY, OR A SECONDARY OBLIGOR WOULD HAVE BROUGHT.

4 (2) THE LIMITATION OF THE RULES IN SUBSECTION (1) TO TRANS-
5 ACTIONS OTHER THAN CONSUMER TRANSACTIONS IS INTENDED TO LEAVE TO
6 THE COURT THE DETERMINATION OF THE PROPER RULES IN CONSUMER
7 TRANSACTIONS. THE COURT MAY NOT INFER FROM THAT LIMITATION THE
8 NATURE OF THE PROPER RULE IN CONSUMER TRANSACTIONS AND MAY CON-
9 TINUE TO APPLY ESTABLISHED APPROACHES.

10 SEC. 9627. (1) THE FACT THAT A GREATER AMOUNT COULD HAVE
11 BEEN OBTAINED BY A COLLECTION, ENFORCEMENT, DISPOSITION, OR
12 ACCEPTANCE AT A DIFFERENT TIME OR IN A DIFFERENT METHOD FROM THAT
13 SELECTED BY THE SECURED PARTY IS NOT OF ITSELF SUFFICIENT TO PRE-
14 CLUDE THE SECURED PARTY FROM ESTABLISHING THAT THE COLLECTION,
15 ENFORCEMENT, DISPOSITION, OR ACCEPTANCE WAS MADE IN A COMMER-
16 CIALY REASONABLE MANNER.

17 (2) A DISPOSITION OF COLLATERAL IS MADE IN A COMMERCIALY
18 REASONABLE MANNER IF THE DISPOSITION IS MADE IN THE USUAL MANNER
19 ON ANY RECOGNIZED MARKET, AT THE PRICE CURRENT IN ANY RECOGNIZED
20 MARKET AT THE TIME OF THE DISPOSITION, OR OTHERWISE IN CONFORMITY
21 WITH REASONABLE COMMERCIAL PRACTICES AMONG DEALERS IN THE TYPE OF
22 PROPERTY THAT WAS THE SUBJECT OF THE DISPOSITION.

23 (3) A COLLECTION, ENFORCEMENT, DISPOSITION, OR ACCEPTANCE IS
24 COMMERCIALY REASONABLE IF IT HAS BEEN APPROVED IN A JUDICIAL
25 PROCEEDING, BY A BONA FIDE CREDITORS' COMMITTEE, BY A REPRESENTA-
26 TIVE OF CREDITORS, OR BY AN ASSIGNEE FOR THE BENEFIT OF
27 CREDITORS.

1 (4) APPROVAL UNDER SUBSECTION (3) NEED NOT BE OBTAINED, AND
2 LACK OF APPROVAL DOES NOT MEAN THAT THE COLLECTION, ENFORCEMENT,
3 DISPOSITION, OR ACCEPTANCE IS NOT COMMERCIALY REASONABLE.

4 SEC. 9628. (1) UNLESS A SECURED PARTY KNOWS THAT A PERSON
5 IS A DEBTOR OR OBLIGOR, KNOWS THE IDENTITY OF THE PERSON, AND
6 KNOWS HOW TO COMMUNICATE WITH THE PERSON, BOTH OF THE FOLLOWING
7 APPLY:

8 (A) THE SECURED PARTY IS NOT LIABLE TO THE PERSON, OR TO A
9 SECURED PARTY OR LIENHOLDER THAT HAS FILED A FINANCING STATEMENT
10 AGAINST THE PERSON, FOR FAILURE TO COMPLY WITH THIS ARTICLE.

11 (B) THE SECURED PARTY'S FAILURE TO COMPLY WITH THIS ARTICLE
12 DOES NOT AFFECT THE LIABILITY OF THE PERSON FOR A DEFICIENCY.

13 (2) A SECURED PARTY IS NOT LIABLE BECAUSE OF ITS STATUS AS
14 SECURED PARTY TO EITHER OF THE FOLLOWING:

15 (A) TO A PERSON THAT IS A DEBTOR OR OBLIGOR, UNLESS THE
16 SECURED PARTY KNOWS ALL OF THE FOLLOWING:

17 (i) THAT THE PERSON IS A DEBTOR OR OBLIGOR.

18 (ii) THE IDENTITY OF THE PERSON.

19 (iii) HOW TO COMMUNICATE WITH THE PERSON.

20 (B) TO A SECURED PARTY OR LIENHOLDER THAT HAS FILED A
21 FINANCING STATEMENT AGAINST A PERSON, UNLESS THE SECURED PARTY
22 KNOWS BOTH OF THE FOLLOWING:

23 (i) THAT THE PERSON IS A DEBTOR.

