

D R A F T

FOR APPROVAL

AMENDMENTS TO UNIFORM COMMERCIAL CODE ARTICLE 9

NATIONAL CONFERENCE OF COMMISSIONERS

ON UNIFORM STATE LAWS

MEETING IN ITS ONE-HUNDRED-AND-NINETEENTH YEAR
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JULY 9 - JULY 16, 2010

AMENDMENTS TO UNIFORM COMMERCIAL CODE ARTICLE 9

WITH PREFATORY NOTE, REPORTER'S NOTES, AND COMMENTS

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By

NATIONAL CONFERENCE OF COMMISSIONERS
ON UNIFORM STATE LAWS

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AMENDMENTS TO UNIFORM COMMERCIAL CODE ARTICLE 9

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AMENDMENTS TO UNIFORM COMMERCIAL CODE ARTICLE 9

Reporter's Prefatory Note

1. **Background.** The Uniform Law Commissioners (“ULC”) and The American Law Institute (“ALI”) promulgated Revised Article 9 of the Uniform Commercial Code in 1998. By the end of 2001, all of the States had enacted the Revised Article.

In 2008 the ULC and the ALI formed an Article 9 Review Committee (“Review Committee”). The Review Committee was asked to review the operation of the 1998 revisions to Article 9 of the Uniform Commercial Code in practice and to consider whether there were select issues arising that would merit the formation of a drafting committee to address them. The Review Committee issued its report to the ULC Scope and Program Committee and Executive Committee on June 24, 2008. The report recommended that a drafting committee consider the issues specified on a list that the Review Committee had formulated in telephone conferences held on April 14, April 23, May 12, May 27, June 9, and June 16, 2008.

After deciding to proceed with the drafting of amendments to Revised Article 9, the ULC and the ALI organized the Joint Review Committee (“JRC”). The JRC has met five times (October, 2008; February, 2009; March 2009; September 2009; March 2010). It also has held ten conference calls (April, 2009; May, 2009; October 2009; November 2009; December 2009; January 2010; February 2010; two in March 2010; April 2010) in which the members of a task force organized by the American Bankers Association were invited to participate.

The Chair of the Joint Review Committee recommended that the JRC use the following standards in proposing revisions of the official text of Article 9:

- We should not recommend changes that would alter policy decisions made during the 1998 revision unless the current provisions appear to be creating significant problems in practice.
- Recommendations for statutory change should focus on issues as to which ambiguities have been discovered in existing statutory language, where there are substantial problems in practice under the current provisions, or as to which there have been significant non-uniform amendments that suggest the need to consider revisions.
- We should recommend that an issue be handled by a revision to the Official Comments rather than to the statutory text whenever we believe that the statutory language is sufficiently clear and produces the desired result, but that judicial decisions or experience in practice indicates that some clarification might be desirable.

The JRC’s discussions focused almost exclusively on the issues listed by the Review Committee. Some additional issues were raised. With the consent of the Scope and Program Committee and Executive Committee, the JRC addressed these issues as well.

2. Organization of the Amendments. This document contains amendments to the Official Text of Uniform Commercial Code Article 9 together with any related changes to the comments. Not all of the statutory amendments will require that the comments be changed. Some of the statutory amendments that will require changes to the comments are not yet accompanied by draft amendments to the comments. Appendix I contains modifications to the comments for which no change in statutory text is recommended. Appendix II contains a conforming amendment to the Official Text of Article 2A.

3. Content of the Amendments. The statutory changes in this document are largely unremarkable. Most clarify the existing text and comments or conform them to recent amendments to other Articles of the Uniform Commercial Code. A few others correct errors.

The statutory requirement for providing the name of an individual debtor on a financing statement has consumed much more of the JRC's time and attention than any other issue. During its deliberations, the JRC considered a variety of approaches toward this issue, including the possibility of recommending no change to the statute. In evaluating the approaches, the JRC took into account a number of considerations, including (1) the benefits of predictability as to perfection; (2) the benefits of predictability as to priority; (3) the likely costs that would be imposed on filers; (4) the likely costs that would be imposed on searchers; (5) the costs of transition to a new rule; and (6) the likely legislative outcome if a particular approach were to be adopted. The participants in the drafting project assessed and weighed these factors differently, with the result that the JRC was unable to agree on a single approach. Rather, the JRC decided to offer alternatives to each State. These alternatives appear in Section 9-503(a) and are explained in the draft Official Comment and the Reporter's Note to that section.

Also worthy of particular note are new Sections 9-316(h) and (i), which increase the likelihood that (1) a security interest will be perfected in collateral acquired by a debtor after the debtor relocates to another jurisdiction and (2) a security interest in collateral acquired by a new debtor (i.e., a successor) will be perfected by a secured party who filed a financing statement against the original debtor.

1 **AMENDMENTS TO UNIFORM COMMERCIAL CODE ARTICLE 9**
2 **AMENDMENTS TO THE OFFICIAL TEXT AND RELATED COMMENTS**

3
4 **PART 1**

5 **GENERAL PROVISIONS**

6 [SUBPART 1. SHORT TITLE, DEFINITIONS, AND GENERAL CONCEPTS]

7 * * *

8 **SECTION 9-102. DEFINITIONS AND INDEX OF DEFINITIONS.**

9 (a) [Article 9 definitions.] In this article:

10 (1) “Accession” means goods that are physically united with other goods in such
11 a manner that the identity of the original goods is not lost.

12 (2) “Account”, except as used in “account for”, means a right to payment of a
13 monetary obligation, whether or not earned by performance, (i) for property that has been or is to
14 be sold, leased, licensed, assigned, or otherwise disposed of, (ii) for services rendered or to be
15 rendered, (iii) for a policy of insurance issued or to be issued, (iv) for a secondary obligation
16 incurred or to be incurred, (v) for energy provided or to be provided, (vi) for the use or hire of a
17 vessel under a charter or other contract, (vii) arising out of the use of a credit or charge card or
18 information contained on or for use with the card, or (viii) as winnings in a lottery or other game
19 of chance operated or sponsored by a State, governmental unit of a State, or person licensed or
20 authorized to operate the game by a State or governmental unit of a State. The term includes
21 health-care-insurance receivables. The term does not include (i) rights to payment evidenced by
22 chattel paper or an instrument, (ii) commercial tort claims, (iii) deposit accounts, (iv) investment
23 property, (v) letter-of-credit rights or letters of credit, or (vi) rights to payment for money or
24 funds advanced or sold, other than rights arising out of the use of a credit or charge card or

1 information contained on or for use with the card.

2 (3) “Account debtor” means a person obligated on an account, chattel paper, or
3 general intangible. The term does not include persons obligated to pay a negotiable instrument,
4 even if the instrument constitutes part of chattel paper.

5 (4) “Accounting”, except as used in “accounting for”, means a record:

6 (A) authenticated by a secured party;

7 (B) indicating the aggregate unpaid secured obligations as of a date not
8 more than 35 days earlier or 35 days later than the date of the record; and

9 (C) identifying the components of the obligations in reasonable detail.

10 (5) “Agricultural lien” means an interest in farm products:

11 (A) which secures payment or performance of an obligation for:

12 (i) goods or services furnished in connection with a debtor’s
13 farming operation; or

14 (ii) rent on real property leased by a debtor in connection with its
15 farming operation;

16 (B) which is created by statute in favor of a person that:

17 (i) in the ordinary course of its business furnished goods or
18 services to a debtor in connection with a debtor’s farming operation; or

19 (ii) leased real property to a debtor in connection with the debtor’s
20 farming operation; and

21 (C) whose effectiveness does not depend on the person’s possession of the
22 personal property.

23 (6) “As-extracted collateral” means:

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

1 (i) is created by a debtor having an interest in the minerals before
2 extraction; and

3 (ii) attaches to the minerals as extracted; or

4 (B) accounts arising out of the sale at the wellhead or minehead of oil, gas,
5 or other minerals in which the debtor had an interest before extraction.

6 (7) “Authenticate” means:

7 (A) to sign; or

8 (B) ~~to execute or otherwise adopt a symbol, or encrypt or similarly~~
9 ~~process a record in whole or in part, with the present intent of the authenticating person to~~
10 ~~identify the person and adopt or accept a record~~ with present intent to adopt or accept a record, to
11 attach to or logically associate with the record an electronic sound, symbol, or process.

12 (8) “Bank” means an organization that is engaged in the business of banking.

13 The term includes savings banks, savings and loan associations, credit unions, and trust
14 companies.

15 (9) “Cash proceeds” means proceeds that are money, checks, deposit accounts, or
16 the like.

17 (10) “Certificate of title” means a certificate of title with respect to which a
18 statute provides for the security interest in question to be indicated on the certificate as a
19 condition or result of the security interest’s obtaining priority over the rights of a lien creditor
20 with respect to the collateral. The term includes another record maintained as an alternative to a
21 certificate of title by the governmental unit that issues certificates of title if a statute permits the
22 security interest in question to be indicated on the record as a condition or result of the security
23 interest’s obtaining priority over the rights of a lien creditor with respect to the collateral.

24 (11) “Chattel paper” means a record or records that evidence both a monetary

obligation and a security interest in specific goods, a security interest in specific goods and software used in the goods, a security interest in specific goods and license of software used in the goods, a lease of specific goods, or a lease of specific goods and license of software used in the goods. In this paragraph, “monetary obligation” means a monetary obligation secured by the goods or owed under a lease of the goods and includes a monetary obligation with respect to software used in the goods. The term does not include (i) charters or other contracts involving the use or hire of a vessel or (ii) records that evidence a right to payment arising out of the use of a credit or charge card or information contained on or for use with the card. If a transaction is evidenced by records that include an instrument or series of instruments, the group of records taken together constitutes chattel paper.

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

- (A) proceeds to which a security interest attaches;
- (B) accounts, chattel paper, payment intangibles, and promissory notes that have been sold; and
- (C) goods that are the subject of a consignment.

(13) “Commercial tort claim” means a claim arising in tort with respect to which:

- (A) the claimant is an organization; or
- (B) the claimant is an individual and the claim:
 - (i) arose in the course of the claimant’s business or profession; and
 - (ii) does not include damages arising out of personal injury to or the death of an individual.

(14) “Commodity account” means an account maintained by a commodity intermediary in which a commodity contract is carried for a commodity customer.

1 (15) “Commodity contract” means a commodity futures contract, an option on a
2 commodity futures contract, a commodity option, or another contract if the contract or option is:

3 (A) traded on or subject to the rules of a board of trade that has been
4 designated as a contract market for such a contract pursuant to federal commodities laws; or

5 (B) traded on a foreign commodity board of trade, exchange, or market,
6 and is carried on the books of a commodity intermediary for a commodity customer.

7 (16) “Commodity customer” means a person for which a commodity
8 intermediary carries a commodity contract on its books.

9 (17) “Commodity intermediary” means a person that:

10 (A) is registered as a futures commission merchant under federal
11 commodities law; or

12 (B) in the ordinary course of its business provides clearance or settlement
13 services for a board of trade that has been designated as a contract market pursuant to federal
14 commodities law.

15 (18) “Communicate” means:

16 (A) to send a written or other tangible record;

17 (B) to transmit a record by any means agreed upon by the persons sending
18 and receiving the record; or

19 (C) in the case of transmission of a record to or by a filing office, to
20 transmit a record by any means prescribed by filing-office rule.

21 (19) “Consignee” means a merchant to which goods are delivered in a
22 consignment.

23 (20) “Consignment” means a transaction, regardless of its form, in which a
24 person delivers goods to a merchant for the purpose of sale and:

1 (A) the merchant:
2 (i) deals in goods of that kind under a name other than the name of
3 the person making delivery;
4 (ii) is not an auctioneer; and
5 (iii) is not generally known by its creditors to be substantially
6 engaged in selling the goods of others;
7 (B) with respect to each delivery, the aggregate value of the goods is
8 \$1,000 or more at the time of delivery;
9 (C) the goods are not consumer goods immediately before delivery; and
10 (D) the transaction does not create a security interest that secures an
11 obligation.

12 (21) "Consignor" means a person that delivers goods to a consignee in a
13 consignment.

14 (22) "Consumer debtor" means a debtor in a consumer transaction.

15 (23) "Consumer goods" means goods that are used or bought for use primarily
16 for personal, family, or household purposes.

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

18 (A) an individual incurs an obligation primarily for personal, family, or
19 household purposes; and

20 (B) a security interest in consumer goods secures the obligation.

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

24 (26) "Consumer transaction" means a transaction in which (i) an individual

1 incurs an obligation primarily for personal, family, or household purposes, (ii) a security interest
2 secures the obligation, and (iii) the collateral is held or acquired primarily for personal, family,
3 or household purposes. The term includes consumer-goods transactions.

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

6 (A) identifies, by its file number, the initial financing statement to which it
7 relates; and

8 (B) indicates that it is a continuation statement for, or that it is filed to
9 continue the effectiveness of, the identified financing statement.

10 (28) "Debtor" means:

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

13 (B) a seller of accounts, chattel paper, payment intangibles, or promissory
14 notes; or

15 (C) a consignee.

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

19 (30) "Document" means a document of title or a receipt of the type described in
20 Section 7-201(b).

21 (31) "Electronic chattel paper" means chattel paper evidenced by a record or
22 records consisting of information stored in an electronic medium.

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

(33) “Equipment” means goods other than inventory, farm products, or consumer goods.

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

(A) crops grown, growing, or to be grown, including:

(i) crops produced on trees, vines, and bushes; and

(ii) aquatic goods produced in aquacultural operations;

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

(C) supplies used or produced in a farming operation; or

(D) products of crops or livestock in their unmanufactured states.

(35) “Farming operation” means raising, cultivating, propagating, fattening, grazing, or any other farming, livestock, or aquacultural operation.

(36) “File number” means the number assigned to an initial financing statement pursuant to Section 9-519(a).

(37) “Filing office” means an office designated in Section 9-501 as the place to file a financing statement.

(38) “Filing-office rule” means a rule adopted pursuant to Section 9-526.

(39) “Financing statement” means a record or records composed of an initial financing statement and any filed record relating to the initial financing statement.

(40) “Fixture filing” means the filing of a financing statement covering goods that are or are to become fixtures and satisfying Section 9-502(a) and (b). The term includes the filing of a financing statement covering goods of a transmitting utility which are or are to become fixtures.

1 (41) “Fixtures” means goods that have become so related to particular real
2 property that an interest in them arises under real property law.

3 (42) “General intangible” means any personal property, including things in
4 action, other than accounts, chattel paper, commercial tort claims, deposit accounts, documents,
5 goods, instruments, investment property, letter-of-credit rights, letters of credit, money, and oil,
6 gas, or other minerals before extraction. The term includes payment intangibles and software.

7 (43) “Good faith” means honesty in fact and the observance of reasonable
8 commercial standards of fair dealing.

9 (44) “Goods” means all things that are movable when a security interest attaches.
10 The term includes (i) fixtures, (ii) standing timber that is to be cut and removed under a
11 conveyance or contract for sale, (iii) the unborn young of animals, (iv) crops grown, growing, or
12 to be grown, even if the crops are produced on trees, vines, or bushes, and (v) manufactured
13 homes. The term also includes a computer program embedded in goods and any supporting
14 information provided in connection with a transaction relating to the program if (i) the program
15 is associated with the goods in such a manner that it customarily is considered part of the goods,
16 or (ii) by becoming the owner of the goods, a person acquires a right to use the program in
17 connection with the goods. The term does not include a computer program embedded in goods
18 that consist solely of the medium in which the program is embedded. The term also does not
19 include accounts, chattel paper, commercial tort claims, deposit accounts, documents, general
20 intangibles, instruments, investment property, letter-of-credit rights, letters of credit, money, or
21 oil, gas, or other minerals before extraction.

22 (45) “Governmental unit” means a subdivision, agency, department, county,
23 parish, municipality, or other unit of the government of the United States, a State, or a foreign
24 country. The term includes an organization having a separate corporate existence if the

organization is eligible to issue debt on which interest is exempt from income taxation under the laws of the United States.

(46) “Health-care-insurance receivable” means an interest in or claim under a policy of insurance which is a right to payment of a monetary obligation for health-care goods or services provided or to be provided.

(47) “Instrument” means a negotiable instrument or any other writing that evidences a right to the payment of a monetary obligation, is not itself a security agreement or lease, and is of a type that in ordinary course of business is transferred by delivery with any necessary indorsement or assignment. The term does not include (i) investment property, (ii) letters of credit, or (iii) writings that evidence a right to payment arising out of the use of a credit or charge card or information contained on or for use with the card.

(48) “Inventory” means goods, other than farm products, which:

(A) are leased by a person as lessor;

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

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

(D) consist of raw materials, work in process, or materials used or consumed in a business.

(49) “Investment property” means a security, whether certificated or uncertificated, security entitlement, securities account, commodity contract, or commodity account.

(50) “Jurisdiction of organization”, with respect to a registered organization, means the jurisdiction under whose law the organization is formed or organized.

(51) “Letter-of-credit right” means a right to payment or performance under a

1 letter of credit, whether or not the beneficiary has demanded or is at the time entitled to demand
2 payment or performance. The term does not include the right of a beneficiary to demand
3 payment or performance under a letter of credit.

4 (52) “Lien creditor” means:

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

7 (B) an assignee for benefit of creditors from the time of assignment;

8 (C) a trustee in bankruptcy from the date of the filing of the petition; or

9 (D) a receiver in equity from the time of appointment.

10 (53) “Manufactured home” means a structure, transportable in one or more
11 sections, which, in the traveling mode, is eight body feet or more in width or 40 body feet or
12 more in length, or, when erected on site, is 320 or more square feet, and which is built on a
13 permanent chassis and designed to be used as a dwelling with or without a permanent foundation
14 when connected to the required utilities, and includes the plumbing, heating, air-conditioning,
15 and electrical systems contained therein. The term includes any structure that meets all of the
16 requirements of this paragraph except the size requirements and with respect to which the
17 manufacturer voluntarily files a certification required by the United States Secretary of Housing
18 and Urban Development and complies with the standards established under Title 42 of the
19 United States Code.

20 (54) “Manufactured-home transaction” means a secured transaction:

21 (A) that creates a purchase-money security interest in a manufactured
22 home, other than a manufactured home held as inventory; or

23 (B) in which a manufactured home, other than a manufactured home held
24 as inventory, is the primary collateral.

1 (55) “Mortgage” means a consensual interest in real property, including fixtures,
2 which secures payment or performance of an obligation.

3 (56) “New debtor” means a person that becomes bound as debtor under Section
4 9-203(d) by a security agreement previously entered into by another person.

5 (57) “New value” means (i) money, (ii) money’s worth in property, services, or
6 new credit, or (iii) release by a transferee of an interest in property previously transferred to the
7 transferee. The term does not include an obligation substituted for another obligation.

8 (58) “Noncash proceeds” means proceeds other than cash proceeds.

9 (59) “Obligor” means a person that, with respect to an obligation secured by a
10 security interest in or an agricultural lien on the collateral, (i) owes payment or other
11 performance of the obligation, (ii) has provided property other than the collateral to secure
12 payment or other performance of the obligation, or (iii) is otherwise accountable in whole or in
13 part for payment or other performance of the obligation. The term does not include issuers or
14 nominated persons under a letter of credit.

15 (60) “Original debtor”, except as used in Section 9-310(c), means a person that,
16 as debtor, entered into a security agreement to which a new debtor has become bound under
17 Section 9-203(d).

18 (61) “Payment intangible” means a general intangible under which the account
19 debtor’s principal obligation is a monetary obligation.

20 (62) “Person related to”, with respect to an individual, means:

21 (A) the spouse of the individual;

22 (B) a brother, brother-in-law, sister, or sister-in-law of the individual;

23 (C) an ancestor or lineal descendant of the individual or the individual’s
24 spouse; or

(D) any other relative, by blood or marriage, of the individual or the individual's spouse who shares the same home with the individual.

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

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

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

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

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

or

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

(64) "Proceeds", except as used in Section 9-609(b), means the following property:

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

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

(C) rights arising out of collateral;

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

(E) to the extent of the value of collateral and to the extent payable to the debtor or the secured party, insurance payable by reason of the loss or nonconformity of, defects

1 or infringement of rights in, or damage to, the collateral.

2 (65) “Promissory note” means an instrument that evidences a promise to pay a
3 monetary obligation, does not evidence an order to pay, and does not contain an
4 acknowledgment by a bank that the bank has received for deposit a sum of money or funds.

5 (66) “Proposal” means a record authenticated by a secured party which includes
6 the terms on which the secured party is willing to accept collateral in full or partial satisfaction
7 of the obligation it secures pursuant to Sections 9-620, 9-621, and 9-622.

8 (67) “Public-finance transaction” means a secured transaction in connection with
9 which:

10 (A) debt securities are issued;

11 (B) all or a portion of the securities issued have an initial stated maturity
12 of at least 20 years; and

13 (C) the debtor, obligor, secured party, account debtor or other person
14 obligated on collateral, assignor or assignee of a secured obligation, or assignor or assignee of a
15 security interest is a State or a governmental unit of a State.

16 (68) “Public organic record” means a record that is available to the public for
17 inspection and that is:

18 (A) a record consisting of the record initially filed with or issued by a
19 State or the United States to form or organize an organization and any record filed with or issued
20 by the State or the United States which amends or restates the initial record;

21 (B) an organic record of a business trust consisting of the record initially
22 filed with a State and any record filed with the State which amends or restates the initial record,
23 if a statute of the State governing business trusts requires that the record be filed with the State;

24 or

1 (C) a record consisting of legislation enacted by the legislature of a State
2 or the Congress of the United States which forms or organizes an organization, any record
3 amending the legislation, and any record filed with or issued by the State or United States which
4 amends or restates the name of the organization.

5 ~~(68)~~ (69) “Pursuant to commitment”, with respect to an advance made or other
6 value given by a secured party, means pursuant to the secured party’s obligation, whether or not
7 a subsequent event of default or other event not within the secured party’s control has relieved or
8 may relieve the secured party from its obligation.

9 ~~(69)~~ (70) “Record”, except as used in “for record”, “of record”, “record or legal
10 title”, and “record owner”, means information that is inscribed on a tangible medium or which is
11 stored in an electronic or other medium and is retrievable in perceivable form.

12 ~~(70)~~ (71) “Registered organization” means an organization formed or organized
13 solely under the law of a single State or the United States and as to which the State or the United
14 States must maintain a public record showing the organization to have been organized by the
15 filing of a public organic record with, the issuance of a public organic record by, or the
16 enactment of legislation by the State or United States. The term includes a business trust that is
17 formed or organized under the law of a single State if a statute of the State governing business
18 trusts requires that the business trust’s organic record be filed with the State.

19 ~~(71)~~ (72) “Secondary obligor” means an obligor to the extent that:

20 (A) the obligor’s obligation is secondary; or

21 (B) the obligor has a right of recourse with respect to an obligation
22 secured by collateral against the debtor, another obligor, or property of either.

23 ~~(72)~~ (73) “Secured party” means:

24 (A) a person in whose favor a security interest is created or provided for

1 under a security agreement, whether or not any obligation to be secured is outstanding;

2 (B) a person that holds an agricultural lien;

3 (C) a consignor;

4 (D) a person to which accounts, chattel paper, payment intangibles, or
5 promissory notes have been sold;

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

8 (F) a person that holds a security interest arising under Section 2-401,
9 2-505, 2-711(3), 2A-508(5), 4-210, or 5-118.

10 ~~(73)~~ (74) “Security agreement” means an agreement that creates or provides for a
11 security interest.

12 ~~(74)~~ (75) “Send”, in connection with a record or notification, means:

13 (A) to deposit in the mail, deliver for transmission, or transmit by any
14 other usual means of communication, with postage or cost of transmission provided for,
15 addressed to any address reasonable under the circumstances; or

16 (B) to cause the record or notification to be received within the time that it
17 would have been received if properly sent under subparagraph (A).

18 ~~(75)~~ (76) “Software” means a computer program and any supporting information
19 provided in connection with a transaction relating to the program. The term does not include a
20 computer program that is included in the definition of goods.

21 ~~(76)~~ (77) “State” means a State of the United States, the District of Columbia,
22 Puerto Rico, the United States Virgin Islands, or any territory or insular possession subject to the
23 jurisdiction of the United States.

24 ~~(77)~~ (78) “Supporting obligation” means a letter-of-credit right or secondary

obligation that supports the payment or performance of an account, chattel paper, a document, a general intangible, an instrument, or investment property.

~~(78)~~ (79) “Tangible chattel paper” means chattel paper evidenced by a record or records consisting of information that is inscribed on a tangible medium.

~~(79)~~ (80) “Termination statement” means an amendment of a financing statement which:

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

(B) indicates either that it is a termination statement or that the identified financing statement is no longer effective.

~~(80)~~ (81) “Transmitting utility” means a person primarily engaged in the business of:

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

(B) transmitting communications electrically, electromagnetically, or by light;

(C) transmitting goods by pipeline or sewer; or

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

(b) **[Definitions in other articles.]** “Control” as provided in Section 7-106 and the following definitions in other articles apply to this article:

“Applicant” Section 5-102.

“Beneficiary” Section 5-102.

“Broker” Section 8-102.

“Certificated security” Section 8-102.

1	“Check”	Section 3-104.
2	“Clearing corporation”	Section 8-102.
3	“Contract for sale”	Section 2-106.
4	“Customer”	Section 4-104.
5	“Entitlement holder”	Section 8-102.
6	“Financial asset”	Section 8-102.
7	“Holder in due course”	Section 3-302.
8	“Issuer” (with respect to a letter of credit or letter-of-credit right)	Section 5-102.
9	“Issuer” (with respect to a security)	Section 8-201.
10	“Issuer” (with respect to a document of title)	Section 7-102.
11	“Lease”	Section 2A-103.
12	“Lease agreement”	Section 2A-103.
13	“Lease contract”	Section 2A-103.
14	“Leasehold interest”	Section 2A-103.
15	“Lessee”	Section 2A-103.
16	“Lessee in ordinary course of business”	Section 2A-103.
17	“Lessor”	Section 2A-103.
18	“Lessor’s residual interest”	Section 2A-103.
19	“Letter of credit”	Section 5-102.
20	“Merchant”	Section 2-104.
21	“Negotiable instrument”	Section 3-104.
22	“Nominated person”	Section 5-102.
23	“Note”	Section 3-104.
24	“Proceeds of a letter of credit”	Section 5-114.

1	“Prove”	Section 3-103.
2	“Sale”	Section 2-106.
3	“Securities account”	Section 8-501.
4	“Securities intermediary”	Section 8-102.
5	“Security”	Section 8-102.
6	“Security certificate”	Section 8-102.
7	“Security entitlement”	Section 8-102.
8	“Uncertificated security”	Section 8-102.

9 (c) [Article 1 definitions and principles.] Article 1 contains general definitions and
10 principles of construction and interpretation applicable throughout this article.

11 Official Comment

12 * * *

13
14
15 11. **Choice-of-Law-Related Definitions: “Certificate of Title”; “Governmental**
16 **Unit”; “Jurisdiction of Organization”; “Public Organic Record”; “Registered**
17 **Organization”; “State.”** These new definitions reflect the changes in the law governing
18 perfection and priority of security interests and agricultural liens provided in Part 3, Subpart 1.

19
20 Statutes often require applicants for a certificate of title to identify all security interests
21 on the application and require the issuing agency to indicate the identified security interests on
22 the certificate. Some of these statutes provide that priority over the rights of a lien creditor (i.e.,
23 perfection of a security interest) in goods covered by the certificate occurs upon indication of the
24 security interest on the certificate; that is, they provide for the indication of the security interest
25 on the certificate as a “condition” of perfection. Other statutes contemplate that perfection is
26 achieved upon the occurrence of another act, e.g., delivery of the application to the issuing
27 agency, that “results” in the indication of the security interest on the certificate. A certificate
28 governed by either type of statute can qualify as a “certificate of title” under this Article. The
29 statute need not expressly state the connection between the indication and perfection. For
30 example, a certificate issued pursuant to a statute that requires applications to identify security
31 interests, requires the issuing agency to indicate the identified security interests on the
32 certificate, but is silent concerning the legal consequences of the indication would be a
33 “certificate of title” if, under a judicial interpretation of the statute, perfection of a security
34 interest is a legal consequence of the indication.

