

House \_\_\_\_\_ Amendment NO. \_\_\_\_\_

Offered By

1 AMEND House Committee Substitute No. 2 for Senate Substitute for Senate Committee Substitute  
2 for Senate Bill No. 835, Page 3, Section 30.267, Line 21, by inserting after said section and line the  
3 following:

4  
5 "34.700. 1. A public entity shall not:

6 (1) Accept a payment using central bank digital currency; or

7 (2) Participate in any test of central bank digital currency by any Federal Reserve branch.

8 2. For purposes of this section, the following terms mean:

9 (1) "Central bank digital currency", has the same meaning as in section 400.1-201;

10 (2) "Public entity", the state of Missouri or any political subdivision thereof, including all  
11 boards, commissions, agencies, institutions, authorities, and bodies politic and corporate of the state  
12 created by or in accordance with state law or regulations."; and

13  
14 Further amend said bill, Page 100, Section 381.410, Line 36, by inserting after said section and line  
15 the following:

16  
17 "400.1-201. (a) Unless the context otherwise requires, words or phrases defined in this  
18 section, or in the additional definitions contained in other articles of this chapter that apply to  
19 particular articles or parts thereof, have the meanings stated.

20 (b) Subject to definitions contained in other articles of this chapter that apply to particular  
21 articles or parts thereof:

22 (1) "Action", in the sense of a judicial proceeding, includes recoupment, counterclaim, set-  
23 off, suit in equity, and any other proceeding in which rights are determined.

24 (2) "Aggrieved party" means a party entitled to pursue a remedy.

25 (3) "Agreement", as distinguished from "contract", means the bargain of the parties in fact,  
26 as found in their language or inferred from other circumstances, including course of performance,  
27 course of dealing, or usage of trade as provided in section 400.1-303.

28 (4) "Bank" means a person engaged in the business of banking and includes a savings bank,  
29 savings and loan association, credit union, and trust company.

Action Taken \_\_\_\_\_ Date \_\_\_\_\_

1 (5) "Bearer" means a person in possession of a negotiable instrument, document of title, or  
2 certificated security that is payable to bearer or indorsed in blank.

3 (6) "Bill of lading" means a document evidencing the receipt of goods for shipment issued  
4 by a person engaged in the business of transporting or forwarding goods.

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

6 (8) "Burden of establishing" a fact means the burden of persuading the trier of fact that the  
7 existence of the fact is more probable than its nonexistence.

8 (9) "Buyer in ordinary course of business" means a person that buys goods in good faith,  
9 without knowledge that the sale violates the rights of another person in the goods, and in the  
10 ordinary course from a person, other than a pawnbroker, in the business of selling goods of that  
11 kind. A person buys goods in the ordinary course if the sale to the person comports with the usual  
12 or customary practices in the kind of business in which the seller is engaged or with the seller's own  
13 usual or customary practices. A person that sells oil, gas, or other minerals at the wellhead or  
14 minehead is a person in the business of selling goods of that kind. A buyer in ordinary course of  
15 business may buy for cash, by exchange of other property, or on secured or unsecured credit, and  
16 may acquire goods or documents of title under a preexisting contract for sale. Only a buyer that  
17 takes possession of the goods or has a right to recover the goods from the seller under article 2 may  
18 be a buyer in ordinary course of business. "Buyer in ordinary course of business" does not include a  
19 person that acquires goods in a transfer in bulk or as security for or in total or partial satisfaction of a  
20 money debt.

21 (9A) "Central bank digital currency" means a digital currency, a digital medium of  
22 exchange, or a digital monetary unit of account issued by the United States Federal Reserve System,  
23 a federal agency, a foreign government, a foreign central bank, or a foreign reserve system, that is  
24 made directly available to a consumer by such entities. The term includes a digital currency, a  
25 digital medium of exchange, or a digital monetary unit of account issued by the United States  
26 Federal Reserve System, a federal agency, a foreign government, a foreign central bank, or a foreign  
27 reserve system, that is processed or validated directly by such entities.

28 (10) "Conspicuous", with reference to a term, means so written, displayed, or presented that,  
29 based on the totality of the circumstances, a reasonable person against which it is to operate ought to  
30 have noticed it. Whether a term is "conspicuous" or not is a decision for the court. ~~[Conspicuous~~  
31 ~~terms include the following:~~

32 ~~(A) a heading in capitals equal to or greater in size than the surrounding text, or in~~  
33 ~~contrasting type, font, or color to the surrounding text of the same or lesser size; and~~

34 ~~(B) language in the body of a record or display in larger type than the surrounding text, or in~~  
35 ~~contrasting type, font, or color to the surrounding text of the same size, or set off from surrounding~~  
36 ~~text of the same size by symbols or other marks that call attention to the language.]~~

37 (11) "Consumer" means an individual who enters into a transaction primarily for personal,  
38 family, or household purposes.

1 (12) "Contract", as distinguished from "agreement", means the total legal obligation that  
2 results from the parties' agreement as determined by this chapter as supplemented by any other  
3 applicable laws.

4 (13) "Creditor" includes a general creditor, a secured creditor, a lien creditor, and any  
5 representative of creditors, including an assignee for the benefit of creditors, a trustee in bankruptcy,  
6 a receiver in equity, and an executor or administrator of an insolvent debtor's or assignor's estate.

7 (14) "Defendant" includes a person in the position of defendant in a counterclaim, cross-  
8 claim, or third-party claim.

9 (15) "Delivery", with respect to an electronic document of title, means voluntary transfer of  
10 control and, with respect to an instrument, a tangible document of title, or an authoritative tangible  
11 copy of a record evidencing chattel paper, means voluntary transfer of possession.

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

18 (16A) "Electronic" means relating to technology having electrical, digital, magnetic,  
19 wireless, optical, electromagnetic, or similar capabilities.

20 (17) "Fault" means a default, breach, or wrongful act or omission.

21 (18) "Fungible goods" means:

22 (A) goods of which any unit, by nature or usage of trade, is the equivalent of any other like  
23 unit; or

24 (B) goods that by agreement are treated as equivalent.

25 (19) "Genuine" means free of forgery or counterfeiting.

26 (20) "Good faith", except as otherwise provided in article 5, means honesty in fact and the  
27 observance of reasonable commercial standards of fair dealing.

28 (21) "Holder" means:

29 (A) the person in possession of a negotiable instrument that is payable either to bearer or to  
30 an identified person that is the person in possession; [øø]

31 (B) the person in possession of a document of title if the goods are deliverable either to  
32 bearer or to the order of the person in possession; or

33 (C) the person in control, other than pursuant to Section 400.7-106(g), of a negotiable  
34 electronic document of title.

35 (22) "Insolvency proceeding" includes an assignment for the benefit of creditors or other  
36 proceeding intended to liquidate or rehabilitate the estate of the person involved.

37 (23) "Insolvent" means:

38 (A) having generally ceased to pay debts in the ordinary course of business other than as a  
39 result of bona fide dispute;

1 (B) being unable to pay debts as they become due; or

2 (C) being insolvent within the meaning of federal bankruptcy law.

3 (24) "Money" means a medium of exchange that is currently authorized or adopted by a  
4 domestic or foreign government. The term includes a monetary unit of account established by an  
5 intergovernmental organization or by agreement between two or more countries. The term does not  
6 include an electronic record that is a medium of exchange recorded and transferable in a system that  
7 existed and operated for the medium of exchange before the medium of exchange was authorized or  
8 adopted by the government. The term does not include a central bank digital currency.

9 (25) "Organization" means a person other than an individual.

10 (26) "Party", as distinguished from "third party", means a person that has engaged in a  
11 transaction or made an agreement subject to this chapter.

12 (27) "Person" means an individual, corporation, business trust, estate, trust, partnership,  
13 limited liability company, association, joint venture, government, governmental subdivision, agency,  
14 or instrumentality, ~~[public corporation,]~~ or any other legal or commercial entity. The term includes a  
15 protected series, however denominated, of an entity if the protected series is established under law  
16 other than under this chapter that limits, or limits if conditions specified under the law are satisfied,  
17 the ability of a creditor of the entity or of any other protected series of the entity to satisfy a claim  
18 from assets of the protected series.

19 (28) "Present value" means the amount as of a date certain of one or more sums payable in  
20 the future, discounted to the date certain by use of either an interest rate specified by the parties if  
21 that rate is not manifestly unreasonable at the time the transaction is entered into or, if an interest  
22 rate is not so specified, a commercially reasonable rate that takes into account the facts and  
23 circumstances at the time the transaction is entered into.

24 (29) "Purchase" means taking by sale, lease, discount, negotiation, mortgage, pledge, lien,  
25 security interest, issue or reissue, gift, or any other voluntary transaction creating an interest in  
26 property.

27 (30) "Purchaser" means a person that takes by purchase.

28 (31) "Record" means information that is inscribed on a tangible medium or that is stored in  
29 an electronic or other medium and is retrievable in perceivable form.

30 (32) "Remedy" means any remedial right to which an aggrieved party is entitled with or  
31 without resort to a tribunal.

32 (33) "Representative" means a person empowered to act for another, including an agent, an  
33 officer of a corporation or association, and a trustee, executor, or administrator of an estate.

34 (34) "Right" includes remedy.

35 (35) "Security interest" means an interest in personal property or fixtures which secures  
36 payment or performance of an obligation. "Security interest" includes any interest of a consignor  
37 and a buyer of accounts, chattel paper, a payment intangible, or a promissory note in a transaction  
38 that is subject to article 9. "Security interest" does not include the special property interest of a  
39 buyer of goods on identification of those goods to a contract for sale under section 400.2-401, but a

1 buyer may also acquire a "security interest" by complying with article 9. Except as otherwise  
 2 provided in section 400.2-505, the right of a seller or lessor of goods under article 2 or 2A to retain  
 3 or acquire possession of the goods is not a "security interest", but a seller or lessor may also acquire  
 4 a "security interest" by complying with article 9. The retention or reservation of title by a seller of  
 5 goods notwithstanding shipment or delivery to the buyer under section 400.2-401 is limited in effect  
 6 to a reservation of a "security interest". Whether a transaction in the form of a lease creates a  
 7 "security interest" is determined pursuant to section 400.1-203.

8 (36) "Send", in connection with a ~~[writing]~~ record~~;~~ or ~~[notice]~~ notification, means:

9 (A) to deposit in the mail ~~[or]~~, deliver for transmission, or transmit by any other usual  
 10 means of communication, with postage or cost of transmission provided for ~~[and properly addressed~~  
 11 ~~and, in the case of an instrument, to an address specified thereon or otherwise agreed, or if there be~~  
 12 ~~none]~~, addressed to any address reasonable under the circumstances; or

13 (B) ~~[in any other way to cause to be received any record or notice within the time it would~~  
 14 ~~have arrived if properly sent]~~ to cause the record or notification to be received within the time it  
 15 would have been received if properly sent under subparagraph (A).

16 (37) ~~["Signed" includes using any symbol executed or adopted with present intention to~~  
 17 ~~adopt or accept a writing]~~ "Sign" means with present intent to authenticate or adopt a record:

18 (A) execute or adopt a tangible symbol; or

19 (B) attach to or logically associate with the record an electronic symbol, sound, or process.

20  
 21 "Signed", "signing", and "signature" have corresponding meanings.

22 (38) "State" means a State of the United States, the District of Columbia, Puerto Rico, the  
 23 United States Virgin Islands, or any territory or insular possession subject to the jurisdiction of the  
 24 United States.

25 (39) "Surety" includes a guarantor or other secondary obligor.

26 (40) "Term" means a portion of an agreement that relates to a particular matter.

27 (41) "Unauthorized signature" means a signature made without actual, implied, or apparent  
 28 authority. The term includes a forgery.

29 (42) "Warehouse receipt" means a receipt issued by a person engaged in the business of  
 30 storing goods for hire.

31 (43) "Writing" includes printing, typewriting, or any other intentional reduction to tangible  
 32 form. "Written" has a corresponding meaning.

33 400.1-204. Except as otherwise provided in articles 3, 4, ~~[and]~~ 5, and 12, a person gives  
 34 value for rights if the person acquires them:

35 (1) in return for a binding commitment to extend credit or for the extension of immediately  
 36 available credit, whether or not drawn upon and whether or not a charge-back is provided for in the  
 37 event of difficulties in collection;

38 (2) as security for, or in total or partial satisfaction of, a preexisting claim;

39 (3) by accepting delivery under a preexisting contract for purchase; or

1 (4) in return for any consideration sufficient to support a simple contract.

2 400.1-301. (a) Except as otherwise provided in this section, when a transaction bears a  
3 reasonable relation to this state and also to another state or nation the parties may agree that the law  
4 either of this state or of such other state or nation shall govern their rights and duties.

5 (b) In the absence of an agreement effective under subsection (a), and except as provided in  
6 subsection (c), this chapter applies to transactions bearing an appropriate relation to this state.

7 (c) If one of the following provisions of this chapter specifies the applicable law, that  
8 provision governs and a contrary agreement is effective only to the extent permitted by the law so  
9 specified:

10 (1) section 400.2-402;

11 (2) sections 400.2A-105 and 400.2A-106;

12 (3) section 400.4-102;

13 (4) section 400.4A-507;

14 (5) section 400.5-116;

15 (6) section 400.8-110;

16 (7) sections 400.9-301 through 400.9-307;

17 (8) section 400.12-107.

18 400.1-306. A claim or right arising out of an alleged breach may be discharged in whole or  
19 in part without consideration by agreement of the aggrieved party in ~~[an authenticated]~~ a signed  
20 record.

21 400.2-102. (1) Unless the context otherwise requires, [this article applies to transactions in  
22 goods; it does not apply to any transaction which although in the form of an unconditional contract  
23 to sell or present sale is intended to operate only as a security transaction nor does this article impair  
24 or repeal any statute regulating sales to consumers, farmers or other specified classes of buyers] and  
25 except as provided in subsection (3), this Article applies to transactions in goods and, in the case of  
26 a hybrid transaction, it applies to the extent provided in subsection (2).

27 (2) In a hybrid transaction:

28 (a) If the sale-of-goods aspects do not predominate, only the provisions of this Article which  
29 relate primarily to the sale-of-goods aspects of the transaction apply, and the provisions that relate  
30 primarily to the transaction as a whole do not apply.

31 (b) If the sale-of-goods aspects predominate, this Article applies to the transaction but does  
32 not preclude application in appropriate circumstances of other law to aspects of the transaction  
33 which do not relate to the sale of goods.

34 (3) This Article does not:

35 (a) Apply to a transaction that, even though in the form of an unconditional contract to sell  
36 or present sale, operates only to create a security interest; or

37 (b) Impair or repeal a statute regulating sales to consumers, farmers, or other specified  
38 classes of buyers.

1           400.2-106. (1) In this article unless the context otherwise requires "contract" and  
2 "agreement" are limited to those relating to the present or future sale of goods. "Contract for sale"  
3 includes both a present sale of goods and a contract to sell goods at a future time. A "sale" consists  
4 in the passing of title from the seller to the buyer for a price (section 400.2-401). A "present" means  
5 a sale which is accomplished by the making of the contract.

6           (2) Goods or conduct including any part of a performance are "conforming" or conform to  
7 the contract when they are in accordance with the obligations under the contract.

8           (3) "Termination" occurs when either party pursuant to a power created by agreement or law  
9 puts an end to the contract otherwise than for its breach. On "termination" all obligations which are  
10 still executory on both sides are discharged but any right based on prior breach or performance  
11 survives.

12           (4) "Cancellation" occurs when either party puts an end to the contract for breach by the  
13 other and its effect is the same as that of "termination" except that the cancelling party also retains  
14 any remedy for breach of the whole contract or any unperformed balance.

15           (5) "Hybrid transaction" means a single transaction involving a sale of goods and:

16           (a) the provision of services;

17           (b) a lease of other goods; or

18           (c) a sale, lease, or license of property other than goods.

19           400.2-201. (1) Except as otherwise provided in this section a contract for the sale of goods  
20 for the price of five hundred dollars or more is not enforceable by way of action or defense unless  
21 there is ~~[some writing]~~ a record sufficient to indicate that a contract for sale has been made between  
22 the parties and signed by the party against whom enforcement is sought or by ~~[his]~~ the party's  
23 authorized agent or broker. A ~~[writing]~~ record is not insufficient because it omits or incorrectly  
24 states a term agreed upon but the contract is not enforceable under this ~~[paragraph]~~ subsection  
25 beyond the quantity of goods shown in ~~[such writing]~~ the record.

26           (2) Between merchants if within a reasonable time a ~~[writing]~~ record in confirmation of the  
27 contract and sufficient against the sender is received and the party receiving it has reason to know its  
28 contents, it satisfies the requirements of subsection (1) against ~~[such]~~ the party unless ~~[written]~~  
29 notice in a record of objection to its contents is given within ten days after it is received.

30           (3) A contract which does not satisfy the requirements of subsection (1) but which is valid  
31 in other respects is enforceable

32           (a) if the goods are to be specially manufactured for the buyer and are not suitable for sale to  
33 others in the ordinary course of the seller's business and the seller, before notice of repudiation is  
34 received and under circumstances which reasonably indicate that the goods are for the buyer, has  
35 made either a substantial beginning of their manufacture or commitments for their procurement; or

36           (b) if the party against whom enforcement is sought admits in his pleading, testimony or  
37 otherwise in court that a contract for sale was made but the contract is not enforceable under this  
38 provision beyond the quantity of goods admitted; or

1 (c) with respect to goods for which payment has been made and accepted or which have  
2 been received and accepted (section 400.2-606).

3 400.2-202. Terms with respect to which the confirmatory memoranda of the parties agree or  
4 which are otherwise set forth in a [writing] record intended by the parties as a final expression of  
5 their agreement with respect to such terms as are included therein may not be contradicted by  
6 evidence of any prior agreement or of a contemporaneous oral agreement but may be explained or  
7 supplemented

8 (a) by course of dealing or usage of trade (section 400.1-205) or by course of performance  
9 (section 400.2-208); and

10 (b) by evidence of consistent additional terms unless the court finds the [writing] record to  
11 have been intended also as a complete and exclusive statement of the terms of the agreement.

12 400.2-203. The affixing of a seal to a [writing] record evidencing a contract for sale or an  
13 offer to buy or sell goods does not constitute the [writing] record a sealed instrument and the law  
14 with respect to sealed instruments does not apply to such a contract or offer.

15 400.2-205. An offer by a merchant to buy or sell goods in a signed [writing] record which  
16 by its terms gives assurance that it will be held open is not revocable, for lack of consideration,  
17 during the time stated or if no time is stated for a reasonable time, but in no event may such period  
18 of irrevocability exceed three months; but any such term of assurance on a form supplied by the  
19 offeree must be separately signed by the offeror.

20 400.2-209. (1) An agreement modifying a contract within this article needs no  
21 consideration to be binding.

22 (2) A signed agreement which excludes modification or rescission except by a signed  
23 writing or other signed record cannot be otherwise modified or rescinded, but except as between  
24 merchants such a requirement on a form supplied by the merchant must be separately signed by the  
25 other party.

26 (3) The requirements of the statute of frauds section of this article (section 400.2-201) must  
27 be satisfied if the contract as modified is within its provisions.

28 (4) Although an attempt at modification or rescission does not satisfy the requirements of  
29 subsection (2) or (3) it can operate as a waiver.

30 (5) A party who has made a waiver affecting an executory portion of the contract may  
31 retract the waiver by reasonable notification received by the other party that strict performance will  
32 be required of any term waived, unless the retraction would be unjust in view of a material change  
33 of position in reliance on the waiver.

34 400.2A-102 (1) This Article applies to any transaction, regardless of form, that creates a  
35 lease and, in the case of a hybrid lease, it applies to the extent provided in subsection (2).

36 (2) In a hybrid lease:

37 (a) If the lease-of-goods aspects do not predominate:



1           (i) Only the provisions of this Article which relate primarily to the lease-of-goods aspects of  
 2 the transaction apply, and the provisions that relate primarily to the transaction as a whole do not  
 3 apply;

4           (ii) Section 400.2A-209 applies if the lease is a finance lease; and

5           (iii) Section 400.2A-407 applies to the promises of the lessee in a finance lease to the extent  
 6 the promises are consideration for the right to possession and use of the leased goods; and

7           (b) If the lease-of-goods aspects predominate, this Article applies to the transaction, but  
 8 does not preclude application in appropriate circumstances of other law to aspects of the lease which  
 9 do not relate to the lease of goods.

10           400.2A-103 (1) In this article unless the context otherwise requires:

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

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

20           (c) "Commercial unit" means such a unit of goods as by commercial usage is a single whole  
 21 for purposes of lease and division of which materially impairs its character or value on the market or  
 22 in use. A commercial unit may be a single article, as a machine, or a set of articles, as a suite of  
 23 furniture or a line of machinery, or a quantity, as a gross or carload, or any other unit treated in use  
 24 or in the relevant market as a single whole.

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

27           (e) "Consumer lease" means a lease that a lessor regularly engaged in the business of leasing  
 28 or selling makes to a lessee who is an individual and who takes under the lease primarily for a  
 29 personal, family, or household purpose, if the total payments to be made under the lease contract,  
 30 excluding payments for option to renew or buy, do not exceed fifty thousand dollars.

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

32           (g) "Finance lease" means a lease with respect to which:

33           (i) the lessor does not select, manufacture, or supply the goods;

34           (ii) the lessor acquires the goods or the right to possession and use of the goods in  
 35 connection with the lease; and

36           (iii) one of the following occurs:

37           (A) the lessee receives a copy of the contract by which the lessor acquired the goods or the  
 38 right to possession and use of the goods before signing the lease contract;

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

3 (C) the lessor (aa) informs the lessee in writing of the identity of the supplier, unless the  
4 lessee has selected the supplier and directed the lessor to purchase the goods from the supplier, (bb)  
5 informs the lessee in writing that the lessee may have rights under the contract evidencing the  
6 lessor's purchase of the goods, and (cc) advised the lessee in writing to contact the supplier for a  
7 description of any such rights, or

8 (D) the lease contract discloses all warranties and other rights provided to the lessee by the  
9 lessor and supplier in connection with the lease contract and informs the lessee that there are no  
10 warranties or other rights provided to the lessee by the lessor and supplier other than those disclosed  
11 in the lease contract.

12 (h) "Goods" means all things that are movable at the time of identification to the lease  
13 contract, or are fixtures as defined in Section 400.2A-309, but the term does not include money,  
14 documents, instruments, accounts, chattel paper, general intangibles, or minerals or the like,  
15 including oil and gas, before extraction. The term also includes the unborn young of animals.

16 (h.1) "Hybrid lease" means a single transaction involving a lease of goods and:

17 (i) the provision of services;

18 (ii) a sale of other goods; or

19 (iii) a sale, lease, or license of property other than goods.

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

23 (j) "Lease" means a transfer of the right to possession and use of goods for a term in return  
24 for consideration, but a sale, including a sale on approval or a sale or return, or retention or creation  
25 of a security interest is not a lease. Unless the context clearly indicates otherwise, the term includes  
26 a sublease.

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

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

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

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

37 (o) "Lessee in ordinary course of business" means a person who in good faith and without  
38 knowledge that the lease to him or her is in violation of the ownership rights or security interest or  
39 leasehold interest of a third party in the goods leases in ordinary course from a person in the

1 business of selling or leasing goods of that kind but does not include a pawnbroker. "Leasing" may  
 2 be for cash or by exchange of other property or on secured or unsecured credit and includes  
 3 receiving goods or documents of title under a preexisting lease contract but does not include a  
 4 transfer in bulk or as security for or in total or partial satisfaction of a money debt.

5 (p) "Lessor" means a person who transfers the right to possession and use of goods under a  
 6 lease. Unless the context clearly indicates otherwise, the term includes a sublessor.

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

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

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

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

15 (u) "Present value" means the amount as of a date certain of one or more sums payable in  
 16 the future, discounted to the date certain. The discount is determined by the interest rate specified  
 17 by the parties if the rate was not manifestly unreasonable at the time the transaction was entered  
 18 into; otherwise, the discount is determined by a commercially reasonable rate that takes into account  
 19 the facts and circumstances of each case at the time the transaction was entered into.

20 (v) "Purchase" includes taking by sale, lease, mortgage, security interest, pledge, gift, or any  
 21 other voluntary transaction creating an interest in goods.

22 (w) "Sublease" means a lease of goods the right to possession and use of which was  
 23 acquired by the lessor as a lessee under an existing lease.

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

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

28 (z) "Termination" occurs when either party pursuant to a power created by agreement or law  
 29 puts an end to the lease contract otherwise than for default.

30 (2) Other definitions applying to this article and the sections in which they appear are:

|                          |                           |
|--------------------------|---------------------------|
| "Accessions".            | Section 400.2A-310(1).    |
| "Construction mortgage". | Section 400.2A-309(1)(d). |
| "Encumbrance".           | Section 400.2A-309(1)(e). |
| "Fixtures".              | Section 400.2A-309(1)(a). |
| "Fixture filing".        | Section 400.2A-309(1)(b). |
| "Purchase money lease".  | Section 400.2A-309(1)(c). |

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

|                           |                           |
|---------------------------|---------------------------|
| "Account".                | Section 400.9-102(a)(2).  |
| "Between merchants".      | Section 400.2-104(3).     |
| "Buyer".                  | Section 400.2-103(1)(a).  |
| "Chattel paper".          | Section 400.9-102(a)(10). |
| "Consumer goods".         | Section 400.9-102(a)(22). |
| "Document".               | Section 400.9-102(a)(29). |
| "Entrusting".             | Section 400.2-403(3).     |
| "General intangible".     | Section 400.9-102(a)(41). |
| "Good faith".             | Section 400.2-103(1)(b).  |
| "Instrument".             | Section 400.9-102(a)(46). |
| "Merchant".               | Section 400.2-104(1).     |
| "Mortgage".               | Section 400.9-102(a)(54). |
| "Pursuant to commitment". | Section 400.9-102(a)(68). |
| "Receipt".                | Section 400.2-103(1)(c).  |
| "Sale".                   | Section 400.2-106(1).     |
| "Sale on approval".       | Section 400.2-326.        |
| "Sale or return".         | Section 400.2-326.        |
| "Seller".                 | Section 400.2-103(1)(d).  |

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

3 400.2A-107 Any claim or right arising out of an alleged default or breach of warranty may  
4 be discharged in whole or in part without consideration by a [~~written~~] waiver or renunciation in a  
5 signed [~~and~~] record delivered by the aggrieved party.

6 400.2A-201 (1) A lease contract is not enforceable by way of action or defense unless:

7 (a) the total payments to be made under the lease contract, excluding payments for options  
8 to renew or buy, are less than one thousand dollars; or

9 (b) there is a [~~writing~~] record, signed by the party against whom enforcement is sought or by  
10 that party's authorized agent, sufficient to indicate that a lease contract has been made between the  
11 parties and to describe the goods leased and the lease term.

12 (2) Any description of leased goods or of the lease term is sufficient and satisfies subsection  
13 (1)(b), whether or not it is specific, if it reasonably identifies what is described.

1 (3) A [writing] record is not insufficient because it omits or incorrectly states a term agreed  
 2 upon, but the lease contract is not enforceable under subsection (1)(b) beyond the lease term and the  
 3 quantity of goods shown in the [writing] record.

4 (4) A lease contract that does not satisfy the requirements of subsection (1), but which is  
 5 valid in other respects, is enforceable:

6 (a) if the goods are to be specifically manufactured or obtained for the lessee and are not  
 7 suitable for lease or sale to others in the ordinary course of the lessor's business, and the lessor,  
 8 before notice of repudiation is received and under circumstances that reasonably indicate that the  
 9 goods are for the lessee, has made either a substantial beginning of their manufacture or  
 10 commitments for their procurement;

11 (b) if the party against whom enforcement is sought admits in that party's pleading,  
 12 testimony or otherwise in court that a lease contract was made, but the lease contract is not  
 13 enforceable under this provision beyond the quantity of goods admitted; or

14 (c) with respect to goods that have been received and accepted by the lessee.