24 (ii) THE IDENTITY OF THE PERSON.

25 (3) A SECURED PARTY IS NOT LIABLE TO ANY PERSON, AND A
26 PERSON'S LIABILITY FOR A DEFICIENCY IS NOT AFFECTED, BECAUSE OF
27 ANY ACT OR OMISSION ARISING OUT OF THE SECURED PARTY'S REASONABLE

1 BELIEF THAT A TRANSACTION IS NOT A CONSUMER-GOODS TRANSACTION OR
2 A CONSUMER TRANSACTION OR THAT GOODS ARE NOT CONSUMER GOODS, IF
3 THE SECURED PARTY'S BELIEF IS BASED ON ITS REASONABLE RELIANCE ON
4 1 OR MORE OF THE FOLLOWING:

5 (A) A DEBTOR'S REPRESENTATION CONCERNING THE PURPOSE FOR
6 WHICH COLLATERAL WAS TO BE USED, ACQUIRED, OR HELD.

7 (B) AN OBLIGOR'S REPRESENTATION CONCERNING THE PURPOSE FOR
8 WHICH A SECURED OBLIGATION WAS INCURRED.

9 (4) A SECURED PARTY IS NOT LIABLE TO ANY PERSON UNDER SEC-
10 TION 9625(3)(B) FOR ITS FAILURE TO COMPLY WITH SECTION 9616.

11 (5) A SECURED PARTY IS NOT LIABLE UNDER SECTION 9625(3)(B)
12 MORE THAN ONCE WITH RESPECT TO ANY 1 SECURED OBLIGATION.

13 PART 7

14 TRANSITION

15 SEC. 9701. AS USED IN THIS PART, "THIS AMENDATORY ACT"
16 MEANS THE AMENDATORY ACT THAT ADDED THIS PART.

17 SEC. 9702. (1) EXCEPT AS OTHERWISE PROVIDED IN THIS PART,
18 THIS AMENDATORY ACT APPLIES TO A TRANSACTION OR LIEN WITHIN ITS
19 SCOPE, EVEN IF THE TRANSACTION OR LIEN WAS ENTERED INTO OR CRE-
20 ATED BEFORE THIS AMENDATORY ACT TAKES EFFECT.

21 (2) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (3) AND SEC-
22 TIONS 9703 THROUGH 9709, BOTH OF THE FOLLOWING APPLY:

23 (A) TRANSACTIONS AND LIENS THAT WERE NOT GOVERNED BY THIS
24 ARTICLE BEFORE THIS AMENDATORY ACT TAKES EFFECT, WERE VALIDLY
25 ENTERED INTO OR CREATED BEFORE THIS AMENDATORY ACT TAKES EFFECT,
26 AND WOULD BE SUBJECT TO THIS AMENDATORY ACT IF THEY HAD BEEN
27 ENTERED INTO OR CREATED AFTER THIS AMENDATORY ACT TAKES EFFECT,

1 AND THE RIGHTS, DUTIES, AND INTERESTS FLOWING FROM THOSE
2 TRANSACTIONS AND LIENS REMAIN VALID AFTER THIS AMENDATORY ACT
3 TAKES EFFECT.

4 (B) THE TRANSACTIONS AND LIENS MAY BE TERMINATED, COMPLETED,
5 CONSUMMATED, AND ENFORCED AS REQUIRED OR PERMITTED BY THIS AMEN-
6 DATORY ACT OR BY THE LAW THAT OTHERWISE WOULD APPLY IF THIS AMEN-
7 DATORY ACT HAD NOT TAKEN EFFECT.

8 (3) THIS AMENDATORY ACT DOES NOT AFFECT AN ACTION, CASE, OR
9 PROCEEDING COMMENCED BEFORE THIS AMENDATORY ACT TAKES EFFECT.

10 SEC. 9703. (1) A SECURITY INTEREST THAT IS ENFORCEABLE
11 IMMEDIATELY BEFORE THIS AMENDATORY ACT TAKES EFFECT AND WOULD
12 HAVE PRIORITY OVER THE RIGHTS OF A PERSON THAT BECOMES A LIEN
13 CREDITOR AT THAT TIME IS A PERFECTED SECURITY INTEREST UNDER THIS
14 AMENDATORY ACT IF, WHEN THIS AMENDATORY ACT TAKES EFFECT, THE
15 APPLICABLE REQUIREMENTS FOR ENFORCEABILITY AND PERFECTION UNDER
16 THIS AMENDATORY ACT ARE SATISFIED WITHOUT FURTHER ACTION.

