

AMENDED IN ASSEMBLY APRIL 1, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

**ASSEMBLY BILL**

**No. 502**

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**Introduced by Assembly Member Wagner**

February 20, 2013

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An act to amend Section 3343.5 of the Civil Code, to amend Sections 481.207, 481.220, 680.340, 680.350, and 697.530 of the Code of Civil Procedure, to amend Sections 9102, 9105, 9307, 9311, 9316, 9317, 9326, 9406, 9408, 9502, 9503, 9507, 9515, 9516, 9518, 9521, 9607, and 10103 of, and to add Chapter 8 (commencing with Section 9801) to Division 9 of, the Commercial Code, to amend Section 21855 of the Food and Agricultural Code, and to amend Sections 504b and 574 of the Penal Code, relating to secured transactions, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 502, as amended, Wagner. Commercial law: secured transactions.

The Uniform Commercial Code governs security interests in collateral, including personal property and fixtures, as well as certain sales of accounts, contract rights, and chattel paper. Those provisions, among other things, specify requirements and procedures regarding perfecting a security interest, including the filing of a financing statement with the Secretary of State, amending a financing statement, transferring a security interest, and terminating a security interest. The code also governs the effectiveness of a security interest when a debtor changes locations to another jurisdiction.

This bill would, on and after July 1, 2013, revise and recast specified provisions governing security interests. Among other things, the revised provisions would (1) define a “public organic record” and revise the

definitions of “authenticate,” “certificate of title,” and “registered organization” for purposes of those provisions, (2) specify an additional requirement for determining whether a secured party has control of electronic chattel paper, (3) specify rules that apply to collateral to which a security interest attaches within 4 months after the debtor changes its location to another jurisdiction, (4) revise the requirements for a record to sufficiently provide the name of a registered organization, a decedent’s estate, or an individual, (5) provide for a secured party of record with respect to a financing statement to file an information statement with respect to a record if the secured party believes that the person that filed the record was not entitled to do so, and (6) enact changes relating to the subordination of security interests, the assignment of security interests, and the refusal of a filing office to accept a record for filing.

This bill would implement transitional rules for determining the perfection of a security interest, as specified. The bill would also revise cross-references and make conforming changes to related provisions.

This bill would provide that its provisions become operative on July 1, 2013.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote:  $\frac{2}{3}$ . Appropriation: no. Fiscal committee: yes.  
 State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 3343.5 of the Civil Code is amended to  
 2 read:

3 3343.5. (a) Any one or more of the following who suffers any  
 4 damage proximately resulting from one or more acts of unlawful  
 5 motor vehicle subleasing, as described in Chapter 12.7  
 6 (commencing with Section 570) of Title 13 of Part 1 of the Penal  
 7 Code, may bring an action against the person who has engaged in  
 8 those acts:

- 9 (1) A seller or other secured party under a conditional sale
- 10 contract or a security agreement.
- 11 (2) A lender under a direct loan agreement.
- 12 (3) A lessor under a lease contract.
- 13 (4) A buyer under a conditional sale contract.

1 (5) A purchaser under a direct loan agreement, an agreement  
2 which provides for a security interest, or an agreement which is  
3 equivalent to these types of agreements.

4 (6) A lessee under a lease contract.

5 (7) An actual or purported transferee or assignee of any right  
6 or interest of a buyer, a purchaser, or a lessee.

7 (b) The court in an action under subdivision (a) may award  
8 actual damages; equitable relief, including, but not limited to, an  
9 injunction and restitution of money and property; punitive damages;  
10 reasonable attorney's fees and costs; and any other relief which  
11 the court deems proper.

12 (c) As used in this section, the following terms have the  
13 following meanings:

14 (1) "Buyer" has the meaning set forth in subdivision (c) of  
15 Section 2981.

16 (2) "Conditional sale contract" has the meaning set forth in  
17 subdivision (a) of Section 2981. Notwithstanding subdivision (k)  
18 of Section 2981, "conditional sale contract" includes any contract  
19 for the sale or bailment of a motor vehicle between a buyer and a  
20 seller primarily for business or commercial purposes.

21 (3) "Direct loan agreement" means an agreement between a  
22 lender and a purchaser whereby the lender has advanced funds  
23 pursuant to a loan secured by the motor vehicle which the purchaser  
24 has purchased.