35
36 The first sentence of the definition of “certificate of title” includes certificates consisting
37 of tangible records, of electronic records, and of combinations of tangible and electronic records.

1
2 In many States, a certificate of title covering goods that are encumbered by a security
3 interest is delivered to the secured party by the issuing authority. To eliminate the need for the
4 issuance of a paper certificate under these circumstances, several States have revised their
5 certificate-of-title statutes to permit or require a State agency to maintain an electronic record
6 that evidences ownership of the goods and in which a security interest in the goods may be
7 noted. The second sentence of the definition provides that such a record is a “certificate of title”
8 if it is in fact maintained as an alternative to the issuance of a paper certificate of title, regardless
9 of whether the certificate-of-title statute provides that the record is a certificate of title and even
10 if the statute does not expressly state that the record is maintained instead of issuing a paper
11 certificate.

12
13 Not every organization that may provide information about itself in the public records is
14 a “registered organization.” For example, a general partnership is not a “registered
15 organization,” even if it files a statement of partnership authority under Section 303 of the
16 Uniform Partnership Act (1994) or an assumed name (“dba”) certificate. This is because ~~the~~
17 ~~State under whose law the partnership is organized is not required to maintain a public record~~
18 ~~showing that the partnership has been organized~~ such a partnership is not formed or organized by
19 the filing of a record with, or the issuance of a record by, a State or the United States. In
20 contrast, corporations, limited liability companies, and limited partnerships ordinarily are
21 “registered organizations.”

22
23 Not every record concerning a registered organization that is filed with, or issued by, a
24 State or the United States is a “public organic record.” For example, a certificate of good
25 standing issued with respect to a corporation or a published index of domestic corporations
26 would not be a “public organic record.”

27
28 When collateral is held in a trust, one must look to non-UCC law to determine whether
29 the trust is a “registered organization.” Non-UCC law typically distinguishes between statutory
30 trusts and common-law trusts. A statutory trust is formed by the filing of a record, commonly
31 referred to as a certificate of trust, in a public office pursuant to a statute. See, e.g., Uniform
32 Statutory Trust Entity Act § 201 (2009); Delaware Statutory Trust Act, Del. Code Ann. tit. 12, §
33 3801 et seq. A statutory trust is a juridical entity, separate from its trustee and beneficial owners,
34 that may sue and be sued, own property, and transact business in its own name. Inasmuch as a
35 statutory trust is a “legal or commercial entity,” it qualifies as a “person,” and therefore as an
36 “organization,” under Section 1-201. A statutory trust that is formed by the filing of a record in
37 a public office is a “registered organization,” and the filed record is a “public organic record” of
38 the statutory trust, if the filed record is available to the public for inspection. (The requirement
39 that a record be “available to the public for inspection” is satisfied if a copy of the relevant
40 record is available for public inspection.)

41
42 Unlike a statutory trust, a common-law trust—whether its purpose is donative or
43 commercial—arises from private action without the filing of a record in a public office. See
44 Uniform Trust Code § 401 (2000); Restatement (Third) of Trusts § 10 (2003). Moreover, under
45 traditional law, a common-law trust is not itself a juridical entity and therefore must sue and be
46 sued, own property, and transact business in the name of the trustee acting in the capacity of
47 trustee. A common-law trust that is a “business trust,” i.e., that has a business or commercial

1 purpose, is an “organization” under Section 1-201. However, such a trust would not be a
2 “registered organization” if, as is typically the case, the filing of a public record is not needed to
3 form it.

4
5 In some states, however, the trustee of a common-law trust that has a commercial or
6 business purpose is required by statute to file a record in a public office following the trust’s
7 formation. See, e.g., Mass. Gen. Laws Ch. 182, § 2; Fla. Stat. Ann. § 609.02. A business trust
8 that is required to file its organic record in a public office is a “registered organization” under the
9 second sentence of the definition, if the filed record is available to the public for inspection. Any
10 organic record required to be filed, and filed, with respect to a common-law business trust after
11 the trust is formed is a “public organic record” of the trust.

12
13 * * *

14 15 **Reporter’s Note**

16
17 1. The revised definition of “authenticate” derives from the definitions of “sign” in
18 Revised Articles 1 and 7.

19
20 2. The amendment to the definition of “certificate of title” addresses the increasingly
21 common practice of electronic notations of liens on goods subject to certificate-of-title statutes.

22
23 3. The new definition of “public organic record” is meant to designate more clearly the
24 public record that is relevant to determining the name of a debtor that is a registered
25 organization. The relevant public record is always a “public organic record.” In most cases, this
26 will be a record that is “filed with a State or the United States.” However, the term also includes
27 a charter that is “issued by a State or the United States” as well as State or federal legislation that
28 forms or organizes an organization. Any other public record that the State creates, such as a
29 certificate of good standing or an index of domestic corporations, would not be a “public organic
30 record” and so would be irrelevant to the determination of the debtor’s name under Section 9-
31 503(a)(1).

32
33 4. The amendment to the definition of “registered organization” also is meant to clarify
34 that the term includes an organization that is created without the need for a public record but that
35 is “formed” only when a public filing has been made. For example, under Delaware law, a
36 statutory trust is “created by a governing instrument,” Del. Code Ann. tit. 12, § 3801(g)(1), but is
37 “formed at the time of the filing of the initial certificate of trust in the office of the Secretary of
38 State or at any later date or time specified in the certificate of trust.” Id. § 3810(a)(2).

39
40 * * *

41 42 **SECTION 9-105. CONTROL OF ELECTRONIC CHATTEL PAPER.**

43 (a) [General rule: control of electronic chattel paper.] A secured party has control of
44 electronic chattel paper if a system employed for evidencing the transfer of interests in the

1 chattel paper reliably establishes the secured party as the person to which the chattel paper was
2 assigned.

3 (b) [Specific facts giving control.] A system satisfies subsection (a), and a secured
4 party has control of electronic chattel paper, if the record or records comprising the chattel paper
5 are created, stored, and assigned in such a manner that:

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

8 (2) the authoritative copy identifies the secured party as the assignee of the record
9 or records;

10 (3) the authoritative copy is communicated to and maintained by the secured
11 party or its designated custodian;

12 (4) copies or ~~revisions~~ amendments that add or change an identified assignee of
13 the authoritative copy can be made only with the ~~participation~~ consent of the secured party;

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

16 (6) any ~~revision~~ amendment of the authoritative copy is readily identifiable as an
17 authorized or unauthorized ~~revision~~.

18 **Official Comment**

19 * * *

20
21
22 2. **“Control” of Electronic Chattel Paper.** This Article covers security interests in
23 “electronic chattel paper,” a new term defined in Section 9-102. This section governs how
24 “control” of electronic chattel paper may be obtained. Subsection (a), which derives from
25 Section 16 of the Uniform Electronic Transactions Act, sets forth the general test for control.
26 Subsection (b) sets forth a safe harbor test that if satisfied, establishes control under the general
27 test in subsection (a).

28
29 A secured party’s control of electronic chattel paper (i) may substitute for an
30 authenticated security agreement for purposes of attachment under Section 9-203, (ii) is a

method of perfection under Section 9-314, and (iii) is a condition for obtaining special, non-temporal priority under Section 9-330. Because electronic chattel paper cannot be transferred, assigned, or possessed in the same manner as tangible chattel paper, a special definition of control is necessary. In descriptive terms, this section provides that control of electronic chattel paper is the functional equivalent of possession of “tangible chattel paper” (a term also defined in Section 9-102).

3. Development of Control Systems. This Article leaves to the marketplace the development of systems and procedures, through a combination of suitable technologies and business practices, for dealing with control of electronic chattel paper in a commercial context. Systems that evolve for control of electronic chattel paper may or may not involve a third party custodian of the relevant records. As under UETA, a system must be shown to reliably establish that the secured party is the assignee of the chattel paper. Reliability is a high standard and encompasses the general principles of uniqueness, identifiability, and unalterability found in subsection (b) without setting forth specific guidelines as to how these principles must be achieved. However, the standards applied to determine whether a party is in control of electronic chattel paper should not be more stringent than the standards now applied to determine whether a party is in possession of tangible chattel paper. For example, just as a secured party does not lose possession of tangible chattel paper merely by virtue of the possibility that a person acting on its behalf *could* wrongfully redeliver the chattel paper to the debtor, so control of electronic chattel paper would not be defeated by the possibility that the secured party’s interest *could* be subverted by the wrongful conduct of a person (such as a custodian) acting on its behalf.

This section and the concept of control of electronic chattel paper are not based on the same concepts as are control of deposit accounts (Section 9-104), security entitlements, a type of investment property (Section 9-106), and letter-of-credit rights (Section 9-107). The rules for control of that collateral are based on existing market practices and legal and regulatory regimes for institutions such as banks and securities intermediaries. Analogous practices for electronic chattel paper are developing nonetheless. The flexible approach adopted by this section, moreover, should not impede the development of these practices and, eventually, legal and regulatory regimes, which may become analogous to those for, e.g., investment property.

3 4. “Authoritative Copy” of Electronic Chattel Paper. One requirement for establishing control under subsection (b) is that a particular copy be an “authoritative copy.” Although other copies may exist, they must be distinguished from the authoritative copy. This may be achieved, for example, through the methods of authentication that are used or by business practices involving the marking of any additional copies. When tangible chattel paper is converted to electronic chattel paper, in order to establish that a copy of the electronic chattel paper is the authoritative copy it may be necessary to show that the tangible chattel paper no longer exists or has been permanently marked to indicate that it is not the authoritative copy.

4. Development of Control Systems. This Article leaves to the marketplace the development of systems and procedures, through a combination of suitable technologies and business practices, for dealing with control of electronic chattel paper in a commercial context. However, achieving control under this section requires more than the agreement of interested persons that the elements of control are satisfied. For example, paragraph (4) contemplates that

control requires that it be a physical impossibility (or sufficiently unlikely or implausible so as to approach practical impossibility) to add or change an identified assignee without the participation of the secured party (or its authorized representative). It would not be enough for the assignor merely to agree that it will not change the identified assignee without the assignee-secured party's consent. However, the standards applied to determine whether a party is in control of electronic chattel paper should not be more stringent than the standards now applied to determine whether a party is in possession of tangible chattel paper. Control of electronic chattel paper contemplates systems or procedures such that the secured party must take some action (either directly or through its designated custodian) to effect a change or addition to the authoritative copy. But just as a secured party does not lose possession of tangible chattel paper merely by virtue of the possibility that a person acting on its behalf *could* wrongfully redeliver the chattel paper to the debtor, so control of electronic chattel paper would not be defeated by the possibility that the secured party's interest *could* be subverted by the wrongful conduct of a person (such as a custodian) acting on its behalf.

Systems that evolve for control of electronic chattel paper may or may not involve a third party custodian of the relevant records. However, this section and the concept of control of electronic chattel paper are not based on the same concepts as are control of deposit accounts (Section 9-104), security entitlements, a type of investment property (Section 9-106), and letter-of-credit rights (Section 9-107). The rules for control of that collateral are based on existing market practices and legal and regulatory regimes for institutions such as banks and securities intermediaries. Analogous practices for electronic chattel paper are developing nonetheless. The flexible approach adopted by this section, moreover, should not impede the development of these practices and, eventually, legal and regulatory regimes, which may become analogous to those for, e.g., investment property.

Reporter's Note

1. Subsection (a) is new. With its addition, satisfaction of the requirements currently enumerated in Section 9-105 would become sufficient, but not necessary, to establish control. Control may arise under the general standard (new subsection (a)) even if the specific requirements are not satisfied.

Subsection (a) largely conforms to Section 7-106, which defines control of an electronic document of title. However, two changes were necessary. First, in keeping with the general usage in Article 9, Section 9-105 uses the term "assign" rather than "transfer." Second, although Section 7-106 (which is not limited to secured parties) expands the control concept to include not only an assignee of an electronic document of title but also a person to which an electronic document is originally issued, under Section 9-105 only an assignee of electronic chattel paper can have control of the chattel paper.

The amendments to paragraphs (4), (5), and (6) of subsection (b) are stylistic.

2. The change from current Section 9-105 to the revised section *ipso facto* may result in a secured party's achieving control of electronic chattel paper. In these circumstances, control would date from the effective date of the revision and would not relate back.

1 * * *

2
3
4 **PART 3**

5
6 **PERFECTION AND PRIORITY**

7
8 [SUBPART 1. LAW GOVERNING PERFECTION AND PRIORITY]

9
10 * * *

11
12 **SECTION 9-307. LOCATION OF DEBTOR.**

13 (a) [**“Place of business.”**] In this section, “place of business” means a place where a
14 debtor conducts its affairs.

15 (b) [**Debtor’s location: general rules.**] Except as otherwise provided in this section,
16 the following rules determine a debtor’s location:

17 (1) A debtor who is an individual is located at the individual’s principal
18 residence.

19 (2) A debtor that is an organization and has only one place of business is located
20 at its place of business.

21 (3) A debtor that is an organization and has more than one place of business is
22 located at its chief executive office.

23 (c) [**Limitation of applicability of subsection (b).**] Subsection (b) applies only if a
24 debtor’s residence, place of business, or chief executive office, as applicable, is located in a
25 jurisdiction whose law generally requires information concerning the existence of a
26 nonpossessory security interest to be made generally available in a filing, recording, or
27 registration system as a condition or result of the security interest’s obtaining priority over the
28 rights of a lien creditor with respect to the collateral. If subsection (b) does not apply, the debtor
29 is located in the District of Columbia.

1 (d) **[Continuation of location: cessation of existence, etc.]** A person that ceases to
2 exist, have a residence, or have a place of business continues to be located in the jurisdiction
3 specified by subsections (b) and (c).

4 (e) **[Location of registered organization organized under State law.]** A registered
5 organization that is organized under the law of a State is located in that State.

6 (f) **[Location of registered organization organized under federal law; bank**
7 **branches and agencies.]** Except as otherwise provided in subsection (i), a registered
8 organization that is organized under the law of the United States and a branch or agency of a
9 bank that is not organized under the law of the United States or a State are located:

10 (1) in the State that the law of the United States designates, if the law designates a
11 State of location;

12 (2) in the State that the registered organization, branch, or agency designates, if
13 the law of the United States authorizes the registered organization, branch, or agency to
14 designate its State of location, including by designating its main office, home office, or other
15 comparable office; or

16 (3) in the District of Columbia, if neither paragraph (1) nor paragraph (2) applies.

17 (g) **[Continuation of location: change in status of registered organization.]** A
18 registered organization continues to be located in the jurisdiction specified by subsection (e) or
19 (f) notwithstanding:

20 (1) the suspension, revocation, forfeiture, or lapse of the registered organization's
21 status as such in its jurisdiction of organization; or

22 (2) the dissolution, winding up, or cancellation of the existence of the registered
23 organization.

24 (h) **[Location of United States.]** The United States is located in the District of

1 Columbia.

2 (i) **[Location of foreign bank branch or agency if licensed in only one state.]** A

3 branch or agency of a bank that is not organized under the law of the United States or a State is
4 located in the State in which the branch or agency is licensed, if all branches and agencies of the
5 bank are licensed in only one State.

6 (j) **[Location of foreign air carrier.]** A foreign air carrier under the Federal Aviation
7 Act of 1958, as amended, is located at the designated office of the agent upon which service of
8 process may be made on behalf of the carrier.

9 (k) **[Section applies only to this part.]** This section applies only for purposes of this
10 part.

11 **Official Comment**

12 * * *

13
14
15 2. **General Rules.** As a general matter, the location of the debtor determines the
16 jurisdiction whose law governs perfection of a security interest. See Sections 9-301(1), 9-
17 305(c). It also governs priority of a security interest in certain types of intangible collateral, such
18 as accounts, electronic chattel paper, and general intangibles. This section determines the
19 location of the debtor for choice-of-law purposes, but not for other purposes. See subsection (k).
20

21 Subsection (b) states the general rules: An individual debtor is deemed to be located at
22 the individual's principal residence with respect to both personal and business assets. Any other
23 debtor is deemed to be located at its place of business if it has only one, or at its chief executive
24 office if it has more than one place of business.
25

26 As used in this section, a "place of business" means a place where the debtor conducts its
27 affairs. See subsection (a). Thus, every organization, even eleemosynary institutions and other
28 organizations that do not conduct "for profit" business activities, has a "place of business."
29 Under subsection (d), a person who ceases to exist, have a residence, or have a place of business
30 continues to be located in the jurisdiction determined by subsection (b).
31

32 The term "chief executive office" is not defined in this Section or elsewhere in the
33 Uniform Commercial Code. "Chief executive office" means the place from which the debtor
34 manages the main part of its business operations or other affairs. This is the place where persons
35 dealing with the debtor would normally look for credit information, and is the appropriate place
36 for filing. With respect to most multi-state debtors, it will be simple to determine which of the
37 debtor's offices is the "chief executive office." Even when a doubt arises, it would be rare that

1 there could be more than two possibilities. A secured party in such a case may protect itself by
2 perfecting under the law of each possible jurisdiction.

3
4 Similarly, the term “principal residence” is not defined. If the security interest in
5 question is a purchase-money security interest in consumer goods which is perfected upon
6 attachment, see Section 9-309(1), the choice of law may make no difference. In other cases,
7 when a doubt arises, prudence may dictate perfecting under the law of each jurisdiction that
8 might be the debtor’s “principal residence.”

9
10 Questions sometimes arise about the location of the debtor with respect to collateral held
11 in a common-law trust. A typical common-law trust is not itself a juridical entity capable of
12 owing property and so would not be a “debtor” as defined in Section 9-102. Rather, the debtor
13 with respect to property held in a common-law trust typically is the trustee of the trust acting in
14 the capacity of trustee. If a common-law trust has multiple trustees located in different
15 jurisdictions, a secured party who perfects by filing would be well advised to file a financing
16 statement in each jurisdiction in which a trustee is located, as determined under Section 9-307.
17 Filing in all relevant jurisdictions would insure perfection and minimize any priority
18 complications that otherwise might arise.

19
20 The general rule is subject to several exceptions, each of which is discussed below.

21 22 3. **Non-U.S. Debtors.** * * *

23
24 4. **Registered Organizations Organized Under Law of a State.** Under subsection (e),
25 a “registered organization” ~~(e.g., a corporation or limited partnership)~~ (defined in Section 9-102
26 so as to ordinarily include corporations, limited partnerships, limited liability companies, and
27 statutory trusts) organized under the law of a “State” (defined in Section 9-102) is located in its
28 State of organization. The term “registered organization” includes a business trust described in
29 the second sentence of the term’s definition. See Section 9-102. The trust’s public organic
30 record, typically the trust agreement, usually will indicate the jurisdiction under whose law the
31 trust is organized.

32
33 Subsection (g) makes clear that events affecting the status of a registered organization,
34 such as the dissolution of a corporation or revocation of its charter, do not affect its location for
35 purposes of subsection (e). However, certain of these events may result in, or be accompanied
36 by, a transfer of collateral from the registered organization to another debtor. This section does
37 not determine whether a transfer occurs, nor does it determine the legal consequences of any
38 transfer.

39
40 Determining the registered organization-debtor’s location by reference to the jurisdiction
41 of organization could provide some important side benefits for the filing systems. A jurisdiction
42 could structure its filing system so that it would be impossible to make a mistake in a registered
43 organization-debtor’s name on a financing statement. For example, a filer would be informed if
44 a filed record designated an incorrect corporate name for the debtor. Linking filing to the
45 jurisdiction of organization also could reduce pressure on the system imposed by transactions in
46 which registered organizations cease to exist—as a consequence of merger or consolidation, for
47 example. The jurisdiction of organization might prohibit such transactions unless steps were

1 taken to ensure that existing filings were refiled against a successor or terminated by the secured
2 party.
3

4 **5. Registered Organizations Organized Under Law of United States; Branches and**
5 **Agencies of Banks Not Organized Under Law of United States.** Subsection (f) specifies the
6 location of a debtor that is a registered organization organized under the law of the United States.
7 It defers to the law of the United States, to the extent that that law determines, or authorizes the
8 debtor to determine, the debtor's location. Thus, if the law of the United States designates a
9 particular State as the debtor's location, that State is the debtor's location for purposes of this
10 Article's choice-of-law rules. Similarly, if the law of the United States authorizes the registered
11 organization to designate its State of location, the State that the registered organization
12 designates is the State in which it is located for purposes of this Article's choice-of-law rules. In
13 other cases, the debtor is located in the District of Columbia.
14

15 In some cases, the law of the United States authorizes the registered organization to
16 designate a main office, home office, or other comparable office. See, e.g., 12 U.S.C. Sections
17 22 and 1464(a); 12 C.F.R. Section 552.3. Designation of such an office constitutes the
18 designation of the State of location for purposes of Section 9-307 (f)(2).
19

20 Subsection (f) also specifies the location of a branch or agency in the United States of a
21 foreign bank that has one or more branches or agencies in the United States. The law of the
22 United States ~~authorized~~ authorizes a foreign bank (or, on behalf of the bank, a federal agency)
23 to designate a single home state for all of the foreign bank's branches and agencies in the United
24 States. See 12 U.S.C. Section 3103(c) and 12 C.F.R. Section 211.22. As authorized, the
25 designation constitutes the State of location for the branch or agency for purposes of Section 9-
26 307(f), unless all of a foreign bank's branches or agencies that are in the United States are
27 licensed in only one State, in which case the branches and agencies are located in that State. See
28 subsection (i).
29

30 In cases not governed by subsection (f) or (i), the location of a foreign bank is determined
31 by subsections (b) and (c).
32

33 **Reporter's Note**

34

35 The amendment to subsection (f) would remove any doubt that, as the comment
36 indicates, when the law of the United States authorizes a registered organization to designate a
37 main office, home office, or other comparable office, designation of such an office constitutes
38 the designation of the State of location for purposes of Section 9-307(f)(2).
39

40 * * *
41
42

1 [SUBPART 2. PERFECTION]

2
3 **SECTION 9-311. PERFECTION OF SECURITY INTERESTS IN PROPERTY**

4 **SUBJECT TO CERTAIN STATUTES, REGULATIONS, AND TREATIES.**

5 (a) **[Security interest subject to other law.]** Except as otherwise provided in
6 subsection (d), the filing of a financing statement is not necessary or effective to perfect a
7 security interest in property subject to:

8 (1) a statute, regulation, or treaty of the United States whose requirements for a
9 security interest's obtaining priority over the rights of a lien creditor with respect to the property
10 preempt Section 9-310(a);

11 (2) [list any ~~certificate-of-title~~ statute covering automobiles, trailers, mobile
12 homes, boats, farm tractors, or the like, which provides for a security interest to be indicated on
13 ~~the a~~ a certificate of title as a condition or result of perfection, and any non-Uniform Commercial
14 Code central filing statute]; or

15 (3) a ~~certificate-of-title~~ statute of another jurisdiction which provides for a
16 security interest to be indicated on ~~the a~~ a certificate of title as a condition or result of the security
17 interest's obtaining priority over the rights of a lien creditor with respect to the property.

18 (b) **[Compliance with other law.]** Compliance with the requirements of a statute,
19 regulation, or treaty described in subsection (a) for obtaining priority over the rights of a lien
20 creditor is equivalent to the filing of a financing statement under this article. Except as
21 otherwise provided in subsection (d) and Sections 9-313 and 9-316(d) and (e) for goods covered
22 by a certificate of title, a security interest in property subject to a statute, regulation, or treaty
23 described in subsection (a) may be perfected only by compliance with those requirements, and a
24 security interest so perfected remains perfected notwithstanding a change in the use or transfer of
25 possession of the collateral.

1 (c) **[Duration and renewal of perfection.]** Except as otherwise provided in subsection
2 (d) and Section 9-316(d) and (e), duration and renewal of perfection of a security interest
3 perfected by compliance with the requirements prescribed by a statute, regulation, or treaty
4 described in subsection (a) are governed by the statute, regulation, or treaty. In other respects,
5 the security interest is subject to this article.

6 (d) **[Inapplicability to certain inventory.]** During any period in which collateral
7 subject to a statute specified in subsection (a)(2) is inventory held for sale or lease by a person or
8 leased by that person as lessor and that person is in the business of selling goods of that kind,
9 this section does not apply to a security interest in that collateral created by that person.

10 ***Legislative Note:*** *This Article contemplates that perfection of a security interest in goods*
11 *covered by a certificate of title occurs upon receipt by appropriate State officials of a properly*
12 *tendered application for a certificate of title on which the security interest is to be indicated,*
13 *without a relation back to an earlier time. States whose certificate-of-title statutes provide for*
14 *perfection at a different time or contain a relation-back provision should amend the statutes*
15 *accordingly.*

16
17 **Reporter's Note**
18

19 This amendment reflects the amendment to the definition of "certificate of title" in
20 Section 9-102.

21
22 * * *
23
24

25 **SECTION 9-316. ~~CONTINUED PERFECTION OF SECURITY INTEREST~~**
26 **~~FOLLOWING~~ EFFECT OF CHANGE IN GOVERNING LAW.**

27 (a) **[General rule: effect on perfection of change in governing law.]** A security
28 interest perfected pursuant to the law of the jurisdiction designated in Section 9-301(1) or
29 9-305(c) remains perfected until the earliest of:

30 (1) the time perfection would have ceased under the law of that jurisdiction;

31 (2) the expiration of four months after a change of the debtor's location to another

jurisdiction; or

(3) the expiration of one year after a transfer of collateral to a person that thereby becomes a debtor and is located in another jurisdiction.

(b) [Security interest perfected or unperfected under law of new jurisdiction.] If a security interest described in subsection (a) becomes perfected under the law of the other jurisdiction before the earliest time or event described in that subsection, it remains perfected thereafter. If the security interest does not become perfected under the law of the other jurisdiction before the earliest time or event, it becomes unperfected and is deemed never to have been perfected as against a purchaser of the collateral for value.

(c) [Possessory security interest in collateral moved to new jurisdiction.] A possessory security interest in collateral, other than goods covered by a certificate of title and as-extracted collateral consisting of goods, remains continuously perfected if:

(1) the collateral is located in one jurisdiction and subject to a security interest perfected under the law of that jurisdiction;

(2) thereafter the collateral is brought into another jurisdiction; and

(3) upon entry into the other jurisdiction, the security interest is perfected under the law of the other jurisdiction.

(d) [Goods covered by certificate of title from this state.] Except as otherwise provided in subsection (e), a security interest in goods covered by a certificate of title which is perfected by any method under the law of another jurisdiction when the goods become covered by a certificate of title from this State remains perfected until the security interest would have become unperfected under the law of the other jurisdiction had the goods not become so covered.

(e) [When subsection (d) security interest becomes unperfected against purchasers.] A security interest described in subsection (d) becomes unperfected as against a purchaser of the

goods for value and is deemed never to have been perfected as against a purchaser of the goods for value if the applicable requirements for perfection under Section 9-311(b) or 9-313 are not satisfied before the earlier of:

(1) the time the security interest would have become unperfected under the law of the other jurisdiction had the goods not become covered by a certificate of title from this State; or

(2) the expiration of four months after the goods had become so covered.

(f) [Change in jurisdiction of bank, issuer, nominated person, securities intermediary, or commodity intermediary.] A security interest in deposit accounts, letter-of-credit rights, or investment property which is perfected under the law of the bank's jurisdiction, the issuer's jurisdiction, a nominated person's jurisdiction, the securities intermediary's jurisdiction, or the commodity intermediary's jurisdiction, as applicable, remains perfected until the earlier of:

(1) the time the security interest would have become unperfected under the law of that jurisdiction; or

(2) the expiration of four months after a change of the applicable jurisdiction to another jurisdiction.

(g) [Subsection (f) security interest perfected or unperfected under law of new jurisdiction.] If a security interest described in subsection (f) becomes perfected under the law of the other jurisdiction before the earlier of the time or the end of the period described in that subsection, it remains perfected thereafter. If the security interest does not become perfected under the law of the other jurisdiction before the earlier of that time or the end of that period, it becomes unperfected and is deemed never to have been perfected as against a purchaser of the collateral for value.