17 (2) EXCEPT AS OTHERWISE PROVIDED IN SECTION 9705, IF, IMME-
18 DIATELY BEFORE THIS AMENDATORY ACT TAKES EFFECT, A SECURITY
19 INTEREST IS ENFORCEABLE AND WOULD HAVE PRIORITY OVER THE RIGHTS
20 OF A PERSON THAT BECOMES A LIEN CREDITOR AT THAT TIME, BUT THE
21 APPLICABLE REQUIREMENTS FOR ENFORCEABILITY OR PERFECTION UNDER
22 THIS AMENDATORY ACT ARE NOT SATISFIED WHEN THIS AMENDATORY ACT
23 TAKES EFFECT, ALL OF THE FOLLOWING APPLY TO THE SECURITY
24 INTEREST:

25 (A) THE SECURITY INTEREST IS A PERFECTED SECURITY INTEREST
26 FOR 1 YEAR AFTER THIS AMENDATORY ACT TAKES EFFECT.

1 (B) THE SECURITY INTEREST REMAINS ENFORCEABLE THEREAFTER
2 ONLY IF THE SECURITY INTEREST BECOMES ENFORCEABLE UNDER SECTION
3 9203 BEFORE THE YEAR EXPIRES.

4 (C) THE SECURITY INTEREST REMAINS PERFECTED THEREAFTER ONLY
5 IF THE APPLICABLE REQUIREMENTS FOR PERFECTION UNDER THIS AMENDA-
6 TORY ACT ARE SATISFIED BEFORE THE YEAR EXPIRES.

7 SEC. 9704. ALL OF THE FOLLOWING APPLY TO A SECURITY INTER-
8 EST THAT IS ENFORCEABLE IMMEDIATELY BEFORE THIS AMENDATORY ACT
9 TAKES EFFECT BUT WHICH WOULD BE SUBORDINATE TO THE RIGHTS OF A
10 PERSON THAT BECOMES A LIEN CREDITOR AT THAT TIME:

11 (A) THE SECURITY INTEREST REMAINS AN ENFORCEABLE SECURITY
12 INTEREST FOR 1 YEAR AFTER THIS AMENDATORY ACT TAKES EFFECT.

13 (B) THE SECURITY INTEREST REMAINS ENFORCEABLE THEREAFTER IF
14 THE SECURITY INTEREST BECOMES ENFORCEABLE UNDER SECTION 9203 WHEN
15 THIS AMENDATORY ACT TAKES EFFECT OR WITHIN 1 YEAR THEREAFTER.

16 (C) THE SECURITY INTEREST BECOMES PERFECTED UNDER 1 OF THE
17 FOLLOWING:

18 (i) WITHOUT FURTHER ACTION, WHEN THIS AMENDATORY ACT TAKES
19 EFFECT IF THE APPLICABLE REQUIREMENTS FOR PERFECTION UNDER THIS
20 AMENDATORY ACT ARE SATISFIED BEFORE OR AT THAT TIME.

21 (ii) WHEN THE APPLICABLE REQUIREMENTS FOR PERFECTION ARE
22 SATISFIED IF THE REQUIREMENTS ARE SATISFIED AFTER THAT TIME.

23 SEC. 9705. (1) IF ACTION, OTHER THAN THE FILING OF A
24 FINANCING STATEMENT, IS TAKEN BEFORE THIS AMENDATORY ACT TAKES
25 EFFECT AND THE ACTION WOULD HAVE RESULTED IN PRIORITY OF A SECUR-
26 ITY INTEREST OVER THE RIGHTS OF A PERSON THAT BECOMES A LIEN
27 CREDITOR HAD THE SECURITY INTEREST BECOME ENFORCEABLE BEFORE THIS

1 AMENDATORY ACT TAKES EFFECT, THE ACTION IS EFFECTIVE TO PERFECT A
2 SECURITY INTEREST THAT ATTACHES UNDER THIS AMENDATORY ACT WITHIN
3 1 YEAR AFTER THIS AMENDATORY ACT TAKES EFFECT. AN ATTACHED
4 SECURITY INTEREST BECOMES UNPERFECTED 1 YEAR AFTER THIS AMENDA-
5 TORY ACT TAKES EFFECT UNLESS THE SECURITY INTEREST BECOMES A PER-
6 FECTED SECURITY INTEREST UNDER THIS AMENDATORY ACT BEFORE THE
7 EXPIRATION OF THAT PERIOD.