25 (4) "Lease contract" means a lease contract between a lessor  
26 and lessee as this term and these parties are defined in Section  
27 2985.7. Notwithstanding subdivision (d) of Section 2985.7, "lease  
28 contract" includes a lease for business or commercial purposes.

29 (5) "Motor vehicle" means any vehicle required to be registered  
30 under the Vehicle Code.

31 (6) "Person" means an individual, company, firm, association,  
32 partnership, trust, corporation, limited liability company, or other  
33 legal entity.

34 (7) "Purchaser" has the meaning set forth in paragraph (30) of  
35 subdivision (b) of Section 1201 of the Commercial Code.

36 (8) "Security agreement" and "secured party" have the meanings  
37 set forth, respectively, in paragraphs (74) and (73) of subdivision  
38 (a) of Section 9102 of the Commercial Code. "Security interest"  
39 has the meaning set forth in paragraph (35) of subdivision (b) of  
40 Section 1201 of the Commercial Code.

1 (9) “Seller” has the meaning set forth in subdivision (b) of  
2 Section 2981, and includes the present holder of the conditional  
3 sale contract.

4 (d) The rights and remedies provided in this section are in  
5 addition to any other rights and remedies provided by law.

6 SEC. 2. Section 481.207 of the Code of Civil Procedure is  
7 amended to read:

8 481.207. “Secured party” means “secured party” as defined in  
9 paragraph (73) of subdivision (a) of Section 9102 of the  
10 Commercial Code.

11 SEC. 3. Section 481.220 of the Code of Civil Procedure is  
12 amended to read:

13 481.220. “Security agreement” means a “security agreement”  
14 as defined by paragraph (74) of subdivision (a) of Section 9102  
15 of the Commercial Code.

16 SEC. 4. Section 680.340 of the Code of Civil Procedure is  
17 amended to read:

18 680.340. “Secured party” means “secured party” as defined in  
19 paragraph (73) of subdivision (a) of Section 9102 of the  
20 Commercial Code.

21 SEC. 5. Section 680.350 of the Code of Civil Procedure is  
22 amended to read:

23 680.350. “Security agreement” means “security agreement”  
24 as defined in paragraph (74) of subdivision (a) of Section 9102 of  
25 the Commercial Code.

26 SEC. 6. Section 697.530 of the Code of Civil Procedure is  
27 amended to read:

28 697.530. (a) A judgment lien on personal property is a lien on  
29 all interests in the following personal property that are subject to  
30 enforcement of the money judgment against the judgment debtor  
31 pursuant to Article 1 (commencing with Section 695.010) of  
32 Chapter 1 at the time when the lien is created if the personal  
33 property is, at that time, any of the following:

34 (1) Accounts receivable, and the judgment debtor is located in  
35 this state.

36 (2) Tangible chattel paper, as defined in paragraph (79) of  
37 subdivision (a) of Section 9102 of the Commercial Code, and the  
38 judgment debtor is located in this state.

39 (3) Equipment, located within this state.

40 (4) Farm products, located within this state.

1 (5) Inventory, located within this state.

2 (6) Negotiable documents of title, located within this state.

3 (b) If any interest in personal property on which a judgment  
4 lien could be created under subdivision (a) is acquired after the  
5 judgment lien was created, the judgment lien attaches to the interest  
6 at the time it is acquired.

7 (c) To the extent provided by Section 697.620, a judgment lien  
8 on personal property continues on the proceeds received upon the  
9 sale, collection, or other disposition of the property subject to the  
10 judgment lien.

11 (d) Notwithstanding any other provision of this section, the  
12 judgment lien does not attach to:

13 (1) A vehicle or vessel required to be registered with the  
14 Department of Motor Vehicles or a mobilehome or commercial  
15 coach required to be registered pursuant to the Health and Safety  
16 Code.

17 (2) As-extracted collateral, as defined in paragraph (6) of  
18 subdivision (a) of Section 9102 of the Commercial Code, and  
19 timber to be cut.

20 (3) The inventory of a retail merchant held for sale except to  
21 the extent that the inventory of the retail merchant consists of  
22 durable goods having a unit retail value of at least five hundred  
23 dollars (\$500). For the purposes of this paragraph, "retail merchant"  
24 does not include either of the following:

25 (A) A person whose sales for resale exceeded 75 percent in  
26 dollar volume of the person's total sales of all goods during the  
27 12 months preceding the filing of the notice of judgment lien on  
28 personal property.