15 (5) The lease term under a lease contract referred to in subsection (4) is:

16 (a) if there is a [writing] record signed by the party against whom enforcement is sought or  
 17 by that party's authorized agent specifying the lease term, the term so specified;

18 (b) if the party against whom enforcement is sought admits in that party's pleading,  
 19 testimony, or otherwise in court a lease term, the term so admitted; or

20 (c) a reasonable lease term.

21 400.2A-202 Terms with respect to which the confirmatory memoranda of the parties agree  
 22 or which are otherwise set forth in a [writing] record intended by the parties as a final expression of  
 23 their agreement with respect to such terms as are included therein may not be contradicted by  
 24 evidence of any prior agreement or of a contemporaneous oral agreement but may be explained or  
 25 supplemented:

26 (a) by course of dealing or usage of trade or by course of performance; and

27 (b) by evidence of consistent additional terms unless the court finds the [writing] record to  
 28 have been intended also as a complete and exclusive statement of the terms of the agreement.

29 400.2A-203 The affixing of a seal to a [writing] record evidencing a lease contract or an  
 30 offer to enter into a lease contract does not render the [writing] record a sealed instrument and the  
 31 law with respect to sealed instruments does not apply to the lease contract or offer.

32 400.2A-205 An offer by a merchant to lease goods to or from another person in a signed  
 33 [writing] record that by its terms gives assurance it will be held open is not revocable, for lack of  
 34 consideration, during the time stated or, if no time is stated, for a reasonable time, but in no event  
 35 may the period of irrevocability exceed three months. Any such term of assurance on a form  
 36 supplied by the offeree must be separately signed by the offeror.

37 400.2A-208 (1) An agreement modifying a lease contract needs no consideration to be  
 38 binding.

1 (2) A signed lease agreement that excludes modification or rescission except by a signed  
2 ~~[writing]~~ record may not be otherwise modified or rescinded, but, except as between merchants,  
3 such a requirement on a form supplied by a merchant must be separately signed by the other party.

4 (3) Although an attempt at modification or rescission does not satisfy the requirements of  
5 subsection (2), it may operate as a waiver.

6 (4) A party who has made a waiver affecting an executory portion of a lease contract may  
7 retract the waiver by reasonable notification received by the other party that strict performance will  
8 be required of any term waived, unless the retraction would be unjust in view of a material change  
9 of position in reliance on the waiver.

10 400.3-104. (a) Except as provided in subsections (c) and (d), "negotiable instrument" means  
11 an unconditional promise or order to pay a fixed amount of money, with or without interest or other  
12 charges described in the promise or order, if it:

13 (1) is payable to bearer or to order at the time it is issued or first comes into possession of a  
14 holder;

15 (2) is payable on demand or at a definite time; and

16 (3) does not state any other undertaking or instruction by the person promising or ordering  
17 payment to do any act in addition to the payment of money, but the promise or order may contain (i)  
18 an undertaking or power to give, maintain, or protect collateral to secure payment, (ii) an  
19 authorization or power to the holder to confess judgment or realize on or dispose of collateral, ~~[or]~~  
20 (iii) a waiver of the benefit of any law intended for the advantage or protection of an obligor, (iv) a  
21 term that specifies the law that governs the promise or order, or (v) an undertaking to resolve in a  
22 specified forum a dispute concerning the promise or order.

23 (b) "Instrument" means a negotiable instrument.

24 (c) An order that meets all of the requirements of subsection (a), except paragraph (1), and  
25 otherwise falls within the definition of "check" in subsection (f) is a negotiable instrument and a  
26 check.

27 (d) A promise or order other than a check is not an instrument if, at the time it is issued or  
28 first comes into possession of a holder, it contains a conspicuous statement, however expressed, to  
29 the effect that the promise or order is not negotiable or is not an instrument governed by this Article.

30 (e) An instrument is a "note" if it is a promise and is a "draft" if it is an order. If an  
31 instrument falls within the definition of both "note" and "draft," a person entitled to enforce the  
32 instrument may treat it as either.

33 (f) "Check" means (i) a draft, other than a documentary draft, payable on demand and drawn  
34 on a bank or (ii) a cashier's check or teller's check. An instrument may be a check even though it is  
35 described on its face by another term, such as "money order."

36 (g) "Cashier's check" means a draft with respect to which the drawer and drawee are the  
37 same bank or branches of the same bank.

38 (h) "Teller's check" means a draft drawn by a bank (i) on another bank, or (ii) payable at or  
39 through a bank.

1 (i) "Traveler's check" means an instrument that (i) is payable on demand, (ii) is drawn on or  
2 payable at or through a bank, (iii) is designated by the term "traveler's check" or by a substantially  
3 similar term, and (iv) requires, as a condition to payment, a countersignature by a person whose  
4 specimen signature appears on the instrument.

5 (j) "Certificate of deposit" means an instrument containing an acknowledgement by a bank  
6 that a sum of money has been received by the bank and a promise by the bank to repay the sum of  
7 money. A certificate of deposit is a note of the bank.

8 (k) "Demand draft", a writing not signed by the customer that is created by a third party  
9 under the purported authority of the customer for the purpose of charging the customer's account  
10 with a bank. A demand draft shall contain the customer's account number and may contain any or  
11 all of the following:

- 12 a. The customer's printed or typewritten name;
- 13 b. A notation that the customer authorized the draft; or
- 14 c. The statement "No signature required" or words to that effect.

15 A demand draft shall not include a check purportedly drawn by and bearing the signature of  
16 a fiduciary, as defined in paragraph (1) of subsection (a) of section 400.3.-307.

17 400.3-105. (a) "Issue" means:

18 (1) the first delivery of an instrument by the maker or drawer, whether to a holder or  
19 nonholder, for the purpose of giving rights on the instrument to any person; or

20 (2) if agreed by the payee, the first transmission by the drawer to the payee of an image of  
21 an item and information derived from the item that enables the depository bank to collect the item  
22 by transferring or presenting under federal law an electronic check.

23 (b) An unissued instrument, or an unissued incomplete instrument that is completed, is  
24 binding on the maker or drawer, but nonissuance is a defense. An instrument that is conditionally  
25 issued or is issued for a special purpose is binding on the maker or drawer, but failure of the  
26 condition or special purpose to be fulfilled is a defense.

27 (c) "Issuer" applies to issued and unissued instruments and means a maker or drawer of an  
28 instrument.

29 400.3-401. [(a)] A person is not liable on an instrument unless (i) the person signed the  
30 instrument, or (ii) the person is represented by an agent or representative who signed the instrument  
31 and the signature is binding on the represented person under Section 400.3-402.

32 ~~[(b)A signature may be made (i) manually or by means of a device or machine, and (ii) by~~  
33 ~~the use of any name, including a trade or assumed name, or by a word, mark, or symbol executed or~~  
34 ~~adopted by a person with present intention to authenticate a writing.—]~~

35 400.3-604. (a) A person entitled to enforce an instrument, with or without consideration,  
36 may discharge the obligation of a party to pay the instrument (i) by an intentional voluntary act,  
37 such as surrender of the instrument to the party, destruction, mutilation, or cancellation of the  
38 instrument, cancellation or striking out of the party's signature, or the addition of words to the  
39 instrument indicating discharge, or (ii) by agreeing not to sue or otherwise renouncing rights against

1 the party by a signed [~~writing~~] record. The obligation of a party to pay a check is not discharged  
 2 solely by destruction of the check in connection with a process in which information is extracted  
 3 from the check and an image of the check is made and, subsequently, the information and image are  
 4 transmitted for payment.

5 (b) Cancellation or striking out of an endorsement pursuant to subsection (a) does not affect  
 6 the status and rights of a party derived from the endorsement.

7 400.4A-103 (a) In this Article:

8 (1) "Payment order" means an instruction of a sender to a receiving bank, transmitted  
 9 orally[, ~~electronically,~~] or in [~~writing~~] a record, to pay, or to cause another bank to pay, a fixed or  
 10 determinable amount of money to a beneficiary if:

11 (i) the instruction does not state a condition to payment to the beneficiary other than time of  
 12 payment;

13 (ii) the receiving bank is to be reimbursed by debiting an account of, or otherwise receiving  
 14 payment from, the sender; and

15 (iii) the instruction is transmitted by the sender directly to the receiving bank or to an agent,  
 16 funds-transfer system, or communication system for transmittal to the receiving bank;

17 (2) "Beneficiary" means the person to be paid by the beneficiary's bank;

18 (3) "Beneficiary's bank" means the bank identified in a payment order in which an account  
 19 of the beneficiary is to be credited pursuant to the order or which otherwise is to make payment to  
 20 the beneficiary if the order does not provide for payment to an account;

21 (4) "Receiving bank" means the bank to which the sender's instruction is addressed;

22 (5) "Sender" means the person giving the instruction to the receiving bank.

23 (b) If an instruction complying with subsection (a)(1) is to make more than one payment to  
 24 a beneficiary, the instruction is a separate payment order with respect to each payment.

25 (c) A payment order is issued when it is sent to the receiving bank.

26 400.4A-201 "Security procedure" means a procedure established by agreement of a  
 27 customer and a receiving bank for the purpose of (i) verifying that a payment order or  
 28 communication amending or cancelling a payment order is that of the customer, or (ii) detecting  
 29 error in the transmission or the content of the payment order or communication. A security  
 30 procedure may impose an obligation on the receiving bank or the customer and require the use of  
 31 algorithms or other codes, identifying words [~~or~~], numbers, symbols, sounds, biometrics, encryption,  
 32 callback procedures, or similar security devices. Comparison of a signature on a payment order or  
 33 communication with an authorized specimen signature of the customer or requiring a payment order  
 34 to be sent from a known email address, IP address, or telephone number is not by itself a security  
 35 procedure.

36 400.4A-202 (a) A payment order received by the receiving bank is the authorized order of  
 37 the person identified as sender if that person authorized the order or is otherwise bound by it under  
 38 the law of agency.



1 (b) If a bank and its customer have agreed that the authenticity of payment orders issued to  
2 the bank in the name of the customer as sender will be verified pursuant to a security procedure, a  
3 payment order received by the receiving bank is effective as the order of the customer, whether or  
4 not authorized, if (i) the security procedure is a commercially reasonable method of providing  
5 security against unauthorized payment orders, and (ii) the bank proves that it accepted the payment  
6 order in good faith and in compliance with the bank's obligations under the security procedure and  
7 any [~~written~~] agreement or instruction of the customer, evidenced by a record, restricting acceptance  
8 of payment orders issued in the name of the customer. The bank is not required to follow an  
9 instruction that violates [~~a-written~~] an agreement with the customer, evidenced by a record, or notice  
10 of which is not received at a time and in a manner affording the bank a reasonable opportunity to act  
11 on it before the payment order is accepted.

12 (c) Commercial reasonableness of a security procedure is a question of law to be determined  
13 by considering the wishes of the customer expressed to the bank, the circumstances of the customer  
14 known to the bank, including the size, type, and frequency of payment orders normally issued by the  
15 customer to the bank, alternative security procedures offered to the customer, and security  
16 procedures in general use by customers and receiving banks similarly situated. A security procedure  
17 is deemed to be commercially reasonable if (i) the security procedure was chosen by the customer  
18 after the bank offered, and the customer refused, a security procedure that was commercially  
19 reasonable for that customer, and (ii) the customer expressly agreed in [~~writing~~] a record to be  
20 bound by any payment order, whether or not authorized, issued in its name and accepted by the bank  
21 in compliance with the bank's obligations under the security procedure chosen by the customer.

22 (d) The term "sender" in this Article includes the customer in whose name a payment order  
23 is issued if the order is the authorized order of the customer under subsection (a), or it is effective as  
24 the order of the customer under subsection (b).

25 (e) This section applies to amendments and cancellations of payment orders to the same  
26 extent it applies to payment orders.

27 (f) Except as provided in this section and in section 400.4A-203(a)(1), rights and obligations  
28 arising under this section or section 400.4A-203 may not be varied by agreement.

29 400.4A-203 (a) If an accepted payment order is not, under section 400.4A-202(a), an  
30 authorized order of a customer identified as sender, but is effective as an order of the customer  
31 pursuant to section 400.4A-202(b), the following rules apply:

32 (1) By express [~~written~~] agreement evidenced by a record, the receiving bank may limit the  
33 extent to which it is entitled to enforce or retain payment of the payment order.

34 (2) The receiving bank is not entitled to enforce or retain payment of the payment order if  
35 the customer proves that the order was not caused, directly or indirectly, by a person (i) entrusted at  
36 any time with duties to act for the customer with respect to payment orders or the security  
37 procedure, or (ii) who obtained access to transmitting facilities of the customer or who obtained,  
38 from a source controlled by the customer and without authority of the receiving bank, information  
39 facilitating breach of the security procedure, regardless of how the information was obtained or

1 whether the customer was at fault. Information includes any access device, computer software, or  
2 the like.

3 (b) This section applies to amendments of payment orders to the same extent it applies to  
4 payment orders.

5 400.4A-207 (a) Subject to subsection (b), if, in a payment order received by the  
6 beneficiary's bank, the name, bank account number, or other identification of the beneficiary refers  
7 to a nonexistent or unidentifiable person or account, no person has rights as a beneficiary of the  
8 order and acceptance of the order cannot occur.

9 (b) If a payment order received by the beneficiary's bank identifies the beneficiary both by  
10 name and by an identifying or bank account number and the name and number identify different  
11 persons, the following rules apply:

12 (1) Except as otherwise provided in subsection 3 of this section, if the beneficiary's bank  
13 does not know that the name and number refer to different persons, it may rely on the number as the  
14 proper identification of the beneficiary of the order. The beneficiary's bank need not determine  
15 whether the name and number refer to the same person.

16 (2) If the beneficiary's bank pays the person identified by name or knows that the name and  
17 number identify different persons, no person has rights as beneficiary except the person paid by the  
18 beneficiary's bank if that person was entitled to receive payment from the originator of the funds  
19 transfer. If no person has rights as beneficiary, acceptance of the order cannot occur.

20 (c) If (i) a payment order described in subsection (b) is accepted, (ii) the originator's  
21 payment order described the beneficiary inconsistently by name and number, and (iii) the  
22 beneficiary's bank pays the person identified by number as permitted by subsection (b)(1), the  
23 following rules apply:

24 (1) If the originator is a bank, the originator is obliged to pay its order.

25 (2) If the originator is not a bank and proves that the person identified by number was not  
26 entitled to receive payment from the originator, the originator is not obliged to pay its order unless  
27 the originator's bank proves that the originator, before acceptance of the originator's order, had  
28 notice that payment of a payment order issued by the originator might be made by the beneficiary's  
29 bank on the basis of an identifying or bank account number even if it identifies a person different  
30 from the named beneficiary. Proof of notice may be made by any admissible evidence. The  
31 originator's bank satisfies the burden of proof if it proves that the originator, before the payment  
32 order was accepted, signed a ~~writing~~ record stating the information to which the notice relates.

33 (d) In a case governed by subsection (b)(1), if the beneficiary's bank rightfully pays the  
34 person identified by number and that person was not entitled to receive payment from the originator,  
35 the amount paid may be recovered from that person to the extent allowed by the law governing  
36 mistake and restitution as follows:

37 (1) If the originator is obliged to pay its payment order as stated in subsection (c), the  
38 originator has the right to recover;

1 (2) If the originator is not a bank and is not obliged to pay its payment order, the originator's  
2 bank has the right to recover.

3 400.4A-208 (a) This subsection applies to a payment order identifying an intermediary  
4 bank or the beneficiary's bank only by an identifying number:

5 (1) The receiving bank may rely on the number as the proper identification of the  
6 intermediary or beneficiary's bank and need not determine whether the number identifies a bank.

7 (2) The sender is obliged to compensate the receiving bank for any loss and expenses  
8 incurred by the receiving bank as a result of its reliance on the number in executing or attempting to  
9 execute the order.

10 (b) This subsection applies to a payment order identifying an intermediary bank or the  
11 beneficiary's bank both by name and an identifying number if the name and number identify  
12 different persons.

13 (1) If the sender is a bank, the receiving bank may rely on the number as the proper  
14 identification of the intermediary or beneficiary's bank if the receiving bank, when it executes the  
15 sender's order, does not know that the name and number identify different persons. The receiving  
16 bank need not determine whether the name and number refer to the same person or whether the  
17 number refers to a bank. The sender is obliged to compensate the receiving bank for any loss and  
18 expenses incurred by the receiving bank as a result of its reliance on the number in executing or  
19 attempting to execute the order.

20 (2) If the sender is not a bank and the receiving bank proves that the sender, before the  
21 payment order was accepted, had notice that the receiving bank might rely on the number as the  
22 proper identification of the intermediary or beneficiary's bank even if it identifies a person different  
23 from the bank identified by name, the rights and obligations of the sender and the receiving bank are  
24 governed by subsection (b)(1), as though the sender were a bank. Proof of notice may be made by  
25 any admissible evidence. The receiving bank satisfies the burden of proof if it proves that the  
26 sender, before the payment order was accepted, signed a ~~[writing]~~ record stating the information to  
27 which the notice relates.

28 (3) Regardless of whether the sender is a bank, the receiving bank may rely on the name as  
29 the proper identification of the intermediary or beneficiary's bank if the receiving bank, at the time it  
30 executes the sender's order, does not know that the name and number identify different persons. The  
31 receiving bank need not determine whether the name and number refer to the same person.

32 (4) If the receiving bank knows that the name and number identify different persons,  
33 reliance on either the name or the number in executing the sender's payment order is a breach of the  
34 obligation stated in section 400.4A-302(a)(1).

35 400.4A-210 (a) A payment order is rejected by the receiving bank by a notice of rejection  
36 transmitted to the sender orally~~[-electronically,]~~ or in ~~[writing]~~ a record. A notice of rejection need  
37 not use any particular words and is sufficient if it indicates that the receiving bank is rejecting the  
38 order or will not execute or pay the order. Rejection is effective when the notice is given if  
39 transmission is by a means that is reasonable in the circumstances. If notice of rejection is given by

1 a means that is not reasonable, rejection is effective when the notice is received. If an agreement of  
2 the sender and receiving bank establishes the means to be used to reject a payment order, (i) any  
3 means complying with the agreement is reasonable and (ii) any means not complying is not  
4 reasonable unless no significant delay in receipt of the notice resulted from the use of the  
5 noncomplying means.

6 (b) This subsection applies if a receiving bank other than the beneficiary's bank fails to  
7 execute a payment order despite the existence on the execution date of a withdrawable credit  
8 balance in an authorized account of the sender sufficient to cover the order. If the sender does not  
9 receive notice of rejection of the order on the execution date and the authorized account of the  
10 sender does not bear interest, the bank is obliged to pay interest to the sender on the amount of the  
11 order for the number of days elapsing after the execution date to the earlier of the day the order is  
12 cancelled pursuant to section 400.4A-211(d) or the day the sender receives notice or learns that the  
13 order was not executed, counting the final day of the period as an elapsed day. If the withdrawable  
14 credit balance during that period falls below the amount of the order, the amount of interest is  
15 reduced accordingly.

16 (c) If a receiving bank suspends payments, all unaccepted payment orders issued to it are  
17 deemed rejected at the time the bank suspends payments.

18 (d) Acceptance of a payment order precludes a later rejection of the order. Rejection of a  
19 payment order precludes a later acceptance of the order.

20 400.4A-211 (a) A communication of the sender of a payment order cancelling or amending  
21 the order may be transmitted to the receiving bank orally~~], electronically,~~ or in ~~[writing]~~ a record.  
22 If a security procedure is in effect between the sender and the receiving bank, the communication is  
23 not effective to cancel or amend the order unless the communication is verified pursuant to the  
24 security procedure or the bank agrees to the cancellation or amendment.

25 (b) Subject to subsection (a), a communication by the sender cancelling or amending a  
26 payment order is effective to cancel or amend the order if notice of the communication is received at  
27 a time and in a manner affording the receiving bank a reasonable opportunity to act on the  
28 communication before the bank accepts the payment order.

29 (c) After a payment order has been accepted, cancellation or amendment of the order is not  
30 effective unless the receiving bank agrees or a funds-transfer system rule allows cancellation or  
31 amendment without agreement of the bank.

32 (1) With respect to a payment order accepted by a receiving bank other than the  
33 beneficiary's bank, cancellation or amendment is not effective unless a conforming cancellation or  
34 amendment of the payment order issued by the receiving bank is also made.

35 (2) With respect to a payment order accepted by the beneficiary's bank, cancellation or  
36 amendment is not effective unless the order was issued in execution of an unauthorized payment  
37 order, or because of a mistake by a sender in the funds transfer which resulted in the issuance of a  
38 payment order (i) that is a duplicate of a payment order previously issued by the sender, (ii) that  
39 orders payment to a beneficiary not entitled to receive payment from the originator, or (iii) that

1 orders payment in an amount greater than the amount the beneficiary was entitled to receive from  
2 the originator. If the payment order is cancelled or amended, the beneficiary's bank is entitled to  
3 recover from the beneficiary any amount paid to the beneficiary to the extent allowed by the law  
4 governing mistake and restitution.

5 (d) An unaccepted payment order is cancelled by operation of law at the close of the fifth  
6 funds-transfer business day of the receiving bank after the execution date or payment date of the  
7 order.

8 (e) A cancelled payment order cannot be accepted. If an accepted payment order is  
9 cancelled, the acceptance is nullified and no person has any right or obligation based on the  
10 acceptance. Amendment of a payment order is deemed to be cancellation of the original order at the  
11 time of amendment and issue of a new payment order in the amended form at the same time.

12 (f) Unless otherwise provided in an agreement of the parties or in a funds-transfer system  
13 rule, if the receiving bank, after accepting a payment order, agrees to cancellation or amendment of  
14 the order by the sender or is bound by a funds-transfer system rule allowing cancellation or  
15 amendment without the bank's agreement, the sender, whether or not cancellation or amendment is  
16 effective, is liable to the bank for any loss and expenses, including reasonable attorney's fees,  
17 incurred by the bank as a result of the cancellation or amendment or attempted cancellation or  
18 amendment.

19 (g) A payment order is not revoked by the death or legal incapacity of the sender unless the  
20 receiving bank knows of the death or of an adjudication of incapacity by a court of competent  
21 jurisdiction and has reasonable opportunity to act before acceptance of the order.

22 (h) A funds-transfer system rule is not effective to the extent it conflicts with subsection  
23 (c)(2).

24 400.4A-305 (a) If a funds transfer is completed but execution of a payment order by the  
25 receiving bank in breach of section 400.4A-302 results in delay in payment to the beneficiary, the  
26 bank is obliged to pay interest to either the originator or the beneficiary of the funds transfer for the  
27 period of delay caused by the improper execution. Except as provided in subsection (c), additional  
28 damages are not recoverable.

29 (b) If execution of a payment order by a receiving bank in breach of section 400.4A-302  
30 results in (i) noncompletion of the funds transfer, (ii) failure to use an intermediary bank designated  
31 by the originator, or (iii) issuance of a payment order that does not comply with the terms of the  
32 payment order of the originator, the bank is liable to the originator for its expenses in the funds  
33 transfer and for incidental expenses and interest losses, to the extent not covered by subsection (a),  
34 resulting from the improper execution. Except as provided in subsection (c), additional damages are  
35 not recoverable.

36 (c) In addition to the amounts payable under subsections (a) and (b), damages, including  
37 consequential damages, are recoverable to the extent provided in an express ~~written~~ agreement of  
38 the receiving bank, evidenced by a record.

1 (d) If a receiving bank fails to execute a payment order it was obliged by express agreement  
2 to execute, the receiving bank is liable to the sender for its expenses in the transaction and for  
3 incidental expenses and interest losses resulting from the failure to execute. Additional damages,  
4 including consequential damages, are recoverable to the extent provided in an express ~~written~~  
5 agreement of the receiving bank, evidenced by a record, but are not otherwise recoverable.

6 (e) Reasonable attorney's fees are recoverable if demand for compensation under subsection  
7 (a) or (b) is made and refused before an action is brought on the claim. If a claim is made for breach  
8 of an agreement under subsection (d) and the agreement does not provide for damages, reasonable  
9 attorney's fees are recoverable if demand for compensation under subsection (d) is made and refused  
10 before an action is brought on the claim.

11 (f) Except as stated in this section, the liability of a receiving bank under subsections (a) and  
12 (b) may not be varied by agreement.

13 400.5-104. A letter of credit, confirmation, advice, transfer, amendment or cancellation may  
14 be issued in any form that is a signed record ~~and is authenticated:~~

15 ~~(i) By a signature; or~~

16 ~~(ii) In accordance with the agreement of the parties or the standard practice referred to in~~  
17 ~~section 400.5-108(e)].~~

18 400.5-116. (a) The liability of an issuer, nominated person or adviser for action or omission  
19 is governed by the law of the jurisdiction chosen by an agreement in the form of a record signed ~~or~~  
20 ~~otherwise authenticated~~ by the affected parties ~~[in the manner provided in section 400.5-104]~~ or by  
21 a provision in the person's letter of credit, confirmation or other undertaking. The jurisdiction  
22 whose law is chosen need not bear any relation to the transaction.

23 (b) Unless subsection (a) applies, the liability of an issuer, nominated person or adviser for  
24 action or omission is governed by the law of the jurisdiction in which the person is located. The  
25 person is considered to be located at the address indicated in the person's undertaking. If more than  
26 one address is indicated, the person is considered to be located at the address from which the  
27 person's undertaking was issued.

28 (c) For the purpose of jurisdiction, choice of law and recognition of interbranch letters of  
29 credit, but not enforcement of a judgment, all branches of a bank are considered separate juridical  
30 entities and a bank is considered to be located at the place where its relevant branch is considered to  
31 be located under ~~this~~ subsection (d).

32 (d) A branch of a bank is considered to be located at the address indicated in the branch's  
33 undertaking. If more than one address is indicated, the branch is considered to be located at the  
34 address from which the undertaking was issued.

35 ~~(e)]~~ (e) Except as otherwise provided in this subsection, the liability of an issuer, nominated  
36 person or adviser is governed by any rules of custom or practice, such as the Uniform Customs and  
37 Practice for Documentary Credits, to which the letter of credit, confirmation or other undertaking is  
38 expressly made subject. If:

1 (i) This article would govern the liability of an issuer, nominated person or adviser under  
2 subsection (a) or (b);

3 (ii) The relevant undertaking incorporates rules of custom or practice; and

4 (iii) There is a conflict between this article and those rules as applied to that undertaking,  
5 those rules govern except to the extent of any conflict with the nonvariable provisions specified in  
6 section 400.5-103(c).

7 ~~[(d)]~~ (f) If there is conflict between this article and article 3, 4, 4A or 9 of this chapter, this  
8 article governs.

9 ~~[(e)]~~ (g) The forum for settling disputes arising out of an undertaking within this article may  
10 be chosen in the manner and with the binding effect that governing law may be chosen in  
11 accordance with subsection (a).

12 400.7-102. (a) In this article, unless the context otherwise requires:

13 (1) "Bailee" means a person that by a warehouse receipt, bill of lading, or other document of  
14 title acknowledges possession of goods and contracts to deliver them.

15 (2) "Carrier" means a person that issues a bill of lading.

16 (3) "Consignee" means a person named in a bill of lading to which or to whose order the bill  
17 promises delivery.

18 (4) "Consignor" means a person named in a bill of lading as the person from which the  
19 goods have been received for shipment.