8 (2) THE FILING OF A FINANCING STATEMENT BEFORE THIS AMENDA-
9 TORY ACT TAKES EFFECT IS EFFECTIVE TO PERFECT A SECURITY INTEREST
10 TO THE EXTENT THE FILING WOULD SATISFY THE APPLICABLE REQUIRE-
11 MENTS FOR PERFECTION UNDER THIS AMENDATORY ACT.

12 (3) THIS AMENDATORY ACT DOES NOT RENDER INEFFECTIVE AN
13 EFFECTIVE FINANCING STATEMENT THAT, BEFORE THIS AMENDATORY ACT
14 TAKES EFFECT, IS FILED AND SATISFIES THE APPLICABLE REQUIREMENTS
15 FOR PERFECTION UNDER THE LAW OF THE JURISDICTION GOVERNING PER-
16 FECTION AS PROVIDED IN SECTION 9103 BEFORE THIS AMENDATORY ACT
17 TAKES EFFECT. HOWEVER, EXCEPT AS OTHERWISE PROVIDED IN SUBSEC-
18 TIONS (4) AND (5) AND SECTION 9706, THE FINANCING STATEMENT
19 CEASES TO BE EFFECTIVE AT THE EARLIER OF THE FOLLOWING:

20 (A) THE TIME THE FINANCING STATEMENT WOULD HAVE CEASED TO BE
21 EFFECTIVE UNDER THE LAW OF THE JURISDICTION IN WHICH IT IS
22 FILED.

23 (B) JUNE 30, 2006.

24 (4) THE FILING OF A CONTINUATION STATEMENT AFTER THIS AMEN-
25 DATORY ACT TAKES EFFECT DOES NOT CONTINUE THE EFFECTIVENESS OF
26 THE FINANCING STATEMENT FILED BEFORE THIS AMENDATORY ACT TAKES
27 EFFECT. HOWEVER, UPON THE TIMELY FILING OF A CONTINUATION

1 STATEMENT AFTER THIS AMENDATORY ACT TAKES EFFECT AND IN
2 ACCORDANCE WITH THE LAW OF THE JURISDICTION GOVERNING PERFECTION
3 AS PROVIDED IN PART 3, THE EFFECTIVENESS OF A FINANCING STATEMENT
4 FILED IN THE SAME OFFICE IN THAT JURISDICTION BEFORE THIS AMENDA-
5 TORY ACT TAKES EFFECT CONTINUES FOR THE PERIOD PROVIDED BY THE
6 LAW OF THAT JURISDICTION.

7 (5) SUBSECTION (3)(B) APPLIES TO A FINANCING STATEMENT THAT,
8 BEFORE THIS AMENDATORY ACT TAKES EFFECT, IS FILED AGAINST A
9 TRANSMITTING UTILITY AND SATISFIES THE APPLICABLE REQUIREMENTS
10 FOR PERFECTION UNDER THE LAW OF THE JURISDICTION GOVERNING PER-
11 FECTION AS PROVIDED IN SECTION 9103 BEFORE THIS AMENDATORY ACT
12 TAKES EFFECT ONLY TO THE EXTENT THAT PART 3 PROVIDES THAT THE LAW
13 OF A JURISDICTION OTHER THAN THE JURISDICTION IN WHICH THE
14 FINANCING STATEMENT IS FILED GOVERNS PERFECTION OF A SECURITY
15 INTEREST IN COLLATERAL COVERED BY THE FINANCING STATEMENT.

16 (6) A FINANCING STATEMENT THAT INCLUDES A FINANCING STATE-
17 MENT FILED BEFORE THIS AMENDATORY ACT TAKES EFFECT AND A CONTINU-
18 ATION STATEMENT FILED AFTER THIS AMENDATORY ACT TAKES EFFECT IS
19 EFFECTIVE ONLY TO THE EXTENT THAT IT SATISFIES THE REQUIREMENTS
20 OF PART 5 FOR AN INITIAL FINANCING STATEMENT.

21 SEC. 9706. (1) THE FILING OF AN INITIAL FINANCING STATEMENT
22 IN THE OFFICE SPECIFIED IN SECTION 9501 CONTINUES THE EFFECTIVE-
23 NESS OF A FINANCING STATEMENT FILED BEFORE THIS AMENDATORY ACT
24 TAKES EFFECT IF ALL OF THE FOLLOWING APPLY:

25 (A) THE FILING OF AN INITIAL FINANCING STATEMENT IN THAT
26 OFFICE WOULD BE EFFECTIVE TO PERFECT A SECURITY INTEREST UNDER
27 THIS AMENDATORY ACT.