29 (B) A cooperative association organized pursuant to Chapter 1  
30 (commencing with Section 54001) of Division 20 of the Food and  
31 Agricultural Code (agricultural cooperative associations) or Part  
32 3 (commencing with Section 13200) of Division 3 of Title 1 of  
33 the Corporations Code (Fish Marketing Act).

34 (e) If property subject to a lien under this article becomes a  
35 fixture, as defined in paragraph (41) of subdivision (a) of Section  
36 9102 of the Commercial Code, the judgment lien on that property  
37 is extinguished.

38 (f) Notwithstanding the filing of a notice of judgment lien,  
39 subject to the provisions of Chapter 6 (commencing with Section  
40 708.010), a person obligated on an account receivable or chattel

1 paper is authorized to pay or compromise the amount without  
2 notice to or consent of the judgment creditor unless and until there  
3 is a levy pursuant to Chapter 3 (commencing with Section  
4 699.010).

5 (g) For purposes of this section, whether a person is located in  
6 this state is determined in accordance with Section 9307 of the  
7 Commercial Code, except that the location of a registered  
8 organization, as defined in paragraph (71) of subdivision (a) of  
9 Section 9102 of the Commercial Code, that is organized under the  
10 law of another state is determined without regard to subdivision  
11 (e) of Section 9307 of the Commercial Code.

12 SEC. 7. Section 9102 of the Commercial Code is amended to  
13 read:

14 9102. (a) In this division:

15 (1) "Accession" means goods that are physically united with  
16 other goods in such a manner that the identity of the original goods  
17 is not lost.

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

38 (3) "Account debtor" means a person obligated on an account,  
39 chattel paper, or general intangible. The term does not include

1 persons obligated to pay a negotiable instrument, even if the  
2 instrument constitutes part of chattel paper.

3 (4) “Accounting,” except as used in “accounting for,” means a  
4 record that is all of the following:

5 (A) Authenticated by a secured party.

6 (B) Indicating the aggregate unpaid secured obligations as of a  
7 date not more than 35 days earlier or 35 days later than the date  
8 of the record.

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

11 (5) “Agricultural lien” means an interest in farm products that  
12 meets all of the following conditions:

13 (A) It secures payment or performance of an obligation for either  
14 of the following:

15 (i) Goods or services furnished in connection with a debtor’s  
16 farming operation.

17 (ii) Rent on real property leased by a debtor in connection with  
18 its farming operation.

19 (B) It is created by statute in favor of a person that does either  
20 of the following:

21 (i) In the ordinary course of its business furnished goods or  
22 services to a debtor in connection with a debtor’s farming  
23 operation.

24 (ii) Leased real property to a debtor in connection with the  
25 debtor’s farming operation.

26 (C) Its effectiveness does not depend on the person’s possession  
27 of the personal property.

28 (6) “As-extracted collateral” means either of the following:

29 (A) Oil, gas, or other minerals that are subject to a security  
30 interest that does both of the following:

31 (i) Is created by a debtor having an interest in the minerals before  
32 extraction.

33 (ii) Attaches to the minerals as extracted.

34 (B) Accounts arising out of the sale at the wellhead or minehead  
35 of oil, gas, or other minerals in which the debtor had an interest  
36 before extraction.

37 (7) “Authenticate” means to do either of the following:

38 (A) To sign.

1 (B) To, with present intent to adopt or accept a record, attach  
2 to or logically associate with the record an electronic sound,  
3 symbol, or process.

4 (8) “Bank” means an organization that is engaged in the business  
5 of banking. The term includes savings banks, savings and loan  
6 associations, credit unions, and trust companies.

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

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

19 (11) “Chattel paper” means a record or records that evidence  
20 both a monetary obligation and a security interest in specific goods,  
21 a security interest in specific goods and software used in the goods,  
22 a security interest in specific goods and license of software used  
23 in the goods, a lease of specific goods, or a lease of specific goods  
24 and license of software used in the goods. In this paragraph,  
25 “monetary obligation” means a monetary obligation secured by  
26 the goods or owed under a lease of the goods and includes a  
27 monetary obligation with respect to software used in the goods.  
28 The term does not include (i) charters or other contracts involving  
29 the use or hire of a vessel or (ii) records that evidence a right to  
30 payment arising out of the use of a credit or charge card or  
31 information contained on or for use with the card. If a transaction  
32 is evidenced by records that include an instrument or series of  
33 instruments, the group of records taken together constitutes chattel  
34 paper.