20 (5) "Delivery order" means a record that contains an order to deliver goods directed to a  
21 warehouse, carrier, or other person that in the ordinary course of business issues warehouse receipts  
22 or bills of lading.

23 (6) "Good faith" has the same meaning as in subdivision (20) of subsection (b) of section  
24 400.1-201.

25 (7) "Goods" means all things that are treated as movable for the purposes of a contract for  
26 storage or transportation.

27 (8) "Issuer" means a bailee that issues a document of title or, in the case of an unaccepted  
28 delivery order, the person that orders the possessor of goods to deliver. The term includes a person  
29 for which an agent or employee purports to act in issuing a document if the agent or employee has  
30 real or apparent authority to issue documents, even if the issuer did not receive any goods, the goods  
31 were misdescribed, or in any other respect the agent or employee violated the issuer's instructions.

32 (9) "Person entitled under the document" means the holder, in the case of a negotiable  
33 document of title, or the person to which delivery of the goods is to be made by the terms of, or  
34 pursuant to instructions in a record under, a nonnegotiable document of title.

35 (10) ~~["Record" has the same meaning as in subdivision (31) of subsection (b) of section~~  
36 ~~400.1-201.~~

37 (11) ~~"Sign" means, with present intent to authenticate or adopt a record:~~

38 ~~(A) to execute or adopt a tangible symbol; or~~

1 ~~(B) to attach to or logically associate with the record an electronic sound, symbol, or~~  
 2 ~~process.~~

3 (12) "Shipper" means a person that enters into a contract of transportation with a carrier.

4 ~~[(13)] (11)~~ "Warehouse" means a person engaged in the business of storing goods for hire.

5 (b) Definitions in other articles applying to this article and the sections in which they appear  
 6 are:

7 (1) "Contract for sale", section 400.2-106.

8 (2) "Lessee in the ordinary course of business", section 400.2A-103.

9 (3) "Receipt" of goods, section 400.2-103.

10 (c) In addition, article 1 contains general definitions and principles of construction and  
 11 interpretation applicable throughout this article.

12 400.7-106. (a) A person has control of an electronic document of title if a system employed  
 13 for evidencing the transfer of interests in the electronic document reliably establishes that person as  
 14 the person to which the electronic document was issued or transferred.

15 (b) A system satisfies subsection (a), and a person ~~[is deemed to have]~~ has control of an  
 16 electronic document of title, if the document is created, stored, and ~~[assigned]~~ transferred in ~~[such]~~ a  
 17 manner that:

18 (1) a single authoritative copy of the document exists which is unique, identifiable, and,  
 19 except as otherwise provided in paragraphs (4), (5), and (6), unalterable;

20 (2) the authoritative copy identifies the person asserting control as:

21 (A) the person to which the document was issued; or

22 (B) if the authoritative copy indicates that the document has been transferred, the person to  
 23 which the document was most recently transferred;

24 (3) the authoritative copy is communicated to and maintained by the person asserting  
 25 control or its designated custodian;

26 (4) copies or amendments that add or change an identified ~~[assignee]~~ transferee of the  
 27 authoritative copy can be made only with the consent of the person asserting control;

28 (5) each copy of the authoritative copy and any copy of a copy is readily identifiable as a  
 29 copy that is not the authoritative copy; and

30 (6) any amendment of the authoritative copy is readily identifiable as authorized or  
 31 unauthorized.

32 (c) A system satisfies subsection (a), and a person has control of an electronic document of  
 33 title, if an authoritative electronic copy of the document, a record attached to or logically associated  
 34 with the electronic copy, or a system in which the electronic copy is recorded:

35 (1) enables the person readily to identify each electronic copy as either an authoritative copy  
 36 or a nonauthoritative copy;

37 (2) enables the person readily to identify itself in any way, including by name, identifying  
 38 number, cryptographic key, office, or account number, as the person to which each authoritative  
 39 electronic copy was issued or transferred; and



1           (3) gives the person exclusive power, subject to subsection (d), to:

2           (A) prevent others from adding or changing the person to which each authoritative  
3 electronic copy has been issued or transferred; and

4           (B) transfer control of each authoritative electronic copy.

5           (d) Subject to subsection (e), a power is exclusive under subsection (c)(3)(A) and (B) even  
6 if:

7           (1) the authoritative electronic copy, a record attached to or logically associated with the  
8 authoritative electronic copy, or a system in which the authoritative electronic copy is recorded  
9 limits the use of the document of title or has a protocol that is programmed to cause a change,  
10 including a transfer or loss of control; or

11           (2) the power is shared with another person.

12           (e) A power of a person is not shared with another person under subsection (d)(2) and the  
13 person's power is not exclusive if:

14           (1) the person can exercise the power only if the power also is exercised by the other person;  
15 and

16           (2) the other person:

17           (A) can exercise the power without exercise of the power by the person; or

18           (B) is the transferor to the person of an interest in the document of title.

19           (f) If a person has the powers specified in subsection (c)(3)(A) and (B), the powers are  
20 presumed to be exclusive.

21           (g) A person has control of an electronic document of title if another person, other than the  
22 transferor to the person of an interest in the document:

23           (1) has control of the document and acknowledges that it has control on behalf of the  
24 person; or

25           (2) obtains control of the document after having acknowledged that it will obtain control of  
26 the document on behalf of the person.

27           (h) A person that has control under this section is not required to acknowledge that it has  
28 control on behalf of another person.

29           (i) If a person acknowledges that it has or will obtain control on behalf of another person,  
30 unless the person otherwise agrees or law other than this article or Article 9 otherwise provides, the  
31 person does not owe any duty to the other person and is not required to confirm the  
32 acknowledgment to any other person.

33           400.8-102. (a) In this article:

34           (1) "Adverse claim" means a claim that a claimant has a property interest in a financial asset  
35 and that it is a violation of the rights of the claimant for another person to hold, transfer or deal with  
36 the financial asset;

37           (2) "Bearer form", as applied to a certificated security, means a form in which the security is  
38 payable to the bearer of the security certificate according to its terms but not by reason of an  
39 indorsement;

1 (3) "Broker" means a person defined as a broker or dealer under the federal securities laws,  
2 but without excluding a bank acting in that capacity;

3 (4) "Certificated security" means a security that is represented by a certificate;

4 (5) "Clearing corporation" means:

5 (i) A person that is registered as a "clearing agency" under the federal securities laws;

6 (ii) A federal reserve bank; or

7 (iii) Any other person that provides clearance or settlement services with respect to financial  
8 assets that would require it to register as a clearing agency under the federal securities laws but for  
9 an exclusion or exemption from the registration requirement, if its activities as a clearing  
10 corporation, including promulgation of rules, are subject to regulation by a federal or state  
11 governmental authority;

12 (6) "Communicate" means to:

13 (i) Send a signed ~~writing~~ record; or

14 (ii) Transmit information by any mechanism agreed upon by the persons transmitting and  
15 receiving the information;

16 (7) "Entitlement holder" means a person identified in the records of a securities intermediary  
17 as the person having a security entitlement against the securities intermediary. If a person acquires a  
18 security entitlement by virtue of section 400.8-501(b)(2) or (3), that person is the entitlement holder;

19 (8) "Entitlement order" means a notification communicated to a securities intermediary  
20 directing transfer or redemption of a financial asset to which the entitlement holder has a security  
21 entitlement;

22 (9) "Financial asset", except as otherwise provided in section 400.8-103, means:

23 (i) A security;

24 (ii) An obligation of a person or a share, participation or other interest in a person or in  
25 property or an enterprise of a person, which is, or is of a type, dealt in or traded on financial  
26 markets, or which is recognized in any area in which it is issued or dealt in as a medium for  
27 investment; or

28 (iii) Any property that is held by a securities intermediary for another person in a securities  
29 account if the securities intermediary has expressly agreed with the other person that the property is  
30 to be treated as a financial asset under this article.

31  
32 As context requires, the term means either the interest itself or the means by which a person's claim  
33 to it is evidenced, including a certificated or uncertificated security, a security certificate or a  
34 security entitlement;

35 (10) "Good faith", for purposes of the obligation of good faith in the performance or  
36 enforcement of contracts or duties within this article, means honesty in fact and the observance of  
37 reasonable commercial standards of fair dealing;

1 (11) "Indorsement" means a signature that alone or accompanied by other words is made on  
 2 a security certificate in registered form or on a separate document for the purpose of assigning,  
 3 transferring or redeeming the security or granting a power to assign, transfer or redeem it;

4 (12) "Instruction" means a notification communicated to the issuer of an uncertificated  
 5 security which directs that the transfer of the security be registered or that the security be redeemed;

6 (13) "Registered form", as applied to a certificated security, means a form in which:

7 (i) The security certificate specifies a person entitled to the security; and

8 (ii) A transfer of the security may be registered upon books maintained for that purpose by  
 9 or on behalf of the issuer, or the security certificate so states;

10 (14) "Securities intermediary" means:

11 (i) A clearing corporation; or

12 (ii) A person, including a bank or broker, that in the ordinary course of its business  
 13 maintains securities accounts for others and is acting in that capacity;

14 (15) "Security", except as otherwise provided in section 400.8-103, means an obligation of  
 15 an issuer or a share, participation or other interest in an issuer or in property or an enterprise of an  
 16 issuer:

17 (i) Which is represented by a security certificate in bearer or registered form, or the transfer  
 18 of which may be registered upon books maintained for that purpose by or on behalf of the issuer;

19 (ii) Which is one of a class or series or by its terms is divisible into a class or series of  
 20 shares, participations, interests or obligations; and

21 (iii) Which:

22 (A) Is, or is of a type, dealt in or traded on securities exchanges or securities markets; or

23 (B) Is a medium for investment and by its terms expressly provides that it is a security  
 24 governed by this article;

25 (16) "Security certificate" means a certificate representing a security;

26 (17) "Security entitlement" means the rights and property interest of an entitlement holder  
 27 with respect to a financial asset specified in sections 400.8-501 to 400.8-510;

28 (18) "Uncertificated security" means a security that is not represented by a certificate.

29 (b) ~~[Other definitions applying to this article and the sections in which they appear are]~~ The  
 30 following definitions in this article and other articles apply to this article:

|   |                            |
|---|----------------------------|
| "Appropriate person".                     | Section 400.8-107.         |
| "Control".                                | Section 400.8-106.         |
| <u>"Controllable account".</u>            | <u>Section 400.9-102.</u>  |
| <u>"Controllable electronic record".</u>  | <u>Section 400.12-102.</u> |
| <u>"Controllable payment intangible".</u> | <u>Section 400.9-102.</u>  |
| "Delivery".                               | Section 400.8-301.         |

|                                |                    |
|--------------------------------|--------------------|
| "Investment company security". | Section 400.8-103. |
| "Issuer".                      | Section 400.8-201. |
| "Overissue".                   | Section 400.8-210. |
| "Protected purchaser".         | Section 400.8-303. |
| "Securities account".          | Section 400.8-501. |

1 (c) In addition, article 1 of this chapter contains general definitions and principles of  
2 construction and interpretation applicable throughout this article.

3 (d) The characterization of a person, business, or transaction for purposes of this article does  
4 not determine the characterization of the person, business or transaction for purposes of any other  
5 law, regulation or rule.

6 400.8-103. (a) A share or similar equity interest issued by a corporation, business trust,  
7 joint stock company or similar entity is a security.

8 (b) An "investment company security" is a security. "Investment company security" means  
9 a share or similar equity interest issued by an entity that is registered as an investment company  
10 under the federal investment company laws, an interest in a unit investment trust that is so  
11 registered, or a face-amount certificate issued by a face-amount certificate company that is so  
12 registered. Investment company security does not include an insurance policy or endowment policy  
13 or annuity contract issued by an insurance company.

14 (c) An interest in a partnership or limited liability company is not a security unless it is dealt  
15 in or traded on securities exchanges or in securities markets, its terms expressly provide that it is a  
16 security governed by this article, or it is an investment company security. However, an interest in a  
17 partnership or limited liability company is a financial asset if it is held in a securities account.

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

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

24 (f) A commodity contract, as defined in section 400.9-102(a)(14), is not a security or a  
25 financial asset.

26 (g) A controllable account, controllable electronic record, or controllable payment  
27 intangible is not a financial asset unless Section 400.8-102(a)(9)(iii) applies.

28 400.8-106. (a) A purchaser has "control" of a certificated security in bearer form if the  
29 certificated security is delivered to the purchaser.

30 (b) A purchaser has "control" of a certificated security in registered form if the certificated  
31 security is delivered to the purchaser, and:

32 (1) The certificate is indorsed to the purchaser or in blank by an effective indorsement; or

1 (2) The certificate is registered in the name of the purchaser, upon original issue or  
2 registration of transfer by the issuer.

3 (c) A purchaser has "control" of an uncertificated security if:

4 (1) The uncertificated security is delivered to the purchaser; or

5 (2) The issuer has agreed that it will comply with instructions originated by the purchaser  
6 without further consent by the registered owner.

7 (d) A purchaser has "control" of a security entitlement if:

8 (1) The purchaser becomes the entitlement holder;

9 (2) The securities intermediary has agreed that it will comply with entitlement orders  
10 originated by the purchaser without further consent by the entitlement holder; or

11 (3) Another person ~~[has control of the security entitlement on behalf of the purchaser or,~~  
12 ~~having previously acquired control of the security entitlement, acknowledges that it has control on~~  
13 ~~behalf of the purchaser]~~, other than the transferor to the purchaser of an interest in the security  
14 entitlement:

15 (A) has control of the security entitlement and acknowledges that it has control on behalf of  
16 the purchaser; or

17 (B) obtains control of the security entitlement after having acknowledged that it will obtain  
18 control of the security entitlement on behalf of the purchaser.

19 (e) If an interest in a security entitlement is granted by the entitlement holder to the  
20 entitlement holder's own securities intermediary, the securities intermediary has control.

21 (f) A purchaser who has satisfied the requirements of subsection (c) or (d) has control even  
22 if the registered owner in the case of subsection (c) or the entitlement holder in the case of  
23 subsection (d) retains the right to make substitutions for the uncertificated security or security  
24 entitlement, to originate instructions or entitlement orders to the issuer or securities intermediary, or  
25 otherwise to deal with the uncertificated security or security entitlement.

26 (g) An issuer or a securities intermediary may not enter into an agreement of the kind  
27 described in subsection (c)(2) or (d)(2) without the consent of the registered owner or entitlement  
28 holder, but an issuer or a securities intermediary is not required to enter into such an agreement even  
29 though the registered owner or entitlement holder so directs. An issuer or securities intermediary  
30 that has entered into such an agreement is not required to confirm the existence of the agreement to  
31 another party unless requested to do so by the registered owner or entitlement holder.

32 (h) A person that has control under this section is not required to acknowledge that it has  
33 control on behalf of a purchaser.

34 (i) If a person acknowledges that it has or will obtain control on behalf of a purchaser,  
35 unless the person otherwise agrees or law other than this Article or Article 9 otherwise provides, the  
36 person does not owe any duty to the purchaser and is not required to confirm the acknowledgment to  
37 any other person.

38 400.8-110. (a) The local law of the issuer's jurisdiction, as specified in subsection (d),  
39 governs:

1 (1) The validity of a security;  
2 (2) The rights and duties of the issuer with respect to registration of transfer;  
3 (3) The effectiveness of registration of transfer by the issuer;  
4 (4) Whether the issuer owes any duties to an adverse claimant to a security; and  
5 (5) Whether an adverse claim can be asserted against a person to whom transfer of a  
6 certificated or uncertificated security is registered or a person who obtains control of an  
7 uncertificated security.

8 (b) The local law of the securities intermediary's jurisdiction, as specified in subsection (e),  
9 governs:

10 (1) Acquisition of a security entitlement from the securities intermediary;  
11 (2) The rights and duties of the securities intermediary and entitlement holder arising out of  
12 a security entitlement;  
13 (3) Whether the securities intermediary owes any duties to an adverse claimant to a security  
14 entitlement; and  
15 (4) Whether an adverse claim can be asserted against a person who acquires a security  
16 entitlement from the securities intermediary or a person who purchases a security entitlement or  
17 interest therein from an entitlement holder.

18 (c) The local law of the jurisdiction in which a security certificate is located at the time of  
19 delivery governs whether an adverse claim can be asserted against a person to whom the security  
20 certificate is delivered.

21 (d) "Issuer's jurisdiction" means the jurisdiction under which the issuer of the security is  
22 organized or, if permitted by the law of that jurisdiction, the law of another jurisdiction specified by  
23 the issuer. An issuer organized under the law of this state may specify the law of another  
24 jurisdiction as the law governing the matters specified in subsection (a)(2) through (5).

25 (e) The following rules determine a "securities intermediary's jurisdiction" for purposes of  
26 this section:

27 (1) If an agreement between the securities intermediary and its entitlement holder governing  
28 the securities account expressly provides that a particular jurisdiction is the securities intermediary's  
29 jurisdiction for purposes of this part, this article, or chapter 400, that jurisdiction is the securities  
30 intermediary's jurisdiction;

31 (2) If paragraph (1) does not apply and an agreement between the securities intermediary  
32 and its entitlement holder governing the securities account expressly provides that the agreement is  
33 governed by the law of a particular jurisdiction, that jurisdiction is the securities intermediary's  
34 jurisdiction.

35 (3) If neither paragraph (1) nor paragraph (2) applies, and an agreement between the  
36 securities intermediary and its entitlement holder governing the securities account expressly  
37 provides that the securities account is maintained at an office in a particular jurisdiction, that  
38 jurisdiction is the securities intermediary's jurisdiction;

1 (4) If none of the preceding paragraphs apply, the securities intermediary's jurisdiction is the  
2 jurisdiction in which the office identified in an account statement as the office serving the  
3 entitlement holder's account is located.

4 (5) If none of the preceding paragraphs apply, the securities intermediary's jurisdiction is the  
5 jurisdiction in which the chief executive office of the securities intermediary is located.

6 (f) A securities intermediary's jurisdiction is not determined by the physical location of  
7 certificates representing financial assets, or by the jurisdiction in which is organized the issuer of the  
8 financial asset with respect to which an entitlement holder has a security entitlement, or by the  
9 location of facilities for data processing or other record keeping concerning the account.

10 (g) The local law of the issuer's jurisdiction or the securities intermediary's jurisdiction  
11 governs a matter or transaction specified in subsection (a) or (b) even if the matter or transaction  
12 does not bear any relation to the jurisdiction.

13 400.8-303. (a) "Protected purchaser" means a purchaser of a certificated or uncertificated  
14 security, or of an interest therein, who:

15 (1) Gives value;

16 (2) Does not have notice of any adverse claim to the security; and

17 (3) Obtains control of the certificated or uncertificated security.

18 (b) ~~[In addition to acquiring the rights of a purchaser,]~~ A protected purchaser also acquires  
19 its interest in the security free of any adverse claim.

20 400.9-102. (a) In this article:

21 (1) "Accession" means goods that are physically united with other goods in such a manner  
22 that the identity of the original goods is not lost;

23 (2) "Account", except as used in "account for", "account statement", "account to",  
24 "commodity account" in paragraph (14), "customer's account", "deposit account" in paragraph (29),  
25 "on account of", and "statement of account", means a right to payment of a monetary obligation,  
26 whether or not earned by performance, (i) for property that has been or is to be sold, leased,  
27 licensed, assigned, or otherwise disposed of, (ii) for services rendered or to be rendered, (iii) for a  
28 policy of insurance issued or to be issued, (iv) for a secondary obligation incurred or to be incurred,  
29 (v) for energy provided or to be provided, (vi) for the use or hire of a vessel under a charter or other  
30 contract, (vii) arising out of the use of a credit or charge card or information contained on or for use  
31 with the card, or (viii) as winnings in a lottery or other game of chance operated or sponsored by a  
32 state, governmental unit of a state, or person licensed or authorized to operate the game by a state or  
33 governmental unit of a state. The term includes controllable accounts and health-care-insurance  
34 receivables. The term does not include (i) ~~[rights to payment evidenced by]~~ chattel paper ~~[or an~~  
35 ~~instrument]~~, (ii) commercial tort claims, (iii) deposit accounts, (iv) investment property, (v) letter-  
36 of-credit rights or letters of credit, ~~[or]~~ (vi) rights to payment for money or funds advanced or sold,  
37 other than rights arising out of the use of a credit or charge card or information contained on or for  
38 use with the card, or (vii) rights to payment evidenced by an instrument;

1 (3) "Account debtor" means a person obligated on an account, chattel paper, or general  
 2 intangible. The term does not include persons obligated to pay a negotiable instrument, even if the  
 3 negotiable instrument ~~[constitutes part of]~~ evidences chattel paper;

4 (4) "Accounting", except as used in "accounting for", means a record:

5 (A) ~~[Authenticated]~~ Signed by a secured party;

6 (B) Indicating the aggregate unpaid secured obligations as of a date not more than thirty-  
 7 five days earlier or thirty-five days later than the date of the record; and

8 (C) Identifying the components of the obligations in reasonable detail;

9 (5) "Agricultural lien" means an interest, other than a security interest, in farm products:

10 (A) Which secures payment or performance of an obligation for:

11 (i) Goods or services furnished in connection with a debtor's farming operation; or

12 (ii) Rent on real property leased by a debtor in connection with its farming operation;

13 (B) Which is created by statute in favor of a person that:

14 (i) In the ordinary course of its business furnished goods or services to a debtor in  
 15 connection with a debtor's farming operation; or

16 (ii) Leased real property to a debtor in connection with the debtor's farming operation; and

17 (C) Whose effectiveness does not depend on the person's possession of the personal  
 18 property;

19 (6) "As-extracted collateral" means:

20 (A) Oil, gas, or other minerals that are subject to a security interest that:

21 (i) Is created by a debtor having an interest in the minerals before extraction; and

22 (ii) Attaches to the minerals as extracted; or

23 (B) Accounts arising out of the sale at the wellhead or minehead of oil, gas, or other  
 24 minerals in which the debtor had an interest before extraction;

25 (7) ~~["Authenticate" means:~~

26 (A) ~~To sign; or~~

27 (B) ~~With the present intent to adopt or accept a record, to attach to or logically associate~~  
 28 ~~with the record an electronic sound, symbol or process]~~ "Assignee", except as used in "assignee for  
 29 benefit of creditors", means a person (i) in whose favor a security interest that secures an obligation  
 30 is created or provided for under a security agreement, whether or not the obligation is outstanding or  
 31 (ii) to which an account, chattel paper, payment intangible, or promissory note has been sold. The  
 32 term includes a person to which a security interest has been transferred by a secured party;

33 (7A) "Assignor" means a person that (i) under a security agreement creates or provides for a  
 34 security interest that secures an obligation or (ii) sells an account, chattel paper, payment intangible,  
 35 or promissory note. The term includes a secured party that has transferred a security interest to  
 36 another person;

37 (8) "Bank" means an organization that is engaged in the business of banking. The term  
 38 includes savings banks, savings and loan associations, credit unions, and trust companies;

39 (9) "Cash proceeds" means proceeds that are money, checks, deposit accounts, or the like;



1 (10) "Certificate of title" means a certificate of title with respect to which a statute provides  
 2 for the security interest in question to be indicated on the certificate as a condition or result of the  
 3 security interest's obtaining priority over the rights of a lien creditor with respect to the collateral.  
 4 The term includes another record maintained as an alternative to a certificate of title by the  
 5 governmental unit that issues certificates of title if a statute permits the security interest in question  
 6 to be indicated on the record as a condition or result of the security interest's obtaining priority over  
 7 the rights of a lien creditor with respect to the collateral;

8 (11) "Chattel paper" means ~~[a record or records that evidence both a monetary obligation~~  
 9 ~~and a security interest in specific goods, a security interest in specific goods and software used in the~~  
 10 ~~goods, a security interest in specific goods and license of software used in the goods, a lease of~~  
 11 ~~specific goods, or a lease of specific goods and license of software used in the goods. In this~~  
 12 ~~paragraph, "monetary obligation" means a monetary obligation secured by the goods or owed under~~  
 13 ~~a lease of the goods and includes a monetary obligation with respect to software used in the goods.~~  
 14 ~~The term does not include (i) charters or other contracts involving the use or hire of a vessel or (ii)~~  
 15 ~~records that evidence a right to payment arising out of the use of a credit or charge card or~~  
 16 ~~information contained on or for use with the card. If a transaction is evidenced by records that~~  
 17 ~~include an instrument or series of instruments, the group of records taken together constitutes chattel~~  
 18 ~~paper;]:~~

19 (A) A right to payment of a monetary obligation secured by specific goods, if the right to  
 20 payment and security agreement are evidenced by a record; or

21 (B) A right to payment of a monetary obligation owed by a lessee under a lease agreement  
 22 with respect to specific goods and a monetary obligation owed by the lessee in connection with the  
 23 transaction giving rise to the lease, if:

24 (i) The right to payment and lease agreement are evidenced by a record; and

25 (ii) The predominant purpose of the transaction giving rise to the lease was to give the  
 26 lessee the right to possession and use of the goods.

