



**WHY YOUR STATE SHOULD ADOPT THE
2018 AMENDMENTS TO UNIFORM COMMERCIAL CODE**

Article 9 of the Uniform Commercial Code provides rules for “secured transactions,” which are loans secured with personal property as collateral. The 2018 amendments to UCC Article 9 address the use of business interests as collateral and eliminate a potential conflict between the UCC and a state’s laws governing partnerships and limited liability companies. A state should adopt these amendments because:

- ***The amendments ensure small business owners can “pick their partners.”*** When a business owner pledges the owner’s interest in the business as collateral for a loan, the lender can assume ownership of the business in the event of default. If the business owner has partners, those partners could find themselves in a business with a stranger. These amendments ensure that the lender’s interest is limited to the business owner’s *financial* interest and does not extend to management rights.
- ***The amendments prevent litigation.*** By clarifying the rules for both lenders and borrowers, the amendments will help set clear expectations for all parties to a secured transaction and avoid disputes that could otherwise cause lawsuits and consume state court resources.
- ***The amendments promote business activity.*** The Uniform Commercial Code promotes business activity by standardizing the rules for cross-border transactions. Enacting these amendments will ensure your state’s local businesses continue to benefit from predictable rules to govern interstate commerce.

For further information about the 2018 amendments to the Uniform Commercial Code, please contact ULC Chief Counsel Benjamin Orzeske at (312) 450-6621 or borzeske@uniformlaws.org or ULC Legislative Counsel Kari Bearman at (312) 450-6617 or kbearman@uniformlaws.org.