1 (B) THE PRE-EFFECTIVE-DATE FINANCING STATEMENT WAS FILED IN
2 AN OFFICE IN ANOTHER STATE OR ANOTHER OFFICE IN THIS STATE.

3 (C) THE INITIAL FINANCING STATEMENT SATISFIES SUBSECTION
4 (3).

5 (2) THE FILING OF AN INITIAL FINANCING STATEMENT UNDER SUB-
6 SECTION (1) CONTINUES THE EFFECTIVENESS OF THE PRE-EFFECTIVE-DATE
7 FINANCING STATEMENT IF BOTH OF THE FOLLOWING APPLY:

8 (A) IF THE INITIAL FINANCING STATEMENT IS FILED BEFORE THIS
9 AMENDATORY ACT TAKES EFFECT, FOR THE PERIOD PROVIDED IN SECTION
10 9403 BEFORE THIS AMENDATORY ACT TAKES EFFECT WITH RESPECT TO A
11 FINANCING STATEMENT.

12 (B) IF THE INITIAL FINANCING STATEMENT IS FILED AFTER THIS
13 AMENDATORY ACT TAKES EFFECT, FOR THE PERIOD PROVIDED IN SECTION
14 9515 WITH RESPECT TO AN INITIAL FINANCING STATEMENT.

15 (3) TO BE EFFECTIVE FOR PURPOSES OF SUBSECTION (1), AN INI-
16 TIAL FINANCING STATEMENT MUST DO ALL OF THE FOLLOWING:

17 (A) SATISFY THE REQUIREMENTS OF PART 5 FOR AN INITIAL
18 FINANCING STATEMENT.

19 (B) IDENTIFY THE PRE-EFFECTIVE-DATE FINANCING STATEMENT BY
20 INDICATING THE OFFICE IN WHICH THE FINANCING STATEMENT WAS FILED
21 AND PROVIDING THE DATES OF FILING AND FILE NUMBERS, IF ANY, OF
22 THE FINANCING STATEMENT AND OF THE MOST RECENT CONTINUATION
23 STATEMENT FILED WITH RESPECT TO THE FINANCING STATEMENT.

24 (C) INDICATE THAT THE PRE-EFFECTIVE-DATE FINANCING STATEMENT
25 REMAINS EFFECTIVE.

1 SEC. 9707. (1) AS USED IN THIS SECTION, "PRE-EFFECTIVE-DATE
2 FINANCING STATEMENT" MEANS A FINANCING STATEMENT FILED BEFORE [THIS
3 AMENDATORY ACT] TAKES EFFECT.

4 (2) AFTER [THIS AMENDATORY ACT] TAKES
5 EFFECT, A PERSON MAY ADD OR DELETE COLLATERAL COVERED BY, CON-
6 TINUE OR TERMINATE THE EFFECTIVENESS OF, OR OTHERWISE AMEND THE
7 INFORMATION PROVIDED IN, A PRE-EFFECTIVE-DATE FINANCING STATEMENT
8 ONLY IN ACCORDANCE WITH THE LAW OF THE JURISDICTION GOVERNING
9 PERFECTION AS PROVIDED IN PART 3. HOWEVER, THE EFFECTIVENESS OF
10 A PRE-EFFECTIVE-DATE FINANCING STATEMENT ALSO MAY BE TERMINATED
11 IN ACCORDANCE WITH THE LAW OF THE JURISDICTION IN WHICH THE
12 FINANCING STATEMENT IS FILED.

(3) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (4), IF THE LAW OF THIS STATE GOVERNS PERFECTION OF A SECURITY INTEREST, THE INFORMATION IN A PRE-EFFECTIVE-DATE FINANCING STATEMENT MAY BE AMENDED AFTER [THIS AMENDATORY ACT] TAKES EFFECT ONLY IF 1 OF THE FOLLOWING IS MET:

18 (A) THE PRE-EFFECTIVE-DATE FINANCING STATEMENT AND AN AMEND-
19 MENT ARE FILED IN THE OFFICE SPECIFIED IN SECTION 9501.

20 (B) AN AMENDMENT IS FILED IN THE OFFICE SPECIFIED IN
21 SECTION 9501 CONCURRENTLY WITH, OR AFTER THE FILING IN THAT
22 OFFICE OF, AN INITIAL FINANCING STATEMENT THAT SATISFIES
23 SECTION 9706(3).