27  
 28 The term does not include a right to payment arising out of a charter or other contract involving the  
 29 use or hire of a vessel or a right to payment arising out of the use of a credit or charge card or  
 30 information contained on or for use with the card;

31 (12) "Collateral" means the property subject to a security interest or agricultural lien. The  
 32 term includes:

33 (A) Proceeds to which a security interest attaches;

34 (B) Accounts, chattel paper, payment intangibles, and promissory notes that have been sold;  
 35 and

36 (C) Goods that are the subject of a consignment;

37 (13) "Commercial tort claim" means a claim arising in tort with respect to which:

38 (A) The claimant is an organization; or

39 (B) The claimant is an individual and the claim:

- 1 (i) Arose in the course of the claimant's business or profession; and
- 2 (ii) Does not include damages arising out of personal injury to or the death of an individual;
- 3 (14) "Commodity account" means an account maintained by a commodity intermediary in
- 4 which a commodity contract is carried for a commodity customer;
- 5 (15) "Commodity contract" means a commodity futures contract, an option on a commodity
- 6 futures contract, a commodity option, or another contract if the contract or option is:
- 7 (A) Traded on or subject to the rules of a board of trade that has been designated as a
- 8 contract market for such a contract pursuant to federal commodities laws; or
- 9 (B) Traded on a foreign commodity board of trade, exchange, or market, and is carried on
- 10 the books of a commodity intermediary for a commodity customer;
- 11 (16) "Commodity customer" means a person for which a commodity intermediary carries a
- 12 commodity contract on its books;
- 13 (17) "Commodity intermediary" means a person that:
- 14 (A) Is registered as a futures commission merchant under federal commodities law; or
- 15 (B) In the ordinary course of its business provides clearance or settlement services for a
- 16 board of trade that has been designated as a contract market pursuant to federal commodities law;
- 17 (18) "Communicate" means:
- 18 (A) To send a written or other tangible record;
- 19 (B) To transmit a record by any means agreed upon by the persons sending and receiving
- 20 the record; or
- 21 (C) In the case of transmission of a record to or by a filing office, to transmit a record by
- 22 any means prescribed by filing-office rule;
- 23 (19) "Consignee" means a merchant to which goods are delivered in a consignment;
- 24 (20) "Consignment" means a transaction, regardless of its form, in which a person delivers
- 25 goods to a merchant for the purpose of sale and:
- 26 (A) The merchant:
- 27 (i) Deals in goods of that kind under a name other than the name of the person making
- 28 delivery;
- 29 (ii) Is not an auctioneer; and
- 30 (iii) Is not generally known by its creditors to be substantially engaged in selling the goods
- 31 of others;
- 32 (B) With respect to each delivery, the aggregate value of the goods is one thousand dollars
- 33 or more at the time of delivery;
- 34 (C) The goods are not consumer goods immediately before delivery; and
- 35 (D) The transaction does not create a security interest that secures an obligation;
- 36 (21) "Consignor" means a person that delivers goods to a consignee in a consignment;
- 37 (22) "Consumer debtor" means a debtor in a consumer transaction;
- 38 (23) "Consumer goods" means goods that are used or bought for use primarily for personal,
- 39 family, or household purposes;

1 (24) "Consumer-goods transaction" means a consumer transaction in which:

2 (A) An individual incurs an obligation primarily for personal, family, or household  
3 purposes; and

4 (B) A security interest in consumer goods secures the obligation;

5 (25) "Consumer obligor" means an obligor who is an individual and who incurred the  
6 obligation as part of a transaction entered into primarily for personal, family, or household purposes;

7 (26) "Consumer transaction" means a transaction in which (i) an individual incurs an  
8 obligation primarily for personal, family, or household purposes, (ii) a security interest secures the  
9 obligation, and (iii) the collateral is held or acquired primarily for personal, family, or household  
10 purposes. The term includes consumer-goods transactions;

11 (27) "Continuation statement" means an amendment of a financing statement which:

12 (A) Identifies, by its file number, the initial financing statement to which it relates; and

13 (B) Indicates that it is a continuation statement for, or that it is filed to continue the  
14 effectiveness of, the identified financing statement;

15 (27A) "Controllable account" means an account evidenced by a controllable electronic  
16 record that provides that the account debtor undertakes to pay the person that has control under  
17 section 400.12-105 of the controllable electronic record;

18 (27B) "Controllable payment intangible" means a payment intangible evidenced by a  
19 controllable electronic record that provides that the account debtor undertakes to pay the person that  
20 has control under section 400.12-105 of the controllable electronic record;

21 (28) "Debtor" means:

22 (A) A person having an interest, other than a security interest or other lien, in the collateral,  
23 whether or not the person is an obligor;

24 (B) A seller of accounts, chattel paper, payment intangibles, or promissory notes; or

25 (C) A consignee;

26 (29) "Deposit account" means a demand, time, savings, passbook, or similar account  
27 maintained with a bank. The term does not include investment property or accounts evidenced by  
28 an instrument;

29 (30) "Document" means a document of title or a receipt of the type described in section  
30 400.7-201(b);

31 ~~["Electronic chattel paper" means chattel paper evidenced by a record or records~~  
32 ~~consisting of information stored in an electronic medium]~~ "Electronic money" means money in an  
33 electronic form;

34 (32) "Encumbrance" means a right, other than an ownership interest, in real property. The  
35 term includes mortgages and other liens on real property;

36 (33) "Equipment" means goods other than inventory, farm products, or consumer goods;

37 (34) "Farm products" means goods, other than standing timber, with respect to which the  
38 debtor is engaged in a farming operation and which are:

39 (A) Crops grown, growing, or to be grown, including:

1 (i) Crops produced on trees, vines, and bushes; and

2 (ii) Aquatic goods produced in aquacultural operations;

3 (B) Livestock, born or unborn, including aquatic goods produced in aquacultural operations;

4 (C) Supplies used or produced in a farming operation; or

5 (D) Products of crops or livestock in their unmanufactured states;

6 (35) "Farming operation" means raising, cultivating, propagating, fattening, grazing, or any  
7 other farming, livestock, or aquacultural operation;

8 (36) "File number" means the number assigned to an initial financing statement pursuant to  
9 section 400.9-519(a);

10 (37) "Filing office" means an office designated in section 400.9-501 as the place to file a  
11 financing statement;

12 (38) "Filing-office rule" means a rule adopted pursuant to section 400.9-526;

13 (39) "Financing statement" means a record or records composed of an initial financing  
14 statement and any filed record relating to the initial financing statement;

15 (40) "Fixture filing" means the filing of a financing statement covering goods that are or are  
16 to become fixtures and satisfying section 400.9-502(a) and (b). The term includes the filing of a  
17 financing statement covering goods of a transmitting utility which are or are to become fixtures;

18 (41) "Fixtures" means goods that have become so related to particular real property that an  
19 interest in them arises under real property law;

20 (42) "General intangible" means any personal property, including things in action, other than  
21 accounts, chattel paper, commercial tort claims, deposit accounts, documents, goods, instruments,  
22 investment property, letter-of-credit rights, letters of credit, money, and oil, gas, or other minerals  
23 before extraction. The term includes controllable electronic records, payment intangibles, and  
24 software;

25 (43) [~~"Good faith" means honesty in fact;~~

26 (44)] "Goods" means all things that are movable when a security interest attaches. The term  
27 includes (i) fixtures, (ii) standing timber that is to be cut and removed under a conveyance or  
28 contract for sale, (iii) the unborn young of animals, (iv) crops grown, growing, or to be grown, even  
29 if the crops are produced on trees, vines, or bushes, and (v) manufactured homes. The term also  
30 includes a computer program embedded in goods and any supporting information provided in  
31 connection with a transaction relating to the program if (i) the program is associated with the goods  
32 in such a manner that it customarily is considered part of the goods, or (ii) by becoming the owner  
33 of the goods, a person acquires a right to use the program in connection with the goods. The term  
34 does not include a computer program embedded in goods that consist solely of the medium in which  
35 the program is embedded. The term also does not include accounts, chattel paper, commercial tort  
36 claims, deposit accounts, documents, general intangibles, instruments, investment property, letter-  
37 of-credit rights, letters of credit, money, or oil, gas, or other minerals before extraction;

38 [(45)] (44) "Governmental unit" means a subdivision, agency, department, county, parish,  
39 municipality, or other unit of the government of the United States, a state, or a foreign country. The

1 term includes an organization having a separate corporate existence if the organization is eligible to  
 2 issue debt on which interest is exempt from income taxation under the laws of the United States;

3 ~~[(46)]~~ (45) "Health-care-insurance receivable" means an interest in or claim under a policy  
 4 of insurance which is a right to payment of a monetary obligation for health-care goods or services  
 5 provided or to be provided;

6 ~~[(47)]~~ (46) "Instrument" means a negotiable instrument or any other writing that evidences a  
 7 right to the payment of a monetary obligation, is not itself a security agreement or lease, and is of a  
 8 type that in ordinary course of business is transferred by delivery with any necessary indorsement or  
 9 assignment. The term does not include (i) investment property, (ii) letters of credit, ~~[øø]~~ (iii)  
 10 writings that evidence a right to payment arising out of the use of a credit or charge card or  
 11 information contained on or for use with the card, or (iv) writings that evidence chattel paper;

12 ~~[(48)]~~ (47) "Inventory" means goods, other than farm products, which:

13 (A) Are leased by a person as lessor;

14 (B) Are held by a person for sale or lease or to be furnished under a contract of service;

15 (C) Are furnished by a person under a contract of service; or

16 (D) Consist of raw materials, work in process, or materials used or consumed in a business;

17 ~~[(49)]~~ (48) "Investment property" means a security, whether certificated or uncertificated,  
 18 security entitlement, securities account, commodity contract, or commodity account;

19 ~~[(50)]~~ (49) "Jurisdiction of organization", with respect to a registered organization, means  
 20 the jurisdiction under whose law the organization is formed or organized;

21 ~~[(51)]~~ (50) "Letter-of-credit right" means a right to payment or performance under a letter of  
 22 credit, whether or not the beneficiary has demanded or is at the time entitled to demand payment or  
 23 performance. The term does not include the right of a beneficiary to demand payment or  
 24 performance under a letter of credit;

25 ~~[(52)]~~ (51) "Lien creditor" means:

26 (A) A creditor that has acquired a lien on the property involved by attachment, levy, or the  
 27 like;

28 (B) An assignee for benefit of creditors from the time of assignment;

29 (C) A trustee in bankruptcy from the date of the filing of the petition; or

30 (D) A receiver in equity from the time of appointment;

31 ~~[(53)]~~ (52) "Manufactured home" means a structure, transportable in one or more sections,  
 32 which, in the traveling mode, is eight body feet or more in width or forty body feet or more in  
 33 length, or, when erected on site, is three hundred twenty or more square feet, and which is built on a  
 34 permanent chassis and designed to be used as a dwelling with or without a permanent foundation  
 35 when connected to the required utilities, and includes the plumbing, heating, air-conditioning, and  
 36 electrical systems contained therein. The term includes any structure that meets all of the  
 37 requirements of this paragraph except the size requirements and with respect to which the  
 38 manufacturer voluntarily files a certification required by the United States Secretary of Housing and

1 Urban Development and complies with the standards established under Title 42 of the United States  
2 Code;

3 ~~[(54)]~~ (53) "Manufactured-home transaction" means a secured transaction:

4 (A) That creates a purchase-money security interest in a manufactured home, other than a  
5 manufactured home held as inventory; or

6 (B) In which a manufactured home, other than a manufactured home held as inventory, is  
7 the primary collateral;

8 (54) "Money" has the meaning in section 400.1-201(b)(24), but does not include (i) a  
9 deposit account or (ii) money in an electronic form that cannot be subjected to control under section  
10 400.9-105A;

11 (55) "Mortgage" means a consensual interest in real property, including fixtures, which  
12 secures payment or performance of an obligation;

13 (56) "New debtor" means a person that becomes bound as debtor under section 400.9-203(d)  
14 by a security agreement previously entered into by another person;

15 (57) "New value" means (i) money, (ii) money's worth in property, services, or new credit,  
16 or (iii) release by a transferee of an interest in property previously transferred to the transferee. The  
17 term does not include an obligation substituted for another obligation;

18 (58) "Noncash proceeds" means proceeds other than cash proceeds;

19 (59) "Obligor" means a person that, with respect to an obligation secured by a security  
20 interest in or an agricultural lien on the collateral, (i) owes payment or other performance of the  
21 obligation, (ii) has provided property other than the collateral to secure payment or other  
22 performance of the obligation, or (iii) is otherwise accountable in whole or in part for payment or  
23 other performance of the obligation. The term does not include issuers or nominated persons under  
24 a letter of credit;

25 (60) "Original debtor", except as used in section 400.9-310(c), means a person that, as  
26 debtor, entered into a security agreement to which a new debtor has become bound under section  
27 400.9-203(d);

28 (61) "Payment intangible" means a general intangible under which the account debtor's  
29 principal obligation is a monetary obligation. The term includes a controllable payment intangible;

30 (62) "Person related to", with respect to an individual, means:

31 (A) The spouse of the individual;

32 (B) A brother, brother-in-law, sister, or sister-in-law of the individual;

33 (C) An ancestor or lineal descendant of the individual or the individual's spouse; or

34 (D) Any other relative, by blood or marriage, of the individual or the individual's spouse  
35 who shares the same home with the individual;

36 (63) "Person related to", with respect to an organization, means:

37 (A) A person directly or indirectly controlling, controlled by, or under common control with  
38 the organization;

1 (B) An officer or director of, or a person performing similar functions with respect to, the  
2 organization;

3 (C) An officer or director of, or a person performing similar functions with respect to, a  
4 person described in subparagraph (A);

5 (D) The spouse of an individual described in subparagraph (A), (B), or (C); or

6 (E) An individual who is related by blood or marriage to an individual described in  
7 subparagraph (A), (B), (C), or (D) and shares the same home with the individual;

8 (64) "Proceeds", except as used in section 400.9-609(b), means the following property:

9 (A) Whatever is acquired upon the sale, lease, license, exchange, or other disposition of  
10 collateral;

11 (B) Whatever is collected on, or distributed on account of, collateral;

12 (C) Rights arising out of collateral;

13 (D) To the extent of the value of collateral, claims arising out of the loss, nonconformity, or  
14 interference with the use of, defects or infringement of rights in, or damage to, the collateral; or

15 (E) To the extent of the value of collateral and to the extent payable to the debtor or the  
16 secured party, insurance payable by reason of the loss or nonconformity of, defects or infringement  
17 of rights in, or damage to, the collateral;

18 (65) "Promissory note" means an instrument that evidences a promise to pay a monetary  
19 obligation, does not evidence an order to pay, and does not contain an acknowledgment by a bank  
20 that the bank has received for deposit a sum of money or funds;

21 (66) "Proposal" means a record authenticated by a secured party which includes the terms  
22 on which the secured party is willing to accept collateral in full or partial satisfaction of the  
23 obligation it secures pursuant to sections 400.9-620, 400.9-621 and 400.9-622;

24 (67) "Public organic record" means a record that is available to the public for inspection and  
25 is:

26 (A) A record consisting of the record initially filed with or issued by a state or the United  
27 States to form or organize an organization and any record filed with or issued by the state or the  
28 United States which amends or restates the initial record;

29 (B) An organic record of a business trust consisting of the record initially filed with a state  
30 and any record filed with the state which amends or restates the initial record, if a statute of the state  
31 governing business trusts requires that the record be filed with the state; or

32 (C) A record consisting of legislation enacted by the legislature of a state or the Congress of  
33 the United States which forms or organizes an organization, any record amending the legislation,  
34 and any record filed with or issued by the state or the United States which amends or restates the  
35 name of the organization;

36 (68) "Pursuant to commitment", with respect to an advance made or other value given by a  
37 secured party, means pursuant to the secured party's obligation, whether or not a subsequent event of  
38 default or other event not within the secured party's control has relieved or may relieve the secured  
39 party from its obligation;

1 (69) "Record", except as used in "for record", "of record", "record or legal title", and "record  
2 owner", means information that is inscribed on a tangible medium or which is stored in an electronic  
3 or other medium and is retrievable in perceivable form;

4 (70) "Registered organization" means an organization formed or organized solely under the  
5 law of a single state or the United States by the filing of a public organic record with, the issuance of  
6 a public organic record by, or the enactment of legislation by the state or the United States. The  
7 term includes a business trust that is formed or organized under the law of a single state if a statute  
8 of the state governing business trusts requires that the business trust's organic record be filed with  
9 the state;

10 (71) "Secondary obligor" means an obligor to the extent that:

11 (A) The obligor's obligation is secondary; or

12 (B) The obligor has a right of recourse with respect to an obligation secured by collateral  
13 against the debtor, another obligor, or property of either;

14 (72) "Secured party" means:

15 (A) A person in whose favor a security interest is created or provided for under a security  
16 agreement, whether or not any obligation to be secured is outstanding;

17 (B) A person that holds an agricultural lien;

18 (C) A consignor;

19 (D) A person to which accounts, chattel paper, payment intangibles, or promissory notes  
20 have been sold;

21 (E) A trustee, indenture trustee, agent, collateral agent, or other representative in whose  
22 favor a security interest or agricultural lien is created or provided for; or

23 (F) A person that holds a security interest arising under sections 400.2-401, 400.2-505,  
24 400.2-711(3), 400.2A-508(5), 400.4-210 or 400.5-118;

25 (73) "Security agreement" means an agreement that creates or provides for a security  
26 interest;

27 (74) [~~"Send", in connection with a record or notification, means:~~

28 (~~A) To deposit in the mail, deliver for transmission, or transmit by any other usual means of  
29 communication, with postage or cost of transmission provided for, addressed to any address  
30 reasonable under the circumstances; or~~

31 (~~B) To cause the record or notification to be received within the time that it would have been  
32 received if properly sent under subparagraph (A);~~

33 (75)] "Software" means a computer program and any supporting information provided in  
34 connection with a transaction relating to the program. The term does not include a computer  
35 program that is included in the definition of goods;

36 [(76)] (75) "State" means a state of the United States, the District of Columbia, Puerto Rico,  
37 the United States Virgin Islands, or any territory or insular possession subject to the jurisdiction of  
38 the United States;



1           ~~[(77)]~~ (76) "Supporting obligation" means a letter-of-credit right or secondary obligation  
 2 that supports the payment or performance of an account, chattel paper, a document, a general  
 3 intangible, an instrument, or investment property;

4           ~~[(78)]~~ "Tangible chattel paper" means chattel paper evidenced by a record or records  
 5 consisting of information that is inscribed on a tangible medium;—]

6           (77) "Tangible money" means money in a tangible form;

7           ~~[(79)]~~ (78) "Termination statement" means an amendment of a financing statement which:

8           (A) Identifies, by its file number, the initial financing statement to which it relates; and

9           (B) Indicates either that it is a termination statement or that the identified financing  
 10 statement is no longer effective;

11           ~~[(80)]~~ (79) "Transmitting utility" means a person primarily engaged in the business of:

12           (A) Operating a railroad, subway, street railway, or trolley bus;

13           (B) Transmitting communications electrically, electromagnetically, or by light;

14           (C) Transmitting goods by pipeline or sewer; or

15           (D) Transmitting or producing and transmitting electricity, steam, gas, or water.

16           (b) "Control" as provided in section 400.8-106 and the following definitions in other articles  
 17 apply to this article:

|   |                            |
|---|----------------------------|
| "Applicant"   | Section 400.5-102.         |
| "Beneficiary"   | Section 400.5-102.         |
| "Broker"  | Section 400.8-102.         |
| "Certificated security"   | Section 400.8-102.         |
| "Check"   | Section 400.3-104.         |
| "Clearing corporation"  | Section 400.8-102.         |
| "Contract for sale"   | Section 400.2-106.         |
| <u>"Controllable electronic record"</u>                                 | <u>Section 400.12-102.</u> |
| "Customer"  | Section 400.4-104.         |
| "Entitlement holder"  | Section 400.8-102.         |
| "Financial asset"   | Section 400.8-102.         |
| "Holder in due course"  | Section 400.3-302.         |
| "Issuer" (with respect to a letter of credit or letter-of-credit right) | Section 400.5-102.         |
| "Issuer" (with respect to a security)                                   | Section 400.8-201.         |
| "Lease"   | Section 400.2A-103.        |

|   |                            |
|---|----------------------------|
| "Lease agreement"                       | Section 400.2A-103.        |
| "Lease contract"                        | Section 400.2A-103.        |
| "Leasehold interest"                    | Section 400.2A-103.        |
| "Lessee"                                | Section 400.2A-103.        |
| "Lessee in ordinary course of business" | Section 400.2A-103.        |
| "Lessor"                                | Section 400.2A-103.        |
| "Lessor's residual interest"            | Section 400.2A-103.        |
| "Letter of credit"                      | Section 400.5-102.         |
| "Merchant"                              | Section 400.2-104.         |
| "Negotiable instrument"                 | Section 400.3-104.         |
| "Nominated person"                      | Section 400.5-102.         |
| "Note"                                  | Section 400.3-104.         |
| "Proceeds of a letter of credit"        | Section 400.5-114.         |
| " <u>Protected purchaser</u> "          | <u>Section 400.8-303.</u>  |
| "Prove"                                 | Section 400.3-103.         |
| " <u>Qualifying purchaser</u> "         | <u>Section 400.12-102.</u> |
| "Sale"                                  | Section 400.2-106.         |
| "Securities account"                    | Section 400.8-501.         |
| "Securities intermediary"               | Section 400.8-102.         |
| "Security"                              | Section 400.8-102.         |
| "Security certificate"                  | Section 400.8-102.         |
| "Security entitlement"                  | Section 400.8-102.         |
| "Uncertificated security"               | Section 400.8-102.         |

- 1 (c) This section contains general definitions and principles of construction and interpretation  
2 applicable throughout sections 400.9-103 to 400.9-809.  
3 400.9-104. (a) A secured party has control of a deposit account if:  
4 (1) The secured party is the bank with which the deposit account is maintained;

1 (2) The debtor, secured party, and bank have agreed in ~~[an authenticated]~~ a signed record  
2 that the bank will comply with instructions originated by the secured party directing disposition of  
3 the funds in the account without further consent by the debtor; ~~[or]~~

4 (3) The secured party becomes the bank's customer with respect to the deposit account; or

5 (4) Another person, other than the debtor:

6 (A) Has control of the deposit account and acknowledges that it has control on behalf of the  
7 secured party; or

8 (B) Obtains control of the deposit account after having acknowledged that it will obtain  
9 control of the deposit account on behalf of the secured party.

10 (b) A secured party that has satisfied subsection (a) has control, even if the debtor retains the  
11 right to direct the disposition of funds from the deposit account.

12 400.9-105. (a) A ~~[secured party]~~ purchaser has control of an authoritative electronic copy of  
13 a record evidencing chattel paper if a system employed for evidencing the ~~[transfer]~~ assignment of  
14 interests in the chattel paper reliably establishes the ~~[secured party]~~ purchaser as the person to which  
15 the ~~[chattel paper]~~ authoritative electronic copy was assigned.

16 (b) A system satisfies subsection (a) if the record or records ~~[comprising]~~ evidencing the  
17 chattel paper are created, stored, and assigned in such a manner that:

18 (1) A single authoritative copy of the record or records exists which is unique, identifiable,  
19 and, except as otherwise provided in paragraphs (4), (5), and (6), unalterable;

20 (2) The authoritative copy identifies the ~~[secured party]~~ purchaser as the assignee of the  
21 record or records;

22 (3) The authoritative copy is communicated to and maintained by the ~~[secured party]~~  
23 purchaser or its designated custodian;

24 (4) Copies or amendments that add or change an identified assignee of the authoritative  
25 copy can be made only with the consent of the ~~[secured party]~~ purchaser;

26 (5) Each copy of the authoritative copy and any copy of a copy is readily identifiable as a  
27 copy that is not the authoritative copy; and

28 (6) Any amendment of the authoritative copy is readily identifiable as authorized or  
29 unauthorized.

30 (c) A system satisfies subsection (a), and a purchaser has control of an authoritative  
31 electronic copy of a record evidencing chattel paper, if the electronic copy, a record attached to or  
32 logically associated with the electronic copy, or a system in which the electronic copy is recorded:

33 (1) Enables the purchaser readily to identify each electronic copy as either an authoritative  
34 copy or a nonauthoritative copy;

35 (2) Enables the purchaser readily to identify itself in any way, including by name,  
36 identifying number, cryptographic key, office, or account number, as the assignee of the  
37 authoritative electronic copy; and

38 (3) Gives the purchaser exclusive power, subject to subsection (d), to:

1 (A) Prevent others from adding or changing an identified assignee of the authoritative  
2 electronic copy; and

3 (B) Transfer control of the authoritative electronic copy.

4 (d) Subject to subsection (e), a power is exclusive under subsection (c)(3)(A) and (B) even  
5 if:

6 (1) The authoritative electronic copy, a record attached to or logically associated with the  
7 authoritative electronic copy, or a system in which the authoritative electronic copy is recorded  
8 limits the use of the authoritative electronic copy or has a protocol programmed to cause a change,  
9 including a transfer or loss of control; or

10 (2) The power is shared with another person.

11 (e) A power of a purchaser is not shared with another person under subsection (d)(2) and the  
12 purchaser's power is not exclusive if:

13 (1) The purchaser can exercise the power only if the power also is exercised by the other  
14 person; and

15 (2) The other person:

16 (A) Can exercise the power without exercise of the power by the purchaser; or

17 (B) Is the transferor to the purchaser of an interest in the chattel paper.

18 (f) If a purchaser has the powers specified in subsection (c)(3)(A) and (B), the powers are  
19 presumed to be exclusive.

20 (g) A purchaser has control of an authoritative electronic copy of a record evidencing chattel  
21 paper if another person, other than the transferor to the purchaser of an interest in the chattel paper:

22 (1) Has control of the authoritative electronic copy and acknowledges that it has control on  
23 behalf of the purchaser; or

24 (2) Obtains control of the authoritative electronic copy after having acknowledged that it  
25 will obtain control of the electronic copy on behalf of the purchaser.

26 400.9-105A (a) A person has control of electronic money if:

27 (1) The electronic money, a record attached to or logically associated with the electronic  
28 money, or a system in which the electronic money is recorded gives the person:

29 (A) Power to avail itself of substantially all the benefit from the electronic money; and

30 (B) Exclusive power, subject to subsection (b), to:

31 (i) Prevent others from availing themselves of substantially all the benefit from the  
32 electronic money; and

33 (ii) Transfer control of the electronic money to another person or cause another person to  
34 obtain control of other electronic money as a result of the transfer of the electronic money; and

35 (2) The electronic money, a record attached to or logically associated with the electronic  
36 money, or a system in which the electronic money is recorded enables the person readily to identify  
37 itself in any way, including by name, identifying number, cryptographic key, office, or account  
38 number, as having the powers under paragraph (1).

1           (b) Subject to subsection (c), a power is exclusive under subsection (a)(1)(B)(i) and (ii) even  
2 if:

3           (1) The electronic money, a record attached to or logically associated with the electronic  
4 money, or a system in which the electronic money is recorded limits the use of the electronic money  
5 or has a protocol programmed to cause a change, including a transfer or loss of control; or

6           (2) The power is shared with another person.

7           (c) A power of a person is not shared with another person under subsection (b)(2) and the  
8 person's power is not exclusive if:

9           (1) The person can exercise the power only if the power also is exercised by the other  
10 person; and

11           (2) The other person:

12           (A) Can exercise the power without exercise of the power by the person; or

13           (B) Is the transferor to the person of an interest in the electronic money.

14           (d) If a person has the powers specified in subsection (a)(1)(B)(i) and (ii), the powers are  
15 presumed to be exclusive.

16           (e) A person has control of electronic money if another person, other than the transferor to  
17 the person of an interest in the electronic money:

18           (1) Has control of the electronic money and acknowledges that it has control on behalf of  
19 the person; or

20           (2) Obtains control of the electronic money after having acknowledged that it will obtain  
21 control of the electronic money on behalf of the person.

22           400.9-107A (a) A secured party has control of a controllable electronic record as provided  
23 in Section 400.12-105.

24           (b) A secured party has control of a controllable account or controllable payment intangible  
25 if the secured party has control of the controllable electronic record that evidences the controllable  
26 account or controllable payment intangible.

27           400.9-107B (a) A person that has control under section 400.9-104, 400.9-105, or 400.9-  
28 105A is not required to acknowledge that it has control on behalf of another person.

29           (b) If a person acknowledges that it has or will obtain control on behalf of another person,  
30 unless the person otherwise agrees or law other than this article otherwise provides, the person does  
31 not owe any duty to the other person and is not required to confirm the acknowledgment to any  
32 other person.

33           400.9-203. (a) A security interest attaches to collateral when it becomes enforceable against  
34 the debtor with respect to the collateral, unless an agreement expressly postpones the time of  
35 attachment.

36           (b) Except as otherwise provided in subsections (c) through (i), a security interest is  
37 enforceable against the debtor and third parties with respect to the collateral only if:

38           (1) Value has been given;

1 (2) The debtor has rights in the collateral or the power to transfer rights in the collateral to a  
2 secured party; and

3 (3) One of the following conditions is met:

4 (A) The debtor has ~~[authenticated]~~ signed a security agreement that provides a description  
5 of the collateral and, if the security interest covers timber to be cut, a description of the land  
6 concerned;

7 (B) The collateral is not a certificated security and is in the possession of the secured party  
8 under section 400.9-313 pursuant to the debtor's security agreement;

9 (C) The collateral is a certificated security in registered form and the security certificate has  
10 been delivered to the secured party under section 400.8-301 pursuant to the debtor's security  
11 agreement; ~~[or]~~

12 (D) The collateral is controllable accounts, controllable electronic records, controllable  
13 payment intangibles, deposit accounts, ~~[electronic chattel paper,]~~ electronic documents, electronic  
14 money, investment property, or letter-of-credit rights, and the secured party has control under  
15 section 400.9-104, ~~[400.9-105,]~~ 400.9-105A, 400.9-106 ~~[or]~~, 400.9-107, or 400.9-107A pursuant to  
16 the debtor's security agreement; or

17 (E) The collateral is chattel paper and the secured party has possession and control under  
18 section 400.9-314A pursuant to the debtor's security agreement.