1 (h) [Effect on filed financing statement of change in governing law.] The following
2 rules apply to collateral to which a security interest attaches within four months after the debtor
3 changes its location to another jurisdiction:

4 (1) A financing statement filed before the change pursuant to the law of the
5 jurisdiction designated in Section 9-301(1) or 9-305(c) is effective to perfect a security interest
6 in the collateral if the financing statement would have been effective to perfect a security interest
7 in the collateral if the debtor had not changed its location.

8 (2) If a security interest that is perfected by a financing statement that is effective
9 under paragraph (1) becomes perfected under the law of the other jurisdiction before the earlier
10 of the time the financing statement would have become ineffective under the law of the
11 jurisdiction designated in Section 9-301(1) or 9-305(c) or the expiration of the four-month
12 period, it remains perfected thereafter. If the security interest does not become perfected under
13 the law of the other jurisdiction before the earlier time or event, it becomes unperfected and is
14 deemed never to have been perfected as against a purchaser of the collateral for value.

15 (i) [Effect of change in governing law on financing statement filed against original
16 debtor.] If a financing statement naming an original debtor is filed pursuant to the law of the
17 jurisdiction designated in Section 9-301(1) or 9-305(c) and the new debtor is located in another
18 jurisdiction, the following rules apply:

19 (1) The financing statement is effective to perfect a security interest in collateral
20 in which the new debtor has or acquires rights before or within four months after the new debtor
21 becomes bound under Section 9-203(d), if the financing statement would have been effective to
22 perfect a security interest in the collateral if the collateral had been acquired by the original
23 debtor.

24 (2) A security interest that is perfected by the financing statement and which

1 becomes perfected under the law of the other jurisdiction before the earlier of the expiration of
2 the four-month period or the time the financing statement would have become ineffective under
3 the law of the jurisdiction designated in Section 9-301(1) or 9-305(c) remains perfected
4 thereafter. A security interest that is perfected by the financing statement but which does not
5 become perfected under the law of the other jurisdiction before the earlier time or event becomes
6 unperfected and is deemed never to have been perfected as against a purchaser of the collateral
7 for value.

8 **Official Comment**

9
10 1. **Source.** Former Section 9-103(1)(d), (2)(b), (3)(e), as modified.

11
12 2. **Continued Perfection.** ~~This section deals~~ Subsections (a) through (g) deal with
13 continued perfection of security interests that have been perfected under the law of another
14 jurisdiction. The fact that the law of a particular jurisdiction ceases to govern perfection under
15 Sections 9-301 through 9-307 does not necessarily mean that a security interest perfected under
16 that law automatically becomes unperfected. To the contrary: This section generally provides
17 that a security interest perfected under the law of one jurisdiction remains perfected for a fixed
18 period of time (four months or one year, depending on the circumstances), even though the
19 jurisdiction whose law governs perfection changes. However, cessation of perfection under the
20 law of the original jurisdiction cuts short the fixed period. The four-month and one-year periods
21 are long enough for a secured party to discover in most cases that the law of a different
22 jurisdiction governs perfection and to reperfect (typically by filing) under the law of that
23 jurisdiction. If a secured party properly reperfects a security interest before it becomes
24 unperfected under subsection (a), then the security interest remains perfected continuously
25 thereafter. See subsection (b).

26
27 **Example 1:** Debtor is a general partnership whose chief executive office is in
28 Pennsylvania. Lender perfects a security interest in Debtor's equipment by filing in
29 Pennsylvania on May 15, 2002. On April 1, 2005, without Lender's knowledge, Debtor
30 moves its chief executive office to New Jersey. Lender's security interest remains
31 perfected for four months after the move. See subsection (a)(2).

32
33 **Example 2:** Debtor is a general partnership whose chief executive office is in
34 Pennsylvania. Lender perfects a security interest in Debtor's equipment by filing in
35 Pennsylvania on May 15, 2002. On April 1, 2007, without Lender's knowledge, Debtor
36 moves its chief executive office to New Jersey. Lender's security interest remains
37 perfected only through May 14, 2007, when the effectiveness of the filed financing
38 statement lapses. See subsection (a)(1). Although, under these facts, Lender would have
39 only a short period of time to discover that Debtor had relocated and to reperfect under
40 New Jersey law, Lender could have protected itself by filing a continuation statement in

1 Pennsylvania before Debtor relocated. By doing so, Lender would have prevented lapse
2 and allowed itself the full four months to discover Debtor's new location and refile there
3 or, if Debtor is in default, to perfect by taking possession of the equipment.
4

5 **Example 3:** Under the facts of Example 2, Lender files a financing statement in New
6 Jersey before the effectiveness of the Pennsylvania financing statement lapses. Under
7 subsection (b), Lender's security interest is continuously perfected beyond May 14, 2007,
8 for a period determined by New Jersey's Article 9.
9

10 Subsection (a)(3) allows a one-year period in which to reperfect. The longer period is
11 necessary, because, even with the exercise of due diligence, the secured party may be unable to
12 discover that the collateral has been transferred to a person located in another jurisdiction.
13

14 **Example 4:** Debtor is a Pennsylvania corporation. Lender perfects a security interest in
15 Debtor's equipment by filing in Pennsylvania. Debtor's shareholders decide to
16 "reincorporate" in Delaware. They form a Delaware corporation (Newcorp) into which
17 they merge Debtor. The merger effectuates a transfer of the collateral from Debtor to
18 Newcorp, which thereby becomes a debtor and is located in another jurisdiction. Under
19 subsection (a)(3), the security interest remains perfected for one year after the merger. If
20 a financing statement is filed in Delaware against Newcorp within the year following the
21 merger, then the security interest remains perfected thereafter for a period determined by
22 Delaware's Article 9.
23

24 Note that although Newcorp is a "new debtor" as defined in Section 9-102, the application of
25 subsection (a)(3) is not limited to transferees who are new debtors. Note also that, under Section
26 9-507, the financing statement naming Debtor remains effective even though Newcorp has
27 become the debtor.
28

29 ~~This section~~ Subsection (a) addresses security interests that are perfected (i.e., that have
30 attached and as to which any required perfection step has been taken) before the debtor changes
31 its location. ~~As the following example explains, this section does not apply~~ Subsection (h)
32 applies to security interests that have not attached before the location changes. See Comment 7.
33

34 ~~**Example 5:** Debtor is a Pennsylvania corporation. Debtor grants to Lender a security~~
35 ~~interest in Debtor's existing and after-acquired inventory. Lender perfects by filing in~~
36 ~~Pennsylvania. Debtor's shareholders decide to "reincorporate" in Delaware. They form~~
37 ~~a Delaware corporation (Newcorp) into which they merge Debtor. By virtue of the~~
38 ~~merger, Newcorp becomes bound by Debtor's security agreement. See Section 9-203.~~
39 ~~After the merger, Newcorp acquires inventory to which Lender's security interest~~
40 ~~attaches. Because Newcorp is located in Delaware, Delaware law governs perfection of a~~
41 ~~security interest in Newcorp's inventory. See Sections 9-301, 9-307. Having failed to~~
42 ~~perfect under Delaware law, Lender holds an unperfected security interest in the~~
43 ~~inventory acquired by Newcorp after the merger. The same result follows regardless of~~
44 ~~the name of the Delaware corporation (i.e., even if the Delaware corporation and Debtor~~
45 ~~have the same name). A different result would occur if Debtor and Newcorp were~~
46 ~~incorporated in the same state. See Section 9-508, Comment 4.~~
47

1 **3. Retroactive Unperfection.** Subsection (b) sets forth the consequences of the failure
2 to reperfect before perfection ceases under subsection (a): the security interest becomes
3 unperfected prospectively and, as against purchasers for value, including buyers and secured
4 parties, but not as against donees or lien creditors, retroactively. The rule applies to agricultural
5 liens, as well. See also Section 9-515 (taking the same approach with respect to lapse).
6 Although this approach creates the potential for circular priorities, the alternative—retroactive
7 unperfection against lien creditors—would create substantial and unjustifiable preference risks.
8

9 **Example 6 5:** Under the facts of Example 4, six months after the merger, Buyer bought
10 from Newcorp some equipment formerly owned by Debtor. At the time of the purchase,
11 Buyer took subject to Lender's perfected security interest, of which Buyer was unaware.
12 See Section 9-315(a)(1). However, subsection (b) provides that if Lender fails to
13 reperfect in Delaware within a year after the merger, its security interest becomes
14 unperfected and is deemed never to have been perfected against Buyer. Having given
15 value and received delivery of the equipment without knowledge of the security interest
16 and before it was perfected, Buyer would take free of the security interest. See Section 9-
17 317(b).
18

19 **Example 7 6:** Under the facts of Example 4, one month before the merger, Debtor
20 created a security interest in certain equipment in favor of Financer, who perfected by
21 filing in Pennsylvania. At that time, Financer's security interest is subordinate to
22 Lender's. See Section 9-322(a)(1). Financer reperfects by filing in Delaware within a
23 year after the merger, but Lender fails to do so. Under subsection (b), Lender's security
24 interest is deemed never to have been perfected against Financer, a purchaser for value.
25 Consequently, under Section 9-322(a)(2), Financer's security interest is now senior.
26

27 Of course, the expiration of the time period specified in subsection (a) does not of itself
28 prevent the secured party from later reperfecting under the law of the new jurisdiction. If the
29 secured party does so, however, there will be a gap in perfection, and the secured party may lose
30 priority as a result. Thus, in Example 7 6, if Lender perfects by filing in Delaware more than
31 one year under the merger, it will have a new date of filing and perfection for purposes of
32 Section 9-322(a)(1). Financer's security interest, whose perfection dates back to the filing in
33 Pennsylvania under subsection (b), will remain senior.
34

35 **4. Possessory Security Interests.** Subsection (c) deals with continued perfection of
36 possessory security interests. It applies not only to security interests perfected solely by the
37 secured party's having taken possession of the collateral. It also applies to security interests
38 perfected by a method that includes as an element of perfection the secured party's having taken
39 possession, such as perfection by taking delivery of a certificated security in registered form, see
40 Section 9-313(a), and perfection by obtaining control over a certificated security. See Section 9-
41 314(a).
42

43 **5. Goods Covered by Certificate of Title.** Subsections (d) and (e) address continued
44 perfection of a security interest in goods covered by a certificate of title. The following
45 examples explain the operation of those subsections.
46

47 **Example 8 7:** Debtor's automobile is covered by a certificate of title issued by Illinois.

1 Lender perfects a security interest in the automobile by complying with Illinois'
2 certificate-of-title statute. Thereafter, Debtor applies for a certificate of title in Indiana.
3 Six months thereafter, Creditor acquires a judicial lien on the automobile. Under Section
4 9-303(b), Illinois law ceases to govern perfection; rather, once Debtor delivers the
5 application and applicable fee to the appropriate Indiana authority, Indiana law governs.
6 Nevertheless, under Indiana's Section 9-316(d), Lender's security interest remains
7 perfected until it would become unperfected under Illinois law had no certificate of title
8 been issued by Indiana. (For example, Illinois' certificate-of-title statute may provide
9 that the surrender of an Illinois certificate of title in connection with the issuance of a
10 certificate of title by another jurisdiction causes a security interest noted thereon to
11 become unperfected.) If Lender's security interest remains perfected, it is senior to
12 Creditor's judicial lien.
13

14 **Example 9 8:** Under the facts in Example 8 7, five months after Debtor applies for an
15 Indiana certificate of title, Debtor sells the automobile to Buyer. Under subsection (e)(2),
16 because Lender did not reperfect within the four months after the goods became covered
17 by the Indiana certificate of title, Lender's security interest is deemed never to have been
18 perfected against Buyer. Under Section 9-317(b), Buyer is likely to take free of the
19 security interest. Lender could have protected itself by perfecting its security interest
20 either under Indiana's certificate-of-title statute, see Section 9-311, or, if it had a right to
21 do so under an agreement or Section 9-609, by taking possession of the automobile. See
22 Section 9-313(b).
23

24 The results in Examples 8 7 and 9 8 do not depend on the fact that the original perfection
25 was achieved by notation on a certificate of title. Subsection (d) applies regardless of the
26 method by which a security interest is perfected under the law of another jurisdiction when the
27 goods became covered by a certificate of title from this State.
28

29 Section 9-337 affords protection to a limited class of persons buying or acquiring a
30 security interest in the goods while a security interest is perfected under the law of another
31 jurisdiction but after this State has issued a clean certificate of title.
32

33 **6. Deposit Accounts, Letter-of-Credit Rights, and Investment Property.** Subsections
34 (f) and (g) address changes in the jurisdiction of a bank, issuer of an uncertificated security,
35 issuer of or nominated person under a letter of credit, securities intermediary, and commodity
36 intermediary. The provisions are analogous to those of subsections (a) and (b).
37

38 **7. Security Interests that Attach after Debtor Changes Location.** In contrast to
39 subsections (a) and (b), which address security interests that are perfected (i.e., that have
40 attached and as to which any required perfection step has been taken) before the debtor changes
41 its location, subsection (h) addresses security interests that attach within four months after the
42 debtor changes its location. Under subsection (h), a filed financing statement that would have
43 been effective to perfect a security interest in the collateral if the debtor had not changed its
44 location is effective to perfect a security interest in collateral acquired within four months after
45 the relocation.
46

47 **Example 9:** Debtor, an individual whose principal residence is in Pennsylvania, grants

1 to Lender a security interest in Debtor's existing and after-acquired inventory. Lender
2 perfects the security interest by filing a proper financing statement in Pennsylvania on
3 January 2, 2014. On March 31, 2014, Debtor's principal residence is relocated to New
4 Jersey. Upon the relocation, New Jersey law governs perfection of a security interest in
5 Debtor's inventory. See Sections 9-301, 9-307. Under New Jersey's Section 9-316(a),
6 Lender's security interest in Debtor's inventory on hand at the time of the relocation
7 remains perfected for four months thereafter. Had Debtor not relocated, the financing
8 statement filed in Pennsylvania would have been effective to perfect Lender's security
9 interest in inventory acquired by Debtor after March 31. Accordingly, under subsection
10 (h), the financing statement is effective to perfect Lender's security interest in inventory
11 that Debtor acquires within the four months after Debtor's location changed.
12

13 In Example 9, Lender's security interest in the inventory acquired within the four months
14 after Debtor's relocation will be perfected when it attaches. It will remain perfected if, before
15 the expiration of the four-month period, the security interest is perfected under the law of New
16 Jersey. Otherwise, the security interest will become unperfected at the end of the four-month
17 period and will be deemed never to have been perfected as against a purchaser for value. See
18 subsection (h)(2).
19

20 **8. Collateral Acquired by New Debtor.** Subsection (i) is similar to subsection (h).
21 Whereas subsection (h) addresses security interests that attach within four months after a debtor
22 changes its location, subsection (i) addresses security interests that attach within four months
23 after a new debtor becomes bound as debtor by a security agreement entered into by another
24 person. Subsection (i) also addresses collateral acquired by the new debtor before it becomes
25 bound.
26

27 **Example 10:** Debtor, a Pennsylvania corporation, grants to Lender a security interest in
28 Debtor's existing and after-acquired inventory. Lender perfects the security interest by
29 filing a proper financing statement in Pennsylvania on January 2, 2014. On March 31,
30 2014, Debtor merges into Survivor, a Delaware corporation. Because Survivor is located
31 in Delaware, Delaware law governs perfection of a security interest in Survivor's
32 inventory. See Sections 9-301, 9-307. Under Delaware's Section 9-316(a), Lender's
33 security interest in the inventory that Survivor acquired from Debtor remains perfected
34 for one year after the transfer. See Comment 2. By virtue of the merger, Survivor
35 becomes bound as debtor by Debtor's security agreement. See Section 9-203(d). As a
36 consequence, Lender's security interest attaches to all of Survivor's inventory under
37 Section 9-203, and Lender's collateral now includes inventory in which Debtor never had
38 an interest. The financing statement filed in Pennsylvania against Debtor is effective
39 under Delaware's Section 9-316(i) to perfect Lender's security interest in inventory that
40 Survivor acquires before, and within the four months after, becoming bound as debtor by
41 Debtor's security agreement. This is because the financing statement filed in
42 Pennsylvania would have been effective to perfect Lender's security interest in this
43 collateral had Debtor, rather than Survivor, acquired it. (Note also that the financing
44 statement is effective to the extent provided in Section 9-508, despite the fact that it does
45 not name Survivor as debtor.)
46

47 If the financing statement is effective, Lender's security interest in the collateral that

Survivor acquired before, and within four months after, Survivor became bound as debtor will be perfected upon attachment. It will remain perfected if, before the expiration of the four-month period, the security interest is perfected under Delaware law. Otherwise, the security interest will become unperfected at the end of the four-month period and will be deemed never to have been perfected as against a purchaser for value.

Section 9-325 contains special rules governing the priority of competing security interests in collateral that is transferred, by merger or otherwise, to a new debtor. Section 9-326 contains special rules governing the priority of competing security interests in collateral acquired by a new debtor other than by transfer from the original debtor.

7 9. Agricultural Liens. This section does not apply to agricultural liens.

Example 10 11: Supplier holds an agricultural lien on corn. The lien arises under an Iowa statute. Supplier perfects by filing a financing statement in Iowa, where the corn is located. See Section 9-302. Debtor stores the corn in Missouri. Assume the Iowa agricultural lien survives or an agricultural lien arises under Missouri law (matters that this Article does not govern). Once the corn is located in Missouri, Missouri becomes the jurisdiction whose law governs perfection. See Section 9-302. Thus, the agricultural lien will not be perfected unless Supplier files a financing statement in Missouri.

Reporter's Note

1. Subsection (h) addresses situations in which a debtor changes its location, as determined under Section 9-307. Suppose, for example, that Debtor is an individual who resides in Pennsylvania. Lender perfects a security interest in Debtor's inventory by filing in Pennsylvania. Then Debtor's principal residence is relocated to New Jersey. Under Section 9-316, Lender's security interest in inventory on hand as of the relocation date remains perfected for four months thereafter (or, if earlier, until perfection would have ceased under Pennsylvania law). However, although Lender's security interest attaches to inventory that Debtor acquires after relocating to New Jersey, under current law the security interest would be unperfected because Lender has not filed in New Jersey. The security interest of the secured party would be unperfected as to the collateral acquired after relocation, and a purchaser of the collateral, including a buyer, lessee, and competing secured party, would be able to rely on the public record in New Jersey to determine whether that collateral may be encumbered. A search of the Pennsylvania filings would be unnecessary.

Under new subsection (h), a purchaser of collateral acquired by Debtor during the four months immediately following the relocation to New Jersey may need to determine whether a filing has been made against the collateral in Pennsylvania. As a practical matter, the new subsection is likely to impose a significant risk on purchasers in few cases. Although new subsection (h) would apply to all kinds of collateral, it is likely to be most useful to pre-relocation creditors having a security interest in inventory and receivables. A post-relocation secured party who takes a security interest in Debtor's existing and after-acquired inventory and accounts would likely check the Pennsylvania filings even under current law. See Section 9-316(b). And, a buyer in ordinary course of inventory will take free of the security interest, regardless of whether Lender has perfected by filing in Pennsylvania or in New Jersey. See

1 Section 9-320(a).

2
3 2. New subsection (i) is similar to new subsection (h). Whereas the latter addresses a
4 given debtor's change of location, the former addresses situations in which a successor to the
5 debtor becomes bound as debtor by the original debtor's security agreement. See Section 9-
6 203(d). Under new subsection (i), a financing statement filed in the original debtor's jurisdiction
7 would be effective with respect to collateral acquired by the new debtor before, and within four
8 months after, the new debtor becomes bound. By increasing the likelihood that a security
9 interest in certain collateral will be perfected, new subsection (i) may increase the risk to
10 purchasers of the collateral. As with subsection (h), the situations in which this risk is likely to
11 materialize are expected to be few.

12
13
14 [SUBPART 3. PRIORITY]

15 **SECTION 9-317. INTERESTS THAT TAKE PRIORITY OVER OR TAKE FREE**
16 **OF SECURITY INTEREST OR AGRICULTURAL LIEN.**

17 (a) **[Conflicting security interests and rights of lien creditors.]** A security interest or
18 agricultural lien is subordinate to the rights of:

19 (1) a person entitled to priority under Section 9-322; and

20 (2) except as otherwise provided in subsection (e), a person that becomes a lien
21 creditor before the earlier of the time:

22 (A) the security interest or agricultural lien is perfected; or

23 (B) one of the conditions specified in Section 9-203(b)(3) is met and a
24 financing statement covering the collateral is filed.

25 (b) **[Buyers that receive delivery.]** Except as otherwise provided in subsection (e), a
26 buyer, other than a secured party, of tangible chattel paper, tangible documents, goods,
27 instruments, or a ~~security certificate~~ certificated security takes free of a security interest or
28 agricultural lien if the buyer gives value and receives delivery of the collateral without
29 knowledge of the security interest or agricultural lien and before it is perfected.

30 (c) **[Lessees that receive delivery.]** Except as otherwise provided in subsection (e), a

1 lessee of goods takes free of a security interest or agricultural lien if the lessee gives value and
2 receives delivery of the collateral without knowledge of the security interest or agricultural lien
3 and before it is perfected.

4 (d) **[Licensees and buyers of certain collateral.]** A licensee of a general intangible or a
5 buyer, other than a secured party, of ~~accounts, electronic chattel paper, electronic documents,~~
6 ~~general intangibles, or investment property~~ collateral other than tangible chattel paper, tangible
7 documents, goods, instruments, or a certificated security takes free of a security interest if the
8 licensee or buyer gives value without knowledge of the security interest and before it is
9 perfected.

10 * * *

11 Official Comment

12 * * *

13 6. Purchasers Other Than Secured Parties.

14 * * *

15 Subsection (b) governs goods, as well as intangibles of the type whose transfer is effected
16 by physical delivery of the representative piece of paper (tangible chattel paper, tangible
17 documents, instruments, and security certificates). To obtain priority, a buyer must both give
18 value and receive delivery of the collateral without knowledge of the existing security interest
19 and before perfection. Even if the buyer gave value without knowledge and before perfection,
20 the buyer would take subject to the security interest if perfection occurred before physical
21 delivery of the collateral to the buyer. Subsection (c) contains a similar rule with respect to
22 lessees of goods. Note that a lessee of goods in ordinary course of business takes free of all
23 security interests created by the lessor, even if perfected. See Section 9-321.

24 * * *

25 The rule of subsection (b) obviously is not appropriate where the collateral consists of
26 intangibles and there is no representative piece of paper whose physical delivery is the only or
27 the customary method of transfer. Therefore, with respect to such intangibles (including
28 accounts, electronic chattel paper, electronic documents, general intangibles, and investment
29 property other than certificated securities), subsection (d) gives priority to any buyer who gives
30 value without knowledge, and before perfection, of the security interest. A licensee of a general
31 intangible takes free of an unperfected security interest in the general intangible under the same

1 circumstances. Note that a licensee of a general intangible in ordinary course of business takes
2 rights under a nonexclusive license free of security interests created by the licensor, even if
3 perfected. See Section 9-321.

4
5 * * *

6
7 **Reporter's Note**

8
9 The application of subsection (d) is expanded to cover buyers of all types of collateral
10 that are not susceptible to possession. In all likelihood the amendment reflects the original
11 intention of the Article 9 Drafting Committee.

12
13 * * *

14
15 **SECTION 9-326. PRIORITY OF SECURITY INTERESTS CREATED BY NEW**
16 **DEBTOR.**

17 (a) **[Subordination of security interest created by new debtor.]** Subject to subsection
18 (b), a security interest that is created by a new debtor which is in collateral in which the new
19 debtor has or acquires rights and perfected by a filed financing statement that is effective solely
20 under Section 9-508 in collateral in which a new debtor has or acquires rights would be
21 ineffective to perfect the security interest but for the application of Section 9-508 or of Sections
22 9-508 and 9-316(i)(1) is subordinate to a security interest in the same collateral which is
23 perfected other than by such a filed financing statement ~~that is effective solely under Section 9-~~
24 ~~508.~~

25 (b) **[Priority under other provisions; multiple original debtors.]** The other provisions
26 of this part determine the priority among conflicting security interests in the same collateral
27 perfected by filed financing statements ~~that are effective solely under Section 9-508~~ described in
28 subsection (a). However, if the security agreements to which a new debtor became bound as
29 debtor were not entered into by the same original debtor, the conflicting security interests rank
30 according to priority in time of the new debtor's having become bound.

31
32 **Reporter's Note**

1
2 Section 9-326 addresses the priority contests that may arise when a new debtor
3 (successor) becomes bound by the security agreement of an original debtor and each debtor has a
4 secured creditor. With respect to collateral in which the original debtor never held an interest, it
5 subordinates a security interest perfected by filing against the original debtor to a security
6 interest perfected by filing against the new debtor. The amendments preserve this subordination
7 in the face of new Section 9-316(i).
8

9 * * *

10 11 **PART 4**

12 **RIGHTS OF THIRD PARTIES**

13 * * *

14 **SECTION 9-406. DISCHARGE OF ACCOUNT DEBTOR; NOTIFICATION OF** 15 **ASSIGNMENT; IDENTIFICATION AND PROOF OF ASSIGNMENT; RESTRICTIONS** 16 **ON ASSIGNMENT OF ACCOUNTS, CHATTEL PAPER, PAYMENT INTANGIBLES,** 17 **AND PROMISSORY NOTES INEFFECTIVE.**

18 (a) **[Discharge of account debtor; effect of notification.]** Subject to subsections (b)
19 through (i), an account debtor on an account, chattel paper, or a payment intangible may
20 discharge its obligation by paying the assignor until, but not after, the account debtor receives a
21 notification, authenticated by the assignor or the assignee, that the amount due or to become due
22 has been assigned and that payment is to be made to the assignee. After receipt of the
23 notification, the account debtor may discharge its obligation by paying the assignee and may not
24 discharge the obligation by paying the assignor.

25 (b) **[When notification ineffective.]** Subject to subsection (h), notification is ineffective
26 under subsection (a):

- 27 (1) if it does not reasonably identify the rights assigned;
- 28 (2) to the extent that an agreement between an account debtor and a seller of a
29 payment intangible limits the account debtor's duty to pay a person other than the seller and the

1 limitation is effective under law other than this article; or

2 (3) at the option of an account debtor, if the notification notifies the account
3 debtor to make less than the full amount of any installment or other periodic payment to the
4 assignee, even if:

5 (A) only a portion of the account, chattel paper, or payment intangible has
6 been assigned to that assignee;

7 (B) a portion has been assigned to another assignee; or

8 (C) the account debtor knows that the assignment to that assignee is
9 limited.

10 (c) **[Proof of assignment.]** Subject to subsection (h), if requested by the account debtor,
11 an assignee shall seasonably furnish reasonable proof that the assignment has been made.

12 Unless the assignee complies, the account debtor may discharge its obligation by paying the
13 assignor, even if the account debtor has received a notification under subsection (a).

14 (d) **[Term restricting assignment generally ineffective.]** Except as otherwise provided
15 in subsection (e) and Sections 2A-303 and 9-407, and subject to subsection (h), a term in an
16 agreement between an account debtor and an assignor or in a promissory note is ineffective to
17 the extent that it:

18 (1) prohibits, restricts, or requires the consent of the account debtor or person
19 obligated on the promissory note to the assignment or transfer of, or the creation, attachment,
20 perfection, or enforcement of a security interest in, the account, chattel paper, payment
21 intangible, or promissory note; or

22 (2) provides that the assignment or transfer or the creation, attachment,
23 perfection, or enforcement of the security interest may give rise to a default, breach, right of
24 recoupment, claim, defense, termination, right of termination, or remedy under the account,

1 chattel paper, payment intangible, or promissory note.

2 (e) **[Inapplicability of subsection (d) to certain sales.]** Subsection (d) does not apply
3 to the sale of a payment intangible or promissory note, other than a sale pursuant to a disposition
4 under Section 9-610 or an acceptance of collateral under Section 9-620.