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

- 37 (A) Proceeds to which a security interest attaches.
- 38 (B) Accounts, chattel paper, payment intangibles, and
- 39 promissory notes that have been sold.
- 40 (C) Goods that are the subject of a consignment.

1 (13) “Commercial tort claim” means a claim arising in tort with  
2 respect to which either of the following conditions is satisfied:

3 (A) The claimant is an organization.

4 (B) The claimant is an individual and both of the following  
5 conditions are satisfied regarding the claim:

6 (i) It arose in the course of the claimant’s business or profession.

7 (ii) It does not include damages arising out of personal injury  
8 to or the death of an individual.

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

12 (15) “Commodity contract” means a commodity futures contract,  
13 an option on a commodity futures contract, a commodity option,  
14 or another contract if the contract or option is either of the  
15 following:

16 (A) Traded on or subject to the rules of a board of trade that has  
17 been designated as a contract market for such a contract pursuant  
18 to federal commodities laws.

19 (B) Traded on a foreign commodity board of trade, exchange,  
20 or market, and is carried on the books of a commodity intermediary  
21 for a commodity customer.

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

24 (17) “Commodity intermediary” means a person that is either  
25 of the following:

26 (A) Is registered as a futures commission merchant under federal  
27 commodities law.

28 (B) In the ordinary course of its business provides clearance or  
29 settlement services for a board of trade that has been designated  
30 as a contract market pursuant to federal commodities law.

31 (18) “Communicate” means to do any of the following:

32 (A) To send a written or other tangible record.

33 (B) To transmit a record by any means agreed upon by the  
34 persons sending and receiving the record.

35 (C) In the case of transmission of a record to or by a filing office,  
36 to transmit a record by any means prescribed by filing-office rule.

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

- 1 (20) “Consignment” means a transaction, regardless of its form,  
2 in which a person delivers goods to a merchant for the purpose of  
3 sale and all of the following conditions are satisfied:
- 4 (A) The merchant satisfies all of the following conditions:
    - 5 (i) He or she deals in goods of that kind under a name other than  
6 the name of the person making delivery.
    - 7 (ii) He or she is not an auctioneer.
    - 8 (iii) He or she is not generally known by its creditors to be  
9 substantially engaged in selling the goods of others.
  - 10 (B) With respect to each delivery, the aggregate value of the  
11 goods is one thousand dollars (\$1,000) or more at the time of  
12 delivery.
  - 13 (C) The goods are not consumer goods immediately before  
14 delivery.
  - 15 (D) The transaction does not create a security interest that  
16 secures an obligation.
- 17 (21) “Consignor” means a person that delivers goods to a  
18 consignee in a consignment.
- 19 (22) “Consumer debtor” means a debtor in a consumer  
20 transaction.
- 21 (23) “Consumer goods” means goods that are used or bought  
22 for use primarily for personal, family, or household purposes.
- 23 (24) “Consumer-goods transaction” means a consumer  
24 transaction in which both of the following conditions are satisfied:
- 25 (A) An individual incurs an obligation primarily for personal,  
26 family, or household purposes.
  - 27 (B) A security interest in consumer goods secures the obligation.
- 28 (25) “Consumer obligor” means an obligor who is an individual  
29 and who incurred the obligation as part of a transaction entered  
30 into primarily for personal, family, or household purposes.
- 31 (26) “Consumer transaction” means a transaction in which (i)  
32 an individual incurs an obligation primarily for personal, family,  
33 or household purposes, (ii) a security interest secures the obligation,  
34 and (iii) the collateral is held or acquired primarily for personal,  
35 family, or household purposes. The term includes consumer-goods  
36 transactions.
- 37 (27) “Continuation statement” means an amendment of a  
38 financing statement which does both of the following:
- 39 (A) Identifies, by its file number, the initial financing statement  
40 to which it relates.

1 (B) Indicates that it is a continuation statement for, or that it is  
2 filed to continue the effectiveness of, the identified financing  
3 statement.