19 (c) Subsection (b) is subject to section 400.4-210 on the security interest of a collecting  
20 bank, section 400.5-118 on the security interest of a letter-of-credit issuer or nominated person,  
21 section 400.9-110 on a security interest arising under article 2 or 2A, and section 400.9-206 on  
22 security interests in investment property.

23 (d) A person becomes bound as debtor by a security agreement entered into by another  
24 person if, by operation of law other than this article or by contract:

25 (1) The security agreement becomes effective to create a security interest in the person's  
26 property; or

27 (2) The person becomes generally obligated for the obligations of the other person,  
28 including the obligation secured under the security agreement, and acquires or succeeds to all or  
29 substantially all of the assets of the other person.

30 (e) If a new debtor becomes bound as debtor by a security agreement entered into by  
31 another person:

32 (1) The agreement satisfies subsection (b)(3) with respect to existing or after-acquired  
33 property of the new debtor to the extent the property is described in the agreement; and

34 (2) Another agreement is not necessary to make a security interest in the property  
35 enforceable.

36 (f) The attachment of a security interest in collateral gives the secured party the rights to  
37 proceeds provided by section 400.9-315 and is also attachment of a security interest in a supporting  
38 obligation for the collateral.

1 (g) The attachment of a security interest in a right to payment or performance secured by a  
2 security interest or other lien on personal or real property is also attachment of a security interest in  
3 the security interest, mortgage, or other lien.

4 (h) The attachment of a security interest in a securities account is also attachment of a  
5 security interest in the security entitlements carried in the securities account.

6 (i) The attachment of a security interest in a commodity account is also attachment of a  
7 security interest in the commodity contracts carried in the commodity account.

8 400.9-204. (a) Except as otherwise provided in subsection (b), a security agreement may  
9 create or provide for a security interest in after-acquired collateral.

10 (b) [A] Subject to subsection (b.1), a security interest does not attach under a term  
11 constituting an after-acquired property clause to:

12 (1) Consumer goods, other than an accession when given as additional security, unless the  
13 debtor acquires rights in them within ten days after the secured party gives value; or

14 (2) A commercial tort claim.

15 (b.1) Subsection (b) does not prevent a security interest from attaching:

16 (1) To consumer goods as proceeds under Section 400.9-315(a) or commingled goods under  
17 Section 400.9-336(c);

18 (2) To a commercial tort claim as proceeds under Section 400.9-315(a); or

19 (3) Under an after-acquired property clause to property that is proceeds of consumer goods  
20 or a commercial tort claim.

21 (c) A security agreement may provide that collateral secures, or that accounts, chattel paper,  
22 payment intangibles, or promissory notes are sold in connection with, future advances or other  
23 value, whether or not the advances or value are given pursuant to commitment.

24 400.9-207. (a) Except as otherwise provided in subsection (d), a secured party shall use  
25 reasonable care in the custody and preservation of collateral in the secured party's possession. In the  
26 case of chattel paper or an instrument, reasonable care includes taking necessary steps to preserve  
27 rights against prior parties unless otherwise agreed.

28 (b) Except as otherwise provided in subsection (d), if a secured party has possession of  
29 collateral:

30 (1) Reasonable expenses, including the cost of insurance and payment of taxes or other  
31 charges, incurred in the custody, preservation, use, or operation of the collateral are chargeable to  
32 the debtor and are secured by the collateral;

33 (2) The risk of accidental loss or damage is on the party having possession of the collateral;

34 (3) The secured party shall keep the collateral identifiable, but fungible collateral may be  
35 commingled; and

36 (4) The secured party may use or operate the collateral:

37 (A) For the purpose of preserving the collateral or its value;

38 (B) As permitted by an order of a court having competent jurisdiction; or

1 (C) Except in the case of consumer goods, in the manner and to the extent agreed by the  
2 debtor.

3 (c) Except as otherwise provided in subsection (d), a secured party having possession of  
4 collateral or control of collateral under section 400.9-104, 400.9-105, 400.9-105A, 400.9-106 ~~[or]~~,  
5 400.9-107, or 400.9-107A:

6 (1) May hold as additional security any proceeds, except money or funds, received from the  
7 collateral;

8 (2) Shall apply money or funds received from the collateral to reduce the secured obligation,  
9 unless remitted to the debtor; and

10 (3) May create a security interest in the collateral.

11 (d) If the secured party is a buyer of accounts, chattel paper, payment intangibles, or  
12 promissory notes or a consignor:

13 (1) Subsection (a) does not apply unless the secured party is entitled under an agreement:

14 (A) To charge back uncollected collateral; or

15 (B) Otherwise to full or limited recourse against the debtor or a secondary obligor based on  
16 the nonpayment or other default of an account debtor or other obligor on the collateral; and

17 (2) Subsections (b) and (c) do not apply.

18 400.9-208. (a) This section applies to cases in which there is no outstanding secured  
19 obligation and the secured party is not committed to make advances, incur obligations, or otherwise  
20 give value.

21 (b) Within ten days after receiving ~~[an authenticated]~~ a signed demand by the debtor:

22 (1) A secured party having control of a deposit account under section 400.9-104(a)(2) shall  
23 send to the bank with which the deposit account is maintained ~~[an authenticated statement]~~ a signed  
24 record that releases the bank from any further obligation to comply with instructions originated by  
25 the secured party;

26 (2) A secured party having control of a deposit account under section 400.9-104(a)(3) shall:

27 (A) Pay the debtor the balance on deposit in the deposit account; or

28 (B) Transfer the balance on deposit into a deposit account in the debtor's name;

29 (3) A secured party, other than a buyer, having control ~~[of electronic chattel paper]~~ under  
30 section 400.9-105 of an authoritative electronic copy of a record evidencing chattel paper ~~[shall:~~

31 ~~(A) Communicate the authoritative copy of the electronic chattel paper to the debtor or its~~  
32 ~~designated custodian;~~

33 ~~(B) If the debtor designates a custodian that is the designated custodian with which the~~  
34 ~~authoritative copy of the electronic chattel paper is maintained for the secured party, communicate~~  
35 ~~to the custodian an authenticated record releasing the designated custodian from any further~~  
36 ~~obligation to comply with instructions originated by the secured party and instructing the custodian~~  
37 ~~to comply with instructions originated by the debtor; and~~

38 ~~(C) Take appropriate action to enable the debtor or its designated custodian to make copies~~  
39 ~~of or revisions to the authoritative copy which add or change an identified assignee of the~~



1 ~~authoritative copy without the consent of the secured party]~~ shall transfer control of the electronic  
 2 copy to the debtor or a person designated by the debtor;

3 (4) A secured party having control of investment property under section 400.8-106(d)(2) or  
 4 400.9-106(b) shall send to the securities intermediary or commodity intermediary with which the  
 5 security entitlement or commodity contract is maintained ~~[an authenticated]~~ a signed record that  
 6 releases the securities intermediary or commodity intermediary from any further obligation to  
 7 comply with entitlement orders or directions originated by the secured party; ~~[and]~~

8 (5) A secured party having control of a letter-of-credit right under section 400.9-107 shall  
 9 send to each person having an unfulfilled obligation to pay or deliver proceeds of the letter of credit  
 10 to the secured party ~~[an authenticated]~~ a signed release from any further obligation to pay or deliver  
 11 proceeds of the letter of credit to the secured party;

12 (6) A secured party having control under section 400.7-106 of an authoritative electronic  
 13 copy of an electronic document shall transfer control of the electronic copy to the debtor or a person  
 14 designated by the debtor;

15 (7) A secured party having control under section 400.9-105A of electronic money shall  
 16 transfer control of the electronic money to the debtor or a person designated by the debtor; and

17 (8) A secured party having control under section 400.12-105 of a controllable electronic  
 18 record, other than a buyer of a controllable account or controllable payment intangible evidenced by  
 19 the controllable electronic record, shall transfer control of the controllable electronic record to the  
 20 debtor or a person designated by the debtor.

21 400.9-209. (a) Except as otherwise provided in subsection (c), this section applies if:

22 (1) There is no outstanding secured obligation; and

23 (2) The secured party is not committed to make advances, incur obligations, or otherwise  
 24 give value.

25 (b) Within ten days after receiving ~~[an authenticated]~~ a signed demand by the debtor, a  
 26 secured party shall send to an account debtor that has received notification under section 400.9-  
 27 406(a) or 400.12-106(b) of an assignment to the secured party as assignee ~~[under section 400.9-~~  
 28 ~~406(a) an authenticated]~~ a signed record that releases the account debtor from any further obligation  
 29 to the secured party.

30 (c) This section does not apply to an assignment constituting the sale of an account, chattel  
 31 paper, or payment intangible.

32 400.9-210. (a) In this section:

33 (1) "Request" means a record of a type described in paragraph (2),(3), or (4);

34 (2) "Request for an accounting" means a record ~~[authenticated]~~ signed by a debtor  
 35 requesting that the recipient provide an accounting of the unpaid obligations secured by collateral  
 36 and reasonably identifying the transaction or relationship that is the subject of the request;

37 (3) "Request regarding a list of collateral" means a record ~~[authenticated]~~ signed by a debtor  
 38 requesting that the recipient approve or correct a list of what the debtor believes to be the collateral

1 securing an obligation and reasonably identifying the transaction or relationship that is the subject of  
2 the request;

3 (4) "Request regarding a statement of account" means a record [~~authenticated~~] signed by a  
4 debtor requesting that the recipient approve or correct a statement indicating what the debtor  
5 believes to be the aggregate amount of unpaid obligations secured by collateral as of a specified date  
6 and reasonably identifying the transaction or relationship that is the subject of the request.

7 (b) Subject to subsections (c), (d), (e), and (f), a secured party, other than a buyer of  
8 accounts, chattel paper, payment intangibles, or promissory notes or a consignor, shall comply with  
9 a request within fourteen days after receipt:

10 (1) In the case of a request for an accounting, by [~~authenticating~~] signing and sending to the  
11 debtor an accounting; and

12 (2) In the case of a request regarding a list of collateral or a request regarding a statement of  
13 account, by [~~authenticating~~] signing and sending to the debtor an approval or correction.

14 (c) A secured party that claims a security interest in all of a particular type of collateral  
15 owned by the debtor may comply with a request regarding a list of collateral by sending to the  
16 debtor [~~an authenticated~~] a signed record including a statement to that effect within fourteen days  
17 after receipt.

18 (d) A person that receives a request regarding a list of collateral, claims no interest in the  
19 collateral when it receives the request, and claimed an interest in the collateral at an earlier time  
20 shall comply with the request within fourteen days after receipt by sending to the debtor [~~an~~  
21 ~~authenticated~~] a signed record:

22 (1) Disclaiming any interest in the collateral; and

23 (2) If known to the recipient, providing the name and mailing address of any assignee of or  
24 successor to the recipient's security interest in the collateral.

25 (e) A person that receives a request for an accounting or a request regarding a statement of  
26 account, claims no interest in the obligations when it receives the request, and claimed an interest in  
27 the obligations at an earlier time shall comply with the request within fourteen days after receipt by  
28 sending to the debtor [~~an authenticated~~] a signed record:

29 (1) Disclaiming any interest in the obligations; and

30 (2) If known to the recipient, providing the name and mailing address of any assignee of or  
31 successor to the recipient's interest in the obligations.

32 (f) A debtor is entitled without charge to one response to a request under this section during  
33 any six-month period. The secured party may require payment of a charge not exceeding twenty-  
34 five dollars for each additional response.

35 400.9-301. Except as otherwise provided in sections 400.9-303 through [~~400.9-306~~] 400.9-  
36 306B, the following rules determine the law governing perfection, the effect of perfection or  
37 nonperfection, and the priority of a security interest in collateral:

1 (1) Except as otherwise provided in this section, while a debtor is located in a jurisdiction,  
2 the local law of that jurisdiction governs perfection, the effect of perfection or nonperfection, and  
3 the priority of a security interest in collateral;

4 (2) While collateral is located in a jurisdiction, the local law of that jurisdiction governs  
5 perfection, the effect of perfection or nonperfection, and the priority of a possessory security interest  
6 in that collateral;

7 (3) Except as otherwise provided in paragraph (4), while negotiable tangible documents,  
8 goods, instruments, or tangible money [~~or tangible chattel paper~~] is located in a jurisdiction, the  
9 local law of that jurisdiction governs:

10 (A) Perfection of a security interest in the goods by filing a fixture filing;

11 (B) Perfection of a security interest in timber to be cut; and

12 (C) The effect of perfection or nonperfection and the priority of a nonpossessory security  
13 interest in the collateral;

14 (4) The local law of the jurisdiction in which the wellhead or minehead is located governs  
15 perfection, the effect of perfection or nonperfection, and the priority of a security interest in as-  
16 extracted collateral.

17 400.9-304. (a) The local law of a bank's jurisdiction governs perfection, the effect of  
18 perfection or nonperfection, and the priority of a security interest in a deposit account maintained  
19 with that bank even if the transaction does not bear any relation to the bank's jurisdiction.

20 (b) The following rules determine a bank's jurisdiction for purposes of this part:

21 (1) If an agreement between the bank and the debtor governing the deposit account  
22 expressly provides that a particular jurisdiction is the bank's jurisdiction for purposes of this part,  
23 this article, or this chapter, that jurisdiction is the bank's jurisdiction;

24 (2) If paragraph (1) does not apply and an agreement between the bank and its customer  
25 governing the deposit account expressly provides that the agreement is governed by the law of a  
26 particular jurisdiction, that jurisdiction is the bank's jurisdiction;

27 (3) If neither paragraph (1) nor paragraph (2) applies and an agreement between the bank  
28 and its customer governing the deposit account expressly provides that the deposit account is  
29 maintained at an office in a particular jurisdiction, that jurisdiction is the bank's jurisdiction;

30 (4) If none of the preceding paragraphs applies, the bank's jurisdiction is the jurisdiction in  
31 which the office identified in an account statement as the office serving the customer's account is  
32 located;

33 (5) If none of the preceding paragraphs applies, the bank's jurisdiction is the jurisdiction in  
34 which the chief executive office of the bank is located.

35 400.9-305. (a) Except as otherwise provided in subsection (c), the following rules apply:

36 (1) While a security certificate is located in a jurisdiction, the local law of that jurisdiction  
37 governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in  
38 the certificated security represented thereby;

1 (2) The local law of the issuer's jurisdiction as specified in section 400.8-110(d) governs  
2 perfection, the effect of perfection or nonperfection, and the priority of a security interest in an  
3 uncertificated security;

4 (3) The local law of the securities intermediary's jurisdiction as specified in section 400.8-  
5 110(e) governs perfection, the effect of perfection or nonperfection, and the priority of a security  
6 interest in a security entitlement or securities account;

7 (4) The local law of the commodity intermediary's jurisdiction governs perfection, the effect  
8 of perfection or nonperfection, and the priority of a security interest in a commodity contract or  
9 commodity account;

10 (5) Paragraphs (2), (3), and (4) apply even if the transaction does not bear any relation to the  
11 jurisdiction.

12 (b) The following rules determine a commodity intermediary's jurisdiction for purposes of  
13 this part:

14 (1) If an agreement between the commodity intermediary and commodity customer  
15 governing the commodity account expressly provides that a particular jurisdiction is the commodity  
16 intermediary's jurisdiction for purposes of this part, this article, or this chapter, that jurisdiction is  
17 the commodity intermediary's jurisdiction;

18 (2) If paragraph (1) does not apply and an agreement between the commodity intermediary  
19 and commodity customer governing the commodity account expressly provides that the agreement  
20 is governed by the law of a particular jurisdiction, that jurisdiction is the commodity intermediary's  
21 jurisdiction;

22 (3) If neither paragraph (1) nor paragraph (2) applies and an agreement between the  
23 commodity intermediary and commodity customer governing the commodity account expressly  
24 provides that the commodity account is maintained at an office in a particular jurisdiction, that  
25 jurisdiction is the commodity intermediary's jurisdiction;

26 (4) If none of the preceding paragraphs applies, the commodity intermediary's jurisdiction is  
27 the jurisdiction in which the office identified in an account statement as the office serving the  
28 commodity customer's account is located;

29 (5) If none of the preceding paragraphs applies, the commodity intermediary's jurisdiction is  
30 the jurisdiction in which the chief executive office of the commodity intermediary is located.

31 (c) The local law of the jurisdiction in which the debtor is located governs:

32 (1) Perfection of a security interest in investment property by filing;

33 (2) Automatic perfection of a security interest in investment property created by a broker or  
34 securities intermediary; and

35 (3) Automatic perfection of a security interest in a commodity contract or commodity  
36 account created by a commodity intermediary.

37 400.9-306A (a) Except as provided in subsection (d), if chattel paper is evidenced only by  
38 an authoritative electronic copy of the chattel paper or is evidenced by an authoritative electronic  
39 copy and an authoritative tangible copy, the local law of the chattel paper's jurisdiction governs

1 perfection, the effect of perfection or nonperfection, and the priority of a security interest in the  
 2 chattel paper, even if the transaction does not bear any relation to the chattel paper's jurisdiction.

3 (b) The following rules determine the chattel paper's jurisdiction under this section:

4 (1) If the authoritative electronic copy of the record evidencing chattel paper, or a record  
 5 attached to or logically associated with the electronic copy and readily available for review,  
 6 expressly provides that a particular jurisdiction is the chattel paper's jurisdiction for purposes of this  
 7 part, this article, or this chapter, that jurisdiction is the chattel paper's jurisdiction.

8 (2) If paragraph (1) does not apply and the rules of the system in which the authoritative  
 9 electronic copy is recorded are readily available for review and expressly provide that a particular  
 10 jurisdiction is the chattel paper's jurisdiction for purposes of this part, this article, or this chapter,  
 11 that jurisdiction is the chattel paper's jurisdiction.

12 (3) If paragraphs (1) and (2) do not apply and the authoritative electronic copy, or a record  
 13 attached to or logically associated with the electronic copy and readily available for review,  
 14 expressly provides that the chattel paper is governed by the law of a particular jurisdiction, that  
 15 jurisdiction is the chattel paper's jurisdiction.

16 (4) If paragraphs (1), (2), and (3) do not apply and the rules of the system in which the  
 17 authoritative electronic copy is recorded are readily available for review and expressly provide that  
 18 the chattel paper or the system is governed by the law of a particular jurisdiction, that jurisdiction is  
 19 the chattel paper's jurisdiction.

20 (5) If paragraphs (1) through (4) do not apply, the chattel paper's jurisdiction is the  
 21 jurisdiction in which the debtor is located.

22 (c) If an authoritative tangible copy of a record evidences chattel paper and the chattel paper  
 23 is not evidenced by an authoritative electronic copy, while the authoritative tangible copy of the  
 24 record evidencing chattel paper is located in a jurisdiction, the local law of that jurisdiction governs:

25 (1) Perfection of a security interest in the chattel paper by possession under section 400.9-  
 26 314A; and

27 (2) The effect of perfection or nonperfection and the priority of a security interest in the  
 28 chattel paper.

29 (d) The local law of the jurisdiction in which the debtor is located governs perfection of a  
 30 security interest in chattel paper by filing.

31 400.9-306B (a) Except as provided in subsection (b), the local law of the controllable  
 32 electronic record's jurisdiction specified in section 400.12-107(c) and (d) governs perfection, the  
 33 effect of perfection or nonperfection, and the priority of a security interest in a controllable  
 34 electronic record and a security interest in a controllable account or controllable payment intangible  
 35 evidenced by the controllable electronic record.

36 (b) The local law of the jurisdiction in which the debtor is located governs:

37 (1) Perfection of a security interest in a controllable account, controllable electronic record,  
 38 or controllable payment intangible by filing; and

1           (2) Automatic perfection of a security interest in a controllable payment intangible created  
 2 by a sale of the controllable payment intangible.

3           400.9-310. (a) Except as otherwise provided in subsection (b) and section 400.9-312(b), a  
 4 financing statement must be filed to perfect all security interests and agricultural liens.

5           (b) The filing of a financing statement is not necessary to perfect a security interest:

6           (1) That is perfected under section 400.9-308(c), (d), (e) or (f);

7           (2) That is perfected under section 400.9-309 when it attaches;

8           (3) In property subject to a statute, regulation, or treaty described in section 400.9-311(a);

9           (4) In goods in possession of a bailee which is perfected under section 400.9-312(d)(1) or  
 10 (2);

11           (5) In certificated securities, documents, goods, or instruments which is perfected without  
 12 filing or possession under section 400.9-312(e), (f), or (g);

13           (6) In collateral in the secured party's possession under section 400.9-313;

14           (7) In a certificated security which is perfected by delivery of the security certificate to the  
 15 secured party under section 400.9-313;

16           (8) In controllable accounts, controllable electronic records, controllable payment  
 17 intangibles, deposit accounts, [electronic chattel paper,] electronic documents, investment property,  
 18 or letter-of-credit rights which is perfected by control under section 400.9-314;

19           (8.1) In chattel paper which is perfected by possession and control under section 400.9-  
 20 314A;

21           (9) In proceeds which is perfected under section 400.9-315; or

22           (10) That is perfected under section 400.9-316.

23           (c) If a secured party assigns a perfected security interest or agricultural lien, a filing under  
 24 this article is not required to continue the perfected status of the security interest against creditors of  
 25 and transferees from the original debtor.

26           400.9-312. (a) A security interest in chattel paper, [~~negotiable documents,~~] controllable  
 27 accounts, controllable electronic records, controllable payment intangibles, instruments, [or]  
 28 investment property, or negotiable documents may be perfected by filing.

29           (b) Except as otherwise provided in section 400.9-315(c) and (d) for proceeds:

30           (1) A security interest in a deposit account may be perfected only by control under section  
 31 400.9-314;

32           (2) And except as otherwise provided in section 400.9-308(c), a security interest in a letter-  
 33 of-credit right may be perfected only by control under section 400.9-314; [~~and~~]

34           (3) A security interest in tangible money may be perfected only by the secured party's taking  
 35 possession under section 400.9-313; and

36           (4) A security interest in electronic money may be perfected only by control under section  
 37 400.9-314.

38           (c) While goods are in the possession of a bailee that has issued a negotiable document  
 39 covering the goods:

1 (1) A security interest in the goods may be perfected by perfecting a security interest in the  
2 document; and

3 (2) A security interest perfected in the document has priority over any security interest that  
4 becomes perfected in the goods by another method during that time.

5 (d) While goods are in the possession of a bailee that has issued a nonnegotiable document  
6 covering the goods, a security interest in the goods may be perfected by:

7 (1) Issuance of a document in the name of the secured party;

8 (2) The bailee's receipt of notification of the secured party's interest; or

9 (3) Filing as to the goods.

10 (e) A security interest in certificated securities, negotiable documents, or instruments is  
11 perfected without filing or the taking of possession for a period of twenty days from the time it  
12 attaches to the extent that it arises for new value given under ~~[an authenticated]~~ a signed security  
13 agreement.

14 (f) A perfected security interest in a negotiable document or goods in possession of a bailee,  
15 other than one that has issued a negotiable document for the goods, remains perfected for twenty  
16 days without filing if the secured party makes available to the debtor the goods or documents  
17 representing the goods for the purpose of:

18 (1) Ultimate sale or exchange; or

19 (2) Loading, unloading, storing, shipping, transshipping, manufacturing, processing, or  
20 otherwise dealing with them in a manner preliminary to their sale or exchange.

21 (g) A perfected security interest in a certificated security or instrument remains perfected for  
22 twenty days without filing if the secured party delivers the security certificate or instrument to the  
23 debtor for the purpose of:

24 (1) Ultimate sale or exchange; or

25 (2) Presentation, collection, enforcement, renewal, or registration of transfer.

26 (h) After the twenty-day period specified in subsection (e), (f), or (g) expires, perfection  
27 depends upon compliance with this article.

28 400.9-313. (a) Except as otherwise provided in subsection (b), a secured party may perfect  
29 a security interest in ~~[negotiable documents,]~~ goods, instruments, negotiable tangible documents, or  
30 tangible money~~[-or tangible chattel paper]~~ by taking possession of the collateral. A secured party  
31 may perfect a security interest in certificated securities by taking delivery of the certificated  
32 securities under section 400.8-301.

33 (b) With respect to goods covered by a certificate of title issued by this state, a secured party  
34 may perfect a security interest in the goods by taking possession of the goods only in the  
35 circumstances described in section 400.9-316(d).

36 (c) With respect to collateral other than certificated securities and goods covered by a  
37 document, a secured party takes possession of collateral in the possession of a person other than the  
38 debtor, the secured party, or a lessee of the collateral from the debtor in the ordinary course of the  
39 debtor's business, when:

1 (1) The person in possession ~~[authenticates]~~ signs a record acknowledging that it holds  
2 possession of the collateral for the secured party's benefit; or

3 (2) The person takes possession of the collateral after having ~~[authenticated]~~ signed a record  
4 acknowledging that it will hold possession of the collateral for the secured party's benefit.

5 (d) If perfection of a security interest depends upon possession of the collateral by a secured  
6 party, perfection occurs ~~[no]~~ not earlier than the time the secured party takes possession and  
7 continues only while the secured party retains possession.

8 (e) A security interest in a certificated security in registered form is perfected by delivery  
9 when delivery of the certificated security occurs under section 400.8-301 and remains perfected by  
10 delivery until the debtor obtains possession of the security certificate.

11 (f) A person in possession of collateral is not required to acknowledge that it holds  
12 possession for a secured party's benefit.

13 (g) If a person acknowledges that it holds possession for the secured party's benefit:

14 (1) The acknowledgment is effective under subsection (c) or section 400.8-301(a), even if  
15 the acknowledgment violates the rights of a debtor; and

16 (2) Unless the person otherwise agrees or law other than this article otherwise provides, the  
17 person does not owe any duty to the secured party and is not required to confirm the  
18 acknowledgment to another person.

19 (h) A secured party having possession of collateral does not relinquish possession by  
20 delivering the collateral to a person other than the debtor or a lessee of the collateral from the debtor  
21 in the ordinary course of the debtor's business if the person was instructed before the delivery or is  
22 instructed contemporaneously with the delivery:

23 (1) To hold possession of the collateral for the secured party's benefit; or

24 (2) To redeliver the collateral to the secured party.

25 (i) A secured party does not relinquish possession, even if a delivery under subsection (h)  
26 violates the rights of a debtor. A person to which collateral is delivered under subsection (h) does  
27 not owe any duty to the secured party and is not required to confirm the delivery to another person  
28 unless the person otherwise agrees or law other than this article otherwise provides.

29 400.9-314. (a) A security interest in ~~[investment property, deposit accounts, letter-of-credit~~  
30 ~~rights, or electronic chattel paper]~~ controllable accounts, controllable electronic records, controllable  
31 payment intangibles, deposit accounts, electronic documents, electronic money, investment property,  
32 or letter-of-credit rights may be perfected by control of the collateral under section 400.9-104,  
33 ~~[400.9-105,]~~ 400.9-105A, 400.9-106 ~~[or]~~ 400.9-107, or 400.9-107A.

34 (b) A security interest in ~~[deposit accounts, electronic chattel paper, or letter-of-credit rights]~~  
35 controllable accounts, controllable electronic records, controllable payment intangibles, deposit  
36 accounts, electronic documents, electronic money, or letter-of-credit rights is perfected by control  
37 under section 400.7-106, 400.9-104, [400.9-105 or] 400.9-105A, 400.9-107 ~~[when],~~ or 400.9-107A  
38 not earlier than the time the secured party obtains control and remains perfected by control only  
39 while the secured party retains control.



1 (c) A security interest in investment property is perfected by control under section 400.9-  
2 106 ~~from~~ not earlier than the time the secured party obtains control and remains perfected by  
3 control until:

4 (1) The secured party does not have control; and

5 (2) One of the following occurs:

6 (A) If the collateral is a certificated security, the debtor has or acquires possession of the  
7 security certificate;

8 (B) If the collateral is an uncertificated security, the issuer has registered or registers the  
9 debtor as the registered owner; or

10 (C) If the collateral is a security entitlement, the debtor is or becomes the entitlement holder.