5 (f) **[Legal restrictions on assignment generally ineffective.]** Except as otherwise
6 provided in Sections 2A-303 and 9-407 and subject to subsections (h) and (i), a rule of law,
7 statute, or regulation that prohibits, restricts, or requires the consent of a government,
8 governmental body or official, or account debtor to the assignment or transfer of, or creation of a
9 security interest in, an account or chattel paper is ineffective to the extent that the rule of law,
10 statute, or regulation:

11 (1) prohibits, restricts, or requires the consent of the government, governmental
12 body or official, or account debtor to the assignment or transfer of, or the creation, attachment,
13 perfection, or enforcement of a security interest in the account or chattel paper; or

14 (2) provides that the assignment or transfer or the creation, attachment,
15 perfection, or enforcement of the security interest may give rise to a default, breach, right of
16 recoupment, claim, defense, termination, right of termination, or remedy under the account or
17 chattel paper.

18 (g) **[Subsection (b)(3) not waivable.]** Subject to subsection (h), an account debtor may
19 not waive or vary its option under subsection (b)(3).

20 (h) **[Rule for individual under other law.]** This section is subject to law other than this
21 article which establishes a different rule for an account debtor who is an individual and who
22 incurred the obligation primarily for personal, family, or household purposes.

23 (i) **[Inapplicability to health-care-insurance receivable.]** This section does not apply
24 to an assignment of a health-care-insurance receivable.

1 (j) **[Section prevails over specified inconsistent law.]** This section prevails over any
2 inconsistent provisions of the following statutes, rules, and regulations:

3 [List here any statutes, rules, and regulations containing provisions inconsistent
4 with this section.]

5 ***Legislative Note:*** *States that amend statutes, rules, and regulations to remove provisions*
6 *inconsistent with this section need not enact subsection (j)*
7

8 * * *
9
10

11 **SECTION 9-408. RESTRICTIONS ON ASSIGNMENT OF PROMISSORY**
12 **NOTES, HEALTH-CARE-INSURANCE RECEIVABLES, AND CERTAIN GENERAL**
13 **INTANGIBLES INEFFECTIVE.**

14 (a) **[Term restricting assignment generally ineffective.]** Except as otherwise provided
15 in subsection (b), a term in a promissory note or in an agreement between an account debtor and
16 a debtor which relates to a health-care-insurance receivable or a general intangible, including a
17 contract, permit, license, or franchise, and which term prohibits, restricts, or requires the consent
18 of the person obligated on the promissory note or the account debtor to, the assignment or
19 transfer of, or creation, attachment, or perfection of a security interest in, the promissory note,
20 health-care-insurance receivable, or general intangible, is ineffective to the extent that the term:

21 (1) would impair the creation, attachment, or perfection of a security interest; or

22 (2) provides that the assignment or transfer or the creation, attachment, or
23 perfection of the security interest may give rise to a default, breach, right of recoupment, claim,
24 defense, termination, right of termination, or remedy under the promissory note, health-care-
25 insurance receivable, or general intangible.

26 (b) **[Applicability of subsection (a) to sales of certain rights to payment.]** Subsection
27 (a) applies to a security interest in a payment intangible or promissory note only if the security

1 interest arises out of a sale of the payment intangible or promissory note, other than a sale
2 pursuant to a disposition under Section 9-610 or an acceptance of collateral under Section 9-620.

3 (c) **[Legal restrictions on assignment generally ineffective.]** A rule of law, statute, or
4 regulation that prohibits, restricts, or requires the consent of a government, governmental body
5 or official, person obligated on a promissory note, or account debtor to the assignment or transfer
6 of, or creation of a security interest in, a promissory note, health-care-insurance receivable, or
7 general intangible, including a contract, permit, license, or franchise between an account debtor
8 and a debtor, is ineffective to the extent that the rule of law, statute, or regulation:

9 (1) would impair the creation, attachment, or perfection of a security interest; or

10 (2) provides that the assignment or transfer or the creation, attachment, or
11 perfection of the security interest may give rise to a default, breach, right of recoupment, claim,
12 defense, termination, right of termination, or remedy under the promissory note, health-care-
13 insurance receivable, or general intangible.

14 (d) **[Limitation on ineffectiveness under subsections (a) and (c).]** To the extent that a
15 term in a promissory note or in an agreement between an account debtor and a debtor which
16 relates to a health-care-insurance receivable or general intangible or a rule of law, statute, or
17 regulation described in subsection (c) would be effective under law other than this article but is
18 ineffective under subsection (a) or (c), the creation, attachment, or perfection of a security
19 interest in the promissory note, health-care-insurance receivable, or general intangible:

20 (1) is not enforceable against the person obligated on the promissory note or the
21 account debtor;

22 (2) does not impose a duty or obligation on the person obligated on the
23 promissory note or the account debtor;

24 (3) does not require the person obligated on the promissory note or the account

debtor to recognize the security interest, pay or render performance to the secured party, or accept payment or performance from the secured party;

(4) does not entitle the secured party to use or assign the debtor's rights under the promissory note, health-care-insurance receivable, or general intangible, including any related information or materials furnished to the debtor in the transaction giving rise to the promissory note, health-care-insurance receivable, or general intangible;

(5) does not entitle the secured party to use, assign, possess, or have access to any trade secrets or confidential information of the person obligated on the promissory note or the account debtor; and

(6) does not entitle the secured party to enforce the security interest in the promissory note, health-care-insurance receivable, or general intangible.

(e) **[Section prevails over specified inconsistent law.]** This section prevails over any inconsistent provisions of the following statutes, rules, and regulations:

[List here any statutes, rules, and regulations containing provisions inconsistent with this section.]

Legislative Note: States that amend statutes, rules, and regulations to remove provisions inconsistent with this section need not enact subsection (e).

Reporter's Note

Section 9-406(d) contains a broad override of contractual restrictions on assignability of receivables. Section 9-408(a) contains a similar, but narrower, override. The most significant difference between the two concerns whether an assignee may enforce the assigned receivable against the account debtor or other obligor, notwithstanding a provision in the underlying contract that purports to prevent an assignee from doing so.

The amendment addresses the allocation of transactions between the broader override in Section 9-406(d) and the narrower override in Section 9-408(a). The distinction is most likely to matter where the collateral is the right to payment of a loan.

Under current law, if the right to payment of the loan is evidenced by chattel paper, then a contractual restriction would not be effective to restrict the assignee's right to enforce against

1 the account debtor. If, however, the right to payment of the loan is evidenced by an instrument,
2 or is a payment intangible, then a contractual restriction would not be effective to restrict the
3 assignee's right to enforce against the account debtor if the assignment is made for security. If,
4 however, the assignment is a sale of the payment intangible or promissory note, then Section 9-
5 408(a) applies and the assignee's right to enforce is limited by any contractual restriction.
6 Whether current Section 9-406 or 9-408 applies to a foreclosure sale of the receivable by an
7 assignee for security is unclear. The amendment would clarify that Section 9-406 applies and
8 that, therefore, a buyer at a foreclosure sale would be free to enforce the account debtor's
9 obligation.

10
11 Consider this example:

12
13 Lender makes a loan to Borrower. The loan is not evidenced by chattel paper. The loan
14 agreement (or note) provides that Lender's rights may not be assigned and, if Lender
15 wrongfully assigns the rights, an assignee may not enforce Borrower's obligation to pay.
16 Lender assigns the right to payment (i.e., the payment intangible or instrument) to
17 Assignee.

18
19 If the assignment to Assignee is a sale, then Section 9-408(a) applies and the contractual
20 restrictions are ineffective with respect to the creation, attachment, and perfection of
21 Assignee's security interest.

22
23 If the assignment to Assignee is for security, the restriction would not be effective if
24 Assignee itself sought to collect or if Assignee sold to a buyer at foreclosure (and,
25 presumably, if the foreclosure buyer resold). However, the restriction would be effective
26 against nonforeclosure buyers who did not take through a foreclosure buyer.

27
28 Section 9-406 is clear that a contractual restriction would not be effective to restrict the
29 assignee's right *qua* assignee to enforce the account debtor's obligation under Section 9-607.
30 The amendment would eliminate any doubt that the restriction would not be effective to restrict
31 the assignee's right to enforce if the assignee became the owner of the payment intangible or
32 promissory note by accepting it in a "strict foreclosure" under Section 9-620.

33
34 * * *

35 36 37 **PART 5**

38 **FILING**

39 [SUBPART 1. FILING OFFICE; CONTENTS AND
40 EFFECTIVENESS OF FINANCING STATEMENT]

41
42 * * *

43 44 **SECTION 9-502. CONTENTS OF FINANCING STATEMENT; RECORD OF**

1 **MORTGAGE AS FINANCING STATEMENT; TIME OF FILING FINANCING**
2 **STATEMENT.**

3 **(a) [Sufficiency of financing statement.]** Subject to subsection (b), a financing
4 statement is sufficient only if it:

- 5 (1) provides the name of the debtor;
- 6 (2) provides the name of the secured party or a representative of the secured
7 party; and
- 8 (3) indicates the collateral covered by the financing statement.

9 **(b) [Real-property-related financing statements.]** Except as otherwise provided in
10 Section 9-501(b), to be sufficient, a financing statement that covers as-extracted collateral or
11 timber to be cut, or which is filed as a fixture filing and covers goods that are or are to become
12 fixtures, must satisfy subsection (a) and also:

- 13 (1) indicate that it covers this type of collateral;
- 14 (2) indicate that it is to be filed [for record] in the real property records;
- 15 (3) provide a description of the real property to which the collateral is related
16 [sufficient to give constructive notice of a mortgage under the law of this State if the description
17 were contained in a record of the mortgage of the real property]; and
- 18 (4) if the debtor does not have an interest of record in the real property, provide
19 the name of a record owner.

20 **(c) [Record of mortgage as financing statement.]** A record of a mortgage is effective,
21 from the date of recording, as a financing statement filed as a fixture filing or as a financing
22 statement covering as-extracted collateral or timber to be cut only if:

- 23 (1) the record indicates the goods or accounts that it covers;
- 24 (2) the goods are or are to become fixtures related to the real property described

in the record or the collateral is related to the real property described in the record and is as-extracted collateral or timber to be cut;

(3) the record satisfies the requirements for a financing statement in this section,

but:

(A) the record need not indicate ~~other than an indication~~ that it is to be filed in the real property records; and

(B) the record sufficiently provides the name of a debtor who is an individual if it provides the individual name of the debtor or the surname and first personal name of the debtor, even if the debtor is an individual to whom Section 9-503(a)(4) applies; and

(4) the record is [duly] recorded.

(d) **[Filing before security agreement or attachment.]** A financing statement may be filed before a security agreement is made or a security interest otherwise attaches.

Legislative Note: *Language in brackets is optional. Where the State has any special recording system for real property other than the usual grantor-grantee index (as, for instance, a tract system or a title registration or Torrens system) local adaptations of subsection (b) and Section 9-519(d) and (e) may be necessary. See, e.g., Mass. Gen. Laws Chapter 106, Section 9-410.*

A State should enact these amendments to Section 9-502 only if the State enacts Alternative A of the amendments to Section 9-503.

Reporter's Note

Under Alternative A of the amendments to Section 9-503, the name required to be provided in a financing statement may be the name indicated on the debtor's driver's license. The amendment to Section 9-502 would provide greater latitude with respect to the name that would be sufficient on a mortgage filed as a fixture filing or as a financing statement covering as-extracted collateral.

SECTION 9-503. NAME OF DEBTOR AND SECURED PARTY.

(a) **[Sufficiency of debtor's name.]** A financing statement sufficiently provides the name of the debtor:

(1) except as otherwise provided in paragraph (3), if the debtor is a registered

1 organization or the collateral is held in a trust that is a registered organization, only if the
2 financing statement provides the name ~~of the debtor indicated~~ that is stated to be the registered
3 organization's name on the public organic record ~~of most recently filed with or issued or enacted~~
4 by the debtor's registered organization's jurisdiction of organization which shows the debtor to
5 have been organized purports to state, amend, or restate the registered organization's name;

6 (2) subject to subsection (f), if the debtor is a decedent's estate collateral is being
7 administered by the personal representative of a decedent, only if the financing statement
8 provides, as the name of the debtor, the name of the decedent and, in a separate part of the
9 financing statement, indicates that the debtor is an estate collateral is being administered by a
10 personal representative;

11 (3) ~~if the debtor is a trust or a trustee acting with respect to property held in trust,~~
12 ~~only if the financing statement:~~

13 (A) ~~provides the name specified for the trust in its organic documents or,~~
14 ~~if no name is specified, provides the name of the settlor and additional information sufficient to~~
15 ~~distinguish the debtor from other trusts having one or more of the same settlors; and~~

16 (B) ~~indicates, in the debtor's name or otherwise, that the debtor is a trust~~
17 ~~or is a trustee acting with respect to property held in trust;~~

18 collateral is held in a trust that is not a registered organization, only if the financing statement:

19 (A) provides, as the name of the debtor:

20 (i) if the organic record of the trust specifies a name for the trust,
21 the name so specified; or

22 (ii) if the organic record of the trust does not specify a name for the
23 trust, the name of the settlor or testator; and

24 (B) in a separate part of the financing statement:

1 (i) if the name is provided in accordance with subparagraph (A)(i),
2 indicates that the collateral is held in a trust; or

3 (ii) if the name is provided in accordance with subparagraph
4 (A)(ii), provides additional information sufficient to distinguish the trust from other trusts having
5 one or more of the same settlors or the same testator and indicates that the collateral is held in a
6 trust, unless the additional information so indicates;

7 **[Alternative A]**

8 (4) subject to subsection (g), if the debtor is an individual to whom this State has
9 issued a [driver's license] that has not expired, only if it provides the name of the individual
10 which is indicated on the [driver's license];

11 (5) if the debtor is an individual to whom paragraph (4) does not apply, only if it
12 provides the individual name of the debtor or the surname and first personal name of the debtor;
13 and

14 (4) (6) in other cases:

15 (A) if the debtor has a name, only if it provides the ~~individual or~~
16 organizational name of the debtor; and

17 (B) if the debtor does not have a name, only if it provides the names of the
18 partners, members, associates, or other persons comprising the debtor, in a manner that each
19 name provided would be sufficient if the person named were the debtor.

20 **[Alternative B]**

21 (4) if the debtor is an individual, only if:

22 (A) it provides the individual name of the debtor;

23 (B) it provides the surname and first personal name of the debtor; or

24 (C) subject to subsection (g), it provides the name of the individual which

1 is indicated on a [driver's license] that this State has issued to the individual and which has not
2 expired; and

3 ~~(4)~~ (5) in other cases:

4 (A) if the debtor has a name, only if it provides the ~~individual or~~
5 organizational name of the debtor; and

6 (B) if the debtor does not have a name, only if it provides the names of the
7 partners, members, associates, or other persons comprising the debtor, in a manner that each
8 name provided would be sufficient if the person named were the debtor.

9 **[End of Alternatives]**

10 (b) **[Additional debtor-related information.]** A financing statement that provides the
11 name of the debtor in accordance with subsection (a) is not rendered ineffective by the absence
12 of:

13 (1) a trade name or other name of the debtor; or

14 (2) unless required under subsection (a)(4)(B), names of partners, members,
15 associates, or other persons comprising the debtor.

16 (c) **[Debtor's trade name insufficient.]** A financing statement that provides only the
17 debtor's trade name does not sufficiently provide the name of the debtor.

18 (d) **[Representative capacity.]** Failure to indicate the representative capacity of a
19 secured party or representative of a secured party does not affect the sufficiency of a financing
20 statement.

21 (e) **[Multiple debtors and secured parties.]** A financing statement may provide the
22 name of more than one debtor and the name of more than one secured party.

23 (f) **[Name of decedent.]** The name of the decedent indicated on the order appointing the
24 personal representative of the decedent issued by the court having jurisdiction over the collateral

1 is sufficient as the “name of the decedent” under subsection (a)(2).

2 **[Alternative A]**

3 (g) **[Multiple driver’s licenses.]** If this State has issued to an individual more than one
4 [driver’s license] of a kind described in subsection (a)(4), the one that was issued most recently
5 is the one to which subsection (a)(4) refers.

6 **[Alternative B]**

7 (g) **[Multiple driver’s licenses.]** If this State has issued to an individual more than one
8 [driver’s license] of a kind described in subsection (a)(4)(C), the one that was issued most
9 recently is the one to which the subsection (a)(4)(C) refers.

10 **[End of Alternatives]**

11 (h) **[Definition.]** The “name of the settlor or testator” means:

12 (1) if the settlor is a registered organization, the name of the registered
13 organization indicated on the public organic record filed with or issued or enacted by the
14 registered organization’s jurisdiction of organization; or

15 (2) in other cases, the name of the settlor or testator indicated in the trust’s
16 organic record.

17 **Legislative Notes:**

18
19 1. This Act contains two alternative sets of amendments relating to the names of
20 individual debtors. A State should enact the same Alternative, A or B, for both subsections (a)
21 and (i) of Section 9-503. A State that enacts Alternative A of the amendments to this section
22 should also enact the amendments to Section 9-502.

23
24 2. Both Alternatives refer, in part, to the name as shown on a debtor’s driver’s license.
25 The Legislature should be aware that, in some States, certain characters that may be used by the
26 State’s department of motor vehicles (or similar agency) in the name on a driver’s license may
27 not be accepted by the State’s central or local UCC filing offices under current regulations or
28 internal protocols. This may occur because of technological limitations of the filing offices or
29 merely as a result of inconsistent procedures. Similar issues may exist for field sizes as well. In
30 these situations, perfection of a security interest granted by a debtor with such a driver’s license
31 may be impossible under Alternative A of the amendments and the utility of Alternative B, under

1 which the name on the driver's license is one of the names that is sufficient, may be reduced.
2 Accordingly, the State may wish to determine if one or more of these issues exist in this State
3 and, if so, to make certain that such issues have been resolved. A successful resolution might be
4 accomplished by statute, agency regulation, or technological change effectuated before or as
5 part of the enactment of this Act.

6
7 3. Regardless of which Alternative is enacted, in States in which in which a single agency
8 issues driver's licenses and non-driver identification cards as an alternative to a driver's
9 license, such that at any given time an individual may hold either a driver's license or an
10 identification card but not both, the State should replace each use of the term "driver's license"
11 with a phrase meaning "driver's license or identification card" but containing the analogous
12 terms used in the enacting State. In other States, the State should replace the term "driver's
13 license" with the analogous term used in the enacting State.

14 15 **Official Comment**

16
17 * * *

18
19 **2. Debtor's Name.** The requirement that a financing statement provide the debtor's
20 name is particularly important. Financing statements are indexed under the name of the debtor,
21 and those who wish to find financing statements search for them under the debtor's name.
22 Subsection (a) explains what the debtor's name is for purposes of a financing statement.

23
24 **a. Registered Organizations.** As a general matter, ~~if If~~ the debtor is a "registered
25 organization" (defined in Section 9-102 so as to ordinarily include corporations, limited
26 partnerships, ~~and~~ limited liability companies, ~~and~~ statutory trusts), then the debtor's name is the
27 name shown on the ~~public records~~ "public organic record" of the debtor's "jurisdiction of
28 organization" (both also defined in Section 9-102). ~~Subsections (a)(2) and (a)(3) contain special~~
29 ~~rules for decedent's estates and common-law trusts. (Subsection (a)(1) applies to business trusts~~
30 ~~that are registered organizations.)~~

31
32 ~~Subsection (a)(4)(A) essentially follows the first sentence of former Section 9-402(7).-~~
33 ~~Section 1-201(28) defines the term "organization," which appears in subsection (a)(4), very~~
34 ~~broadly, to include all legal and commercial entities as well as associations that lack the status of~~
35 ~~a legal entity. Thus, the term includes corporations, partnerships of all kinds, business trusts;~~
36 ~~limited liability companies, unincorporated associations, personal trusts, governments, and~~
37 ~~estates. If the organization has a name, that name is the correct name to put on a financing~~
38 ~~statement. If the organization does not have a name, then the financing statement should name~~
39 ~~the individuals or other entities who comprise the organization.~~

40
41 ~~Together with subsections (b) and (c), subsection (a) reflects the view prevailing under~~
42 ~~former Article 9 that the actual individual or organizational name of the debtor on a financing~~
43 ~~statement is both necessary and sufficient, whether or not the financing statement provides trade~~
44 ~~or other names of the debtor and, if the debtor has a name, whether or not the financing~~
45 ~~statement provides the names of the partners, members, or associates who comprise the debtor.~~

46
47 **b. Collateral Held in a Trust.** When a financing statement covers collateral that is held

1 in a trust that is a registered organization, subsection (a)(1) governs the name of the debtor. If,
2 however, the collateral is held in a trust that is not a registered organization, subsection (a)(3)
3 applies. (As used in this Article, collateral “held in a trust” includes collateral as to which the
4 trust is the debtor as well as collateral as to which the trustee is the debtor.) This subsection
5 adopts a convention that generally results in the name of the trust or the name of the trust’s
6 settlor being provided as the name of the debtor on the financing statement, even if, as typically
7 is the case with common-law trusts, the “debtor” (defined in Section 9-102) is a trustee acting
8 with respect to the collateral. This convention provides more accurate information and eases the
9 burden for searchers, who otherwise would have difficulty with respect to debtor trustees that are
10 large financial institutions.

11
12 More specifically, if a trust’s organic record specifies a name for the trust, subsection
13 (a)(3) requires the financing statement to provide, as the name of the debtor, the name for the
14 trust specified in the organic record. In addition, the financing statement must indicate, in a
15 separate part of the financing statement, that the collateral is held in a trust.

16
17 If the organic record of the trust does not specify a name for the trust, the name required
18 for the financing statement is the name of the settlor or, in the case of a testamentary trust, the
19 testator, in each case as determined under subsection (h). In addition, the financing statement
20 must provide sufficient additional information to distinguish the trust from other trusts having
21 one or more of the same settlors or the same testator. In many cases an indication of the date on
22 which the trust was settled will satisfy this requirement. If neither the name nor the additional
23 information indicates that the collateral is held in a trust, the financing statement must indicate
24 that fact, but not as part of the debtor’s name.

25
26 Neither the indication that the collateral is held in a trust nor the additional information
27 that distinguishes the trust from other trusts having one or more of the same settlors or the same
28 testator is part of the debtor’s name. Nevertheless, a financing statement that fails to provide, in
29 a separate part of the financing statement, any required indication or additional information does
30 not sufficiently provide the name of the debtor under Sections 9-502(a) and 9-503(a)(3), does not
31 “substantially satisfy[] the requirements” of Part 5 within the meaning of Section 9-506(a), and
32 so is ineffective.

33
34 **c. Collateral Administered by a Personal Representative.** Subsection (a)(2) deals
35 with collateral that is being administered by an executor, administrator, or other personal
36 representative of a decedent. Even if, as often is the case, the representative is the “debtor”
37 (defined in Section 9-102), the financing statement must provide the name of the decedent as the
38 name of the debtor. Subsection (f) provides a safe harbor, under which the name of the decedent
39 indicated on the order appointing the personal representative issued by the court having
40 jurisdiction over the collateral is sufficient as the name of the decedent. If the order indicates
41 more than one name for the decedent, the first name in the list qualifies under subsection (f);
42 however, other names in the list also may qualify as the “name of the decedent” within the
43 meaning of subsection (a)(2). In addition to providing the name of the decedent, the financing
44 statement must indicate that the collateral is being administered by a personal representative.
45 Although the indication is not part of the debtor’s name, a financing statement that fails to
46 provide the indication does not sufficiently provide the name of the debtor under Sections 9-
47 502(a) and 9-503(a)(2), does not “substantially satisfy[] the requirements” of Part 5 within the

1 meaning of Section 9-506(a), and so is ineffective.

2
3 **d. Individuals.** This Article provides alternative approaches towards the requirement
4 for providing the name of a debtor who is an individual.

5
6 Alternative A. Alternative A distinguishes between two groups of individual debtors.
7 For debtors holding an unexpired driver's license issued by the State where the financing
8 statement is filed (ordinarily the State where the debtor maintains the debtor's principal
9 residence), Alternative A requires that a financing statement provide the name indicated on the
10 license. When a debtor does not hold an unexpired driver's license issued by the relevant State,
11 the requirement can be satisfied in either of two ways. A financing statement is sufficient if it
12 provides the "individual name" of the debtor. Alternatively, a financing statement is sufficient if
13 it provides the debtor's surname (i.e., family name) and first personal name (i.e., first name other
14 than the surname).

15
16 Alternative B. Alternative B provides three ways in which a financing statement may
17 sufficiently provide the name of an individual who is a debtor. The "individual name" of the
18 debtor is sufficient, as is the debtor's surname and first personal name. If the individual holds an
19 unexpired driver's license issued by the State where the financing statement is filed (ordinarily
20 the State of the debtor's principal residence), the name indicated on the driver's license also is
21 sufficient.

22
23 Name indicated on the driver's license. A financing statement does not "provide the
24 name of the individual which is indicated" on the debtor's driver's license unless the name it
25 provides is the same as the name indicated on the license. This is the case even if the name
26 indicated on the debtor's driver's license contains an error.

27
28 **Example 1:** Debtor, an individual whose principal residence is in Illinois, grants a
29 security interest to SP in certain business equipment. SP files a financing statement with
30 the Illinois filing office. The financing statement provides the name appearing on
31 Debtor's Illinois driver's license, "Joseph Allan Jones." Regardless of which Alternative
32 is in effect in Illinois, this filing would be sufficient under Illinois' Section 9-503(a),
33 even if Debtor's correct middle name is Alan, not Allan.

34
35 A filing against "Joseph A. Jones" or "Joseph Jones" would not "provide the name of the
36 individual which is indicated" on the debtor's driver's license. However, these filings
37 might be sufficient if Alternative A is in effect in Illinois and Jones has no current (i.e.,
38 unexpired) Illinois driver's license, or if Illinois has enacted Alternative B.

39
40 Determining the name that should be provided on the financing statement must not be
41 done mechanically. The order in which the components of an individual's name appear on a
42 driver's license differs among the States. Had the debtor in Example 1 obtained a driver's
43 license from a different State, the license might have indicated the name as "Jones Joseph
44 Allan." Regardless of the order on the driver's license, the debtor's surname must be provided
45 in the part of the financing statement designated for the surname.

46
47 Alternatives A and B both refer to a license issued by "this State." Perfection of a

1 security interest by filing ordinarily is determined by the law of the jurisdiction in which the
2 debtor is located. See Section 9-301(1). (Exceptions to the general rule are found in Section 9-
3 301(3) and (4), concerning fixture filings, timber to be cut, and as-extracted collateral.) A debtor
4 who is an individual ordinarily is located at the individual's principal residence. See Section 9-
5 307(b). (An exception appears in Section 9-307(c).) Thus, a given State's Section 9-503
6 ordinarily will apply during any period when the debtor's principal residence is located in that
7 State, even if during that time the debtor holds or acquires a driver's license from another State.
8

9 When a debtor's principal residence changes, the location of the debtor under Section 9-
10 307 also changes and perfection by filing ordinarily will be governed by the law of the debtor's
11 new location. As a consequence of the application of that State's Section 9-316, a security
12 interest that is perfected by filing under the law of the debtor's former location will remain
13 perfected for four months after the relocation, and thereafter if the secured party perfects under
14 the law of the debtor's new location. Likewise, a financing statement filed in the former location
15 may be effective to perfect a security interest that attaches after the debtor relocates. See Section
16 9-316(h).
17

18 **Example 2:** Debtor, an individual whose principal residence is in Illinois, grants a
19 security interest to SP in certain business equipment. SP files a financing statement in
20 Illinois that provides the name indicated on Debtor's Illinois driver's license. On January
21 1, Debtor relocates to Indiana. Upon the relocation, the law governing perfection of the
22 security interest changes from the law of Illinois to the law of Indiana.
23

24 Under Indiana's Section 9-316, however, a security interest perfected by the Illinois
25 filing remains perfected, normally for four months. If SP does not file in Indiana before
26 the four-month period expires, then the security interest will become unperfected and will
27 be deemed never to have been perfected as against a purchaser of the collateral for value.
28 In addition, under Indiana's Section 9-316, the Illinois financing statement normally
29 would remain effective to perfect a security interest in collateral acquired by Debtor
30 within the four months after the relocation to Indiana.
31

32 *Individual name of the debtor.* Article 9 does not determine the "individual name" of a
33 debtor. Nor does it determine which element or elements in a debtor's name constitute the
34 surname. In some cases, determining the "individual name" of a debtor may be difficult, as may
35 determining the debtor's surname. This is because in the case of individuals, unlike registered
36 organizations, there is no public organic record to which reference can be made and from which
37 the name and its components can be definitively determined.
38

39 Names can take many forms in the United States. For example, whereas a surname is
40 often colloquially referred to as a "last name," the sequence in which the elements of a name are
41 presented is not determinative. In some cultures, the surname appears first, while in others it
42 may appear in a location that is neither first nor last. In addition, some surnames are composed
43 of multiple elements that, taken together, constitute a single surname. These elements may or
44 may not be separated by a space or connected by a hyphen, "i," or "y." In other instances, some
45 or all of the same elements may not be part of the surname. In some cases, a debtor's entire
46 name might be composed of only a single element.
47

1 In disputes as to whether a financing statement sufficiently provides the “individual
2 name” a debtor, a court should refer to any non-UCC law concerning names. However, case law
3 about names may have developed in contexts that implicate policies different from those of
4 Article 9. A court considering an individual’s name for purposes of determining the sufficiency
5 of a financing statement is not necessarily bound by cases that were decided in other contexts
6 and for other purposes.