4 (28) “Debtor” means any of the following:

5 (A) A person having an interest, other than a security interest  
6 or other lien, in the collateral, whether or not the person is an  
7 obligor.

8 (B) A seller of accounts, chattel paper, payment intangibles, or  
9 promissory notes.

10 (C) A consignee.

11 (29) “Deposit account” means a demand, time, savings,  
12 passbook, or similar account maintained with a bank. The term  
13 does not include investment property or accounts evidenced by an  
14 instrument.

15 (30) “Document” means a document of title or a receipt of the  
16 type described in subdivision (b) of Section 7201.

17 (31) “Electronic chattel paper” means chattel paper evidenced  
18 by a record or records consisting of information stored in an  
19 electronic medium.

20 (32) “Encumbrance” means a right, other than an ownership  
21 interest, in real property. The term includes mortgages and other  
22 liens on real property.

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

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

28 (A) Crops grown, growing, or to be grown, including both of  
29 the following:

30 (i) Crops produced on trees, vines, and bushes.

31 (ii) Aquatic goods produced in aquacultural operations.

32 (B) Livestock, born or unborn, including aquatic goods produced  
33 in aquacultural operations.

34 (C) Supplies used or produced in a farming operation.

35 (D) Products of crops or livestock in their unmanufactured  
36 states.

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

- 1 (36) “File number” means the number assigned to an initial  
2 financing statement pursuant to subdivision (a) of Section 9519.
- 3 (37) “Filing office” means an office designated in Section 9501  
4 as the place to file a financing statement.
- 5 (38) “Filing-office rule” means a rule adopted pursuant to  
6 Section 9526.
- 7 (39) “Financing statement” means a record or records composed  
8 of an initial financing statement and any filed record relating to  
9 the initial financing statement.
- 10 (40) “Fixture filing” means the filing of a financing statement  
11 covering goods that are or are to become fixtures and satisfying  
12 subdivisions (a) and (b) of Section 9502. The term includes the  
13 filing of a financing statement covering goods of a transmitting  
14 utility which are or are to become fixtures.
- 15 (41) “Fixtures” means goods that have become so related to  
16 particular real property that an interest in them arises under real  
17 property law.
- 18 (42) “General intangible” means any personal property,  
19 including things in action, other than accounts, chattel paper,  
20 commercial tort claims, deposit accounts, documents, goods,  
21 instruments, investment property, letter-of-credit rights, letters of  
22 credit, money, and oil, gas, or other minerals before extraction.  
23 The term includes payment intangibles and software.
- 24 (43) [Reserved]
- 25 (44) “Goods” means all things that are movable when a security  
26 interest attaches. The term includes (i) fixtures, (ii) standing timber  
27 that is to be cut and removed under a conveyance or contract for  
28 sale, (iii) the unborn young of animals, (iv) crops grown, growing,  
29 or to be grown, even if the crops are produced on trees, vines, or  
30 bushes, and (v) manufactured homes. The term also includes a  
31 computer program embedded in goods and any supporting  
32 information provided in connection with a transaction relating to  
33 the program if (i) the program is associated with the goods in such  
34 a manner that it customarily is considered part of the goods, or (ii)  
35 by becoming the owner of the goods, a person acquires a right to  
36 use the program in connection with the goods. The term does not  
37 include a computer program embedded in goods that consist solely  
38 of the medium in which the program is embedded. The term also  
39 does not include accounts, chattel paper, commercial tort claims,  
40 deposit accounts, documents, general intangibles, instruments,

1 investment property, letter-of-credit rights, letters of credit, money,  
2 or oil, gas, or other minerals before extraction.

3 (45) “Governmental unit” means a subdivision, agency,  
4 department, county, parish, municipality, or other unit of the  
5 government of the United States, a state, or a foreign country. The  
6 term includes an organization having a separate corporate existence  
7 if the organization is eligible to issue debt on which interest is  
8 exempt from income taxation under the laws of the United States.

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

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

21 (48) “Inventory” means goods, other than farm products, which  
22 are any of the following:

23 (A) Leased by a person as lessor.

24 (B) Held by a person for sale or lease or to be furnished under  
25 a contract of service.

26 (C) Furnished by a person under a contract of service.