11 400.9-314A (a) A secured party may perfect a security interest in chattel paper by taking  
12 possession of each authoritative tangible copy of the record evidencing the chattel paper and  
13 obtaining control of each authoritative electronic copy of the electronic record evidencing the chattel  
14 paper.

15 (b) A security interest is perfected under subsection (a) not earlier than the time the secured  
16 party takes possession and obtains control and remains perfected under subsection (a) only while the  
17 secured party retains possession and control.

18 (c) Section 400.9-313(c) and (f) through (i) applies to perfection by possession of an  
19 authoritative tangible copy of a record evidencing chattel paper.

20 400.9-316. (a) A security interest perfected pursuant to the law of the jurisdiction  
21 designated in section 400.9-301(1) ~~of~~, 400.9-305(c), 400.9-306A(d), or 400.9-306B(b) remains  
22 perfected until the earliest of:

23 (1) The time perfection would have ceased under the law of that jurisdiction;

24 (2) The expiration of four months after a change of the debtor's location to another  
25 jurisdiction; or

26 (3) The expiration of one year after a transfer of collateral to a person that thereby becomes  
27 a debtor and is located in another jurisdiction.

28 (b) If a security interest described in subsection (a) becomes perfected under the law of the  
29 other jurisdiction before the earliest time or event described in that subsection, it remains perfected  
30 thereafter. If the security interest does not become perfected under the law of the other jurisdiction  
31 before the earliest time or event, it becomes unperfected and is deemed never to have been perfected  
32 as against a purchaser of the collateral for value.

33 (c) A possessory security interest in collateral, other than goods covered by a certificate of  
34 title and as-extracted collateral consisting of goods, remains continuously perfected if:

35 (1) The collateral is located in one jurisdiction and subject to a security interest perfected  
36 under the law of that jurisdiction;

37 (2) Thereafter the collateral is brought into another jurisdiction; and

38 (3) Upon entry into the other jurisdiction, the security interest is perfected under the law of  
39 the other jurisdiction.

1 (d) Except as otherwise provided in subsection (e), a security interest in goods covered by a  
2 certificate of title which is perfected by any method under the law of another jurisdiction when the  
3 goods become covered by a certificate of title from this state remains perfected until the security  
4 interest would have become unperfected under the law of the other jurisdiction had the goods not  
5 become so covered.

6 (e) A security interest described in subsection (d) becomes unperfected as against a  
7 purchaser of the goods for value and is deemed never to have been perfected as against a purchaser  
8 of the goods for value if the applicable requirements for perfection under section 400.9-311(b) or  
9 400.9-313 are not satisfied before the earlier of:

10 (1) The time the security interest would have become unperfected under the law of the other  
11 jurisdiction had the goods not become covered by a certificate of title from this state; or

12 (2) The expiration of four months after the goods had become so covered.

13 (f) A security interest in chattel paper, controllable accounts, controllable electronic records,  
14 controllable payment intangibles, deposit accounts, letter-of-credit rights, or investment property  
15 which is perfected under the law of the chattel paper's jurisdiction, the controllable electronic  
16 record's jurisdiction, the bank's jurisdiction, the issuer's jurisdiction, a nominated person's  
17 jurisdiction, the securities intermediary's jurisdiction, or the commodity intermediary's jurisdiction,  
18 as applicable, remains perfected until the earlier of:

19 (1) The time the security interest would have become unperfected under the law of that  
20 jurisdiction; or

21 (2) The expiration of four months after a change of the applicable jurisdiction to another  
22 jurisdiction.

23 (g) If a security interest described in subsection (f) becomes perfected under the law of the  
24 other jurisdiction before the earlier of the time or the end of the period described in that subsection,  
25 it remains perfected thereafter. If the security interest does not become perfected under the law of  
26 the other jurisdiction before the earlier of that time or the end of that period, it becomes unperfected  
27 and is deemed never to have been perfected as against a purchaser of the collateral for value.

28 (h) The following rules apply to collateral to which a security interest attaches within four  
29 months after the debtor changes its location to another jurisdiction:

30 (1) A financing statement filed before the change pursuant to the law of the jurisdiction  
31 designated in section 400.9-301(1) or 400.9-305(c) is effective to perfect a security interest in the  
32 collateral if the financing statement would have been effective to perfect a security interest in the  
33 collateral had the debtor not changed its location.

34 (2) If a security interest perfected by a financing statement that is effective under paragraph  
35 (1) becomes perfected under the law of the other jurisdiction before the earlier of the time the  
36 financing statement would have become ineffective under the law of the jurisdiction designated in  
37 section 400.9-301(1) or 400.9-305(c) or the expiration of the four-month period, it remains perfected  
38 thereafter. If the security interest does not become perfected under the law of the other jurisdiction

1 before the earlier time or event, it becomes unperfected and is deemed never to have been perfected  
2 as against a purchaser of the collateral for value.

3 (i) If a financing statement naming an original debtor is filed pursuant to the law of the  
4 jurisdiction designated in section 400.9-301(1) or 400.9-305(c) and the new debtor is located in  
5 another jurisdiction, the following rules apply:

6 (1) The financing statement is effective to perfect a security interest in collateral acquired by  
7 the new debtor before, and within four months after, the new debtor becomes bound under section  
8 400.9-203(d), if the financing statement would have been effective to perfect a security interest in  
9 the collateral had the collateral been acquired by the original debtor.

10 (2) A security interest perfected by the financing statement and which becomes perfected  
11 under the law of the other jurisdiction before the earlier of the time the financing statement would  
12 have become ineffective under the law of the jurisdiction designated in section 400.9-301(1) or  
13 400.9-305(c) or the expiration of the four-month period remains perfected thereafter. A security  
14 interest that is perfected by the financing statement but that does not become perfected under the  
15 law of the other jurisdiction before the earlier time or event becomes unperfected and is deemed  
16 never to have been perfected as against a purchaser of the collateral for value.

17 400.9-317. (a) A security interest or agricultural lien is subordinate to the rights of:

18 (1) A person entitled to priority under section 400.9-322; and

19 (2) Except as otherwise provided in subsection (e), a person that becomes a lien creditor  
20 before the earlier of the time:

21 (A) The security interest or agricultural lien is perfected; or

22 (B) One of the conditions specified in section 400.9-203(b)(3) is met and a financing  
23 statement covering the collateral is filed.

24 (b) Except as otherwise provided in subsection (e), a buyer, other than a secured party, [~~of~~  
25 ~~tangible chattel paper, documents,~~ of goods, instruments, tangible documents, or a [~~certificated~~  
26 security certificate takes free of a security interest or agricultural lien if the buyer gives value and  
27 receives delivery of the collateral without knowledge of the security interest or agricultural lien and  
28 before it is perfected.

29 (c) Except as otherwise provided in subsection (e), a lessee of goods takes free of a security  
30 interest or agricultural lien if the lessee gives value and receives delivery of the collateral without  
31 knowledge of the security interest or agricultural lien and before it is perfected.

32 (d) Subject to subsections (f) through (i), a licensee of a general intangible or a buyer, other  
33 than a secured party, of collateral other than [~~tangible chattel paper, tangible documents,~~ electronic  
34 money, goods, instruments, tangible documents, or a certificated security takes free of a security  
35 interest if the licensee or buyer gives value without knowledge of the security interest and before it  
36 is perfected.

37 (e) Except as otherwise provided in sections 400.9-320 and 400.9-321, if a person files a  
38 financing statement with respect to a purchase-money security interest before or within twenty days  
39 after the debtor receives delivery of the collateral, the security interest takes priority over the rights

1 of a buyer, lessee, or lien creditor which arise between the time the security interest attaches and the  
2 time of filing.

3 (f) A buyer, other than a secured party, of chattel paper takes free of a security interest if,  
4 without knowledge of the security interest and before it is perfected, the buyer gives value and:

5 (1) Receives delivery of each authoritative tangible copy of the record evidencing the  
6 chattel paper; and

7 (2) If each authoritative electronic copy of the record evidencing the chattel paper can be  
8 subjected to control under section 400.9-105, obtains control of each authoritative electronic copy.

9 (g) A buyer of an electronic document takes free of a security interest if, without knowledge  
10 of the security interest and before it is perfected, the buyer gives value and, if each authoritative  
11 electronic copy of the document can be subjected to control under section 400.7-106, obtains control  
12 of each authoritative electronic copy.

13 (h) A buyer of a controllable electronic record takes free of a security interest if, without  
14 knowledge of the security interest and before it is perfected, the buyer gives value and obtains  
15 control of the controllable electronic record.

16 (i) A buyer, other than a secured party, of a controllable account or a controllable payment  
17 intangible takes free of a security interest if, without knowledge of the security interest and before it  
18 is perfected, the buyer gives value and obtains control of the controllable account or controllable  
19 payment intangible.

20 400.9-323. (a) Except as otherwise provided in subsection (c), for purposes of determining  
21 the priority of a perfected security interest under section 400.9-322(a)(1), perfection of the security  
22 interest dates from the time an advance is made to the extent that the security interest secures an  
23 advance that:

24 (1) Is made while the security interest is perfected only:

25 (A) Under section 400.9-309 when it attaches; or

26 (B) Temporarily under section 400.9-312(e), (f), or (g); and

27 (2) Is not made pursuant to a commitment entered into before or while the security interest  
28 is perfected by a method other than under section 400.9-309 or 400.9-312(e), (f), or (g).

29 (b) Except as otherwise provided in subsection (c), a security interest is subordinate to the  
30 rights of a person that becomes a lien creditor to the extent that the security interest secures an  
31 advance made more than forty-five days after the person becomes a lien creditor unless the advance  
32 is made:

33 (1) Without knowledge of the lien; or

34 (2) Pursuant to a commitment entered into without knowledge of the lien.

35 (c) Subsections (a) and (b) do not apply to a security interest held by a secured party that is a  
36 buyer of accounts, chattel paper, payment intangibles, or promissory notes or a consignor.

37 (d) Except as otherwise provided in subsection (e), a buyer of goods ~~other than a buyer in~~  
38 ~~ordinary course of business~~ takes free of a security interest to the extent that it secures advances  
39 made after the earlier of:

1 (1) The time the secured party acquires knowledge of the buyer's purchase; or

2 (2) Forty-five days after the purchase.

3 (e) Subsection (d) does not apply if the advance is made pursuant to a commitment entered  
4 into without knowledge of the buyer's purchase and before the expiration of the forty-five-day  
5 period.

6 (f) Except as otherwise provided in subsection (g), a lessee of goods~~[, other than a lessee in~~  
7 ~~ordinary course of business,]~~ takes the leasehold interest free of a security interest to the extent that  
8 it secures advances made after the earlier of:

9 (1) The time the secured party acquires knowledge of the lease; or

10 (2) Forty-five days after the lease contract becomes enforceable.

11 (g) Subsection (f) does not apply if the advance is made pursuant to a commitment entered  
12 into without knowledge of the lease and before the expiration of the forty-five-day period.

13 400.9-324. (a) Except as otherwise provided in subsection (g), a perfected purchase-money  
14 security interest in goods other than inventory or livestock has priority over a conflicting security  
15 interest in the same goods, and, except as otherwise provided in section 400.9-327, a perfected  
16 security interest in its identifiable proceeds also has priority, if the purchase-money security interest  
17 is perfected when the debtor receives possession of the collateral or within twenty days thereafter.

18 (b) Subject to subsection (c) and except as otherwise provided in subsection (g), a perfected  
19 purchase-money security interest in inventory has priority over a conflicting security interest in the  
20 same inventory, has priority over a conflicting security interest in chattel paper or an instrument  
21 constituting proceeds of the inventory and in proceeds of the chattel paper, if so provided in section  
22 400.9-330, and, except as otherwise provided in section 400.9-327, also has priority in identifiable  
23 cash proceeds of the inventory to the extent the identifiable cash proceeds are received on or before  
24 the delivery of the inventory to a buyer, if:

25 (1) The purchase-money security interest is perfected when the debtor receives possession  
26 of the inventory;

27 (2) The purchase-money secured party sends ~~[an authenticated]~~ a signed notification to the  
28 holder of the conflicting security interest;

29 (3) The holder of the conflicting security interest receives the notification within five years  
30 before the debtor receives possession of the inventory; and

31 (4) The notification states that the person sending the notification has or expects to acquire a  
32 purchase-money security interest in inventory of the debtor and describes the inventory.

33 (c) Subsections (b)(2) through (4) apply only if the holder of the conflicting security interest  
34 had filed a financing statement covering the same types of inventory:

35 (1) If the purchase-money security interest is perfected by filing, before the date of the  
36 filing; or

37 (2) If the purchase-money security interest is temporarily perfected without filing or  
38 possession under section 400.9-312(f), before the beginning of the twenty-day period thereunder.

1 (d) Subject to subsection (e) and except as otherwise provided in subsection (g), a perfected  
2 purchase-money security interest in livestock that are farm products has priority over a conflicting  
3 security interest in the same livestock, and, except as otherwise provided in section 400.9-327, a  
4 perfected security interest in their identifiable proceeds and identifiable products in their  
5 unmanufactured states also has priority, if:

6 (1) The purchase-money security interest is perfected when the debtor receives possession  
7 of the livestock;

8 (2) The purchase-money secured party sends ~~[an authenticated]~~ a signed notification to the  
9 holder of the conflicting security interest;

10 (3) The holder of the conflicting security interest receives the notification within six months  
11 before the debtor receives possession of the livestock; and

12 (4) The notification states that the person sending the notification has or expects to acquire a  
13 purchase-money security interest in livestock of the debtor and describes the livestock.

14 (e) Subsections (d)(2) through (4) apply only if the holder of the conflicting security interest  
15 had filed a financing statement covering the same types of livestock:

16 (1) If the purchase-money security interest is perfected by filing, before the date of the  
17 filing; or

18 (2) If the purchase-money security interest is temporarily perfected without filing or  
19 possession under section 400.9-312(f), before the beginning of the twenty-day period thereunder.

20 (f) Except as otherwise provided in subsection (g), a perfected purchase-money security  
21 interest in software has priority over a conflicting security interest in the same collateral, and, except  
22 as otherwise provided in section 400.9-327, a perfected security interest in its identifiable proceeds  
23 also has priority, to the extent that the purchase-money security interest in the goods in which the  
24 software was acquired for use has priority in the goods and proceeds of the goods under this section.

25 (g) If more than one security interest qualifies for priority in the same collateral under  
26 subsection (a), (b), (d), or (f):

27 (1) A security interest securing an obligation incurred as all or part of the price of the  
28 collateral has priority over a security interest securing an obligation incurred for value given to  
29 enable the debtor to acquire rights in or the use of collateral; and

30 (2) In all other cases, section 400.9-322(a) applies to the qualifying security interests.

31 400.9-326A A security interest in a controllable account, controllable electronic record, or  
32 controllable payment intangible held by a secured party having control of the account, electronic  
33 record, or payment intangible has priority over a conflicting security interest held by a secured party  
34 that does not have control.

35 400.9-330. (a) A purchaser of chattel paper has priority over a security interest in the  
36 chattel paper which is claimed merely as proceeds of inventory subject to a security interest if:

37 (1) In good faith and in the ordinary course of the purchaser's business, the purchaser gives  
38 new value ~~[and]~~, takes possession of each authoritative tangible copy of the record evidencing the

1 chattel paper ~~[or]~~, and obtains control ~~[or]~~ under section 400.9-105 of each authoritative electronic  
 2 copy of the record evidencing the chattel paper ~~[under section 400.9-105]~~; and

3 (2) The ~~[chattel paper does]~~ authoritative copies of the record evidencing the chattel paper  
 4 do not indicate that ~~[it]~~ the chattel paper has been assigned to an identified assignee other than the  
 5 purchaser.

6 (b) A purchaser of chattel paper has priority over a security interest in the chattel paper  
 7 which is claimed other than merely as proceeds of inventory subject to a security interest if the  
 8 purchaser gives new value ~~[and]~~, takes possession of each authoritative tangible copy of the record  
 9 evidencing the chattel paper ~~[or]~~, and obtains control ~~[or]~~ under section 400.9-105 of each  
 10 authoritative electronic copy of the record evidencing the chattel paper ~~[under section 400.9-105]~~ in  
 11 good faith, in the ordinary course of the purchaser's business, and without knowledge that the  
 12 purchase violates the rights of the secured party.

13 (c) Except as otherwise provided in section 400.9-327, a purchaser having priority in chattel  
 14 paper under subsection (a) or (b) also has priority in proceeds of the chattel paper to the extent that:

15 (1) Section 400.9-322 provides for priority in the proceeds; or

16 (2) The proceeds consist of the specific goods covered by the chattel paper or cash proceeds  
 17 of the specific goods, even if the purchaser's security interest in the proceeds is unperfected.

18 (d) Except as otherwise provided in section 400.9-331(a), a purchaser of an instrument has  
 19 priority over a security interest in the instrument perfected by a method other than possession if the  
 20 purchaser gives value and takes possession of the instrument in good faith and without knowledge  
 21 that the purchase violates the rights of the secured party.

22 (e) For purposes of subsections (a) and (b), the holder of a purchase-money security interest  
 23 in inventory gives new value for chattel paper constituting proceeds of the inventory.

24 (f) For purposes of subsections (b) and (d), if the authoritative copies of the record  
 25 evidencing chattel paper or an instrument ~~[indicates]~~ indicate that ~~[it]~~ the chattel paper or instrument  
 26 has been assigned to an identified secured party other than the purchaser, a purchaser of the chattel  
 27 paper or instrument has knowledge that the purchase violates the rights of the secured party.

28 400.9-331. (a) This article does not limit the rights of a holder in due course of a negotiable  
 29 instrument, a holder to which a negotiable document of title has been duly negotiated, ~~[or]~~ a  
 30 protected purchaser of a security, or a qualifying purchaser of a controllable account, controllable  
 31 electronic record, or controllable payment intangible. These holders or purchasers take priority over  
 32 an earlier security interest, even if perfected, to the extent provided in articles 3, 7, ~~[and]~~ 8, and 12.

33 (b) This article does not limit the rights of or impose liability on a person to the extent that  
 34 the person is protected against the assertion of an adverse claim under article 8 or 12.

35 (c) Filing under this article does not constitute notice of a claim or defense to the holders, or  
 36 purchasers, or persons described in subsections (a) and (b).

37 400.9-332. (a) A transferee of tangible money takes the money free of a security interest  
 38 ~~[unless the transferee acts]~~ if the transferee receives possession of the money without acting in  
 39 collusion with the debtor in violating the rights of the secured party.

1 (b) A transferee of funds from a deposit account takes the funds free of a security interest in  
2 the deposit account [~~unless the transferee acts~~] if the transferee receives the funds without acting in  
3 collusion with the debtor in violating the rights of the secured party.

4 (c) A transferee of electronic money takes the money free of a security interest if the  
5 transferee obtains control of the money without acting in collusion with the debtor in violating the  
6 rights of the secured party.

7 400.9-334. (a) A security interest under this article may be created in goods that are fixtures  
8 or may continue in goods that become fixtures. A security interest does not exist under this article  
9 in ordinary building materials incorporated into an improvement on land.

10 (b) This article does not prevent creation of an encumbrance upon fixtures under real  
11 property law.

12 (c) In cases not governed by subsections (d) through (h), a security interest in fixtures is  
13 subordinate to a conflicting interest of an encumbrancer or owner of the related real property other  
14 than the debtor.

15 (d) Except as otherwise provided in subsection (h), a perfected security interest in fixtures  
16 has priority over a conflicting interest of an encumbrancer or owner of the real property if the debtor  
17 has an interest of record in or is in possession of the real property and:

18 (1) The security interest is a purchase-money security interest;

19 (2) The interest of the encumbrancer or owner arises before the goods become fixtures; and

20 (3) The security interest is perfected by a fixture filing before the goods become fixtures or  
21 within twenty days thereafter.

22 (e) A perfected security interest in fixtures has priority over a conflicting interest of an  
23 encumbrancer or owner of the real property if:

24 (1) The debtor has an interest of record in the real property or is in possession of the real  
25 property and the security interest:

26 (A) Is perfected by a fixture filing before the interest of the encumbrancer or owner is of  
27 record; and

28 (B) Has priority over any conflicting interest of a predecessor in title of the encumbrancer or  
29 owner;

30 (2) Before the goods become fixtures, the security interest is perfected by any method  
31 permitted by this article and the fixtures are readily removable:

32 (A) Factory or office machines;

33 (B) Equipment that is not primarily used or leased for use in the operation of the real  
34 property; or

35 (C) Replacements of domestic appliances that are consumer goods;

36 (3) The conflicting interest is a lien on the real property obtained by legal or equitable  
37 proceedings after the security interest was perfected by any method permitted by this article; or

38 (4) The security interest is:

39 (A) Created in a manufactured home in a manufactured-home transaction; and



1 (B) Perfected pursuant to a statute described in section 400.9-311(a)(2).

2 (f) A security interest in fixtures, whether or not perfected, has priority over a conflicting  
3 interest of an encumbrancer or owner of the real property if:

4 (1) The encumbrancer or owner has, in [~~an authenticated~~] a signed record, consented to the  
5 security interest or disclaimed an interest in the goods as fixtures; or

6 (2) The debtor has a right to remove the goods as against the encumbrancer or owner.

7 (g) The priority of the security interest under subsection (f) continues for a reasonable time  
8 if the debtor's right to remove the goods as against the encumbrancer or owner terminates.

9 (h) A mortgage is a construction mortgage to the extent that it secures an obligation incurred  
10 for the construction of an improvement on land, including the acquisition cost of the land, if a  
11 recorded record of the mortgage so indicates. Except as otherwise provided in subsections (e) and  
12 (f), a security interest in fixtures is subordinate to a construction mortgage if a record of the  
13 mortgage is recorded before the goods become fixtures and the goods become fixtures before the  
14 completion of the construction. A mortgage has this priority to the same extent as a construction  
15 mortgage to the extent that it is given to refinance a construction mortgage.

16 (i) A perfected security interest in crops growing on real property has priority over a  
17 conflicting interest of an encumbrancer or owner of the real property if the debtor has an interest of  
18 record in or is in possession of the real property.

19 (j) Subsection (i) prevails over any inconsistent provisions of other statutes.

20 400.9-341. Except as otherwise provided in section 400.9-340(c), and unless the bank  
21 otherwise agrees in [~~an authenticated~~] a signed record, a bank's rights and duties with respect to a  
22 deposit account maintained with the bank are not terminated, suspended, or modified by:

23 (1) The creation, attachment, or perfection of a security interest in the deposit account;

24 (2) The bank's knowledge of the security interest; or

25 (3) The bank's receipt of instructions from the secured party.

26 400.9-404. (a) Unless an account debtor has made an enforceable agreement not to assert  
27 defenses or claims, and subject to subsections (b) through (e), the rights of an assignee are subject  
28 to:

29 (1) All terms of the agreement between the account debtor and assignor and any defense or  
30 claim in recoupment arising from the transaction that gave rise to the contract; and

31 (2) Any other defense or claim of the account debtor against the assignor which accrues  
32 before the account debtor receives a notification of the assignment [~~authenticated~~] signed by the  
33 assignor or the assignee.

34 (b) Subject to subsection (c) and except as otherwise provided in subsection (d), the claim of  
35 an account debtor against an assignor may be asserted against an assignee under subsection (a) only  
36 to reduce the amount the account debtor owes.

37 (c) This section is subject to law other than this article which establishes a different rule for  
38 an account debtor who is an individual and who incurred the obligation primarily for personal,  
39 family, or household purposes.

1 (d) In a consumer transaction, if a record evidences the account debtor's obligation, law  
 2 other than this article requires that the record include a statement to the effect that the account  
 3 debtor's recovery against an assignee with respect to claims and defenses against the assignor may  
 4 not exceed amounts paid by the account debtor under the record, and the record does not include  
 5 such a statement, the extent to which a claim of an account debtor against the assignor may be  
 6 asserted against an assignee is determined as if the record included such a statement.

7 (e) This section does not apply to an assignment of a health-care-insurance receivable.

8 400.9-406. (a) Subject to subsections (b) through (i) and (k), an account debtor on an  
 9 account, chattel paper, or a payment intangible may discharge its obligation by paying the assignor  
 10 until, but not after, the account debtor receives a notification, ~~[authenticated]~~ signed by the assignor  
 11 or the assignee, that the amount due or to become due has been assigned and that payment is to be  
 12 made to the assignee. After receipt of the notification, the account debtor may discharge its  
 13 obligation by paying the assignee and may not discharge the obligation by paying the assignor.

14 (b) Subject to ~~[subsection]~~ subsections (h) and (k), notification is ineffective under  
 15 subsection (a):

16 (1) If it does not reasonably identify the rights assigned;

17 (2) To the extent that an agreement between an account debtor and a seller of a payment  
 18 intangible limits the account debtor's duty to pay a person other than the seller and the limitation is  
 19 effective under law other than this article; or

20 (3) At the option of an account debtor, if the notification notifies the account debtor to make  
 21 less than the full amount of any installment or other periodic payment to the assignee, even if:

22 (A) Only a portion of the account, chattel paper, or general intangible has been assigned to  
 23 that assignee;

24 (B) A portion has been assigned to another assignee; or

25 (C) The account debtor knows that the assignment to that assignee is limited.

26 (c) Subject to ~~[subsection]~~ subsections (h) and (k), if requested by the account debtor, an  
 27 assignee shall seasonably furnish reasonable proof that the assignment has been made. Unless the  
 28 assignee complies, the account debtor may discharge its obligation by paying the assignor, even if  
 29 the account debtor has received a notification under subsection (a).

30 (d) In this subsection, "promissory note" includes a negotiable instrument that evidences  
 31 chattel paper. Except as otherwise provided in subsection (e) and sections 400.2A-303 and 400.9-  
 32 407, and subject to subsection (h), a term in an agreement between an account debtor and an  
 33 assignor or in a promissory note is ineffective to the extent that it:

34 (1) Prohibits, restricts, or requires the consent of the account debtor or person obligated on  
 35 the promissory note to the assignment or transfer of, or the creation, attachment, perfection, or  
 36 enforcement of a security interest in, the account, chattel paper, payment intangible, or promissory  
 37 note; or

38 (2) Provides that the assignment or transfer or the creation, attachment, perfection, or  
 39 enforcement of the security interest may give rise to a default, breach, right of recoupment, claim,

1 defense, termination, right of termination, or remedy under the account, chattel paper, payment  
2 intangible, or promissory note.

3 (e) Subsection (d) does not apply to the sale of a payment intangible or promissory note,  
4 other than a sale pursuant to a disposition under section 400.9-610 or an acceptance of collateral  
5 under section 400.9-620.

6 (f) Except as otherwise provided in sections 400.2A-303 and 400.9-407, and subject to  
7 subsections (h) and (i), a rule of law, statute, or regulation, that prohibits, restricts, or requires the  
8 consent of a government, governmental body or official, or account debtor to the assignment or  
9 transfer of, or creation of a security interest in, an account or chattel paper is ineffective to the extent  
10 that the rule of law, statute, or regulation:

11 (1) Prohibits, restricts, or requires the consent of the government, governmental body or  
12 official, or account debtor to the assignment or transfer of, or the creation, attachment, perfection, or  
13 enforcement of a security interest in, the account or chattel paper; or

14 (2) Provides that the assignment or transfer or the creation, attachment, perfection, or  
15 enforcement of the security interest may give rise to a default, breach, right of recoupment, claim,  
16 defense, termination, right of termination, or remedy under the account or chattel paper.

17 (g) Subject to ~~[subsection]~~ subsections (h) and (k), an account debtor may not waive or vary  
18 its option under subsection (b)(3).