7
8 Individuals are asked to provide their names on official documents such as tax returns
9 and bankruptcy petitions. An individual may provide a particular name on an official document
10 in response to instructions relating to the document rather than because the individual actually
11 uses the name. Accordingly, a court should not assume that the name an individual provides on
12 an official document necessarily constitutes the “individual name” for purposes of the
13 sufficiency of the debtor’s name on a financing statement. Likewise, a court should not assume
14 that the name as presented on an individual’s birth certificate is necessarily the individual’s
15 current name.

16
17 In applying non-UCC law for purposes of determining the sufficiency of a debtor’s name
18 on a financing statement, a court should give effect to the instruction in Section 1-103(a)(1) that
19 the UCC “must be liberally construed and applied to promote its underlying purposes and
20 policies,” which include simplifying and clarifying the law governing commercial transactions.
21 Thus, determination of a debtor’s name in the context of the Article 9 filing system must take
22 into account the needs of both filers and searchers. Filers need a simple and predictable system
23 in which they can have a reasonable degree of confidence that, without undue burden, they can
24 determine a name that will be sufficient so as to permit their financing statements to be effective.
25 Likewise, searchers need a simple and predictable system in which they can have a reasonable
26 degree of confidence that, without undue burden, they will discover all financing statements
27 pertaining to the debtor in question. The court also should take into account the purpose of the
28 UCC to make the law uniform among the various jurisdictions. See Section 1-103(a)(3).

29
30 Of course, once an individual debtor’s name has been determined to be sufficient for
31 purposes of Section 9-503, a financing statement that provides a variation of that name, such as a
32 “nickname” that does not constitute the debtor’s name, does not sufficiently provide the name of
33 the debtor under this section. Cf. Section 9-503(c) (a financing statement providing only a
34 debtor’s trade name is not sufficient).

35
36 If there is any doubt about an individual debtor’s name, a secured party may choose to
37 file one or more financing statements that provide a number of possible names for the debtor and
38 a searcher may similarly choose to search under a number of possible names.

39
40 Note that, even if the name provided in an initial financing statement is correct, the filing
41 office nevertheless must reject the financing statement if it does not identify an individual
42 debtor’s ~~last name~~ surname (e.g., if it is not clear whether the debtor’s ~~name~~ surname is Perry
43 Mason or Mason-Perry). See Section 9-516(b)(3)(C).

44
45 * * *

46
47 **Reporter’s Note**

1 1. To be sufficient under Section 9-502(a)(1), a financing statement must provide the
2 name of the debtor. The revisions to Section 9-503(a) give additional guidance for satisfying
3 this requirement.
4

5 2. The provisions governing the name required to be provided with respect to a debtor
6 who is an individual were the most contentious and perhaps the most difficult issues addressed
7 by the Joint Review Committee. Recognizing the diversity of views, the Joint Review
8 Committee recommends that each State be asked to choose between two alternatives.
9

10 *Alternative A.* Under Alternative A, the name of an individual debtor which is sufficient
11 for a financing statement is the name that appears on the most recent unexpired driver's license
12 issued to the debtor by the State in which the debtor maintains the principal residence. Because
13 States use different terms for the driver's licenses they issue, the words "driver's license" appear
14 in brackets.
15

16 The debtor's name requirement for a debtor who does not hold an unexpired driver's
17 license issued by the State of principal residence can be met in either of two ways. As under
18 existing law, a financing statement would be sufficient if it provides the "individual name of the
19 debtor." Alternatively, the financing statement would be sufficient if it provides the debtor's
20 surname and first personal name. The term "surname" refers to the family name. The term "first
21 personal name" refers to the first name other than the surname. In some cases, determining the
22 "individual name" of debtor may be difficult, as may determining the debtor's surname. An
23 Official Comment will give guidance for making these determinations.
24

25 In some States, a single agency issues both driver's licenses and non-driver identification
26 cards as an alternative to a driver's license, such that at any given time an individual may hold
27 either a driver's license or an identification card but not both. As Legislative Note 3 suggests,
28 those States should replace each use of the term "driver's license" with a phrase meaning
29 "driver's license or identification card" but containing the analogous terms used in the enacting
30 State, e.g., "Operator's License and Identity Card."
31

32 *Alternative B.* This alternative provides three ways in which a financing statement may
33 sufficiently provide the name of an individual who is a debtor: As under current law, the
34 "individual name of the debtor would be sufficient. See Section 9-503(a)(4)(A). In addition, the
35 debtor's-name requirement would be satisfied by providing the debtor's surname and first
36 personal name. See Section 9-503(a)(4)(B). If the individual holds a current driver's license
37 issued by the principal residence, the name on the driver's license also would be sufficient. See
38 Section 9-503(a)(4)(C). Subparagraphs (B) and (C) are explained in connection with Alternative
39 A.
40

41 *Choosing Between the Alternatives.* Legislative Note 2, above, explains some of the
42 considerations that a legislature should consider when deciding which alternative to enact.
43

44 3. Subsection (a)(2) deals with collateral that is being administered by an executor,
45 administrator, or other personal representative of a decedent. Comment 2.c explains this
46 subsection.
47

4. The revisions contain several rules to address the variety of situations that may arise when the collateral is the res of a trust. These are described in Comment 2.b.

5. Comment 2 to 9-506, which concerns financing statements that are “seriously misleading,” will be expanded to reflect some of the changes to Section 9-503. See Part II below.

* * *

SECTION 9-507. EFFECT OF CERTAIN EVENTS ON EFFECTIVENESS OF FINANCING STATEMENT.

(a) **[Disposition.]** A filed financing statement remains effective with respect to collateral that is sold, exchanged, leased, licensed, or otherwise disposed of and in which a security interest or agricultural lien continues, even if the secured party knows of or consents to the disposition.

(b) **[Information becoming seriously misleading.]** Except as otherwise provided in subsection (c) and Section 9-508, a financing statement is not rendered ineffective if, after the financing statement is filed, the information provided in the financing statement becomes seriously misleading under Section 9-506.

(c) **[Change in debtor's name.]** ~~If a debtor so changes its~~ the name that a filed financing statement provides for a debtor becomes insufficient as the name of the debtor under Section 9-503(a) so that the financing statement becomes seriously misleading under Section 9-506:

(1) the financing statement is effective to perfect a security interest in collateral acquired by the debtor before, or within four months after, the ~~change~~ filed financing statement becomes seriously misleading; and

(2) the financing statement is not effective to perfect a security interest in collateral acquired by the debtor more than four months after the ~~change~~ filed financing

statement becomes seriously misleading, unless an amendment to the financing statement which renders the financing statement not seriously misleading is filed within four months after the change that event.

Official Comment

* * *

4. **Other Post-Filing Changes.** Subsection (b) provides that, as a general matter, post-filing changes that render a financing statement inaccurate and seriously misleading have no effect on a financing statement. The financing statement remains effective. It is subject to two exceptions: Section 9-508 and Section 9-507(c). Section 9-508 addresses the effectiveness of a financing statement filed against an original debtor when a new debtor becomes bound by the original debtor's security agreement. It is discussed in the Comments to that section. Section 9-507(c) addresses a "pure" change of the debtor's name, i.e., cases in which a filed financing statement provides a name that, at the time of filing, satisfies the requirements of Section 9-503(a) with respect to the named debtor but, at a later time, no longer does so. It does not apply when collateral has been transferred and the transferee thereby becomes a debtor. Nor does it apply to a change that does not implicate implicates a new debtor. It clarifies former Section 9-402(7).

Example 1: Debtor, an individual whose principal residence is in California, grants a security interest to SP in certain business equipment. SP files a financing statement with the California filing office. Alternative A is in effect in California. The financing statement provides the name appearing on Debtor's California driver's license, "James McGinty." Debtor obtains a court order changing his name to "Roger McGuinn" but does not change his driver's license. Even after the court order issues, the name provided for the debtor in the financing statement is sufficient under Section 9-503(a). Accordingly, Section 9-507(c) does not apply.

The same result would follow if Alternative B is in effect in California.

Under Section 9-503(a)(4) (Alternative A), if the debtor holds a current (i.e., unexpired) driver's license issued by the State where the financing statement is filed, the name required for the financing statement is the name indicated on the license that was issued most recently by that State. If the debtor does not have a current driver's license issued by that State, then the debtor's name is determined under subsection (a)(5). It follows that a debtor's name may change, and a financing statement providing the name on the debtor's then-current driver's license may become seriously misleading, if the license expires and the debtor's name under subsection (a)(5) is different. The same consequences may follow if a debtor's driver's license is renewed and the names on the licenses differ.

Example 2: The facts are as in Example 1. Debtor's driver's license expires one year after the entry of the court order changing Debtor's name. Debtor does not renew the license. Upon expiration of the license, the name required for sufficiency by Section 9-

503(a) is the individual name of the debtor or the debtor's surname and first personal name. The name "James McGinty" has become insufficient.

Example 3: The facts are as in Example 1. Before the license expires, Debtor renews the license. The name indicated on the new license is "Roger McGuinn." Upon issuance of the new license, "James McGinty" becomes insufficient as the debtor's name under Section 9-503(a).

The same results would follow if Alternative B is in effect in California (assuming that, following the issuance of the court order, "James McGinty" is neither the individual name of the debtor nor the debtor's surname and first personal name).

Even if the name provided as the name of the debtor becomes insufficient under Section 9-503(a), the filed financing statement does not become seriously misleading, and Section 9-507(c) does not apply, if the financing statement can be found by searching under the debtor's "correct" name, using the filing office's standard search logic. See Section 9-506. Any name that satisfies Section 9-503(a) at the time of the search is a "correct name" for these purposes. Thus, assuming that a search of the records of the California filing office under "Roger McGuinn," using the filing office's standard search logic, would not disclose a financing statement naming "James McGinty," the financing statement in Examples 2 and 3 has become seriously misleading and Section 9-507(c) applies.

If a ~~name change renders a~~ filed financing statement becomes seriously misleading because the name it provides for a debtor becomes insufficient, the financing statement, unless amended to provide ~~the debtor's new correct~~ a sufficient name for the debtor, is effective only to perfect a security interest in collateral acquired by the debtor before, or within four months after, the change. If an amendment that provides ~~the new correct~~ a sufficient name is filed within four months after the change, the financing statement as amended would be effective also with respect to collateral acquired more than four months after the change. If an amendment that provides ~~the new correct~~ a sufficient name is filed more than four months after the change, the financing statement as amended would be effective also with respect to collateral acquired more than four months after the change, but only from the time of the filing of the amendment.

Reporter's Note

Section 9-507(c) is designed to limit the search burden for secured parties. It addresses cases where a filed financing statement provides a name that, at the time of filing, satisfies the requirements of Section 9-503 but, at a later time, no longer does so.

The existing emphasis on the debtor's behavior ("If a debtor so changes its name") might lead a court to read the statute, erroneously, as applying only to cases where the debtor actively changes his name and not to cases where the debtor passively permits an event to occur that results in a change of the debtor's name for purposes of Article 9. Accordingly, an amendment changes the emphasis of the chapeau to Section 9-507(c) from the debtor's having made a name change ("a debtor so changes its name") to the fact that a name required for an effective financing statement has changed ("the name it provides for a debtor becomes insufficient as the name of the debtor under Section 9-503(a)").

SECTION 9-515. DURATION AND EFFECTIVENESS OF FINANCING

STATEMENT; EFFECT OF LAPSED FINANCING STATEMENT.

(a) **[Five-year effectiveness.]** Except as otherwise provided in subsections (b), (e), (f), and (g), a filed financing statement is effective for a period of five years after the date of filing.

(b) **[Public-finance or manufactured-home transaction.]** Except as otherwise provided in subsections (e), (f), and (g), an initial financing statement filed in connection with a public-finance transaction or manufactured-home transaction is effective for a period of 30 years after the date of filing if it indicates that it is filed in connection with a public-finance transaction or manufactured-home transaction.

(c) **[Lapse and continuation of financing statement.]** The effectiveness of a filed financing statement lapses on the expiration of the period of its effectiveness unless before the lapse a continuation statement is filed pursuant to subsection (d). Upon lapse, a financing statement ceases to be effective and any security interest or agricultural lien that was perfected by the financing statement becomes unperfected, unless the security interest is perfected otherwise. If the security interest or agricultural lien becomes unperfected upon lapse, it is deemed never to have been perfected as against a purchaser of the collateral for value.

(d) **[When continuation statement may be filed.]** A continuation statement may be filed only within six months before the expiration of the five-year period specified in subsection (a) or the 30-year period specified in subsection (b), whichever is applicable.

(e) **[Effect of filing continuation statement.]** Except as otherwise provided in Section 9-510, upon timely filing of a continuation statement, the effectiveness of the initial financing statement continues for a period of five years commencing on the day on which the financing

1 statement would have become ineffective in the absence of the filing. Upon the expiration of the
2 five-year period, the financing statement lapses in the same manner as provided in subsection
3 (c), unless, before the lapse, another continuation statement is filed pursuant to subsection (d).
4 Succeeding continuation statements may be filed in the same manner to continue the
5 effectiveness of the initial financing statement.

6 (f) **[Transmitting utility financing statement.]** If a debtor is a transmitting utility and
7 a filed initial financing statement so indicates, the financing statement is effective until a
8 termination statement is filed.

9 (g) **[Record of mortgage as financing statement.]** A record of a mortgage that is
10 effective as a financing statement filed as a fixture filing under Section 9-502(c) remains
11 effective as a financing statement filed as a fixture filing until the mortgage is released or
12 satisfied of record or its effectiveness otherwise terminates as to the real property.

13 **Reporter's Note**

14 The amendment conforms subsection (f) to subsection (b).
15
16

17 **SECTION 9-516. WHAT CONSTITUTES FILING; EFFECTIVENESS OF** 18 19 **FILING.**

20 (a) **[What constitutes filing.]** Except as otherwise provided in subsection (b),
21 communication of a record to a filing office and tender of the filing fee or acceptance of the
22 record by the filing office constitutes filing.

23 (b) **[Refusal to accept record; filing does not occur.]** Filing does not occur with
24 respect to a record that a filing office refuses to accept because:

25 (1) the record is not communicated by a method or medium of communication
26 authorized by the filing office;

1 (2) an amount equal to or greater than the applicable filing fee is not tendered;

2 (3) the filing office is unable to index the record because:

3 (A) in the case of an initial financing statement, the record does not
4 provide a name for the debtor;

5 (B) in the case of an amendment or ~~correction~~ information statement, the
6 record:

7 (i) does not identify the initial financing statement as required by
8 Section 9-512 or 9-518, as applicable; or

9 (ii) identifies an initial financing statement whose effectiveness
10 has lapsed under Section 9-515;

11 (C) in the case of an initial financing statement that provides the name of a
12 debtor identified as an individual or an amendment that provides a name of a debtor identified as
13 an individual which was not previously provided in the financing statement to which the record
14 relates, the record does not identify the debtor's ~~last name~~ surname; or

15 (D) in the case of a record filed [or recorded] in the filing office described
16 in Section 9-501(a)(1), the record does not provide a sufficient description of the real property to
17 which it relates;

18 (4) in the case of an initial financing statement or an amendment that adds a
19 secured party of record, the record does not provide a name and mailing address for the secured
20 party of record;

21 (5) in the case of an initial financing statement or an amendment that provides a
22 name of a debtor which was not previously provided in the financing statement to which the
23 amendment relates, the record does not:

24 (A) provide a mailing address for the debtor; or

(B) indicate whether the name provided as the name of the debtor is the name of an individual or an organization; or

~~(C) if the financing statement indicates that the debtor is an organization, provide:~~

~~(i) a type of organization for the debtor;~~

~~(ii) a jurisdiction of organization for the debtor; or~~

~~(iii) an organizational identification number for the debtor or indicate that the debtor has none;~~

(6) in the case of an assignment reflected in an initial financing statement under Section 9-514(a) or an amendment filed under Section 9-514(b), the record does not provide a name and mailing address for the assignee; or

(7) in the case of a continuation statement, the record is not filed within the six-month period prescribed by Section 9-515(d).

(c) [Rules applicable to subsection (b).] For purposes of subsection (b):

(1) a record does not provide information if the filing office is unable to read or decipher the information; and

(2) a record that does not indicate that it is an amendment or identify an initial financing statement to which it relates, as required by Section 9-512, 9-514, or 9-518, is an initial financing statement.

(d) [Refusal to accept record; record effective as filed record.] A record that is communicated to the filing office with tender of the filing fee, but which the filing office refuses to accept for a reason other than one set forth in subsection (b), is effective as a filed record except as against a purchaser of the collateral which gives value in reasonable reliance upon the absence of the record from the files.

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Official Comment

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3. **Effectiveness of Rejected Record.** Subsection (b) provides an exclusive list of grounds upon which the filing office may reject a record. See Section 9-520(a). Although some of these grounds would also be grounds for rendering a filed record ineffective (e.g., an initial financing statement does not provide a name for the debtor), many others would not be (e.g., an initial financing statement does not provide a mailing address for the debtor or secured party of record). Neither this section nor Section 9-520 requires or authorizes the filing office to determine, or even consider, the accuracy of information provided in a record. ~~For example, the State A filing office may not reject under subsection (b)(5)(C) an initial financing statement indicating that the debtor is a State A corporation and providing a three-digit organizational identification number, even if all State A organizational identification numbers contain at least five digits and two letters. Some organizations that are not registered organizations (such as foreign corporations) have a readily determinable jurisdiction of organization. When that is not the case, for purposes of this section, the jurisdiction of organization for a debtor that is an organization but not a registered organization is any jurisdiction that bears a reasonable relation to the debtor. For example, the jurisdiction of organization may be the jurisdiction in which the debtor is located under the Section 9-307(b) (i.e., its place of business or chief executive office) or the jurisdiction stated in any organizational document or agreement for the debtor as the jurisdiction under whose law the organization is formed or as the jurisdiction whose law is the governing law. Thus, for purposes of this section, more than one jurisdiction may qualify as the debtor's jurisdiction of organization. See Comment 9.~~

* * *

6. **Uncertainty Concerning Individual Debtor's Last Name Surname.** Subsection (b)(3)(C) requires the filing office to reject an initial financing statement or amendment adding an individual debtor if the office cannot index the record because it does not identify the debtor's last name surname (e.g., it is unclear whether the debtor's name is Elton John or John Elton).

Reporter's Note

1. Subsection (b)(3)(B) has been conformed to the amendments to Section 9-518.
2. Subsections (b)(3)(C) and (b)(5)(B) have been conformed to the amendments to Section 9-503.
3. A financing statement is legally sufficient if it provides the information required by Section 9-502(a), even if it does not provide the additional information specified in Section 9-516(b)(5). However, the filing office is required to reject a financing statement that does not provide this additional information. The additional information is meant to assist searchers in weeding out "false positives," i.e., records that a search reveals but which do not pertain to the debtor in question, and to assist filers by helping to ensure that the financing statement is filed in the proper jurisdiction. Experience has shown, however, that the benefits afforded by requiring

the filer to provide the information specified in subparagraph (C) are less than the costs that the subparagraph imposes.

* * *

**SECTION 9-518. CLAIM CONCERNING INACCURATE OR WRONGFULLY
FILED RECORD.**

(a) ~~[Who may file]~~ Statement with respect to record indexed under person's name.

A person may file in the filing office a ~~correction~~ an information statement with respect to a record indexed there under the person's name if the person believes that the record is inaccurate or was wrongfully filed.

[Alternative A]

(b) ~~[Sufficiency Contents of correction statement under subsection (a).]~~ A

~~correction~~ An information statement under subsection (a) must:

(1) identify the record to which it relates by the file number assigned to the initial financing statement to which the record relates;

(2) indicate that it is a ~~correction~~ an information statement; and

(3) provide the basis for the person's belief that the record is inaccurate and indicate the manner in which the person believes the record should be amended to cure any inaccuracy or provide the basis for the person's belief that the record was wrongfully filed.

[Alternative B]

(b) ~~[Sufficiency Contents of correction statement under subsection (a).]~~ A

~~correction~~ An information statement under subsection (a) must:

(1) identify the record to which it relates by:

(A) the file number assigned to the initial financing statement to which the record relates; and

1 (B) if the ~~correction~~information statement relates to a record filed [or
2 recorded] in a filing office described in Section 9-501(a)(1), the date [and time] that the initial
3 financing statement was filed [or recorded] and the information specified in Section 9-502(b);

4 (2) indicate that it is a ~~correction~~an information statement; and

5 (3) provide the basis for the person's belief that the record is inaccurate and
6 indicate the manner in which the person believes the record should be amended to cure any
7 inaccuracy or provide the basis for the person's belief that the record was wrongfully filed.

8 **[End of Alternatives]**

9 **(c) [Statement by secured party of record.]** A person may file in the filing office an
10 information statement with respect to a record filed there if the person is a secured party of
11 record with respect to the financing statement to which the record relates and believes that the
12 person that filed the record was not entitled to do so under Section 9-509(d).

13 **[Alternative A]**

14 **(d) [Contents of statement under subsection (c).]** An information statement under
15 subsection (c) must:

16 (1) identify the record to which it relates by the file number assigned to the initial
17 financing statement to which the record relates;

18 (2) indicate that it is an information statement; and

19 (3) provide the basis for the person's belief that the person that filed the record
20 was not entitled to do so under Section 9-509(d).

21 **[Alternative B]**

22 **(d) [Contents of statement under subsection (c).]** An information statement under
23 subsection (c) must:

24 (1) identify the record to which it relates by:

1 (A) the file number assigned to the initial financing statement to which the
2 record relates; and

3 (B) if the statement relates to a record filed [or recorded] in a filing office
4 described in Section 9-501(a)(1), the date [and time] that the initial financing statement was filed
5 [or recorded] and the information specified in Section 9-502(b);

6 (2) indicate that it is an information statement; and

7 (3) provide the basis for the person's belief that the person that filed the record
8 was not entitled to do so under Section 9-509(d).

9 **[End of Alternatives]**

10 ~~(c)~~ (e) **[Record not affected by ~~correction~~-information statement.]** The filing of a
11 ~~correction~~-an information statement does not affect the effectiveness of an initial financing
12 statement or other filed record.

13 ***Legislative Note:*** *States whose real-estate filing offices require additional information in*
14 *amendments and cannot search their records by both the name of the debtor and the file number*
15 *should enact Alternative B to Sections 9-512(a), 9-518(b), 9-518(d), 9-519(f) and 9-522(a).*
16

17 **Official Comment**

18 * * *

19
20
21 2. **~~Correction-Information~~ Statements.** Former Article 9 did not afford a nonjudicial
22 means for a debtor to ~~correct~~-indicate that a financing statement or other record ~~that~~ was
23 inaccurate or wrongfully filed. Subsection (a) affords the debtor the right to file a ~~correction~~-an
24 information statement. Among other requirements, the ~~correction~~-information statement must
25 provide the basis for the debtor's belief that the public record should be corrected. See
26 subsection (b). These provisions, which resemble the analogous remedy in the Fair Credit
27 Reporting Act, 15 U.S.C. § 1681i, afford an aggrieved person the opportunity to state its position
28 on the public record. They do not permit an aggrieved person to change the legal effect of the
29 public record. Thus, although a filed ~~correction~~-information statement becomes part of the
30 "financing statement," as defined in Section 9-102, the filing does not affect the effectiveness of
31 the initial financing statement or any other filed record. See subsection ~~(c)~~(e).
32

33 Sometimes a person files a termination statement or other record relating to a filed
34 financing statement without being entitled to do so. A secured party of record with respect to the

1 financing statement who believes that such a record has been filed may, but need not, file an
2 information statement indicating that the person that filed the record was not entitled to do so.
3 See subsection (c). An information statement has no legal effect. Its sole purpose is to provide
4 some limited public notice that the efficacy of a filed record is disputed. If the person that filed
5 the record was not entitled to do so, the filed record is ineffective, regardless of whether the
6 secured party of record files an information statement. Likewise, if the person that filed the
7 record was entitled to do so, the filed record is effective, even if the secured party of record files
8 an information statement. See Section 9-510(a), 9-518(e). Because an information statement
9 filed under subsection (c) has no legal effect, a secured party of record—even one who is aware
10 of the unauthorized filing of a record—has no duty to file one. Just as searchers bear the burden
11 of determining whether the filing of initial financing statement was authorized, searchers bear
12 the burden of determining whether the filing of every subsequent record was authorized.

13
14 Inasmuch as the filing of an information statement has no legal effect, this section does
15 not provide a mechanism by which a secured party can correct an error that it discovers in its
16 own financing statement.

17
18 This section does not displace other provisions of this Article that impose liability for
19 making unauthorized filings or failing to file or send a termination statement (see Section 9-
20 625(e)), nor does it displace any available judicial remedies.

21
22 **3. Resort to Other Law.** This Article cannot provide a satisfactory or complete solution
23 to problems caused by misuse of the public records. The problem of “bogus” filings is not
24 limited to the UCC filing system but extends to the real-property records, as well. A summary
25 judicial procedure for correcting the public record and criminal penalties for those who misuse
26 the filing and recording systems are likely to be more effective and put less strain on the filing
27 system than provisions authorizing or requiring action by filing and recording offices.

28 29 **Reporter’s Note**

30
31 1. Current Section 9-518 provides a mechanism whereby an aggrieved debtor may use
32 the filing office to make a public declaration concerning the debtor’s belief that a filed financing
33 statement naming the debtor is inaccurate or was wrongfully filed. New subsections (c) and (d)
34 would provide a similar mechanism to a secured party of record with respect to a financing
35 statement to express its belief that a person who filed a record relating to the financing statement
36 was not entitled to do so. As the current text does with respect to subsection (b), the
37 amendments would provide alternative versions of subsection (d). Each State would choose the
38 alternative that is better suited to the method by which searches are conducted in the real-estate
39 records maintained in the State.

40
41 2. Because this section currently refers to the statement as a “correction statement,”
42 some debtors have filed one under the misapprehension that the filing has legal effect. It does
43 not. See subsection (e). To prevent future confusion, the amendment would refer to the
44 statement as an “information statement.” The comments throughout Article 9 will be amended
45 to reflect this change in terminology.