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

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

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

35 (51) “Letter-of-credit right” means a right to payment or  
36 performance under a letter of credit, whether or not the beneficiary  
37 has demanded or is at the time entitled to demand payment or  
38 performance. The term does not include the right of a beneficiary  
39 to demand payment or performance under a letter of credit.

40 (52) (A) “Lien creditor” means any of the following:

- 1 (i) A creditor that has acquired a lien on the property involved
- 2 by attachment, levy, or the like.
- 3 (ii) An assignee for benefit of creditors from the time of
- 4 assignment.
- 5 (iii) A trustee in bankruptcy from the date of the filing of the
- 6 petition.
- 7 (iv) A receiver in equity from the time of appointment.
- 8 (B) “Lien creditor” does not include a creditor who by filing a
- 9 notice with the Secretary of State has acquired only an attachment
- 10 or judgment lien on personal property, or both.
- 11 (53) “Manufactured home” means a structure, transportable in
- 12 one or more sections, which, in the traveling mode, is eight
- 13 body-feet or more in width or 40 body-feet or more in length, or,
- 14 when erected on site, is 320 or more square feet, and which is built
- 15 on a permanent chassis and designed to be used as a dwelling with
- 16 or without a permanent foundation when connected to the required
- 17 utilities, and includes the plumbing, heating, air-conditioning, and
- 18 electrical systems contained therein. The term includes any
- 19 structure that meets all of the requirements of this paragraph except
- 20 the size requirements and with respect to which the manufacturer
- 21 voluntarily files a certification required by the United States
- 22 Secretary of Housing and Urban Development and complies with
- 23 the standards established under Title 42 of the United States Code.
- 24 (54) “Manufactured home transaction” means a secured
- 25 transaction that satisfies either of the following:
- 26 (A) It creates a purchase money security interest in a
- 27 manufactured home, other than a manufactured home held as
- 28 inventory.
- 29 (B) It is a secured transaction in which a manufactured home,
- 30 other than a manufactured home held as inventory, is the primary
- 31 collateral.
- 32 (55) “Mortgage” means a consensual interest in real property,
- 33 including fixtures, which secures payment or performance of an
- 34 obligation.
- 35 (56) “New debtor” means a person that becomes bound as debtor
- 36 under subdivision (d) of Section 9203 by a security agreement
- 37 previously entered into by another person.
- 38 (57) “New value” means (i) money, (ii) money’s worth in
- 39 property, services, or new credit, or (iii) release by a transferee of
- 40 an interest in property previously transferred to the transferee. The

1 term does not include an obligation substituted for another  
2 obligation.

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

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

13 (60) “Original debtor,” except as used in subdivision (c) of  
14 Section 9310, means a person that, as debtor, entered into a security  
15 agreement to which a new debtor has become bound under  
16 subdivision (d) of Section 9203.

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

20 (62) “Person related to,” with respect to an individual, means  
21 any of the following:

22 (A) The spouse of the individual.

23 (B) A brother, brother-in-law, sister, or sister-in-law of the  
24 individual.

25 (C) An ancestor or lineal descendant of the individual or the  
26 individual’s spouse.

27 (D) Any other relative, by blood or marriage, of the individual  
28 or the individual’s spouse who shares the same home with the  
29 individual.

30 (63) “Person related to,” with respect to an organization, means  
31 any of the following:

32 (A) A person directly or indirectly controlling, controlled by,  
33 or under common control with the organization.

34 (B) An officer or director of, or a person performing similar  
35 functions with respect to, the organization.

36 (C) An officer or director of, or a person performing similar  
37 functions with respect to, a person described in subparagraph (A).

38 (D) The spouse of an individual described in subparagraph (A),  
39 (B), or (C).