19 (h) This section is subject to law other than this article which establishes a different rule for  
20 an account debtor who is an individual and who incurred the obligation primarily for personal,  
21 family, or household purposes.

22 (i) This section does not apply to an assignment of a health-care-insurance receivable.

23 (j) This section prevails over any inconsistent provisions of any statutes, rules, and  
24 regulations.

25 (k) Subsections (a), (b), (c), and (g) do not apply to a controllable account or controllable  
26 payment intangible.

27 400.9-408. (a) Except as otherwise provided in subsection (b), a term in a promissory note  
28 or in an agreement between an account debtor and a debtor which relates to a health-care-insurance  
29 receivable or a general intangible, including a contract, permit, license, or franchise, and which term  
30 prohibits, restricts, or requires the consent of the person obligated on the promissory note or the  
31 account debtor to, the assignment or transfer of, or creation, attachment, or perfection of a security  
32 interest in, the promissory note, health-care-insurance receivable, or general intangible, is  
33 ineffective to the extent that the term:

34 (1) Would impair the creation, attachment, or perfection of a security interest; or

35 (2) Provides that the assignment or transfer or the creation, attachment, or perfection of the  
36 security interest may give rise to a default, breach, right of recoupment, claim, defense, termination,  
37 right of termination, or remedy under the promissory note, health-care-insurance receivable, or  
38 general intangible.

1           (b) Subsection (a) applies to a security interest in a payment intangible or promissory note  
2 only if the security interest arises out of a sale of the payment intangible or promissory note, other  
3 than a sale pursuant to a disposition under section 400.9-610 or an acceptance of collateral under  
4 section 400.9-620.

5           (c) A rule of law, statute, or regulation that prohibits, restricts, or requires the consent of a  
6 government, governmental body or official, person obligated on a promissory note, or account  
7 debtor to the assignment or transfer of, or creation of a security interest in, a promissory note,  
8 health-care-insurance receivable, or general intangible, including a contract, permit, license, or  
9 franchise between an account debtor and a debtor, is ineffective to the extent that the rule of law,  
10 statute, or regulation:

11           (1) Would impair the creation, attachment, or perfection of a security interest; or

12           (2) Provides that the assignment or transfer or the creation, attachment, or perfection of the  
13 security interest may give rise to a default, breach, right of recoupment, claim, defense, termination,  
14 right of termination, or remedy under the promissory note, health-care-insurance receivable, or  
15 general intangible.

16           (d) To the extent that a term in a promissory note or in an agreement between an account  
17 debtor and a debtor which relates to a health-care-insurance receivable or general intangible or a  
18 rule of law, statute, or regulation described in subsection (c) would be effective under law other than  
19 this article but is ineffective under subsection (a) or (c), the creation, attachment, or perfection of a  
20 security interest in the promissory note, health-care-insurance receivable, or general intangible:

21           (1) Is not enforceable against the person obligated on the promissory note or the account  
22 debtor;

23           (2) Does not impose a duty or obligation on the person obligated on the promissory note or  
24 the account debtor;

25           (3) Does not require the person obligated on the promissory note or the account debtor to  
26 recognize the security interest, pay or render performance to the secured party, or accept payment or  
27 performance from the secured party;

28           (4) Does not entitle the secured party to use or assign the debtor's rights under the  
29 promissory note, health-care-insurance receivable, or general intangible, including any related  
30 information or materials furnished to the debtor in the transaction giving rise to the promissory note,  
31 health-care-insurance receivable, or general intangible;

32           (5) Does not entitle the secured party to use, assign, possess, or have access to any trade  
33 secrets or confidential information of the person obligated on the promissory note or the account  
34 debtor; and

35           (6) Does not entitle the secured party to enforce the security interest in the promissory note,  
36 health-care-insurance receivable, or general intangible.

37           (e) This section prevails over any inconsistent provisions of any statutes, rules, and  
38 regulations.

1           (f) In this section, "promissory note" includes a negotiable instrument that evidences chattel  
2 paper.

3           400.9-509. (a) A person may file an initial financing statement, amendment that adds  
4 collateral covered by a financing statement, or amendment that adds a debtor to a financing  
5 statement only if:

6           (1) The debtor authorizes the filing in [~~an authenticated~~] a signed record or pursuant to  
7 subsection (b) or (c); or

8           (2) The person holds an agricultural lien that has become effective at the time of filing and  
9 the financing statement covers only collateral in which the person holds an agricultural lien.

10          (b) By [~~authenticating~~] signing or becoming bound as debtor by a security agreement, a  
11 debtor or new debtor authorizes the filing of an initial financing statement, and an amendment,  
12 covering:

13           (1) The collateral described in the security agreement; and

14           (2) Property that becomes collateral under section 400.9-315(a)(2), whether or not the  
15 security agreement expressly covers proceeds.

16          (c) By acquiring collateral in which a security interest or agricultural lien continues under  
17 section 400.9-315(a)(1), a debtor authorizes the filing of an initial financing statement, and an  
18 amendment, covering the collateral and property that becomes collateral under section 400.9-  
19 315(a)(2).

20          (d) A person may file an amendment other than an amendment that adds collateral covered  
21 by a financing statement or an amendment that adds a debtor to a financing statement only if:

22           (1) The secured party of record authorizes the filing; or

23           (2) The amendment is a termination statement for a financing statement as to which the  
24 secured party of record has failed to file or send a termination statement as required by section  
25 400.9-513(a) or (c), the debtor authorizes the filing, and the termination statement indicates that the  
26 debtor authorized it to be filed.

27          (e) If there is more than one secured party of record for a financing statement, each secured  
28 party of record may authorize the filing of an amendment under subsection (d).

29          400.9-513. (a) A secured party shall cause the secured party of record for a financing  
30 statement to file a termination statement for the financing statement if the financing statement  
31 covers consumer goods and:

32           (1) There is no obligation secured by the collateral covered by the financing statement and  
33 no commitment to make an advance, incur an obligation, or otherwise give value; or

34           (2) The debtor did not authorize the filing of the initial financing statement.

35          (b) To comply with subsection (a), a secured party shall cause the secured party of record to  
36 file the termination statement:

37           (1) Within one month after there is no obligation secured by the collateral covered by the  
38 financing statement and no commitment to make an advance, incur an obligation, or otherwise give  
39 value; or

1 (2) If earlier, within twenty days after the secured party receives [~~an authenticated~~] a signed  
2 demand from a debtor.

3 (c) In cases not governed by subsection (a), within twenty days after a secured party  
4 receives [~~an authenticated~~] a signed demand from a debtor, the secured party shall cause the secured  
5 party of record for a financing statement to send to the debtor a termination statement for the  
6 financing statement or file the termination statement in the filing office if:

7 (1) Except in the case of a financing statement covering accounts or chattel paper that has  
8 been sold or goods that are the subject of a consignment, there is no obligation secured by the  
9 collateral covered by the financing statement and no commitment to make an advance, incur an  
10 obligation, or otherwise give value;

11 (2) The financing statement covers accounts or chattel paper that has been sold but as to  
12 which the account debtor or other person obligated has discharged its obligation;

13 (3) The financing statement covers goods that were the subject of a consignment to the  
14 debtor but are not in the debtor's possession; or

15 (4) The debtor did not authorize the filing of the initial financing statement.

16 (d) Except as otherwise provided in section 400.9-510, upon the filing of a termination  
17 statement with the filing office, the financing statement to which the termination statement relates  
18 ceases to be effective. Except as otherwise provided in section 400.9-510, for purposes of sections  
19 400.9-519(g), 400.9-522(a), and 400.9-523(c), the filing with the filing office of a termination  
20 statement relating to a financing statement that indicates that the debtor is a transmitting utility also  
21 causes the effectiveness of the financing statement to lapse.

22 400.9-601. (a) After default, a secured party has the rights provided in this part and, except  
23 as otherwise provided in section 400.9-602, those provided by agreement of the parties. A secured  
24 party:

25 (1) May reduce a claim to judgment, foreclose, or otherwise enforce the claim, security  
26 interest, or agricultural lien by any available judicial procedure; and

27 (2) If the collateral is documents, may proceed either as to the documents or as to the goods  
28 they cover.

29 (b) A secured party in possession of collateral or control of collateral under section 400.9-  
30 104, 400.9-105, 400.9-105A, 400.9-106 [✗], 400.9-107, or 400.9-107A has the rights and duties  
31 provided in section 400.9-207.

32 (c) The rights under subsections (a) and (b) are cumulative and may be exercised  
33 simultaneously.

34 (d) Except as otherwise provided in subsection (g) and section 400.9-605, after default, a  
35 debtor and an obligor have the rights provided in this part and by agreement of the parties.

36 (e) If a secured party has reduced its claim to judgment, the lien of any levy that may be  
37 made upon the collateral by virtue of an execution based upon the judgment relates back to the  
38 earliest of:

39 (1) The date of perfection of the security interest or agricultural lien in the collateral; or

1 (2) The date of filing a financing statement covering the collateral;

2 (3) Any date specified in a statute under which the agricultural lien was created.

3 (f) A sale pursuant to an execution is a foreclosure of the security interest or agricultural lien  
4 by judicial procedure within the meaning of this section. A secured party may purchase at the sale  
5 and thereafter hold the collateral free of any other requirements of this article.

6 (g) Except as otherwise provided in section 400.9-607(c), this part imposes no duties upon a  
7 secured party that is a consignor or is a buyer of accounts, chattel paper, payment intangibles, or  
8 promissory notes.

9 400.9-605. (a) Except as provided in subsection (b), a secured party does not owe a duty  
10 based on its status as secured party:

11 (1) To a person that is a debtor or obligor, unless the secured party knows:

12 (A) That the person is a debtor or obligor;

13 (B) The identity of the person; and

14 (C) How to communicate with the person; or

15 (2) To a secured party or lienholder that has filed a financing statement against a person,  
16 unless the secured party knows:

17 (A) That the person is a debtor; and

18 (B) The identity of the person.

19 (b) A secured party owes a duty based on its status as a secured party to a person if, at the  
20 time the secured party obtains control of collateral that is a controllable account, controllable  
21 electronic record, or controllable payment intangible or at the time the security interest attaches to  
22 the collateral, whichever is later:

23 (1) The person is a debtor or obligor; and

24 (2) The secured party knows that the information in subsection (a)(1)(A), (B), or (C)  
25 relating to the person is not provided by the collateral, a record attached to or logically associated  
26 with the collateral, or the system in which the collateral is recorded.

27 400.9-608. (a) If a security interest or agricultural lien secures payment or performance of  
28 an obligation, the following rules apply:

29 (1) A secured party shall apply or pay over for application the cash proceeds of collection or  
30 enforcement under section 400.9-607 in the following order to:

31 (A) The reasonable expenses of collection and enforcement and, to the extent provided for  
32 by agreement and not prohibited by law, reasonable attorney's fees and legal expenses incurred by  
33 the secured party;

34 (B) The satisfaction of obligations secured by the security interest or agricultural lien under  
35 which the collection or enforcement is made; and

36 (C) The satisfaction of obligations secured by any subordinate security interest in or other  
37 lien on the collateral subject to the security interest or agricultural lien under which the collection or  
38 enforcement is made if the secured party receives ~~[an authenticated]~~ a signed demand for proceeds  
39 before distribution of the proceeds is completed;

1 (2) If requested by a secured party, a holder of a subordinate security interest or other lien  
2 shall furnish reasonable proof of the interest or lien within a reasonable time. Unless the holder  
3 complies, the secured party need not comply with the holder's demand under paragraph (1)(C);

4 (3) A secured party need not apply or pay over for application noncash proceeds of  
5 collection and enforcement under section 400.9-607 unless the failure to do so would be  
6 commercially unreasonable. A secured party that applies or pays over for application noncash  
7 proceeds shall do so in a commercially reasonable manner;

8 (4) A secured party shall account to and pay a debtor for any surplus, and the obligor is  
9 liable for any deficiency.

10 (b) If the underlying transaction is a sale of accounts, chattel paper, payment intangibles, or  
11 promissory notes, the debtor is not entitled to any surplus, and the obligor is not liable for any  
12 deficiency.

13 400.9-611. (a) In this section, "notification date" means the earlier of the date on which:

14 (1) A secured party sends to the debtor and any secondary obligor [~~an authenticated~~] a  
15 signed notification of disposition; or

16 (2) The debtor and any secondary obligor waive the right to notification.

17 (b) Except as otherwise provided in subsection (d), a secured party that disposes of  
18 collateral under section 400.9-610 shall send to the persons specified in subsection (c) a reasonable  
19 [~~authenticated~~] signed notification of disposition.

20 (c) To comply with subsection (b), the secured party shall send [~~an authenticated~~] a signed  
21 notification of disposition to:

22 (1) The debtor;

23 (2) Any secondary obligor; and

24 (3) If the collateral is other than consumer goods:

25 (A) Any other person from which the secured party has received, before the notification  
26 date, [~~an authenticated~~] a signed notification of a claim of an interest in the collateral;

27 (B) Any other secured party or lienholder that, ten days before the notification date, held a  
28 security interest in or other lien on the collateral perfected by the filing of a financing statement that:

29 (i) Identified the collateral;

30 (ii) Was indexed under the debtor's name as of that date; and

31 (iii) Was filed in the office in which to file a financing statement against the debtor covering  
32 the collateral as of that date; and

33 (C) Any other secured party that, ten days before the notification date, held a security  
34 interest in the collateral perfected by compliance with a statute, regulation, or treaty described in  
35 section 400.9-311(a).

36 (d) Subsection (b) does not apply if the collateral is perishable or threatens to decline  
37 speedily in value or is of a type customarily sold on a recognized market.

38 (e) A secured party complies with the requirement for notification prescribed by subsection  
39 (c)(3)(B) if:



1 (1) Not later than twenty days or earlier than thirty days before the notification date, the  
 2 secured party requests, in a commercially reasonable manner, information concerning financing  
 3 statements indexed under the debtor's name in the office indicated in subsection (c)(3)(B); and

4 (2) Before the notification date, the secured party:

5 (A) Did not receive a response to the request for information; or

6 (B) Received a response to the request for information and sent ~~[an authenticated]~~ a signed  
 7 notification of disposition to each secured party or other lienholder named in that response whose  
 8 financing statement covered the collateral.

9 400.9-613. (a) Except in a consumer-goods transaction, the following rules apply:

10 (1) The contents of a notification of disposition are sufficient if the notification:

11 (A) Describes the debtor and the secured party;

12 (B) Describes the collateral that is the subject of the intended disposition;

13 (C) States the method of intended disposition;

14 (D) States that the debtor is entitled to an accounting of the unpaid indebtedness and states  
 15 the charge, if any, for an accounting; and

16 (E) States the time and place of a public disposition or the time after which any other  
 17 disposition is to be made;

18 (2) Whether the contents of a notification that lacks any of the information specified in  
 19 paragraph (1) are nevertheless sufficient is a question of fact;

20 (3) The contents of a notification providing substantially the information specified in  
 21 paragraph (1) are sufficient, even if the notification includes:

22 (A) Information not specified by that paragraph; or

23 (B) Minor errors that are not seriously misleading;

24 (4) A particular phrasing of the notification is not required;

25 (5) The following form of notification and the form appearing in section ~~[400.9-614(3)]~~,  
 26 when completed in accordance with the instructions in subsection (b) and section 9-614(b), each  
 27 provides sufficient information:

[NOTIFICATION OF DISPOSITION OF COLLATERAL]

[To:] [(Name of debtor, obligor, or other person to which the  
 notification is sent)]

[From:] [(Name, address, and telephone number of secured party)]

[Name of Debtor(s):] [(Include only if debtor(s) are not an addressee)]

[(For a public disposition:)]

[We will sell (or lease or license, as applicable) the (describe collateral) (to the highest  
 qualified bidder) in public as follows:]

[Day and Date:] [\_\_\_\_\_]

[Time:] [\_\_\_\_\_]

[Place:] [\_\_\_\_\_]

~~[(For a private disposition:)]~~

~~[We will sell (or lease or license, as applicable) the (describe collateral) privately sometime after (day and date).]~~

~~[You are entitled to an accounting of the unpaid indebtedness secured by the property that we intend to sell (or lease or license, as applicable) (for a charge of \$ ). You may request an accounting by calling us at (telephone number).]~~

~~[(End of Form)]~~

NOTIFICATION OF DISPOSITION OF COLLATERAL

To: (Name of debtor, obligor, or other person to which the notification is sent)

From: (Name, address, and telephone number of secured party)

(1) Name of any debtor that is not an addressee: (Name of each debtor)

(2) We will sell (describe collateral) (to the highest qualified bidder) at public sale. A sale could include a lease or license. The sale will be held as follows:

(Date)

(Time)

(Place)

(3) We will sell (describe collateral) at private sale sometime after (date). A sale could include a lease or license.

(4) You are entitled to an accounting of the unpaid indebtedness secured by the property that we intend to sell or, as applicable, lease or license.

(5) If you request an accounting you must pay a charge of \$ (amount).

(6) You may request an accounting by calling us at (telephone number).

(End of Form)

- 1 (b) The following instructions apply to the form of notification in subsection (a)(5):
- 2 (1) The instructions in this subsection refer to the numbers in braces before items in the
- 3 form of notification in subsection (a)(5). Do not include the numbers or braces in the notification.
- 4 The numbers and braces are used only for the purpose of these instructions.

1           (2) Include and complete item (1) only if there is a debtor that is not an addressee of the  
 2 notification and list the name or names.

3           (3) Include and complete either item (2), if the notification relates to a public disposition of  
 4 the collateral, or item (3), if the notification relates to a private disposition of the collateral. If item  
 5 (2) is included, include the words "to the highest qualified bidder" only if applicable.

6           (4) Include and complete items (4) and (6).

7           (5) Include and complete item (5) only if the sender will charge the recipient for an  
 8 accounting.

9           400.9-614. (a) In a consumer-goods transaction, the following rules apply:

10           (1) A notification of disposition must provide the following information:

11           (A) The information specified in section ~~[400.9-613(1)]~~ 400.9-613(a)(1);

12           (B) A description of any liability for a deficiency of the person to which the notification is  
 13 sent;

14           (C) A telephone number from which the amount that must be paid to the secured party to  
 15 redeem the collateral under section 400.9-623 is available; and

16           (D) A telephone number or mailing address from which additional information concerning  
 17 the disposition and the obligation secured is available;

18           (2) A particular phrasing of the notification is not required;

19           (3) The following form of notification, when completed in accordance with the instructions  
 20 in subsection (b), provides sufficient information:

~~[(Name and address of secured party)]~~

~~[(Date)]~~

~~[NOTICE OF OUR PLAN TO SELL PROPERTY]~~

~~[(Name and address of any obligor who is also a debtor)]~~

~~[Subject: (Identification of Transaction)]~~

~~[We have your (describe collateral), because you broke promises in our agreement.]~~

~~[(For a public disposition:)]~~

~~[We will sell (describe collateral) at public sale.]~~

~~[A sale could include a lease or license. The sale will be held as follows:]~~

~~[Date:]~~

~~[Time:]~~

~~[Place:]~~

~~[You may attend the sale and bring bidders if you want.]~~

~~[(For a private disposition:)]~~

~~[We will sell (describe collateral) at private sale sometime after (date). A sale could include a lease or license.]~~

~~[The money that we get from the sale (after paying our costs) will reduce the amount you owe. If we get less money than you owe, you (will or will not, as applicable) still owe us the difference. If we get more money than you owe, you will get the extra money, unless we must pay it to someone else.]~~

~~[You can get the property back at any time before we sell it by paying us the full amount you owe (not just the past due payments), including our expenses. To learn the exact amount you must pay, call us at (telephone number).]~~

~~[If you want us to explain to you in writing how we have figured the amount that you owe us, you may call us at (telephone number) (or write us at (secured party's address)) and request a written explanation. (We will charge you \$ for the explanation if we sent you another written explanation of the amount you owe us within the last six months.)]~~

~~[If you need more information about the sale call us at (telephone number) (or write us at (secured party's address)).]~~

~~[We are sending this notice to the following other people who have an interest in (describe collateral) or who owe money under your agreement:]~~

~~[(Names of all other debtors and obligors, if any)]~~

~~[(End of Form)]~~

(Name and address of secured party)

(Date)

NOTICE OF OUR PLAN TO SELL PROPERTY

(Name and address of any obligor who is also a debtor)

Subject: (Identify transaction)

We have your (describe collateral), because you broke promises in our agreement.

(1) We will sell (describe collateral) at public sale. A sale could include a lease or license. The sale will be held as follows:

(Date)

(Time)

(Place)

You may attend the sale and bring bidders if you want.

(2) We will sell (describe collateral) at private sale sometime after (date). A sale could include a lease or license.

(3) The money that we get from the sale, after paying our costs, will reduce the amount you owe. If we get less money than you owe, you (will or will not, as applicable) still owe us the difference. If we get more money than you owe, you will get the extra money, unless we must pay it to someone else.

(4) You can get the property back at any time before we sell it by paying us the full amount you owe, not just the past due payments, including our expenses. To learn the exact amount you must pay, call us at (telephone number).

(5) If you want us to explain to you in (writing) (writing or in (description of electronic record)) (description of electronic record) how we have figured the amount that you owe us, (6) call us at (telephone number) (or) (write us at (secured party's address)) (or contact us by (description of electronic communication method)) (7) and request (a written explanation) (a written explanation or an explanation in (description of electronic record)) (an explanation in (description of electronic record)).

(8) We will charge you \$ (amount) for the explanation if we sent you another written explanation of the amount you owe us within the last six months.

(9) If you need more information about the sale (call us at (telephone number)) (or) (write us at (secured party's address)) (or contact us by (description of electronic communication method)).

(10) We are sending this notice to the following other people who have an interest in (describe collateral) or who owe money under your agreement:

(Names of all other debtors and obligors, if any)

(End of Form)

1 (4) A notification in the form of paragraph (3) is sufficient, even if additional information  
2 appears at the end of the form;

3 (5) A notification in the form of paragraph (3) is sufficient, even if it includes errors in  
4 information not required by paragraph (1), unless the error is misleading with respect to rights  
5 arising under this article;

6 (6) If a notification under this section is not in the form of paragraph (3), law other than this  
7 article determines the effect of including information not required by paragraph (1).

8 (b) The following instructions apply to the form of notification in subsection (a)(3):

9 (1) The instructions in this subsection refer to the numbers in braces before items in the  
10 form of notification in subsection (a)(3). Do not include the numbers or braces in the notification.  
11 The numbers and braces are used only for the purpose of these instructions.

12 (2) Include and complete either item {1}, if the notification relates to a public disposition of  
13 the collateral, or item {2}, if the notification relates to a private disposition of the collateral.

14 (3) Include and complete items {3}, {4}, {5}, {6}, and {7}.

1           (4) In item {5}, include and complete any one of the three alternative methods for the  
 2 explanation—writing, writing or electronic record, or electronic record.

3           (5) In item {6}, include the telephone number. In addition, the sender may include and  
 4 complete either or both of the two additional alternative methods of communication—writing or  
 5 electronic communication—for the recipient of the notification to communicate with the sender.  
 6 Neither of the two additional methods of communication is required to be included.

7           (6) In item {7}, include and complete the method or methods for the explanation—writing,  
 8 writing or electronic record, or electronic record—included in item {5}.

9           (7) Include and complete item {8} only if a written explanation is included in item {5} as a  
 10 method for communicating the explanation and the sender will charge the recipient for another  
 11 written explanation.

12           (8) In item {9}, include either the telephone number or the address or both the telephone  
 13 number and the address. In addition, the sender may include and complete the additional method of  
 14 communication—electronic communication—for the recipient of the notification to communicate  
 15 with the sender. The additional method of electronic communication is not required to be included.

16           (9) If item {10} does not apply, insert "None" after "agreement:".

17           400.9-615. (a) A secured party shall apply or pay over for application the cash proceeds of  
 18 disposition under section 400.9-610 in the following order to:

19           (1) The reasonable expenses of retaking, holding, preparing for disposition, processing, and  
 20 disposing, and, to the extent provided for by agreement and not prohibited by law, reasonable  
 21 attorney's fees and legal expenses incurred by the secured party;

22           (2) The satisfaction of obligations secured by the security interest or agricultural lien under  
 23 which the disposition is made;

24           (3) The satisfaction of obligations secured by any subordinate security interest in or other  
 25 subordinate lien on the collateral if:

26           (A) The secured party receives from the holder of the subordinate security interest or other  
 27 lien [~~an authenticated~~] a signed demand for proceeds before distribution of the proceeds is  
 28 completed; and

29           (B) In a case in which a consignor has an interest in the collateral, the subordinate security  
 30 interest or other lien is senior to the interest of the consignor; and

31           (4) A secured party that is a consignor of the collateral if the secured party receives from the  
 32 consignor [~~an authenticated~~] a signed demand for proceeds before distribution of the proceeds is  
 33 completed.

34           (b) If requested by a secured party, a holder of a subordinate security interest or other lien  
 35 shall furnish reasonable proof of the interest or lien within a reasonable time. Unless the holder  
 36 does so, the secured party need not comply with the holder's demand under subsection (a)(3).

37           (c) A secured party need not apply or pay over for application noncash proceeds of  
 38 disposition under section 400.9-610 unless the failure to do so would be commercially unreasonable.

1 A secured party that applies or pays over for application noncash proceeds shall do so in a  
2 commercially reasonable manner.

3 (d) If the security interest under which a disposition is made secures payment or  
4 performance of an obligation, after making the payments and applications required by subsection (a)  
5 and permitted by subsection (c):

6 (1) Unless subsection (a)(4) requires the secured party to apply or pay over cash proceeds to  
7 a consignor, the secured party shall account to and pay a debtor for any surplus; and

8 (2) The obligor is liable for any deficiency.

9 (e) If the underlying transaction is a sale of accounts, chattel paper, payment intangibles, or  
10 promissory notes:

11 (1) The debtor is not entitled to any surplus; and

12 (2) The obligor is not liable for any deficiency.

13 (f) The surplus or deficiency following a disposition is calculated based on the amount of  
14 proceeds that would have been realized in a disposition complying with this part to a transferee  
15 other than the secured party, a person related to the secured party, or a secondary obligor if:

16 (1) The transferee in the disposition is the secured party, a person related to the secured  
17 party, or a secondary obligor; and

18 (2) The amount of proceeds of the disposition is significantly below the range of proceeds  
19 that a complying disposition to a person other than the secured party, a person related to the secured  
20 party, or a secondary obligor would have brought.

21 (g) A secured party that receives cash proceeds of a disposition in good faith and without  
22 notice that the receipt violates the rights of the holder of a security interest or other lien that is not  
23 subordinate to the security interest under which the disposition is made:

24 (1) Takes the cash proceeds free of the security interest or other lien;

25 (2) Is not obligated to apply the proceeds of the disposition to the satisfaction of obligations  
26 secured by the security interest or other lien; and

27 (3) Is not obligated to account to or pay the holder of the security interest or other lien for  
28 any surplus.

29 400.9-616. (a) In this section:

30 (1) "Explanation" means a ~~writing~~ record that:

31 (A) States the amount of the surplus or deficiency;

32 (B) Provides an explanation in accordance with subsection (c) of how the secured party  
33 calculated the surplus or deficiency;

34 (C) States, if applicable, that future debits, credits, charges, including additional credit  
35 service charges or interest, rebates, and expenses may affect the amount of the surplus or deficiency;  
36 and

37 (D) Provides a telephone number or mailing address from which additional information  
38 concerning the transaction is available.

39 (2) "Request" means a record:

1 (A) ~~Authenticated~~ Signed by a debtor or consumer obligor;

2 (B) Requesting that the recipient provide an explanation; and

3 (C) Sent after disposition of the collateral under section 400.9-610.