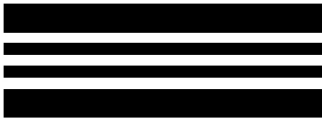
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3 [SUBPART 2. DUTIES AND OPERATION OF FILING OFFICE]
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7 **SECTION 9-521. UNIFORM FORM OF WRITTEN FINANCING STATEMENT**
8 **AND AMENDMENT.**

9 (a) **[Initial financing statement form.]** A filing office that accepts written records may
10 not refuse to accept a written initial financing statement in the following form and format except
11 for a reason set forth in Section 9-516(b):



UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER [optional]
B. EMAIL CONTACT AT FILER [optional]
C. SEND ACKNOWLEDGMENT TO: (Name and Address)

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S NAME - insert only one debtor name (1a or 1b)

1a. ORGANIZATION'S NAME				
OR				
1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX	
1c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

2. DEBTOR'S NAME - insert only one debtor name (2a or 2b)

2a. ORGANIZATION'S NAME				
OR				
2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX	
2c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR SECURED PARTY) - insert only one secured party name (3a or 3b)

3a. ORGANIZATION'S NAME				
OR				
3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX	
3c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

4. This FINANCING STATEMENT covers the following collateral:

5. Check <u>only</u> if applicable and check <u>only</u> one box: Collateral is <input type="checkbox"/> held in Trust <u>or</u> <input type="checkbox"/> held by a Decedent's Personal Representative and being administered.				
6a. Check <u>only</u> if applicable and check <u>only</u> one box: <input type="checkbox"/> Public-Finance Transaction <input type="checkbox"/> Manufactured-Home Transaction <input type="checkbox"/> A Debtor is a TRANSMITTING UTILITY			6b. Check <u>only</u> if applicable and check <u>only</u> one box: <input type="checkbox"/> Agricultural Lien <input type="checkbox"/> Non-UCC Filing	
7. ALTERNATIVE DESIGNATION (if applicable): <input type="checkbox"/> LESSEE/LESSOR <input type="checkbox"/> CONSIGNEE/CONSIGNOR <input type="checkbox"/> SELLER/BUYER <input type="checkbox"/> BAILEE/BAILOR <input type="checkbox"/> LICENSEE/LICENSOR				
8. OPTIONAL FILER REFERENCE DATA				

UCC FINANCING STATEMENT (FORM UCC1) (REV. DRAFT 04/19/10)

UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

9. NAME OF FIRST DEBTOR (1a or 1b) ON RELATED FINANCING STATEMENT

9a. ORGANIZATION'S NAME

OR

9b. INDIVIDUAL'S SURNAME

FIRST PERSONAL NAME

ADDITIONAL NAME(S)/INITIAL(S), SUFFIX

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

10. MISCELLANEOUS:**11. DEBTOR'S NAME - insert only one debtor name (11a or 11b)**

11a. ORGANIZATION'S NAME

OR

11b. INDIVIDUAL'S SURNAME

FIRST PERSONAL NAME

ADDITIONAL NAME(S)/INITIAL(S)

SUFFIX

11c. MAILING ADDRESS

CITY

STATE

POSTAL CODE

COUNTRY

12. ☐ ADDITIONAL SECURED PARTY'S or ☐ ASSIGNOR SECURED PARTY'S NAME - insert only one name (12a or 12b)

12a. ORGANIZATION'S NAME

OR

12b. INDIVIDUAL'S SURNAME

FIRST PERSONAL NAME

ADDITIONAL NAME(S)/INITIAL(S)

SUFFIX

12c. MAILING ADDRESS

CITY

STATE

POSTAL CODE

COUNTRY

13. ☐ This FINANCING STATEMENT is to be filed [for record]
(or recorded) in the REAL ESTATE RECORDS. [if applicable]14. This FINANCING STATEMENT covers ☐ timber to be cut, or
☐ as-extracted collateral, or is filed as a ☐ fixture filing.

15. Name and address of a RECORD OWNER of above-described real estate (if Debtor does not have a record interest):

16. Additional collateral description (if applicable, description of real estate):

1 (b) **[Amendment form.]** A filing office that accepts written records may not refuse to
2 accept a written record in the following form and format except for a reason set forth in Section
3 9-516(b):

4

UCC FINANCING STATEMENT AMENDMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER [optional]
B. EMAIL CONTACT AT FILER [optional]
C. SEND ACKNOWLEDGMENT TO: (Name and Address)

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1a. INITIAL FINANCING STATEMENT FILE NUMBER

1b. ☐ This FINANCING STATEMENT AMENDMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS. Attach Amendment Addendum (FORM UCC3Ad) and include Debtor's name in item 13.

2. ☐ **TERMINATION:** Effectiveness of the Financing Statement identified above is terminated with respect to security interest(s) of the Secured Party authorizing this Termination Statement.

3. ☐ **ASSIGNMENT** (full or partial). Give name of assignee in item 7a or 7b and address of assignee in item 7c, and give name of assignor in item 9. For partial Assignments, complete items 7 and 9 as stated; and indicate affected collateral in item 8.

4. ☐ **CONTINUATION:** Effectiveness of the Financing Statement identified above with respect to security interest(s) of the Secured Party authorizing this Continuation Statement is continued for the additional period provided by applicable law.

5. ☐ **PARTY INFORMATION CHANGE:**

Check one of these two boxes:

This Change affects ☐ Debtor or ☐ Secured Party of record.

AND Check one of these three boxes to:

☐ CHANGE name and/or address: Complete item 6a or 6b; and item 7a or 7b and item 7c. ☐ ADD name: Complete item 7a or 7b, and item 7c. ☐ DELETE name: Give record name to be deleted in item 6a or 6b.

6. **CURRENT RECORD INFORMATION:** Complete for Party Information Change

6a. ORGANIZATION'S NAME

OR

6b. INDIVIDUAL'S SURNAME

FIRST PERSONAL NAME

ADDITIONAL NAME(S)/INITIAL(S)

SUFFIX

7. **CHANGED OR ADDED INFORMATION:** Complete for Assignment or Party Information Change

7a. ORGANIZATION'S NAME

OR

7b. INDIVIDUAL'S SURNAME

FIRST PERSONAL NAME

ADDITIONAL NAME(S)/INITIAL(S)

SUFFIX

7c. MAILING ADDRESS

CITY

STATE

POSTAL CODE

COUNTRY

8. **COLLATERAL CHANGE:** Check only one box: ☐ Delete, ☐ Add, ☐ Restate entire collateral description, or ☐ Assigned collateral Describe collateral:

9. **NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT** (name of assignor, if this is an Assignment).

If this is an Amendment authorized by a Debtor, check here ☐ and enter name of authorizing **DEBTOR**

9a. ORGANIZATION'S NAME

OR

9b. INDIVIDUAL'S SURNAME

FIRST PERSONAL NAME

ADDITIONAL NAME(S)/INITIAL(S)

SUFFIX

10. OPTIONAL FILER REFERENCE DATA

UCC FINANCING STATEMENT AMENDMENT ADDENDUM

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

11. INITIAL FINANCING STATEMENT FILE NUMBER (same as item 1a on Amendment form)

12. NAME OF PARTY AUTHORIZING THIS AMENDMENT (same as item 9 on Amendment form)

12a. ORGANIZATION'S NAME

OR

12b. INDIVIDUAL'S SURNAME

FIRST PERSONAL NAME

ADDITIONAL NAME(S)/INITIAL(S), SUFFIX

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

13. Name of DEBTOR on related Financing Statement (Name of a current Debtor required for indexing purposes only in some filing offices - see Instruction Item 13 - insert only one Debtor name (13a or 13b))

13a. ORGANIZATION'S NAME

OR

13b. INDIVIDUAL'S SURNAME

FIRST PERSONAL NAME

ADDITIONAL NAME(S)/INITIAL(S)

SUFFIX

14. This FINANCING STATEMENT covers ☐ timber to be cut, or
☐ as-extracted collateral, or is filed as a ☐ fixture filing.

15. Name and address of a RECORD OWNER of above-described real estate (if Debtor does not have a record interest):

16. Use this space for additional information (if applicable, description of real estate):

1

2 **Reporter's Note**

3

4 This section provides sample written forms that must be accepted in every filing office in
5 the country, as long as the filing office's rules permit it to accept written communications. By
6 completing one of the forms in this section, a secured party can be certain that the filing office is
7 obligated to accept it. The forms have been revised to reflect the experience of filing offices
8 with the existing forms and because the amendments to Section 9-503 would change some of the
9 requirements for an effective financing statement. The details of the forms appearing here are
10 still under consideration.

11 * * *

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14 **PART 6**

15 **DEFAULT**

16

17

18 [SUBPART 1. DEFAULT AND ENFORCEMENT OF SECURITY INTEREST]

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23 **SECTION 9-607. COLLECTION AND ENFORCEMENT BY SECURED PARTY.**

24 (a) [Collection and enforcement generally.] If so agreed, and in any event after
25 default, a secured party:

26 (1) may notify an account debtor or other person obligated on collateral to make
27 payment or otherwise render performance to or for the benefit of the secured party;

28 (2) may take any proceeds to which the secured party is entitled under Section
29 9-315;

30 (3) may enforce the obligations of an account debtor or other person obligated on
31 collateral and exercise the rights of the debtor with respect to the obligation of the account
32 debtor or other person obligated on collateral to make payment or otherwise render performance
33 to the debtor, and with respect to any property that secures the obligations of the account debtor
34 or other person obligated on the collateral;

1 (4) if it holds a security interest in a deposit account perfected by control under
2 Section 9-104(a)(1), may apply the balance of the deposit account to the obligation secured by
3 the deposit account; and

4 (5) if it holds a security interest in a deposit account perfected by control under
5 Section 9-104(a)(2) or (3), may instruct the bank to pay the balance of the deposit account to or
6 for the benefit of the secured party.

7 (b) **[Nonjudicial enforcement of mortgage.]** If necessary to enable a secured party to
8 exercise under subsection (a)(3) the right of a debtor to enforce a mortgage nonjudicially, the
9 secured party may record in the office in which a record of the mortgage is recorded:

10 (1) a copy of the security agreement that creates or provides for a security interest
11 in the obligation secured by the mortgage; and

12 (2) the secured party's sworn affidavit in recordable form stating that:

13 (A) a default has occurred with respect to the obligation secured by the
14 mortgage; and

15 (B) the secured party is entitled to enforce the mortgage nonjudicially.

16 (c) **[Commercially reasonable collection and enforcement.]** A secured party shall
17 proceed in a commercially reasonable manner if the secured party:

18 (1) undertakes to collect from or enforce an obligation of an account debtor or
19 other person obligated on collateral; and

20 (2) is entitled to charge back uncollected collateral or otherwise to full or limited
21 recourse against the debtor or a secondary obligor.

22 (d) **[Expenses of collection and enforcement.]** A secured party may deduct from the
23 collections made pursuant to subsection (c) reasonable expenses of collection and enforcement,
24 including reasonable attorney's fees and legal expenses incurred by the secured party.

1 (e) **[Duties to secured party not affected.]** This section does not determine whether an
2 account debtor, bank, or other person obligated on collateral owes a duty to a secured party.

3 **Reporter's Note**

4
5 The amendment to subsection (b)(2)(A) is for clarification only; it does not reflect a
6 change in meaning. Accordingly, the amendment should apply to all transactions governed by
7 Article 9, including those that were entered into before the effective date of the amendment.

8 * * *

9 **PART 8**

10 **TRANSITION PROVISIONS FOR 2010 AMENDMENTS**

11 **SECTION 9-801. EFFECTIVE DATE.** This [Act] takes effect on July 1, 2013.

12 **SECTION 9-802. SAVINGS CLAUSE.**

13 (a) **[Pre-effective-date transactions or liens.]** Except as otherwise provided in this
14 part, this [Act] applies to a transaction or lien within its scope, even if the transaction or lien was
15 entered into or created before this [Act] takes effect.

16 (b) **[Pre-effective-date proceedings.]** This [Act] does not affect an action, case, or
17 proceeding commenced before this [Act] takes effect.

18 **SECTION 9-803. SECURITY INTEREST PERFECTED BEFORE EFFECTIVE**
19 **DATE.**

20 (a) **[Continuing perfection: perfection requirements satisfied.]** A security interest
21 that is a perfected security interest immediately before this [Act] takes effect is a perfected
22 security interest under [Article 9 as amended by this [Act]] if, when this [Act] takes effect, the
23 applicable requirements for attachment and perfection under [Article 9 as amended by this [Act]]
24 are satisfied without further action.

25 (b) **[Continuing perfection: perfection requirements not satisfied.]** Except as

1 otherwise provided in Section 9-805, if, immediately before this [Act] takes effect, a security
2 interest is a perfected security interest, but the applicable requirements for perfection under
3 [Article 9 as amended by this [Act]] are not satisfied when this [Act] takes effect, the security
4 interest remains perfected thereafter only if the applicable requirements for perfection under
5 [Article 9 as amended by this [Act]] are satisfied within one year after this [Act] takes effect.]

6 **SECTION 9-804. SECURITY INTEREST UNPERFECTED BEFORE**
7 **EFFECTIVE DATE.** A security interest that is an unperfected security interest immediately
8 before this [Act] takes effect becomes a perfected security interest:

9 (1) without further action, when this [Act] takes effect if the applicable requirements for
10 perfection under [Article 9 as amended by this [Act]] are satisfied before or at that time; or

11 (2) when the applicable requirements for perfection are satisfied if the requirements are
12 satisfied after that time.

13 **SECTION 9-805. EFFECTIVENESS OF ACTION TAKEN BEFORE**
14 **EFFECTIVE DATE.**

15 (a) [Pre-effective-date filing effective.] The filing of a financing statement before this
16 [Act] takes effect is effective to perfect a security interest to the extent the filing would satisfy
17 the applicable requirements for perfection under [Article 9 as amended by this [Act]].

18 (b) [When pre-effective-date filing becomes ineffective.] This [Act] does not render
19 ineffective an effective financing statement that, before this [Act] takes effect, is filed and
20 satisfies the applicable requirements for perfection under the law of the jurisdiction governing
21 perfection as provided in [Article 9 as it existed before amendment]. However, except as
22 otherwise provided in subsections (c) and (d) and Section 9-806, the financing statement ceases
23 to be effective:

24 (1) if the financing statement is filed in this State, at the time the financing

1 statement would have ceased to be effective had this [Act] not taken effect; or

2 (2) if the financing statement is filed in another jurisdiction, at the earlier of:

3 (A) the time the financing statement would have ceased to be effective
4 under the law of that jurisdiction; or

5 (B) June 30, 2018.

6 (c) [Continuation statement.] The filing of a continuation statement after this [Act]
7 takes effect does not continue the effectiveness of the financing statement filed before this [Act]
8 takes effect. However, upon the timely filing of a continuation statement after this [Act] takes
9 effect and in accordance with the law of the jurisdiction governing perfection as provided in
10 [Article 9 as amended by this [Act]], the effectiveness of a financing statement filed in the same
11 office in that jurisdiction before this [Act] takes effect continues for the period provided by the
12 law of that jurisdiction.

13 (d) [Application of subsection (b)(2)(B) to transmitting utility financing statement.]
14 Subsection (b)(2)(B) applies to a financing statement that, before this [Act] takes effect, is filed
15 against a transmitting utility and satisfies the applicable requirements for perfection under the
16 law of the jurisdiction governing perfection as provided in [Article 9 as it existed before
17 amendment], only to the extent that [Article 9 as amended by this [Act]] provides that the law of
18 a jurisdiction other than the jurisdiction in which the financing statement is filed governs
19 perfection of a security interest in collateral covered by the financing statement.

20 (e) [Application of Part 5.] A financing statement that includes a financing statement
21 filed before this [Act] takes effect and a continuation statement filed after this [Act] takes effect
22 is effective only to the extent that it satisfies the requirements of [Part 5 as amended by this
23 [Act]] for an initial financing statement. A financing statement that indicates that the debtor is a
24 decedent's estate indicates that the collateral is being administered by a personal representative

1 within the meaning of Section 9-503(a)(2) as amended by this [Act]. A financing statement that
2 indicates that the debtor is a trust or is a trustee acting with respect to property held in trust
3 indicates that the collateral is held in a trust within the meaning of Section 9-503(a)(3) as
4 amended by this [Act].

5 **SECTION 9-806. WHEN INITIAL FINANCING STATEMENT SUFFICES TO**
6 **CONTINUE EFFECTIVENESS OF FINANCING STATEMENT.**

7 **(a) [Initial financing statement in lieu of continuation statement.]** The filing of an
8 initial financing statement in the office specified in Section 9-501 continues the effectiveness of
9 a financing statement filed before this [Act] takes effect if:

10 (1) the filing of an initial financing statement in that office would be effective to
11 perfect a security interest under [Article 9 as amended by this [Act]];

12 (2) the pre-effective-date financing statement was filed in an office in another
13 State; and

14 (3) the initial financing statement satisfies subsection (c).

15 **(b) [Period of continued effectiveness.]** The filing of an initial financing statement
16 under subsection (a) continues the effectiveness of the pre-effective-date financing
17 statement:

18 (1) if the initial financing statement is filed before this [Act] takes effect, for the
19 period provided in [unamended Section 9-515] with respect to an initial financing statement; and

20 (2) if the initial financing statement is filed after this [Act] takes effect, for the
21 period provided in Section 9-515 as amended by this [Act] with respect to an initial financing
22 statement.

23 **(c) [Requirements for initial financing statement under subsection (a).]** To be
24 effective for purposes of subsection (a), an initial financing statement must:

1 (1) satisfy the requirements of [Part 5 as amended by this [Act]] for an initial
2 financing statement;

3 (2) identify the pre-effective-date financing statement by indicating the office in
4 which the financing statement was filed and providing the dates of filing and file numbers, if
5 any, of the financing statement and of the most recent continuation statement filed with respect
6 to the financing statement; and

7 (3) indicate that the pre-effective-date financing statement remains effective.

8 **SECTION 9-807. AMENDMENT OF PRE-EFFECTIVE-DATE FINANCING**
9 **STATEMENT.**

10 (a) [“Pre-effective-date financing statement”.] In this section, “pre-effective-date
11 financing statement” means a financing statement filed before this [Act] takes effect.

12 (b) [Applicable law.] After this [Act] takes effect, a person may add or delete collateral
13 covered by, continue or terminate the effectiveness of, or otherwise amend the information
14 provided in, a pre-effective-date financing statement only in accordance with the law of the
15 jurisdiction governing perfection as provided in [Article 9 as amended by this [Act]]. However,
16 the effectiveness of a pre-effective-date financing statement also may be terminated in
17 accordance with the law of the jurisdiction in which the financing statement is filed.

18 (c) [Method of amending: general rule.] Except as otherwise provided in subsection
19 (d), if the law of this State governs perfection of a security interest, the information in a pre-
20 effective-date financing statement may be amended after this [Act] takes effect only if:

21 (1) the pre-effective-date financing statement and an amendment are filed in the
22 office specified in Section 9-501;

23 (2) an amendment is filed in the office specified in Section 9-501 concurrently
24 with, or after the filing in that office of, an initial financing statement that satisfies Section 9-

1 806(c); or

2 (3) an initial financing statement that provides the information as amended and
3 satisfies Section 9-806(c) is filed in the office specified in Section 9-501.

4 (d) [Method of amending: continuation.] If the law of this State governs perfection of
5 a security interest, the effectiveness of a pre-effective-date financing statement may be continued
6 only under Section 9-805(c) and (e) or 9-806.

7 (e) [Method of amending: additional termination rule.] Whether or not the law of
8 this State governs perfection of a security interest, the effectiveness of a pre-effective-date
9 financing statement filed in this State may be terminated after this [Act] takes effect by filing a
10 termination statement in the office in which the pre-effective-date financing statement is filed,
11 unless an initial financing statement that satisfies Section 9-806(c) has been filed in the office
12 specified by the law of the jurisdiction governing perfection as provided in [Article 9 as
13 amended by this [Act]] as the office in which to file a financing statement.

14 **SECTION 9-808. PERSON ENTITLED TO FILE INITIAL FINANCING**
15 **STATEMENT OR CONTINUATION STATEMENT.** A person may file an initial financing
16 statement or a continuation statement under this part if:

17 (1) the secured party of record authorizes the filing; and

18 (2) the filing is necessary under this part:

19 (A) to continue the effectiveness of a financing statement filed before this [Act]
20 takes effect; or

21 (B) to perfect or continue the perfection of a security interest.

22 **SECTION 9-809. PRIORITY.** This [Act] determines the priority of conflicting claims
23 to collateral. However, if the relative priorities of the claims were established before this [Act]
24 takes effect, [Article 9 as it existed before amendment] determines priority.

Reporter's Note

These transition provisions are based on the provisions of Article 9, Part 7, which govern the transition to Revised Article 9. As under Part 7, these provisions contemplate a uniform effective date that is roughly three years after the anticipated approval of the amendments by the sponsors and a five-year transition period after the Act takes effect, during which filings made before the effective date must be conformed to the amendments to remain effective.

Because the current amendments will change fewer aspects of Article than the complete revision did, not all of the provisions of Part 7 are relevant to the current amendments. For example, unlike Revised Article 9, these amendments do not change the scope of the Article. The Joint Review Committee decided not to include Part 7 provisions that clearly would have no application to the amendments. When in doubt, the Joint Review Committee decided to retain a transition provision rather than delete it.

The most significant transition problem raised by the current amendments arises from changes to Section 9-503(a), concerning the name of the debtor that must be provided for a financing statement to be sufficient. In contrast, the most significant transition problem addressed by the complete revision arose from the change in the choice-of-law rules governing where to file a financing statement. The current amendments do not change the choice-of-law rules. Even so, the amendments will change the place to file in a few cases, because certain entities that are not currently classified as "registered organizations" would fall within that category under the amendments. (A filing against a registered organization must be made in the jurisdiction of organization, whereas a filing against a nonregistered organization must be made where the organization's chief executive office is located, which may not be the jurisdiction of organization.)

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APPENDIX I

MODIFICATIONS TO THE COMMENTS UNACCOMPANIED BY AMENDMENTS
TO THE OFFICIAL TEXT

SECTION 9-102. DEFINITIONS AND INDEX OF DEFINITIONS.

* * *

Official Comment

* * *

5. Receivables-related Definitions.

a. **“Account”; “Health-Care-Insurance Receivable”; “As-Extracted Collateral.”** The definition of “account” has been expanded and reformulated. It is no longer limited to rights to payment relating to goods or services. Many categories of rights to payment that were classified as general intangibles under former Article 9 are accounts under this Article. Thus, if they are sold, a financing statement must be filed to perfect the buyer’s interest in them. Among the types of property that are expressly excluded from the definition is “a right to payment for money or funds advanced or sold.” As defined in Section 1-201, “money” is limited essentially to currency. As used in the exclusion from the definition of “account,” however, “funds” is a broader concept (although the term is not defined). For example, when a bank-lender credits a borrower’s deposit account for the amount of a loan, the bank’s advance of funds is not a transaction giving rise to an account.

The definition of “health-care-insurance receivable” is new. It is a subset of the definition of “account.” However, the rules generally applicable to account debtors on accounts do not apply to insurers obligated on health-care-insurance receivables. See Sections 9-404(e), 9-405(d), 9-406(i).

Note that certain accounts also are “as-extracted collateral.” See Comment 4.c., Examples 6 and 7.

b. **“Chattel Paper”; “Electronic Chattel Paper”; “Tangible Chattel Paper.”** “Chattel paper” consists of a monetary obligation together with a security interest in or a lease of specific goods if the obligation and security interest or lease are evidenced by “a record or records.” The definition has been expanded from that found in former Article 9 to include records that evidence a monetary obligation and a security interest in specific goods and software used in the goods, a security interest in specific goods and license of software used in the goods, or a lease of specific goods and license of software used in the goods. The expanded definition covers transactions in which the debtor’s or lessee’s monetary obligation includes amounts owed with respect to software used in the goods. The monetary obligation with respect to the software need not be owed under a license from the secured party or lessor, and the secured party or lessor need not be a party to the license transaction itself. Among the types of monetary obligations that are included in “chattel paper” are amounts that have been advanced

1 by the secured party or lessor to enable the debtor or lessee to acquire or obtain financing for a
2 license of the software used in the goods. The definition also makes clear that rights to payment
3 arising out of credit-card transactions are not chattel paper.
4

5 Charters of vessels are expressly excluded from the definition of chattel paper; they are
6 accounts. The term “charter” as used in this section includes bareboat charters, time charters,
7 successive voyage charters, contracts of affreightment, contracts of carriage, and all other
8 arrangements for the use of vessels.
9

10 Under former Section 9-105, only if the evidence of an obligation consisted of “a writing
11 or writings” could an obligation qualify as chattel paper. In this Article, traditional, written
12 chattel paper is included in the definition of “tangible chattel paper.” “Electronic chattel paper”
13 is chattel paper that is stored in an electronic medium instead of in tangible form. The concept
14 of an electronic medium should be construed liberally to include electrical, digital, magnetic,
15 optical, electromagnetic, or any other current or similar emerging technologies.
16

17 The definition of electronic chattel paper does not dictate that it be created in any
18 particular fashion. For example, a record consisting of a tangible writing may be converted to
19 electronic form (e.g., by creating electronic images of a signed writing). Or, records may be
20 initially created and executed in electronic form (e.g., a lessee might authenticate an electronic
21 record of a lease that is then stored in electronic form). In either case the resulting records are
22 electronic chattel paper. Likewise, tangible chattel paper results when chattel paper in electronic
23 form is converted to tangible form.
24

25 * * *
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27 d. **“General Intangible”; “Payment Intangible.”** “General intangible” is the
28 residual category of personal property, including things in action, that is not included in the other
29 defined types of collateral. Examples are various categories of intellectual property and the right
30 to payment of a loan of funds that is not evidenced by chattel paper or an instrument. As used in
31 the definition of “general intangible,” “things in action” includes rights that arise under a license
32 of intellectual property, including the right to exploit the intellectual property without liability
33 for infringement. The definition has been revised to exclude commercial tort claims, deposit
34 accounts, and letter-of-credit rights. Each of the three is a separate type of collateral. One
35 important consequence of this exclusion is that tortfeasors (commercial tort claims), banks
36 (deposit accounts), and persons obligated on letters of credit (letter-of-credit rights) are not
37 “account debtors” having the rights and obligations set forth in Sections 9-404, 9-405, and
38 9-406. In particular, tortfeasors, banks, and persons obligated on letters of credit are not
39 obligated to pay an assignee (secured party) upon receipt of the notification described in Section
40 9-404(a). See Comment 5.h. Another important consequence relates to the adequacy of the
41 description in the security agreement. See Section 9-108.
42

43 “Payment intangible” is a subset of the definition of “general intangible.” The sale of a
44 payment intangible is subject to this Article. See Section 9-109(a)(3). Virtually any intangible
45 right could give rise to a right to payment of money once one hypothesizes, for example, that the
46 account debtor is in breach of its obligation. The term “payment intangible,” however, embraces
47 only those general intangibles “under which the account debtor’s *principal* obligation is a

monetary obligation.” (Emphasis added.)

In classifying intangible collateral, a court should begin by identifying the particular rights that have been assigned. The account debtor (promisor) under a particular contract may owe several types of monetary obligations as well as other, nonmonetary obligations. If the promisee’s right to payment of money is assigned separately, the right is an account or payment intangible, depending on how the account debtor’s obligation arose. When all the promisee’s rights are assigned together, an account, a payment intangible, and a general intangible all may be involved, depending on the nature of the rights.

A right to the payment of money is frequently buttressed by ancillary covenants rights, such as covenants in a purchase agreement, note, or mortgage requiring insurance on the collateral or forbidding removal of the collateral, ~~or~~ covenants to preserve the creditworthiness of the promisor, such as covenants restricting dividends and the like, and the lessor’s rights with respect to leased goods that arise upon the lessee’s default (see Section 2A-523). This Article does not treat these ancillary rights separately from the rights to payment to which they relate. For example, attachment and perfection of an assignment of a right to payment of a monetary obligation, whether it be an account or payment intangible, also carries these ancillary rights. Contrary to the opinion in *In re Commercial Money Center, Inc.*, 350 B.R. 465 (B.A.P. 9th Cir. 2006), if the lessor’s rights under a lease constitute chattel paper, an assignment of the lessor’s right to payment under the lease also would be an assignment of chattel paper, even if the assignment excludes other rights.

Every “payment intangible” is also a “general intangible.” Likewise, “software” is a “general intangible” for purposes of this Article. See Comment 25. Accordingly, except as otherwise provided, statutory provisions applicable to general intangibles apply to payment intangibles and software.