- 1 (E) An individual who is related by blood or marriage to an
- 2 individual described in subparagraph (A), (B), (C), or (D) and
- 3 shares the same home with the individual.
- 4 (64) “Proceeds,” except as used in subdivision (b) of Section
- 5 9609, means any of the following property:
- 6 (A) Whatever is acquired upon the sale, lease, license, exchange,
- 7 or other disposition of collateral.
- 8 (B) Whatever is collected on, or distributed on account of,
- 9 collateral.
- 10 (C) Rights arising out of collateral.
- 11 (D) To the extent of the value of collateral, claims arising out
- 12 of the loss, nonconformity, or interference with the use of, defects
- 13 or infringement of rights in, or damage to, the collateral.
- 14 (E) To the extent of the value of collateral and to the extent
- 15 payable to the debtor or the secured party, insurance payable by
- 16 reason of the loss or nonconformity of, defects or infringement of
- 17 rights in, or damage to, the collateral.
- 18 (65) “Promissory note” means an instrument that evidences a
- 19 promise to pay a monetary obligation, does not evidence an order
- 20 to pay, and does not contain an acknowledgment by a bank that
- 21 the bank has received for deposit a sum of money or funds.
- 22 (66) “Proposal” means a record authenticated by a secured party
- 23 that includes the terms on which the secured party is willing to
- 24 accept collateral in full or partial satisfaction of the obligation it
- 25 secures pursuant to Sections 9620, 9621, and 9622.
- 26 (67) “Public finance transaction” means a secured transaction
- 27 in connection with which all of the following conditions are
- 28 satisfied:
- 29 (A) Debt securities are issued.
- 30 (B) All or a portion of the securities issued have an initial stated
- 31 maturity of at least 20 years.
- 32 (C) The debtor, obligor, secured party, account debtor or other
- 33 person obligated on collateral, assignor or assignee of a secured
- 34 obligation, or assignor or assignee of a security interest is a state
- 35 or a governmental unit of a state.
- 36 (68) “Public organic record” means a record that is available to
- 37 the public for inspection and is any of the following:
- 38 (A) A record consisting of the record initially filed with or issued
- 39 by a state or the United States to form or organize an organization

1 and any record filed with or issued by the state or the United States  
2 that amends or restates the initial record.

3 (B) An organic record of a business trust consisting of the record  
4 initially filed with a state and any record filed with the state that  
5 amends or restates the initial record, if a statute of the state  
6 governing business trusts requires that the record be filed with the  
7 state.

8 (C) A record consisting of legislation enacted by the legislature  
9 of a state or the Congress of the United States which forms or  
10 organizes an organization, any record amending the legislation,  
11 and any record filed with or issued by the state or the United States  
12 which amends or restates the name of the organization.

13 (69) “Pursuant to commitment,” with respect to an advance  
14 made or other value given by a secured party, means pursuant to  
15 the secured party’s obligation, whether or not a subsequent event  
16 of default or other event not within the secured party’s control has  
17 relieved or may relieve the secured party from its obligation.

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

22 (71) “Registered organization” means an organization formed  
23 or organized solely under the law of a single state or the United  
24 States by the filing of a public organic record with, the issuance  
25 of a public organic record by, or the enactment of legislation by  
26 the state or the United States. The term includes a business trust  
27 that is formed or organized under the law of a single state if a  
28 statute of the state governing business trusts requires that the  
29 business trust’s organic record be filed with the state.

30 (72) “Secondary obligor” means an obligor to the extent that  
31 either of the following conditions are satisfied:

32 (A) The obligor’s obligation is secondary.

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

36 (73) “Secured party” means any of the following:

37 (A) A person in whose favor a security interest is created or  
38 provided for under a security agreement, whether or not any  
39 obligation to be secured is outstanding.

40 (B) A person that holds an agricultural lien.

1 (C) A consignor.

2 (D) A person to which accounts, chattel paper, payment  
3 intangibles, or promissory notes have been sold.

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

7 (F) A person that holds a security interest arising under Section  
8 2401, 2505, 4210, or 5118, or under subdivision (3) of Section  
9 2711 or subdivision (5) of Section 10508.

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

12 (75) “Send,” in connection with a record or notification, means  
13 to do either of the following:

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

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

21 (76) “Software” means a computer program and any supporting  
22 information provided in connection with a transaction relating to  
23 the program. The term does not include a computer program that  
24 is included in the definition of goods.

25 (77) “State” means a state of the United States, the District of  
26 Columbia, Puerto Rico, the United States Virgin Islands, or any  
27 territory or insular possession subject to the jurisdiction of the  
28 United States.

29 (78) “Supporting obligation” means a letter-of-credit right or  
30 secondary obligation that supports the payment or performance of  
31 an account, chattel paper, document, general intangible, instrument,  
32 or investment property.

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

36 (80) “Termination statement” means an amendment of a  
37 financing statement that does both of the following:

38 (A) Identifies, by its file number, the initial financing statement  
39 to which it relates.