4 (b) In a consumer-goods transaction in which the debtor is entitled to a surplus or a  
5 consumer obligor is liable for a deficiency under section 400.9-615, the secured party shall:

6 (1) Send an explanation to the debtor or consumer obligor, as applicable, after the  
7 disposition and:

8 (A) Before or when the secured party accounts to the debtor and pays any surplus or first  
9 makes ~~written~~ demand in a record on the consumer obligor after the disposition for payment of the  
10 deficiency; and

11 (B) Within fourteen days after receipt of a request; or

12 (2) In the case of a consumer obligor who is liable for a deficiency, within fourteen days  
13 after receipt of a request, send to the consumer obligor a record waiving the secured party's right to a  
14 deficiency.

15 (c) To comply with subsection (a)(1)(B), ~~a writing~~ an explanation must provide the  
16 following information in the following order:

17 (1) The aggregate amount of obligations secured by the security interest under which the  
18 disposition was made, and, if the amount reflects a rebate of unearned interest or credit service  
19 charge, an indication of that fact, calculated as of a specified date:

20 (A) If the secured party takes or receives possession of the collateral after default, not more  
21 than thirty-five days before the secured party takes or receives possession; or

22 (B) If the secured party takes or receives possession of the collateral before default or does  
23 not take possession of the collateral, not more than thirty-five days before the disposition;

24 (2) The amount of proceeds of the disposition;

25 (3) The aggregate amount of the obligations after deducting the amount of proceeds;

26 (4) The amount, in the aggregate or by type, and types of expenses, including expenses of  
27 retaking, holding, preparing for disposition, processing, and disposing of the collateral, and  
28 attorney's fees secured by the collateral which are known to the secured party and relate to the  
29 current disposition;

30 (5) The amount, in the aggregate or by type, and types of credits, including rebates of  
31 interest or credit service charges, to which the obligor is known to be entitled and which are not  
32 reflected in the amount in paragraph (1); and

33 (6) The amount of the surplus or deficiency.

34 (d) A particular phrasing of the explanation is not required. An explanation complying  
35 substantially with the requirements of subsection (a) is sufficient, even if it includes minor errors  
36 that are not seriously misleading.

37 (e) A debtor or consumer obligor is entitled without charge to one response to a request  
38 under this section during any six-month period in which the secured party did not send to the debtor



1 or consumer obligor an explanation pursuant to subsection (b)(1). The secured party may require  
2 payment of a charge not exceeding twenty-five dollars for each additional response.

3 400.9-619. (a) In this section, "transfer statement" means a record [authenticated] signed by  
4 a secured party stating:

5 (1) That the debtor has defaulted in connection with an obligation secured by specified  
6 collateral;

7 (2) That the secured party has exercised its post-default remedies with respect to the  
8 collateral;

9 (3) That, by reason of the exercise, a transferee has acquired the rights of the debtor in the  
10 collateral; and

11 (4) The name and mailing address of the secured party, debtor, and transferee.

12 (b) A transfer statement entitles the transferee to the transfer of record of all rights of the  
13 debtor in the collateral specified in the statement in any official filing, recording, registration, or  
14 certificate-of-title system covering the collateral. If a transfer statement is presented with the  
15 applicable fee and request form to the official or office responsible for maintaining the system, the  
16 official or office shall:

17 (1) Accept the transfer statement;

18 (2) Promptly amend its records to reflect the transfer; and

19 (3) If applicable, issue a new appropriate certificate of title in the name of the transferee.

20 (c) A transfer of the record or legal title to collateral to a secured party under subsection (b)  
21 or otherwise is not of itself a disposition of collateral under this article and does not of itself relieve  
22 the secured party of its duties under this article.

23 400.9-620. (a) Except as otherwise provided in subsection (g), a secured party may accept  
24 collateral in full or partial satisfaction of the obligation it secures only if:

25 (1) The debtor consents to the acceptance under subsection (c);

26 (2) The secured party does not receive, within the time set forth in subsection (d), a  
27 notification of objection to the proposal [authenticated] signed by:

28 (A) A person to which the secured party was required to send a proposal under section  
29 400.9-621; or

30 (B) Any other person, other than the debtor, holding an interest in the collateral subordinate  
31 to the security interest that is the subject of the proposal;

32 (3) If the collateral is consumer goods, the collateral is not in the possession of the debtor  
33 when the debtor consents to the acceptance; and

34 (4) Subsection (e) does not require the secured party to dispose of the collateral or the  
35 debtor waives the requirement pursuant to section 400.9-624.

36 (b) A purported or apparent acceptance of collateral under this section is ineffective unless:

37 (1) The secured party consents to the acceptance in [an authenticated] a signed record or  
38 sends a proposal to the debtor; and

39 (2) The conditions of subsection (a) are met.

1 (c) For purposes of this section:

2 (1) A debtor consents to an acceptance of collateral in partial satisfaction of the obligation it  
3 secures only if the debtor agrees to the terms of the acceptance in a record ~~[authenticated]~~ signed  
4 after default; and

5 (2) A debtor consents to an acceptance of collateral in full satisfaction of the obligation it  
6 secures only if the debtor agrees to the terms of the acceptance in a record ~~[authenticated]~~ signed  
7 after default or the secured party:

8 (A) Sends to the debtor after default a proposal that is unconditional or subject only to a  
9 condition that collateral not in the possession of the secured party be preserved or maintained;

10 (B) In the proposal, proposes to accept collateral in full satisfaction of the obligation it  
11 secures; and

12 (C) Does not receive a notification of objection ~~[authenticated]~~ signed by the debtor within  
13 twenty days after the proposal is sent.

14 (d) To be effective under subsection (a)(2), a notification of objection must be received by  
15 the secured party:

16 (1) In the case of a person to which the proposal was sent pursuant to section 400.9-621,  
17 within twenty days after notification was sent to that person; and

18 (2) In other cases:

19 (A) Within twenty days after the last notification was sent pursuant to section 400.9-621; or

20 (B) If a notification was not sent, before the debtor consents to the acceptance under  
21 subsection (c).

22 (e) A secured party that has taken possession of collateral shall dispose of the collateral  
23 pursuant to section 400.9-610 within the time specified in subsection (f) if:

24 (1) Sixty percent of the cash price has been paid in the case of a purchase-money security  
25 interest in consumer goods; or

26 (2) Sixty percent of the principal amount of the obligation secured has been paid in the case  
27 of a non-purchase-money security interest in consumer goods.

28 (f) To comply with subsection (e), the secured party shall dispose of the collateral:

29 (1) Within ninety days after taking possession; or

30 (2) Within any longer period to which the debtor and all secondary obligors have agreed in  
31 an agreement to that effect entered into and ~~[authenticated]~~ signed after default.

32 (g) In a consumer transaction, a secured party may not accept collateral in partial  
33 satisfaction of the obligation it secures.

34 400.9-621. (a) A secured party that desires to accept collateral in full or partial satisfaction  
35 of the obligation it secures shall send its proposal to:

36 (1) Any person from which the secured party has received, before the debtor consented to  
37 the acceptance, ~~[an authenticated]~~ a signed notification of a claim of an interest in the collateral;

1 (2) Any other secured party or lienholder that, ten days before the debtor consented to the  
2 acceptance, held a security interest in or other lien on the collateral perfected by the filing of a  
3 financing statement that:

4 (A) Identified the collateral;

5 (B) Was indexed under the debtor's name as of that date; and

6 (C) Was filed in the office or offices in which to file a financing statement against the debtor  
7 covering the collateral as of that date; and

8 (3) Any other secured party that, ten days before the debtor consented to the acceptance,  
9 held a security interest in the collateral perfected by compliance with a statute, regulation, or treaty  
10 described in section 400.9-311(a).

11 (b) A secured party that desires to accept collateral in partial satisfaction of the obligation it  
12 secures shall send its proposal to any secondary obligor in addition to the persons described in  
13 subsection (a).

14 400.9-624. (a) A debtor or secondary obligor may waive the right to notification of  
15 disposition of collateral under section 400.9-611 only by an agreement to that effect entered into and  
16 ~~[authenticated]~~ signed after default.

17 (b) A debtor may waive the right to require disposition of collateral under section 400.9-  
18 620(e) only by an agreement to that effect entered into and ~~[authenticated]~~ signed after default.

19 (c) Except in a consumer-goods transaction, a debtor or secondary obligor may waive the  
20 right to redeem collateral under section 400.9-623 only by an agreement to that effect entered into  
21 and ~~[authenticated]~~ signed after default.

22 400.9-628. (a) Subject to subsection (e), unless a secured party knows that a person is a  
23 debtor or obligor, knows the identity of the person, and knows how to communicate with the person:

24 (1) The secured party is not liable to the person, or to a secured party or lienholder that has  
25 filed a financing statement against the person, for failure to comply with this article; and

26 (2) The secured party's failure to comply with this article does not affect the liability of the  
27 person for a deficiency.

28 (b) Subject to subsection (e), a secured party is not liable because of its status as secured  
29 party:

30 (1) To a person that is a debtor or obligor, unless the secured party knows:

31 (A) That the person is a debtor or obligor;

32 (B) The identity of the person; and

33 (C) How to communicate with the person; or

34 (2) To a secured party or lienholder that has filed a financing statement against a person,  
35 unless the secured party knows:

36 (A) That the person is a debtor; and

37 (B) The identity of the person.

38 (c) A secured party is not liable to any person, and a person's liability for a deficiency is not  
39 affected, because of any act or omission arising out of the secured party's reasonable belief that a

1 transaction is not a consumer-goods transaction or a consumer transaction or that goods are not  
2 consumer goods, if the secured party's belief is based on its reasonable reliance on:

3 (1) A debtor's representation concerning the purpose for which collateral was to be used,  
4 acquired, or held; or

5 (2) An obligor's representation concerning the purpose for which a secured obligation was  
6 incurred.

7 (d) A secured party is not liable under section 400.9-625(c)(2) more than once with respect  
8 to any one secured obligation.

9 (e) Subsections (a) and (b) do not apply to limit the liability of a secured party to a person if,  
10 at the time the secured party obtains control of collateral that is a controllable account, controllable  
11 electronic record, or controllable payment intangible or at the time the security interest attaches to  
12 the collateral, whichever is later:

13 (1) The person is a debtor or obligor; and

14 (2) The secured party knows that the information in subsection (b)(1)(A), (B), or (C)  
15 relating to the person is not provided by the collateral, a record attached to or logically associated  
16 with the collateral, or the system in which the collateral is recorded.

17 400.12-101. This article may be cited as Uniform Commercial Code—Controllable  
18 Electronic Records.

19 400.12-102. (a) In this article:

20 (1) "Controllable electronic record" means a record stored in an electronic medium that can  
21 be subjected to control under section 400.12-105. The term does not include a controllable account,  
22 a controllable payment intangible, a deposit account, an electronic copy of a record evidencing  
23 chattel paper, an electronic document of title, electronic money, investment property, or a  
24 transferable record.

25 (2) "Qualifying purchaser" means a purchaser of a controllable electronic record or an  
26 interest in a controllable electronic record that obtains control of the controllable electronic record  
27 for value, in good faith, and without notice of a claim of a property right in the controllable  
28 electronic record.

29 (3) "Transferable record" has the meaning provided for that term in Section 201(a)(1) of the  
30 Electronic Signatures in Global and National Commerce Act, 15 U.S.C. Section 7021(a)(1), as  
31 amended.

32 (4) "Value" has the meaning provided in section 400.3-303(a), as if references in that  
33 subsection to an "instrument" were references to a controllable account, controllable electronic  
34 record, or controllable payment intangible.

35 (b) The definitions in Article 9 of "account debtor", "controllable account", "controllable  
36 payment intangible", "chattel paper", "deposit account", "electronic money", and "investment  
37 property" apply to this article.

38 (c) Article 1 contains general definitions and principles of construction and interpretation  
39 applicable throughout this article.

1 400.12-103. (a) If there is conflict between this article and Article 9, Article 9 governs.

2 (b) A transaction subject to this article is subject to any applicable rule of law that  
3 establishes a different rule for consumers.

4 400.12-104. (a) This section applies to the acquisition and purchase of rights in a  
5 controllable account or controllable payment intangible, including the rights and benefits under  
6 subsections (c), (d), (e), (g), and (h) of a purchaser and qualifying purchaser, in the same manner  
7 this section applies to a controllable electronic record.

8 (b) To determine whether a purchaser of a controllable account or a controllable payment  
9 intangible is a qualifying purchaser, the purchaser obtains control of the account or payment  
10 intangible if it obtains control of the controllable electronic record that evidences the account or  
11 payment intangible.

12 (c) Except as provided in this section, law other than this article determines whether a  
13 person acquires a right in a controllable electronic record and the right the person acquires.

14 (d) A purchaser of a controllable electronic record acquires all rights in the controllable  
15 electronic record that the transferor had or had power to transfer, except that a purchaser of a limited  
16 interest in a controllable electronic record acquires rights only to the extent of the interest  
17 purchased.

18 (e) A qualifying purchaser acquires its rights in the controllable electronic record free of a  
19 claim of a property right in the controllable electronic record.

20 (f) Except as provided in subsections (a) and (e) for a controllable account and a  
21 controllable payment intangible or law other than this article, a qualifying purchaser takes a right to  
22 payment, right to performance, or other interest in property evidenced by the controllable electronic  
23 record subject to a claim of a property right in the right to payment, right to performance, or other  
24 interest in property.

25 (g) An action may not be asserted against a qualifying purchaser based on both a purchase  
26 by the qualifying purchaser of a controllable electronic record and a claim of a property right in  
27 another controllable electronic record, whether the action is framed in conversion, replevin,  
28 constructive trust, equitable lien, or other theory.

29 (h) Filing of a financing statement under Article 9 is not notice of a claim of a property right  
30 in a controllable electronic record.

31 400.12-105. (a) A person has control of a controllable electronic record if the electronic  
32 record, a record attached to or logically associated with the electronic record, or a system in which  
33 the electronic record is recorded:

34 (1) Gives the person:

35 (A) Power to avail itself of substantially all the benefit from the electronic record; and

36 (B) Exclusive power, subject to subsection (b), to:

37 (i) Prevent others from availing themselves of substantially all the benefit from the  
38 electronic record; and

1           (ii) Transfer control of the electronic record to another person or cause another person to  
2 obtain control of another controllable electronic record as a result of the transfer of the electronic  
3 record; and

4           (2) Enables the person readily to identify itself in any way, including by name, identifying  
5 number, cryptographic key, office, or account number, as having the powers specified in paragraph  
6 (1).

7           (b) Subject to subsection (c), a power is exclusive under subsection (a)(1)(B)(i) and (ii) even  
8 if:

9           (1) The controllable electronic record, a record attached to or logically associated with the  
10 electronic record, or a system in which the electronic record is recorded limits the use of the  
11 electronic record or has a protocol programmed to cause a change, including a transfer or loss of  
12 control or a modification of benefits afforded by the electronic record; or

13           (2) The power is shared with another person.

14           (c) A power of a person is not shared with another person under subsection (b)(2) and the  
15 person's power is not exclusive if:

16           (1) The person can exercise the power only if the power also is exercised by the other  
17 person; and

18           (2) The other person:

19           (A) Can exercise the power without exercise of the power by the person; or

20           (B) Is the transferor to the person of an interest in the controllable electronic record or a  
21 controllable account or controllable payment intangible evidenced by the controllable electronic  
22 record.

23           (d) If a person has the powers specified in subsection (a)(1)(B)(i) and (ii), the powers are  
24 presumed to be exclusive.

25           (e) A person has control of a controllable electronic record if another person, other than the  
26 transferor to the person of an interest in the controllable electronic record or a controllable account  
27 or controllable payment intangible evidenced by the controllable electronic record:

28           (1) Has control of the electronic record and acknowledges that it has control on behalf of the  
29 person; or

30           (2) Obtains control of the electronic record after having acknowledged that it will obtain  
31 control of the electronic record on behalf of the person.

32           (f) A person that has control under this section is not required to acknowledge that it has  
33 control on behalf of another person.

34           (g) If a person acknowledges that it has or will obtain control on behalf of another person,  
35 unless the person otherwise agrees or law other than this article or Article 9 otherwise provides, the  
36 person does not owe any duty to the other person and is not required to confirm the  
37 acknowledgment to any other person.

38           400.12-106. (a) An account debtor on a controllable account or controllable payment  
39 intangible may discharge its obligation by paying:

1           (1) The person having control of the controllable electronic record that evidences the  
2 controllable account or controllable payment intangible; or

3           (2) Except as provided in subsection (b), a person that formerly had control of the  
4 controllable electronic record.

5           (b) Subject to subsection (d), the account debtor may not discharge its obligation by paying  
6 a person that formerly had control of the controllable electronic record if the account debtor receives  
7 a notification that:

8           (1) Is signed by a person that formerly had control or the person to which control was  
9 transferred;

10           (2) Reasonably identifies the controllable account or controllable payment intangible;

11           (3) Notifies the account debtor that control of the controllable electronic record that  
12 evidences the controllable account or controllable payment intangible was transferred;

13           (4) Identifies the transferee, in any reasonable way, including by name, identifying number,  
14 cryptographic key, office, or account number; and

15           (5) Provides a commercially reasonable method by which the account debtor is to pay the  
16 transferee.

17           (c) After receipt of a notification that complies with subsection (b), the account debtor may  
18 discharge its obligation by paying in accordance with the notification and may not discharge the  
19 obligation by paying a person that formerly had control.

20           (d) Subject to subsection (h), notification is ineffective under subsection (b):

21           (1) Unless, before the notification is sent, the account debtor and the person that, at that  
22 time, had control of the controllable electronic record that evidences the controllable account or  
23 controllable payment intangible agree in a signed record to a commercially reasonable method by  
24 which a person may furnish reasonable proof that control has been transferred;

25           (2) To the extent an agreement between the account debtor and seller of a payment  
26 intangible limits the account debtor's duty to pay a person other than the seller and the limitation is  
27 effective under law other than this article; or

28           (3) At the option of the account debtor, if the notification notifies the account debtor to:

29           (A) Divide a payment;

30           (B) Make less than the full amount of an installment or other periodic payment; or

31           (C) pay any part of a payment by more than one method or to more than one person.

32           (e) Subject to subsection (h), if requested by the account debtor, the person giving the  
33 notification under subsection (b) seasonably shall furnish reasonable proof, using the method in the  
34 agreement referred to in subsection (d)(1), that control of the controllable electronic record has been  
35 transferred. Unless the person complies with the request, the account debtor may discharge its  
36 obligation by paying a person that formerly had control, even if the account debtor has received a  
37 notification under subsection (b).

1           (f) A person furnishes reasonable proof under subsection (e) that control has been  
2 transferred if the person demonstrates, using the method in the agreement referred to in subsection  
3 (d)(1), that the transferee has the power to:

- 4           (1) Avail itself of substantially all the benefit from the controllable electronic record;  
5           (2) Prevent others from availing themselves of substantially all the benefit from the  
6 controllable electronic record; and  
7           (3) Transfer the powers specified in paragraphs (1) and (2) to another person.

8           (g) Subject to subsection (h), an account debtor may not waive or vary its rights under  
9 subsections (d)(1) and (e) or its option under subsection (d)(3).

10           (h) This section is subject to law other than this article which establishes a different rule for  
11 an account debtor who is an individual and who incurred the obligation primarily for personal,  
12 family, or household purposes.

13           400.12-107. (a) Except as provided in subsection (b), the local law of a controllable  
14 electronic record's jurisdiction governs a matter covered by this article.

15           (b) For a controllable electronic record that evidences a controllable account or controllable  
16 payment intangible, the local law of the controllable electronic record's jurisdiction governs a matter  
17 covered by section 400.12-106 unless an effective agreement determines that the local law of  
18 another jurisdiction governs.

19           (c) The following rules determine a controllable electronic record's jurisdiction under this  
20 section:

21           (1) If the controllable electronic record, or a record attached to or logically associated with  
22 the controllable electronic record and readily available for review, expressly provides that a  
23 particular jurisdiction is the controllable electronic record's jurisdiction for purposes of this article or  
24 this chapter, that jurisdiction is the controllable electronic record's jurisdiction.

25           (2) If paragraph (1) does not apply and the rules of the system in which the controllable  
26 electronic record is recorded are readily available for review and expressly provide that a particular  
27 jurisdiction is the controllable electronic record's jurisdiction for purposes of this article or this  
28 chapter, that jurisdiction is the controllable electronic record's jurisdiction.

29           (3) If paragraphs (1) and (2) do not apply and the controllable electronic record, or a record  
30 attached to or logically associated with the controllable electronic record and readily available for  
31 review, expressly provides that the controllable electronic record is governed by the law of a  
32 particular jurisdiction, that jurisdiction is the controllable electronic record's jurisdiction.

33           (4) If paragraphs (1), (2), and (3) do not apply and the rules of the system in which the  
34 controllable electronic record is recorded are readily available for review and expressly provide that  
35 the controllable electronic record or the system is governed by the law of a particular jurisdiction,  
36 that jurisdiction is the controllable electronic record's jurisdiction.

37           (5) If paragraphs (1) through (4) do not apply, the controllable electronic record's  
38 jurisdiction is the District of Columbia.



1           (d) If subsection (c)(5) applies and Article 12 is not in effect in the District of Columbia  
2 without material modification, the governing law for a matter covered by this article is the law of  
3 the District of Columbia as though Article 12 were in effect in the District of Columbia without  
4 material modification. In this subsection, "Article 12" means Article 12 of Uniform Commercial  
5 Code Amendments (2022).

6           (e) To the extent subsections (a) and (b) provide that the local law of the controllable  
7 electronic record's jurisdiction governs a matter covered by this article, that law governs even if the  
8 matter or a transaction to which the matter relates does not bear any relation to the controllable  
9 electronic record's jurisdiction.

10           (f) The rights acquired under Section 400.12-104 by a purchaser or qualifying purchaser are  
11 governed by the law applicable under this section at the time of purchase.

12           400.199-101. This article may be cited as Transitional Provisions for Uniform Commercial  
13 Code Amendments (2022).

14           400.199-102. (a) In this article:

15           (1) "Adjustment date" means July 1, 2025.

16           (2) "Article 12" means Article 12 of this chapter.

17           (3) "Article 12 property" means a controllable account, controllable electronic record, or  
18 controllable payment intangible.

19           (b) The following definitions in other articles of this chapter apply to this article.

20           "Controllable account". Section 400.9-102.

21           "Controllable electronic record". Section 400.12-102.

22           "Controllable payment intangible". Section 400.9-102.

23           "Electronic money". Section 400.9-102.

24           "Financing statement". Section 400.9-102.

25           (c) Article 1 contains general definitions and principles of construction and interpretation  
26 applicable throughout this article.

27           400.199-201. Except as provided in sections 400.199-301, 400.199-302, 400.199-303,  
28 400.199-304, 400.199-305, and 400.199-306, a transaction validly entered into before August 28,  
29 2024, and the rights, duties, and interests flowing from the transaction remain valid thereafter and  
30 may be terminated, completed, consummated, or enforced as required or permitted by law other than  
31 this chapter or, if applicable, this chapter, as though this act had not taken effect.

32           400.199-301. (a) Except as provided in sections 400.199-301, 400.199-302, 400.199-303,  
33 400.199-304, 400.199-305, and 400.199-306, Article 9 as amended by this act and Article 12 apply  
34 to a transaction, lien, or other interest in property, even if the transaction, lien, or interest was  
35 entered into, created, or acquired before August 28, 2024.

36           (b) Except as provided in subsection (c) and sections 400.199-302 through 400.199-306:

37           (1) A transaction, lien, or interest in property that was validly entered into, created, or  
38 transferred before August 28, 2024 and was not governed by this chapter, but would be subject to  
39 Article 9 as amended by this act or Article 12 if it had been entered into, created, or transferred on

1 or after August 28, 2024, including the rights, duties, and interests flowing from the transaction,  
2 lien, or interest, remains valid on and after August 28, 2024; and

3 (2) The transaction, lien, or interest may be terminated, completed, consummated, and  
4 enforced as required or permitted by this act or by the law that would apply if this act had not taken  
5 effect.

6 (c) This act does not affect an action, case, or proceeding commenced before August 28,  
7 2024.

8 400.199-302. (a) A security interest that is enforceable and perfected immediately before  
9 August 28, 2024 is a perfected security interest under this act if, on August 28, 2024, the  
10 requirements for enforceability and perfection under this act are satisfied without further action.

11 (b) If a security interest is enforceable and perfected immediately before August 28, 2024,  
12 but the requirements for enforceability or perfection under this act are not satisfied on August 28,  
13 2024, the security interest:

14 (1) Is a perfected security interest until the earlier of the time perfection would have ceased  
15 under the law in effect immediately before August 28, 2024, or the adjustment date;

16 (2) Remains enforceable thereafter only if the security interest satisfies the requirements for  
17 enforceability under section 400.9-203, as amended by this act, before the adjustment date; and

18 (3) Remains perfected thereafter only if the requirements for perfection under this act are  
19 satisfied before the time specified in paragraph (1).

20 400.199-303. A security interest that is enforceable immediately before August 28, 2024,  
21 but is unperfected at that time:

22 (1) Remains an enforceable security interest until the adjustment date;

23 (2) Remains enforceable thereafter if the security interest becomes enforceable under  
24 section 400.9-203, as amended by this act, on August 28, 2024, or before the adjustment date; and

25 (3) Becomes perfected:

26 (A) Without further action, on August 28, 2024, if the requirements for perfection under this  
27 act are satisfied before or at that time; or

28 (B) When the requirements for perfection are satisfied if the requirements are satisfied after  
29 that time.

30 400.199-304. (a) If action, other than the filing of a financing statement, is taken before  
31 August 28, 2024, and the action would have resulted in perfection of the security interest had the  
32 security interest become enforceable before August 28, 2024, the action is effective to perfect a  
33 security interest that attaches under this act before the adjustment date. An attached security interest  
34 becomes unperfected on the adjustment date unless the security interest becomes a perfected  
35 security interest under this act before the adjustment date.

36 (b) The filing of a financing statement before August 28, 2024, is effective to perfect a  
37 security interest on August 28, 2024, to the extent the filing would satisfy the requirements for  
38 perfection under this act.

1           (c) The taking of an action before August 28, 2024, is sufficient for the enforceability of a  
2 security interest on August 28, 2024, if the action would satisfy the requirements for enforceability  
3 under this act.

4           400.199-305. (a) Subject to subsections (b) and (c), this act determines the priority of  
5 conflicting claims to collateral.

6           (b) Subject to subsection (c), if the priorities of claims to collateral were established before  
7 August 28, 2024, Article 9 as in effect before August 28, 2024, determines priority.

8           (c) On the adjustment date, to the extent the priorities determined by Article 9 as amended  
9 by this act modify the priorities established before August 28, 2024, the priorities of claims to  
10 Article 12 property and electronic money established before August 28, 2024, cease to apply.

11           400.199-306. (a) Subject to subsections (b) and (c), Article 12 determines the priority of  
12 conflicting claims to Article 12 property when the priority rules of Article 9 as amended by this act  
13 do not apply.

14           (b) Subject to subsection (c), when the priority rules of Article 9 as amended by this act do  
15 not apply and the priorities of claims to Article 12 property were established before August 28,  
16 2024, law other than Article 12 determines priority.

17           (c) When the priority rules of Article 9 as amended by this act do not apply, to the extent the  
18 priorities determined by this act modify the priorities established before August 28, 2024, the  
19 priorities of claims to Article 12 property established before August 28, 2024, cease to apply on the  
20 adjustment date."; and

21  
22 Further amend said bill by amending the title, enacting clause, and intersectional references  
23 accordingly.