* * *

Reporter’s Note

1. An additional sentence or two will explain that a right to payment “arising out of the use of a credit or charge card” is the right of a card issuer to receive payment from its cardholder, and that rights to payment arising out of the collection of a credit-card slip, such as the contractual obligation of a merchant’s bank to pay the merchant for settlement of the card transaction, are not within the quoted phrase.

2. The point made in the sentence added to paragraph 5.b. may be further amplified.

3. The addition to paragraph 5.d. illustrates the correct application of the Article 9 classification system in the context of an assignment of the lessor’s right to payment under a lease that is chattel paper.

1 **SECTION 9-104. CONTROL OF DEPOSIT ACCOUNT.**

2 **(a) [Requirements for control.]** A secured party has control of a deposit account if:

3 (1) the secured party is the bank with which the deposit account is maintained;

4 (2) the debtor, secured party, and bank have agreed in an authenticated record that
5 the bank will comply with instructions originated by the secured party directing disposition of
6 the funds in the deposit account without further consent by the debtor; or

7 (3) the secured party becomes the bank's customer with respect to the deposit
8 account.

9 * * *

10 **Official Comment**

11 * * *

12 **3. Requirements for "Control."** This section derives from Section 8-106 of Revised
13 Article 8, which defines "control" of securities and certain other investment property. Under
14 subsection (a)(1), the bank with which the deposit account is maintained has control. The effect
15 of this provision is to afford the bank automatic perfection. No other form of public notice is
16 necessary; all actual and potential creditors of the debtor are always on notice that the bank with
17 which the debtor's deposit account is maintained may assert a claim against the deposit account.
18

19 **Example:** D maintains a deposit account with Bank A. To secure a loan from Banks X,
20 Y, and Z, D creates a security interest in the deposit account in favor of Bank A, as agent
21 for Banks X, Y, and Z. Because Bank A is a "secured party" as defined in Section 9-102,
22 the security interest is perfected by control under subsection (a)(1).
23

24 Under subsection (a)(2), a secured party may obtain control by obtaining the bank's
25 authenticated agreement that it will comply with the secured party's instructions without further
26 consent by the debtor. The analogous provision in Section 8-106 does not require that the
27 agreement be authenticated. An agreement to comply with the secured party's instructions
28 suffices for "control" of a deposit account under this section even if the bank's agreement is
29 subject to specified conditions, e.g., that the secured party's instructions are accompanied by a
30 certification that the debtor is in default. (Of course, if the condition is the *debtor's* further
31 consent, the statute explicitly provides that the agreement would *not* confer control.) See revised
32 Section 8-106, Comment 7.
33

34 Under subsection (a)(3), a secured party may obtain control by becoming the bank's
35 "customer," as defined in Section 4-104. As the customer, the secured party would enjoy the
36 right (but not necessarily the exclusive right) to withdraw funds from, or close, the deposit
37
38

1 account. See Sections 4-401(a), 4-403(a).

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5 **Reporter's Note**

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7 A brief explanation of control by an agent or other representative may be added.

8
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10 **SECTION 9-109. SCOPE.**

11 (a) **[General scope of article.]** Except as otherwise provided in subsections (c) and (d),
12 this article applies to:

13 (1) a transaction, regardless of its form, that creates a security interest in personal
14 property or fixtures by contract;

15 * * *

16 * * *

17 **Official Comment**

18 * * *

19
20 **2. Basic Scope Provision.** Subsection (a)(1) derives from former Section 9-102(1) and
21 (2). These subsections have been combined and shortened. No change in meaning is intended.
22 Under subsection (a)(1), all consensual security interests in personal property and fixtures are
23 covered by this Article, except for transactions excluded by subsections (c) and (d). As to which
24 transactions give rise to a "security interest," the definition of that term in Section 1-201 must be
25 consulted. When a security interest is created, this Article applies regardless of the form of the
26 transaction or the name that parties have given to it. Likewise, the subjective intention of the
27 parties with respect to the legal characterization of their transaction is irrelevant to whether this
28 Article applies, as it was to the application of former Article 9 under the proper interpretation of
29 former Section 9-102.

30
31 * * *

32
33 **Reporter's Note**

34
35 Section 9-102(a)(1) provides that Article 9 applies to a transaction that creates a security
36 interest. The addition to the comment emphasizes that this is the case, regardless of the
37 subjective intention of the parties with respect to the legal characterization of their transaction.

SECTION 9-301. LAW GOVERNING PERFECTION AND PRIORITY OF SECURITY INTERESTS.

* * *

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

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

* * *

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Official Comment

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5. Law Governing Perfection: Exceptions. The general rule is subject to several exceptions. It does not apply to goods covered by a certificate of title (see Section 9-303), deposit accounts (see Section 9-304), investment property (see Section 9-305), or letter-of-credit rights (see Section 9-306). Nor does it apply to possessory security interests, i.e., security interests that the secured party has perfected by taking possession of the collateral (see paragraph (2)), security interests perfected by filing a fixture filing (see subparagraph (3)(A)), security interests in timber to be cut (subparagraph (3)(B)), or security interests in as-extracted collateral (see paragraph (4)).

* * *

b. **Fixtures-Fixture Filings.** Application of Under the general rule in paragraph (1), a security interest in fixtures may be perfected by filing in the office specified by Section 9-501(a) as enacted in the jurisdiction in which the debtor is located. However, application of this rule to perfection of a security interest in ~~fixtures~~ by filing a fixture filing would yield strange results. For example, perfection of a security interest in fixtures located in Arizona and owned by a Delaware corporation would be governed by the law of Delaware. Although Delaware law would send one to a filing office in Arizona for the place to file a financing statement as a fixture filing, see Section 9-501, Delaware law would not take account of local, nonuniform, real-property filing and recording requirements that Arizona law might impose. For this reason, paragraph (3)(A) contains a special rule for security interests perfected by a fixture filing; the law of the jurisdiction in which the fixtures are located governs perfection, including the formal requisites of a fixture filing. Under paragraph (3)(C), the same law governs priority. Fixtures are “goods” as defined in Section 9-102.

1 The filing of a financing statement to perfect a security interest in collateral of a
2 transmitting utility constitutes a fixture filing with respect to goods that are or become fixtures.
3 See Section 9-501(b). Accordingly, to perfect a security interest in goods of this kind by a
4 fixture filing, a financing statement must be filed in the office specified by Section 9-501(b) as
5 enacted in the jurisdiction in which the goods are located. If the fixtures collateral is located in
6 more than one State, filing in all of those States will be necessary to perfect a security interest in
7 all the fixtures collateral by a fixture filing. Of course, a security interest in nearly all types of
8 collateral (including fixtures) of a transmitting utility may be perfected by filing in the office
9 specified by Section 9-501(a) as enacted in the jurisdiction in which the transmitting utility is
10 located. However, such a filing will not be effective as a fixture filing except with respect to
11 goods that are located in that jurisdiction.

12 * * *

16 **SECTION 9-501. FILING OFFICE.**

17 * * *

18 **(b) [Filing office for transmitting utilities.]** The office in which to file a financing
19 statement to perfect a security interest in collateral, including fixtures, of a transmitting utility is
20 the office of []. The financing statement also constitutes a fixture filing as to the collateral
21 indicated in the financing statement which is or is to become fixtures.

22 * * *

23 **Official Comment**

24 * * *

25 **5. Transmitting Utilities.** The usual filing rules do not apply well for a transmitting
26 utility (defined in Section 9-102). Many pre-UCC statutes provided special filing rules for
27 railroads and in some cases for other public utilities, to avoid the requirements for filing with
28 legal descriptions in every county in which such debtors had property. Former Section 9-401(5)
29 recreated and broadened these provisions, and subsection (b) follows this approach. The nature
30 of the debtor will inform persons searching the record as to where to make a search.
31

32 A given State's subsection (b) applies only if the local law of that State governs
33 perfection. As to most collateral, perfection by filing is governed by the law of the jurisdiction
34 in which the debtor is located. See Section 9-301(1). However, the law of the jurisdiction in
35 which goods that are or become fixtures are located governs perfection by filing a fixture filing.
36 See Section 9-301(3)(A). As a consequence, filing in the filing office of more than one State
37 may be necessary to perfect a security interest in fixtures collateral of a transmitting utility by
38 filing a fixture filing. See Section 9-301, Comment 5.b.
39
40

1 **Reporter's Note**

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3 The modifications to the comments to Sections 9-301 and 9-502 provide a fuller
4 explanation of where a financing statement should be filed when the debtor is a transmitting
5 utility.
6

7
8 **SECTION 9-307. LOCATION OF DEBTOR.**

9 (a) [**“Place of business.”**] In this section, “place of business” means a place where a
10 debtor conducts its affairs.

11 (b) [**Debtor's location: general rules.**] Except as otherwise provided in this section,
12 the following rules determine a debtor's location:

13 (1) A debtor who is an individual is located at the individual's principal
14 residence.

15 (2) A debtor that is an organization and has only one place of business is located
16 at its place of business.

17 (3) A debtor that is an organization and has more than one place of business is
18 located at its chief executive office.

19 (c) [**Limitation of applicability of subsection (b).**] Subsection (b) applies only if a
20 debtor's residence, place of business, or chief executive office, as applicable, is located in a
21 jurisdiction whose law generally requires information concerning the existence of a
22 nonpossessory security interest to be made generally available in a filing, recording, or
23 registration system as a condition or result of the security interest's obtaining priority over the
24 rights of a lien creditor with respect to the collateral. If subsection (b) does not apply, the debtor
25 is located in the District of Columbia.

26 **Official Comment**

27 * * *
28
29

3. **Non-U.S. Debtors.** Under the general rules of this section, a non-U.S. debtor often would be located in a foreign jurisdiction and, as a consequence, foreign law would govern perfection. When foreign law affords no public notice of security interests, the general rule yields unacceptable results.

Accordingly, subsection (c) provides that the normal rules for determining the location of a debtor (i.e., the rules in subsection (b)) apply only if they yield a location that is “a jurisdiction whose law generally requires information concerning the existence of a nonpossessory security interest to be made generally available in a filing, recording, or registration system as a condition or result of the security interest’s obtaining priority over the rights of a lien creditor with respect to the collateral.” The phrase “generally requires” is meant to include legal regimes that generally require notice in a filing or recording system as a condition of perfecting nonpossessory security interests, but which permit perfection by another method (e.g., control, automatic perfection, temporary perfection) in limited circumstances. A jurisdiction that has adopted this Article or an earlier version of this Article is such a jurisdiction. If the rules in subsection (b) yield a jurisdiction whose law does not generally require notice in a filing or registration system and none of the special rules in subsections (e), (f), (i), and (j) applies, the debtor is located in the District of Columbia.

* * *

Reporter's Note

The modification emphasizes that if one of the special rules in subsections (e), (f), (i), and (j) applies, then subsection (b) (and therefore subsection (c)) does not apply.

SECTION 9-322. PRIORITIES AMONG CONFLICTING SECURITY INTERESTS IN AND AGRICULTURAL LIENS ON SAME COLLATERAL.

(a) **[General priority rules.]** Except as otherwise provided in this section, priority among conflicting security interests and agricultural liens in the same collateral is determined according to the following rules:

(1) Conflicting perfected security interests and agricultural liens rank according to priority in time of filing or perfection. Priority dates from the earlier of the time a filing covering the collateral is first made or the security interest or agricultural lien is first perfected, if there is no period thereafter when there is neither filing nor perfection.

* * *

* * *

Example 1: On February 1, A files a financing statement covering a certain item of Debtor's equipment. On March 1, B files a financing statement covering the same equipment. On April 1, B makes a loan to Debtor and obtains a security interest in the equipment. On May 1, A makes a loan to Debtor and obtains a security interest in the same collateral. A has priority even though B's loan was made earlier and was perfected when made. It makes no difference whether A knew of B's security interest when A made its advance.

Under a notice-filing system, a filed financing statement indicates to third parties that a person may have a security interest in the collateral indicated. With further inquiry, they may discover the complete state of affairs. When a financing statement that is ineffective when filed becomes effective thereafter, the policy underlying the notice-filing system determines the “time of filing” for purposes of subsection (a)(1). For example, the unauthorized filing of an otherwise sufficient initial financing statement becomes authorized, and the financing statement becomes effective, upon the debtor’s post-filing authorization or ratification of the filing. See Section 9-509, Comment 3. Because the authorization or ratification does not increase the notice value of the financing statement, the time of the unauthorized filing is the “time of filing” for purposes of subsection (a)(1). The same policy applies to the other priority rules in this part.

99

1 upon attachment (Section 9-309), even though there may be no notice to creditors or subsequent
2 purchasers and notwithstanding any common-law rule to the contrary. The form of the claim to
3 priority, i.e., filing or perfection, may shift from time to time, and the rank will be based on the
4 first filing or perfection as long as there is no intervening period without filing or perfection.
5 See Section 9-308(c).

6
7 **Example 3:** On October 1, A acquires a temporarily perfected (20-day) security interest,
8 unfiled, in a negotiable document in the debtor's possession under Section 9-312(e). On
9 October 5, B files and thereby perfects a security interest that previously had attached to
10 the same document. On October 10, A files. A has priority, even after the 20-day period
11 expires, regardless of whether A knows of B's security interest when A files. A was the
12 first to perfect and maintained continuous perfection or filing since the start of the 20-day
13 period. However, the perfection of A's security interest extends only "to the extent it
14 arises for new value given." To the extent A's security interest secures advances made
15 by A beyond the 20-day period, its security interest would be subordinate to B's,
16 inasmuch as B was the first to file.

17
18 In general, the rule in subsection (a)(1) does not distinguish among various advances
19 made by a secured party. The priority of every advance dates from the earlier of filing or
20 perfection. However, in rare instances, the priority of an advance dates from the time the
21 advance is made. See Example 3 and Section 9-323.

22 23 24 **SECTION 9-509. PERSONS ENTITLED TO FILE A RECORD.**

25 * * *

26 27 28 **Official Comment**

29 * * *

30
31
32 **3. Unauthorized Filings.** Records filed in the filing office do not require signatures for
33 their effectiveness. Subsection (a)(1) substitutes for the debtor's signature on a financing
34 statement the requirement that the debtor authorize in an authenticated record the filing of an
35 initial financing statement or an amendment that adds collateral. Also, under subsection (a)(1),
36 if an amendment adds a debtor, the debtor who is added must authorize the amendment. A
37 person who files an unauthorized record in violation of subsection (a)(1) is liable under Section
38 9-625(b) and (e) for actual and statutory damages. Of course, a filed financing statement is
39 ineffective to perfect a security interest if the filing is not authorized. See Section 9-510(a).
40 Law other than this Article, including the law with respect to ratification of past acts, generally
41 determines whether a person has the requisite authority to file a record under this section. See
42 Sections 1-103, 9-502, Comment 3. This Article applies to other issues, such as the priority of a
43 security interest perfected by the filing of a financing statement. See Section 9-322, Comment 4.

44 45 **Reporter's Note**

46
47 A record that is filed without the required authorization is ineffective. In some cases the

1 filing of a record is authorized after the record is filed or an unauthorized filing is ratified. The
2 modifications to the comments to Sections 9-322 and 9-509 illustrate the effect of such post-
3 filing authorizations and ratifications.
4

5
6 **SECTION 9-322. PRIORITIES AMONG CONFLICTING SECURITY**
7 **INTERESTS IN AND AGRICULTURAL LIENS ON SAME COLLATERAL.**

8 * * *

9 (c) [Special priority rules: proceeds and supporting obligations.] Except as
10 otherwise provided in subsection (f), a security interest in collateral which qualifies for priority
11 over a conflicting security interest under Section 9-327, 9-328, 9-329, 9-330, or 9-331 also has
12 priority over a conflicting security interest in:

13 (1) any supporting obligation for the collateral; and

14 (2) proceeds of the collateral if:

15 (A) the security interest in proceeds is perfected;

16 (B) the proceeds are cash proceeds or of the same type as the collateral;

17 and

18 (C) in the case of proceeds that are proceeds of proceeds, all intervening
19 proceeds are cash proceeds, proceeds of the same type as the collateral, or an account relating to
20 the collateral.

21 * * *

22 **Official Comment**

23 * * *

24
25
26 **8. Proceeds of Non-Filing Collateral: Non-Temporal Priority.** Subsection (c)(2)
27 provides a baseline priority rule for proceeds of non-filing collateral which applies if the secured
28 party has taken the steps required for non-temporal priority over a conflicting security interest in
29 non-filing collateral (e.g., control, in the case of deposit accounts, letter-of-credit rights,
30 investment property, and in some cases, electronic negotiable documents, section 9-331). This
31 rule determines priority in proceeds of non-filing collateral whether or not there exists an actual

1 conflicting security interest in the original non-filing collateral. Under subsection (c)(2), the
2 priority in the original collateral continues in proceeds if the security interest in proceeds is
3 perfected and the proceeds are cash proceeds or non-filing proceeds “of the same type” as the
4 original collateral. As used in subsection (c)(2), “type” means a type of collateral defined in the
5 Uniform Commercial Code and should be read broadly. For example, a security is “of the same
6 type” as a security entitlement (i.e., investment property), and a promissory note is “of the same
7 type” as a draft (i.e., an instrument).

8
9 * * *

10
11 The proceeds of proceeds are themselves proceeds. See Section 9-102 (defining
12 “proceeds” and “collateral”). Sometimes competing security interests arise in proceeds that are
13 several generations removed from the original collateral. As the following example explains, the
14 applicability of subsection (c) may turn on the nature of the intervening proceeds.

15
16 **Example 11:** SP-1 perfects its security interest in Debtor’s deposit account by obtaining
17 control. Thereafter, SP-2 files against inventory, (presumably) searches, finds no
18 indication of a conflicting security interest, and advances against Debtor’s existing and
19 after-acquired inventory. Debtor uses funds from the deposit account to purchase
20 inventory, which SP-1 can trace as identifiable proceeds of its security interest in
21 Debtor’s deposit account, and which SP-2 claims as original collateral. The inventory is
22 sold and the proceeds deposited into *another* deposit account, as to which SP-1 has not
23 obtained control. Subsection (c) does not govern priority in this other deposit account.
24 This deposit account is cash proceeds and is also the same type of collateral as SP-1’s
25 original collateral, as required by subsections (c)(2)(A) and (B). However, SP-1’s
26 security interest does not satisfy subsection (c)(2)(C) because the inventory proceeds,
27 which intervened between the original deposit account and the deposit account
28 constituting the proceeds at issue, are not cash proceeds, proceeds of the same type as the
29 collateral (original deposit account), or an account relating to the collateral. Stated
30 otherwise, once proceeds other than cash proceeds, proceeds of the same type as the
31 original collateral, or an account relating to the original collateral intervene in the chain
32 of proceeds, priority under subsection (c) is thereafter unavailable. The special priority
33 rule in subsection (d) also is inapplicable to this case. See Comment 9, Example 13,
34 below. Instead, the general first-to-file-or-perfect rule of subsections (a) and (b) apply.
35 Under that rule, SP-1 has priority unless its security interest in the inventory proceeds
36 became unperfected under Section 9-315(d). Had SP-2 filed against inventory before SP-
37 1 obtained control of the original deposit account, the SP-2 would have had priority even
38 if SP-1’s security interest in the inventory proceeds remained perfected.

39
40 If two security interests in the same original collateral are entitled to priority in an item of
41 proceeds under subsection (c)(2), the security interest having priority in the original collateral
42 has priority in the proceeds.

43 44 **Reporter’s Note**

45
46 The added language would complete the explanation of the complicated priority rules
47 applicable to proceeds.

1
2 **SECTION 9-326. PRIORITY OF SECURITY INTERESTS CREATED BY NEW**
3 **DEBTOR.**

4 * * *

5 **Official Comment**

6
7 * * *

8
9 **2. Subordination of Security Interests Created by New Debtor.** This section
10 addresses the priority contests that may arise when a new debtor becomes bound by the security
11 agreement of an original debtor and each debtor has a secured creditor.
12

13 Subsection (a) subordinates the original debtor's secured party's security interest
14 perfected against the new debtor solely under Section 9-508. The security interest is
15 subordinated to security interests in the same collateral perfected by another method, e.g., by
16 filing against the new debtor. As used in this section, "a filed financing statement that is
17 effective solely under Section 9-508" refers to a financing statement filed against the *original*
18 *debtor* that ~~continues to be~~ is effective under Section 9-508 to perfect a security interest in the
19 collateral in question. It does not encompass a new initial financing statement providing the
20 name of the new debtor, even if the initial financing statement is filed to maintain the
21 effectiveness of a financing statement under the circumstances described in Section 9-508(b).
22 Nor does it encompass a financing statement filed against the original debtor which remains
23 effective against collateral transferred by the original debtor to the new debtor. See Section 9-
24 508(c). Concerning priority contests involving transferred collateral, see Sections 9-325 and 9-
25 507.
26

27 **Reporter's Note**

28
29 Under the rules in Section 9-326, the priority of a security interest depends in part on
30 whether a financing statement "is effective solely under Section 9-508." The modification
31 would emphasize that one must look only at the collateral in question when making this
32 determination.
33

34
35 **SECTION 9-330. PRIORITY OF PURCHASER OF CHATTEL PAPER OR**
36 **INSTRUMENT.**

37 **(a) [Purchaser's priority: security interest claimed merely as proceeds.]** A
38 purchaser of chattel paper has priority over a security interest in the chattel paper which is
39 claimed merely as proceeds of inventory subject to a security interest if:

(1) in good faith and in the ordinary course of the purchaser's business, the purchaser gives new value and takes possession of the chattel paper or obtains control of the chattel paper under Section 9-105; and

(2) the chattel paper does not indicate that it has been assigned to an identified assignee other than the purchaser.

(b) **[Purchaser's priority: other security interests.]** A purchaser of chattel paper has priority over a security interest in the chattel paper which is claimed other than merely as proceeds of inventory subject to a security interest if the purchaser gives new value and takes possession of the chattel paper or obtains control of the chattel paper under Section 9-105 in good faith, in the ordinary course of the purchaser's business, and without knowledge that the purchase violates the rights of the secured party.

* * *

Official Comment

* * *

3. **Chattel Paper.** Subsections (a) and (b) follow former Section 9-308 in distinguishing between earlier-perfected security interests in chattel paper that is claimed merely as proceeds of inventory subject to a security interest and chattel paper that is claimed other than merely as proceeds. Like former Section 9-308, this section does not elaborate upon the phrase "merely as proceeds." For an elaboration, see PEB Commentary No. 8.

For a security interest to qualify for priority under subsection (a) or (b), the secured party must "take[] possession of the chattel paper or obtain[] control of the chattel paper under Section 9-105." When chattel paper comprises one or more tangible records and one or more electronic records, a secured party may satisfy this requirement by taking possession of the tangible records under Section 9-313 and having control of the electronic records under Section 9-105.

This section makes explicit the "good faith" requirement and retains the requirements of "the ordinary course of the purchaser's business" and the giving of "new value" as conditions for priority. Concerning the last, this Article deletes former Section 9-108 and adds to Section 9-102 a completely different definition of the term "new value." Under subsection (e), the holder of a purchase-money security interest in inventory is deemed to give "new value" for chattel paper constituting the proceeds of the inventory. Accordingly, the purchase-money secured party may qualify for priority in the chattel paper under subsection (a) or (b), whichever is

1 applicable, even if it does not make an additional advance against the chattel paper.
2

3 If a possessory security interest in tangible chattel paper or a perfected-by-control
4 security interest in electronic chattel paper does not qualify for priority under this section, it may
5 be subordinate to a perfected-by-filing security interest under Section 9-322(a)(1).
6

7 **Reporter's Note**

8

9 1. There are occasions when “hybrid” chattel paper may arise, e.g., when an amendment
10 to electronic chattel paper is evidenced by a tangible record. The new paragraph in the comment
11 would emphasize what is implicit in the statute, i.e., that a secured party may achieve priority
12 with respect to the “hybrid” chattel paper under Section 9-330(a) or (b).
13

14 2. An additional comment will explain how a secured party can retain its priority under
15 this section when tangible chattel paper is converted to electronic chattel paper and vice versa.
16

17 **SECTION 9-506. EFFECT OF ERRORS OR OMISSIONS.**

18

19 (a) **[Minor errors and omissions.]** A financing statement substantially satisfying the
20 requirements of this part is effective, even if it has minor errors or omissions, unless the errors or
21 omissions make the financing statement seriously misleading.

22 (b) **[Financing statement seriously misleading.]** Except as otherwise provided in
23 subsection (c), a financing statement that fails sufficiently to provide the name of the debtor in
24 accordance with Section 9-503(a) is seriously misleading.

25 (c) **[Financing statement not seriously misleading.]** If a search of the records of the
26 filing office under the debtor’s correct name, using the filing office’s standard search logic, if
27 any, would disclose a financing statement that fails sufficiently to provide the name of the debtor
28 in accordance with Section 9-503(a), the name provided does not make the financing statement
29 seriously misleading.

30 (d) **[“Debtor’s correct name.”]** For purposes of Section 9-508(b), the “debtor’s correct
31 name” in subsection (c) means the correct name of the new debtor.

32 **Official Comment**

33

1 * * *

2
3 **2. Errors and Omissions.** Like former Section 9-402(8), subsection (a) is in line with
4 the policy of this Article to simplify formal requisites and filing requirements. It is designed to
5 discourage the fanatical and impossibly refined reading of statutory requirements in which courts
6 occasionally have indulged themselves. Subsection (a) provides the standard applicable to
7 indications of collateral. Subsections (b) and (c), which are new, concern the effectiveness of
8 financing statements in which the debtor's name is incorrect. Subsection (b) contains the general
9 rule: a financing statement that fails sufficiently to provide the debtor's name in accordance
10 with Section 9-503(a) is seriously misleading as a matter of law. Subsection (c) provides an
11 exception: If the financing statement nevertheless would be discovered in a search under the
12 debtor's correct name, using the filing office's standard search logic, if any, then as a matter of
13 law the incorrect name does not make the financing statement seriously misleading. A financing
14 statement that is seriously misleading under this section is ineffective even if it is disclosed by (i)
15 using a search logic other than that of the filing office to search the official records, or (ii) using
16 the filing office's standard search logic to search a data base other than that of the filing office.
17 For purposes of subsection (c), any name that satisfies Section 9-503(a) at the time of the search
18 is a "correct name."

19
20 This section and Section 9-503 balance the interests of filers and searchers. Searchers are
21 not expected to ascertain nicknames, trade names, and the like by which the debtor may be
22 known and then search under each of them. Rather, it is the secured party's responsibility to
23 provide the name of the debtor sufficiently in a filed financing statement. Subsection (c)
24 provides the only situation in which a financing statement that fails sufficiently to provide the
25 name of the debtor is not seriously misleading. As stated in subsection (b), if the name of the
26 debtor provided on a financing statement is insufficient and subsection (c) is not satisfied, the
27 financing statement is seriously misleading. Such a financing statement is ineffective even if the
28 debtor is known in some contexts by the name provided on the financing statement and even if
29 searchers know or have reason to know that the name provided on the financing statement refers
30 to the debtor. Any suggestion to the contrary in a judicial opinion is incorrect.

31
32 To satisfy the requirements of Section 9-503(a)(2), a financing statement must indicate
33 that the collateral is being administered by a personal representative. To satisfy the requirements
34 of Section 9-503(a)(3), a financing statement must indicate that the collateral is held in a trust
35 and provide additional information that distinguishes the trust from certain other trusts. The
36 indications and additional information are not part of the debtor's name. Nevertheless, a
37 financing statement that fails to provide an indication or the additional information when
38 required does not sufficiently provide the name of the debtor under Sections 9-502(a) and 9-
39 503(a), does not "substantially satisfy" the requirements of Part 5 within the meaning of this
40 section and so is ineffective.