24 (C) AN INITIAL FINANCING STATEMENT THAT PROVIDES THE INFOR-
25 MATION AS AMENDED AND SATISFIES SECTION 9706(3) IS FILED IN THE
26 OFFICE SPECIFIED IN SECTION 9501.

1 (4) IF THE LAW OF THIS STATE GOVERNS PERFECTION OF A
2 SECURITY INTEREST, THE EFFECTIVENESS OF A PRE-EFFECTIVE-DATE
3 FINANCING STATEMENT MAY BE CONTINUED ONLY UNDER SECTION 9705(4)
4 AND (6) OR 9706.

5 (5) WHETHER OR NOT THE LAW OF THIS STATE GOVERNS PERFECTION
6 OF A SECURITY INTEREST, THE EFFECTIVENESS OF A PRE-EFFECTIVE-DATE
7 FINANCING STATEMENT FILED IN THIS STATE MAY BE TERMINATED AFTER
8 [THIS AMENDATORY ACT] TAKES EFFECT BY FILING A
9 TERMINATION STATEMENT IN THE OFFICE IN WHICH THE
10 PRE-EFFECTIVE-DATE FINANCING STATEMENT IS FILED, UNLESS AN INI-
11 TIAL FINANCING STATEMENT THAT SATISFIES SECTION 9706(3) HAS BEEN
12 FILED IN THE OFFICE SPECIFIED BY THE LAW OF THE JURISDICTION GOV-
13 ERNING PERFECTION AS PROVIDED IN PART 3 AS THE OFFICE IN WHICH TO
14 FILE A FINANCING STATEMENT.

15 SEC. 9708. A PERSON MAY FILE AN INITIAL FINANCING STATEMENT
16 OR A CONTINUATION STATEMENT UNDER THIS PART IF BOTH OF THE FOL-
17 LOWING APPLY:

18 (A) THE SECURED PARTY OF RECORD AUTHORIZES THE FILING.

19 (B) THE FILING IS NECESSARY UNDER THIS PART TO DO 1 OF THE
20 FOLLOWING:

21 (i) TO CONTINUE THE EFFECTIVENESS OF A FINANCING STATEMENT
22 FILED BEFORE THIS AMENDATORY ACT TAKES EFFECT.

23 (ii) TO PERFECT OR CONTINUE THE PERFECTION OF A SECURITY
24 INTEREST.

25 SEC. 9709. (1) THIS AMENDATORY ACT DETERMINES THE PRIORITY
26 OF CONFLICTING CLAIMS TO COLLATERAL. HOWEVER, IF THE RELATIVE
27 PRIORITIES OF THE CLAIMS WERE ESTABLISHED BEFORE THIS AMENDATORY

1 ACT TAKES EFFECT, THIS ARTICLE AS IN EFFECT BEFORE THIS

2 AMENDATORY ACT TAKES EFFECT DETERMINES PRIORITY.

3 (2) FOR PURPOSES OF SECTION 9322(1), THE PRIORITY OF A
4 SECURITY INTEREST THAT BECOMES ENFORCEABLE UNDER SECTION 9203 OF
5 THIS AMENDATORY ACT DATES FROM THE TIME THIS AMENDATORY ACT TAKES
6 EFFECT IF THE SECURITY INTEREST IS PERFECTED UNDER THIS AMENDA-
7 TORY ACT BY THE FILING OF A FINANCING STATEMENT BEFORE THIS AMEN-
8 DATORY ACT TAKES EFFECT WHICH WOULD NOT HAVE BEEN EFFECTIVE TO
9 PERFECT THE SECURITY INTEREST UNDER THIS ARTICLE AS IN EFFECT
10 BEFORE THIS AMENDATORY ACT TAKES EFFECT. THIS SUBSECTION DOES
11 NOT APPLY TO CONFLICTING SECURITY INTERESTS EACH OF WHICH IS PER-
12 FECTED BY THE FILING OF A FINANCING STATEMENT DESCRIBED IN THIS
13 SUBSECTION.

14 Enacting section 1. This amendatory act takes effect July
15 1, 2001.

16 Enacting section 2. Sections 9112, 9113, 9114, 9115, 9116,
17 9408a, and 9410 of the uniform commercial code, 1962 PA 174,
18 MCL 440.9112, 440.9113, 440.9114, 440.9115, 440.9116, 440.9408a,
19 and 440.9410, are repealed.