41
42 In addition to requiring the debtor's name and an indication of the collateral, Section 9-
43 502(a) requires a financing statement to provide the name of the secured party or a representative
44 of the secured party. Inasmuch as searches are not conducted under the secured party's name,
45 and no filing is needed to continue the perfected status of security interest after it is assigned, an
46 error in the name of the secured party or its representative will not be seriously misleading.
47 However, in an appropriate case, an error of this kind may give rise to an estoppel in favor of a

1 particular holder of a conflicting claim to the collateral. See Section 1-103.

2
3 * * *

4
5 **Reporter's Note**

6
7 The first new paragraph explains the policy underlying the statutory test for sufficiency
8 of the name provided for the debtor in a financing statement. The second new paragraph
9 explains the application of this section to financing statements covering collateral held by a
10 decedent's personal representative or collateral held in a trust.
11

12
13 **SECTION 9-509. PERSONS ENTITLED TO FILE A RECORD.**

14 (a) **[Person entitled to file record.]** A person may file an initial financing statement,
15 amendment that adds collateral covered by a financing statement, or amendment that adds a
16 debtor to a financing statement only if:

17 (1) the debtor authorizes the filing in an authenticated record or pursuant to
18 subsection (b) or (c); or

19 (2) the person holds an agricultural lien that has become effective at the time of
20 filing and the financing statement covers only collateral in which the person holds an agricultural
21 lien.

22 * * *

23 (d) **[Person entitled to file certain amendments.]** A person may file an amendment
24 other than an amendment that adds collateral covered by a financing statement or an amendment
25 that adds a debtor to a financing statement only if:

26 (1) the secured party of record authorizes the filing; or

27 (2) the amendment is a termination statement for a financing statement as to
28 which the secured party of record has failed to file or send a termination statement as required by
29 Section 9-513(a) or (c), the debtor authorizes the filing, and the termination statement indicates
30 that the debtor authorized it to be filed.

* * *

Official Comment

* * *

6. Amendments; Termination Statements Authorized by Debtor. Most amendments may not be filed unless the secured party of record, as determined under Section 9-511, authorizes the filing. See subsection (d)(1). However, under subsection (d)(2), the authorization of the secured party of record is not required for the filing of a termination statement if the secured party of record failed to send or file a termination statement as required by Section 9-513, the debtor authorizes it to be filed, and the termination statement so indicates. An authorization to file a record under subsection (d) is effective even if the authorization is not in an authenticated record. Compare subsection (a)(1). However, both the person filing the record and the person giving the authorization may wish to obtain and retain a record indicating that the filing was authorized.

* * *

Reporter's Note

The additional sentences emphasize when an authorization to file must appear in an authenticated record and when an authorization is effective even if not authenticated.

SECTION 9-512. AMENDMENT OF FINANCING STATEMENT.

[Alternative A]

(a) **[Amendment of information in financing statement.]** Subject to Section 9-509, a person may add or delete collateral covered by, continue or terminate the effectiveness of, or, subject to subsection (e), otherwise amend the information provided in, a financing statement by filing an amendment that:

(1) identifies, by its file number, the initial financing statement to which the amendment relates; and

(2) if the amendment relates to an initial financing statement filed [or recorded] in a filing office described in Section 9-501(a)(1), provides the information specified in Section 9-502(b).

1 [Alternative B]

2 (a) [Amendment of information in financing statement.] Subject to Section 9-509, a
3 person may add or delete collateral covered by, continue or terminate the effectiveness of, or,
4 subject to subsection (e), otherwise amend the information provided in, a financing statement by
5 filing an amendment that:

6 (1) identifies, by its file number, the initial financing statement to which the
7 amendment relates; and

8 (2) if the amendment relates to an initial financing statement filed [or recorded] in
9 a filing office described in Section 9-501(a)(1), provides the date [and time] that the initial
10 financing statement was filed [or recorded] and the information specified in Section 9-502(b).

11 [End of Alternatives]

12 * * *

13 Official Comment

14 * * *

15
16
17
18 4. **Amendment Adding Debtor.** An amendment that adds a debtor is effective,
19 provided that the added debtor authorizes the filing. See Section 9-509(a). However, filing an
20 amendment adding a debtor to a previously filed financing statement affords no advantage over
21 filing an initial financing statement against that debtor and may be disadvantageous. With
22 respect to the added debtor, for purposes of determining the priority of the security interest, the
23 time of filing is the time of the filing of the amendment, not the time of the filing of the initial
24 financing statement. See subsection (d). However, the effectiveness of the financing statement
25 lapses with respect to added debtor at the time it lapses with respect to the original debtor. See
26 subsection (b).
27

28 5. **Amendment Adding Debtor Name.** Many states have enacted statutes governing
29 the “conversion” of one organization, e.g., a corporation, into another, e.g., a limited liability
30 company. This Article defers to those statutes to determine whether the resulting organization is
31 the same legal person as the initial, converting organization (albeit with a different name) or
32 whether the resulting organization is a different legal person. When the governing statute does
33 not clearly resolve the question, a secured party whose debtor is the converting organization may
34 wish to proceed as if the statute provides for both results. In these circumstances, an amendment
35 adding to the initial financing statement the name of the resulting organization may be preferable
36 to an amendment substituting that name for the name of the debtor provided on the initial

1 financing statement. In the event the governing statute is construed as providing that the
2 resulting organization is the same person as the converting organization, but with a different
3 name, the timely filing of such an amendment would satisfy the requirement of Section 9-
4 507(c)(2). If, however, the governing statute is construed as providing that the resulting
5 organization is a different legal person, the financing statement (which continues to provide the
6 name of the original debtor) would be effective as to collateral acquired by the resulting
7 organization (“new debtor”) debtor before, and within four months after, the conversion. See
8 Section 9-508(b)(1). Inasmuch as it is the first financing statement filed against the resulting
9 organization by the secured party, the record adding the name of the resulting organization as a
10 debtor would constitute “an initial financing statement providing the name of the new debtor ”
11 under Section 9-508(b)(2). The secured party also may wish to file another financing statement
12 naming the resulting organization as debtor. See Comment 4.
13

14 **5 6. Deletion of All Debtors or Secured Parties of Record.** Subsection (e) assures that
15 there will be a debtor and secured party of record for every financing statement.
16

17 * * *

18
19
20 **SECTION 9-508. EFFECTIVENESS OF FINANCING STATEMENT IF NEW**
21 **DEBTOR BECOMES BOUND BY SECURITY AGREEMENT.**

22 * * *

23 (c) [When section not applicable.] This section does not apply to collateral as to which
24 a filed financing statement remains effective against the new debtor under Section 9-507(a).

25 **Official Comment**

26 * * *

27
28
29 **4. When Financing Statement Effective Against New Debtor.** Subsection (a)
30 provides that a filing against the original debtor generally is effective to perfect a security
31 interest in collateral that a new debtor has at the time it becomes bound by the original debtor’s
32 security agreement and collateral that it acquires after the new debtor becomes bound. Under
33 subsection (b), however, if the filing against the original debtor is seriously misleading as to the
34 new debtor’s name, the filing is effective as to collateral acquired by the new debtor more than
35 four months after the new debtor becomes bound only if a person files during the four-month
36 period an initial financing statement providing the name of the new debtor. Compare Section 9-
37 507(c) (four-month period of effectiveness with respect to collateral acquired by a debtor after
38 the debtor changes its name). As to the meaning of “initial financing statement” in this context,
39 see Section 9-512, Comment 5. Moreover, if the original debtor and the new debtor are located
40 in different jurisdictions, a filing against the original debtor would not be effective to perfect a
41 security interest in collateral that the new debtor acquires or has acquired from a person other
42 than the original debtor. See Example 5, Section 9-316, Comment 2.

* * *

Reporter's Note

The new Comment to Section 9-512 explains how lawyers might deal with Article 9 issues that may arise when the effect of a non-UCC statute governing the “conversion” of one organization to another is uncertain.

SECTION 9-602. WAIVER AND VARIANCE OF RIGHTS AND DUTIES. Except

as otherwise provided in Section 9-624, to the extent that they give rights to a debtor or obligor and impose duties on a secured party, the debtor or obligor may not waive or vary the rules stated in the following listed sections:

* * *

(7) Sections 9-610(b), 9-611, 9-613, and 9-614, which deal with disposition of collateral;

* * *

(10) Sections 9-620, 9-621, and 9-622, which deal with acceptance of collateral in satisfaction of obligation;

* * *

Official Comment

1. Source. Former Section 9-501(3).

2. **Waiver: In General.** Section 1-102(3) addresses which provisions of the UCC are mandatory and which may be varied by agreement. With exceptions relating to good faith, diligence, reasonableness, and care, immediate parties, as between themselves, may vary its provisions by agreement. However, in the context of rights and duties after default, our legal system traditionally has looked with suspicion on agreements that limit the debtor’s rights and free the secured party of its duties. As stated in former Section 9-501, Comment 4, “no mortgage clause has ever been allowed to clog the equity of redemption.” The context of default offers great opportunity for overreaching. The suspicious attitudes of the courts have been grounded in common sense. This section, like former Section 9-501(3), codifies this long-standing and deeply rooted attitude. The specified rights of the debtor and duties of the secured party may not be waived or varied except as stated. Provisions that are not specified in this section are subject to the general rules in Section 1-102(3).

3. Nonwaivable Rights and Duties. This section revises former Section 9-501(3) by

1 restricting the ability to waive or modify additional specified rights and duties: (i) duties under
2 Section 9-207(b)(4)(C), which deals with the use and operation of consumer goods, (ii) the right
3 to a response to a request for an accounting, concerning a list of collateral, or concerning a
4 statement of account (Section 9-210), (iii) the duty to collect collateral in a commercially
5 reasonable manner (Section 9-607), (iv) the implicit duty to refrain from a breach of the peace in
6 taking possession of collateral under Section 9-609, (v) the duty to apply noncash proceeds of
7 collection or disposition in a commercially reasonable manner (Sections 9-608 and 9-615), (vi)
8 the right to a special method of calculating a surplus or deficiency in certain dispositions to a
9 secured party, a person related to secured party, or a secondary obligor (Section 9-615), (vii) the
10 duty to give an explanation of the calculation of a surplus or deficiency (Section 9-616), (viii)
11 the right to limitations on the effectiveness of certain waivers (Section 9-624), and (ix) the right
12 to hold a secured party liable for failure to comply with this Article (Sections 9-625 and 9-626).
13 For clarity and consistency, this Article uses the term “waive or vary” instead of “renounc[e] or
14 modify[,]” which appeared in former Section 9-504(3).
15

16 This section provides generally that the specified rights and duties “may not be waived or
17 varied.” However, it does not restrict the ability of parties to agree to settle, compromise, or
18 renounce claims for past conduct that may have constituted a violation or breach of those rights
19 and duties, even if the settlement involves an express “waiver.”
20

21 Section 9-610(c) limits the circumstances under which a secured party may purchase at
22 its own private disposition. Transactions of this kind are equivalent to “strict foreclosures” and
23 are governed by Sections 9-620, 9-621, and 9-622. The provisions of these sections can be
24 waived only as provided in Section 9-624(b).
25

26 **4. Waiver by Debtors and Obligors.** The restrictions on waiver contained in this
27 section apply to obligors as well as debtors. This resolves a question under former Article 9 as
28 to whether secondary obligors, assuming that they were “debtors” for purposes of former Part 5,
29 were permitted to waive, under the law of suretyship, rights and duties under that Part.
30

31 **5. Certain Post-Default Waivers.** Section 9-624 permits post-default waivers in
32 limited circumstances. These waivers must be made in agreements that are authenticated.
33 Under Section 1-201, an “‘agreement’ means the bargain of the parties in fact.” In considering
34 waivers under Section 9-624 and analogous agreements in other contexts, courts should carefully
35 scrutinize putative agreements that appear in records that also address many additional or
36 unrelated matters.
37
38

39 **SECTION 9-610. DISPOSITION OF COLLATERAL AFTER DEFAULT.**

40 * * *

41 **(c) [Purchase by secured party.]** A secured party may purchase collateral:

42 (1) at a public disposition; or

43 (2) at a private disposition only if the collateral is of a kind that is customarily

1 sold on a recognized market or the subject of widely distributed standard price quotations.

2 **Official Comment**

3
4 * * *

5
6 **7. Public vs. Private Dispositions.** This Part maintains two distinctions between
7 “public” and other dispositions: (i) the secured party may buy at the former, but normally not at
8 the latter (Section 9-610(c)), and (ii) the debtor is entitled to notification of “the time and place
9 of a public disposition” and notification of “the time after which” a private disposition or other
10 intended disposition is to be made (Section 9-613(1)(E)). It does not retain the distinction under
11 former Section 9-504(4), under which transferees in a noncomplying public disposition could
12 lose protection more easily than transferees in other noncomplying dispositions. Instead, Section
13 9-617(b) adopts a unitary standard. Although the term is not defined, as used in this Article, a
14 “public disposition” is one at which the price is determined after the public has had a meaningful
15 opportunity for competitive bidding. “Meaningful opportunity” is meant to imply that some
16 form of advertisement or public notice must precede the sale (or other disposition) and that the
17 public must have access to the sale (disposition).
18

19 A secured party’s purchase of collateral at its own private disposition is equivalent to a
20 “strict foreclosure” and is governed by Sections 9-620, 9-621, and 9-622. The provisions of
21 these sections can be waived only as provided in Section 9-624(b).
22

23 * * *

24
25
26 **SECTION 9-624. WAIVER.**

27
28 (a) **[Waiver of disposition notification.]** A debtor or secondary obligor may waive the
29 right to notification of disposition of collateral under Section 9-611 only by an agreement to that
30 effect entered into and authenticated after default.

31 (b) **[Waiver of mandatory disposition.]** A debtor may waive the right to require
32 disposition of collateral under Section 9-620(e) only by an agreement to that effect entered into
33 and authenticated after default.

34 (c) **[Waiver of redemption right.]** Except in a consumer-goods transaction, a debtor or
35 secondary obligor may waive the right to redeem collateral under Section 9-623 only by an
36 agreement to that effect entered into and authenticated after default.
37

1 **Official Comment**

2
3 1. **Source.** Former Sections 9-504(3), 9-505, 9-506.
4

5 2. **Waiver.** This section is a limited exception to Section 9-602, which generally
6 prohibits waiver by debtors and obligors. It makes no provision for waiver of the rule
7 prohibiting a secured party from buying at its own private disposition. Transactions of this kind
8 are equivalent to “strict foreclosures” and are governed by Sections 9-620, 9-621, and 9-622.

9 **Reporter’s Note**

10
11 The principle that currently appears in the comment to Section 9-624 would be added to
12 the comments to Sections 9-602 and 9-610, where it may be more likely to be discovered.
13

14
15 **SECTION 9-610. DISPOSITION OF COLLATERAL AFTER DEFAULT.**

16 * * *

17 (b) [**Commercially reasonable disposition.**] Every aspect of a disposition of collateral,
18 including the method, manner, time, place, and other terms, must be commercially reasonable.
19 If commercially reasonable, a secured party may dispose of collateral by public or private
20 proceedings, by one or more contracts, as a unit or in parcels, and at any time and place and on
21 any terms.

22 * * *

23 **Official Comment**

24
25 * * *

26
27 2. **Commercially Reasonable Dispositions.** Subsection (a) follows former Section 9-
28 504 by permitting a secured party to dispose of collateral in a commercially reasonable manner
29 following a default. Although subsection (b) permits both public and private dispositions,
30 including public and private dispositions conducted over the Internet, “every aspect of a
31 disposition . . . must be commercially reasonable.” This section encourages private dispositions
32 on the assumption that they frequently will result in higher realization on collateral for the
33 benefit of all concerned. Subsection (a) does not restrict dispositions to sales; collateral may be
34 sold, leased, licensed, or otherwise disposed. Section 9-627 provides guidance for determining
35 the circumstances under which a disposition is “commercially reasonable.”
36

37 * * *

1 **Reporter's Note**

2
3 The additions to this comment indicate that this section applies to electronic dispositions.

4
5
6 **SECTION 9-611. NOTIFICATION BEFORE DISPOSITION OF COLLATERAL.**

7 * * *

8 **Official Comment**

9
10 * * *

11
12 10. **Other Law.** Other State or federal law may contain requirements concerning
13 notification of a disposition of property by a secured party. For example, federal law imposes
14 notification requirements with respect to the enforcement of mortgages on federally documented
15 vessels. Principles of statutory interpretation and, in the context of federal law, supremacy and
16 preemption determine whether and to what extent law other than this Article supplements,
17 displaces, or is displaced by this Article. See Sections 1-103, 1-104, 9-109(c)(1).

18
19 **Reporter's Note**

20
21 The additions reminds lawyers that the enforcement of an Article 9 security interest may
22 implicate other law.

23
24
25 **SECTION 9-613. CONTENTS AND FORM OF NOTIFICATION BEFORE**
26 **DISPOSITION OF COLLATERAL: GENERAL.** Except in a consumer-goods transaction,
27 the following rules apply:

- 28 (1) The contents of a notification of disposition are sufficient if the notification:
- 29 (A) describes the debtor and the secured party;
- 30 (B) describes the collateral that is the subject of the intended disposition;
- 31 (C) states the method of intended disposition;
- 32 (D) states that the debtor is entitled to an accounting of the unpaid indebtedness
- 33 and states the charge, if any, for an accounting; and
- 34 (E) states the time and place of a public disposition or the time after which any
- 35 other disposition is to be made.

1 * * *

2 **Official Comment**

3
4 * * *

5
6 **2. Contents of Notification.** To comply with the “reasonable authenticated notification”
7 requirement of Section 9-611(b), the contents of a notification must be reasonable. Except in a
8 consumer-goods transaction, the contents of a notification that includes the information set forth
9 in paragraph (1) are sufficient as a matter of law, unless the parties agree otherwise. (The
10 reference to “time” of disposition means here, as it did in former Section 9-504(3), not only the
11 hour of the day but also the date.) Although a secured party may choose to include additional
12 information concerning the transaction or the debtor’s rights and obligations, no additional
13 information is required unless the parties agree otherwise. A notification that lacks some of the
14 information set forth in paragraph (1) nevertheless may be sufficient if found to be reasonable by
15 the trier of fact, under paragraph (2). A properly completed sample form of notification in
16 paragraph (5) or in Section 9-614(a)(3) is an example of a notification that would contain the
17 information set forth in paragraph (1). Under paragraph (4), however, no particular phrasing of
18 the notification is required.
19

20 This section applies to a notification of a public disposition conducted electronically. A
21 notification of an electronic disposition satisfies paragraph (1)(E) if it states the time when the
22 disposition is scheduled to begin and states the electronic location. For example, under the
23 technology current in 2010, the Uniform Resource Locator (URL) or other Internet address
24 where the site of the public disposition can be accessed suffices as an electronic location.
25

26 **Reporter’s Note**

27
28 The addition illustrates the application of this section to electronic dispositions.
29
30

31 **SECTION 9-616. EXPLANATION OF CALCULATION OF SURPLUS OR**
32 **DEFICIENCY.**

33 * * *

34 (b) **[Explanation of calculation.]** In a consumer-goods transaction in which the debtor
35 is entitled to a surplus or a consumer obligor is liable for a deficiency under Section 9-615, the
36 secured party shall:

37 (1) send an explanation to the debtor or consumer obligor, as applicable, after the
38 disposition and:

1 (A) before or when the secured party accounts to the debtor and pays any
2 surplus or first makes written demand on the consumer obligor after the disposition for payment
3 of the deficiency; and

4 (B) within 14 days after receipt of a request; or

5 (2) in the case of a consumer obligor who is liable for a deficiency, within 14
6 days after receipt of a request, send to the consumer obligor a record waiving the secured party's
7 right to a deficiency.

8 **Official Comment**

9
10 * * *

11
12 **2. Duty to Send Information Concerning Surplus or Deficiency.** * * *

13
14 A debtor or secondary obligor need not wait until the secured party commences written
15 collection efforts in order to receive an explanation of how a deficiency or surplus was
16 calculated. Subsection ~~(b)(2)~~(b)(1)(B) obliges the secured party to send an explanation within
17 14 days after it receives a "request" (defined in subsection (a)(2)).

18
19 **Reporter's Note**

20
21 This change would correct an erroneous cross-reference.

22
23
24 **SECTION 9-621. NOTIFICATION OF PROPOSAL TO ACCEPT**

25 **COLLATERAL.**

26 (a) **[Persons to which proposal to be sent.]** A secured party that desires to accept
27 collateral in full or partial satisfaction of the obligation it secures shall send its proposal to:

28 * * *

29 * * *

30 **Official Comment**

31 * * *

32
33
34 **2. Notification Requirement.** Subsection (a) specifies three classes of competing
35 claimants to whom the secured party must send notification of its proposal: (i) those who notify

1 the secured party that they claim an interest in the collateral, (ii) holders of certain security
2 interests and liens who have filed against the debtor, and (iii) holders of certain security interests
3 who have perfected by compliance with a statute (including a certificate-of-title statute),
4 regulation, or treaty described in Section 9-311(a). With regard to (ii), see Section 9-611,
5 Comment 4. Subsection (b) also requires notification to any secondary obligor if the proposal is
6 for acceptance in partial satisfaction.

7
8 Unlike Section 9-611, this section contains no “safe harbor,” which excuses an enforcing
9 secured party from notifying certain secured parties and other lienholders. This is because,
10 unlike Section 9-610, which requires that a disposition of collateral be commercially reasonable,
11 Section 9-620 permits the debtor and secured party to set the amount of credit the debtor will
12 receive for the collateral subject only to the requirement of good faith. An effective acceptance
13 discharges subordinate security interests and other subordinate liens. See Section 9-622. If
14 collateral is subject to several liens securing debts much larger than the value of the collateral,
15 the debtor may be disinclined to refrain from consenting to an acceptance by the holder of the
16 senior security interest, even though, had the debtor objected and the senior disposed of the
17 collateral under Section 9-610, the collateral may have yielded more than enough to satisfy the
18 senior security interest (but not enough to satisfy all the liens). Accordingly, this section
19 imposes upon the enforcing secured party the risk of the filing office’s errors and delay. The
20 holder of a security interest who is entitled to notification under this section but ~~does not receive~~
21 it to whom the enforcing secured party does not send notification has the right to recover under
22 Section 9-625(b) any loss resulting from the ~~enforcing~~ secured party’s noncompliance with this
23 section.

24 25 **Reporter’s Note**

26
27 The modification would correct an error in the official comment.

28 29 30 **SECTION 9-625. REMEDIES FOR SECURED PARTY’S FAILURE TO** 31 **COMPLY WITH ARTICLE.**

32 * * *

33 (c) **[Persons entitled to recover damages; statutory damages ~~in consumer goods~~**
34 **~~transaction~~ if collateral is consumer goods.]** Except as otherwise provided in Section 9-628:

35 (1) a person that, at the time of the failure, was a debtor, was an obligor, or held a
36 security interest in or other lien on the collateral may recover damages under subsection (b) for
37 its loss; and

38 (2) if the collateral is consumer goods, a person that was a debtor or a secondary

obligor at the time a secured party failed to comply with this part may recover for that failure in any event an amount not less than the credit service charge plus 10 percent of the principal amount of the obligation or the time-price differential plus 10 percent of the cash price.

* * *

Reporter's Note

The heading for subsection (c) would be conformed to the text. Article 9 includes headings for the subsections as an aid to readers. Unlike section captions, which are part of the UCC, see Section 1-107, subsection headings are not a part of the official text itself.

SECTION 9-706. WHEN INITIAL FINANCING STATEMENT SUFFICES TO CONTINUE EFFECTIVENESS OF FINANCING STATEMENT.

(a) **[Initial financing statement in lieu of continuation statement.]** The filing of an initial financing statement in the office specified in Section 9-501 continues the effectiveness of a financing statement filed before this [Act] takes effect if:

(1) the filing of an initial financing statement in that office would be effective to perfect a security interest under this [Act];

(2) the pre-effective-date financing statement was filed in an office in another State or another office in this State; and

(3) the initial financing statement satisfies subsection (c).

* * *

(c) **[Requirements for initial financing statement under subsection (a).]** To be effective for purposes of subsection (a), an initial financing statement must:

(1) satisfy the requirements of Part 5 for an initial financing statement;

(2) identify the pre-effective-date financing statement by indicating the office in which the financing statement was filed and providing the dates of filing and file numbers, if

1 any, of the financing statement and of the most recent continuation statement filed with respect
2 to the financing statement; and

3 (3) indicate that the pre-effective-date financing statement remains effective.

4 **Official Comment**

5
6 * * *

7
8 **2. Requirements of Initial Financing Statement Filed in Lieu of Continuation**
9 **Statement.** Subsection (c) sets forth the requirements for the initial financing statement under
10 subsection (a). These requirements are needed to inform searchers that the initial financing
11 statement operates to continue a financing statement filed elsewhere and to enable searchers to
12 locate and discover the attributes of the other financing statement. The notice-filing policy of
13 this Article applies to the initial financing statements described in this section. Accordingly, an
14 initial financing statement that substantially satisfies the requirements of subsection (c) is
15 effective, even if it has minor errors or omissions, unless the errors or omissions make the
16 financing statement seriously misleading. See Section 9-506.
17

18 A single initial financing statement may continue the effectiveness of more than one
19 financing statement filed before this Article's effective date. See Section 1-102(5)(a) (words in
20 the singular include the plural). If a financing statement has been filed in more than one office in
21 a given jurisdiction, as may be the case if the jurisdiction had adopted former Section 9-401(1),
22 third alternative, then an identification of the filing in the central filing office suffices for
23 purposes of subsection (c)(2). If under this Article the collateral is of a type different from its
24 type under former Article 9—as would be the case, e.g., with a right to payment of lottery
25 winnings (a “general intangible” under former Article 9 and an “account” under this Article),
26 then subsection (c) requires that the initial financing statement indicate the type under this
27 Article.
28

29 **Reporter's Note**

30
31 The additional sentences would remove any doubt that the “minor error” rule in Section
32 9-506(a) applies to an initial financing statement, including one that is filed to continue the
33 effectiveness of a financing statement that was filed before revised Article 9 took effect.
34
35

36 **SECTION 8-102. DEFINITIONS.**

37 **Official Comment**

38
39 * * *

40
41 13. “Registered form.” The definition of “registered form” is substantially the same as in
42 the prior version of Article 8. Like the definition of bearer form, it serves primarily to distinguish
43 Article 8 securities from instruments governed by other law, such as Article 3.

Contrary to the holding of *Highland Capital Management LP v. Schneider*, 8 N.Y.3d 406 (2007), the registrability requirement in the definition of “registered form,” and its parallel in the definition of “security,” are satisfied only if books are maintained by or on behalf of the issuer for the purpose of registration of transfer, including the determination of rights under Section 8-207(a) (or if, in the case of a certificated security, the security certificate so states). It is not sufficient that the issuer records ownership, or records transfers thereof, for other purposes. Nor is it sufficient that the issuer, while not in fact maintaining books for the purpose of registration of transfer, could do so, for such is always the case.

Reporter's Note

This comment to Section 8-102 would be wholly unnecessary but for the New York Court of Appeals’ opinion in *Highland Capital*. The opinion’s interpretation of the definitions of “registered form” and “security” in Section 8-102 are not supported by the statutory text.

ARTICLE 11

EFFECTIVE DATE AND TRANSITION PROVISIONS

* * *

Legislative Note: *Article 11 affects transactions that were entered into before the effective date of the 1972 amendments to Article 9, which were supplanted by the version of Article 9 that has been in effect in all States since at least January 1, 2002. Inasmuch as very few, if any, of these transactions remain outstanding, States may wish to repeal Article 11.*

Reporter's Note

When Article 9 was amended in 1972, it was accompanied by an Article 11, which provides the effective date of the amendments as well as transition rules for transactions entered into before the effective date of the amendments. It is now 36 years since the promulgation of the 1972 amendments and over a quarter-century since their widespread enactment. As such, it is quite unlikely that there are more than a trivial number of outstanding transactions (if any) that were entered into before the effective date of the 1972 amendments and for which transition rules to the 1972 text of Article 9 (now supplanted by revised Article 9) remain relevant.

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SECTION 2A-103. DEFINITIONS AND INDEX OF DEFINITIONS.

(3) The following definitions in other Articles apply to this Article:

122