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

3 (81) “Transmitting utility” means a person primarily engaged  
4 in the business of any of the following:

5 (A) Operating a railroad, subway, street railway, or trolley bus.

6 (B) Transmitting communications electrically,  
7 electromagnetically, or by light.

8 (C) Transmitting goods by pipeline or sewer.

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

11 (b) The following definitions in other divisions apply to this  
12 division:

13		
14	“Applicant”	Section 5102.
15	“Beneficiary”	Section 5102.
16	“Broker”	Section 8102.
17	“Certificated security”	Section 8102.
18	“Check”	Section 3104.
19	“Clearing corporation”	Section 8102.
20	“Contract for sale”	Section 2106.
21	“Control”	Section 7106.
22	“Customer”	Section 4104.
23	“Entitlement holder”	Section 8102.
24	“Financial asset”	Section 8102.
25	“Holder in due course”	Section 3302.
26	“Issuer” (with respect to a letter of credit or	
27	letter-of-credit right)	Section 5102.
28	“Issuer” (with respect to a security)	Section 8201.
29	“Issuer” (with respect to documents of title)	Section 7102.
30	“Lease”	Section 10103.
31	“Lease agreement”	Section 10103.
32	“Lease contract”	Section 10103.
33	“Leasehold interest”	Section 10103.
34	“Lessee”	Section 10103.
35	“Lessee in ordinary course of business”	Section 10103.
36	“Lessor”	Section 10103.
37	“Lessor’s residual interest”	Section 10103.
38	“Letter of credit”	Section 5102.
39	“Merchant”	Section 2104.
40	“Negotiable instrument”	Section 3104.

1	“Nominated person”	Section 5102.
2	“Note”	Section 3104.
3	“Proceeds of a letter of credit”	Section 5114.
4	“Prove”	Section 3103.
5	“Sale”	Section 2106.
6	“Securities account”	Section 8501.
7	“Securities intermediary”	Section 8102.
8	“Security”	Section 8102.
9	“Security certificate”	Section 8102.
10	“Security entitlement”	Section 8102.
11	“Uncertificated security”	Section 8102.

12

13 (c) Division 1 (commencing with Section 1101) contains general  
14 definitions and principles of construction and interpretation  
15 applicable throughout this division.

16 SEC. 8. Section 9105 of the Commercial Code is amended to  
17 read:

18 9105. (a) A secured party has control of electronic chattel  
19 paper if a system employed for evidencing the transfer of interests  
20 in the chattel paper reliably establishes the secured party as the  
21 person to which the chattel paper was assigned.

22 (b) A system satisfies subdivision (a) if the record or records  
23 comprising the chattel paper are created, stored, and assigned in  
24 such a manner that each of the following conditions is satisfied:

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

28 (2) The authoritative copy identifies the secured party as the  
29 assignee of the record or records.

30 (3) The authoritative copy is communicated to and maintained  
31 by the secured party or its designated custodian.

32 (4) Copies or amendments that add or change an identified  
33 assignee of the authoritative copy can be made only with the  
34 consent of the secured party.

35 (5) Each copy of the authoritative copy and any copy of a copy  
36 is readily identifiable as a copy that is not the authoritative copy.

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

39 SEC. 9. Section 9307 of the Commercial Code is amended to  
40 read:

1 9307. (a) In this section, “place of business” means a place  
2 where a debtor conducts its affairs.

3 (b) Except as otherwise provided in this section, the following  
4 rules determine a debtor’s location:

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

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

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

11 (c) Subdivision (b) applies only if a debtor’s residence, place  
12 of business, or chief executive office, as applicable, is located in  
13 a jurisdiction whose law generally requires information concerning  
14 the existence of a nonpossessory security interest to be made  
15 generally available in a filing, recording, or registration system as  
16 a condition or result of the security interest’s obtaining priority  
17 over the rights of a lien creditor with respect to the collateral. If  
18 subdivision (b) does not apply, the debtor is located in the District  
19 of Columbia.

20 (d) A person that ceases to exist, have a residence, or have a  
21 place of business continues to be located in the jurisdiction  
22 specified by subdivisions (b) and (c).

23 (e) A registered organization that is organized under the law of  
24 a state is located in that state.

25 (f) Except as otherwise provided in subdivision (i), a registered  
26 organization that is organized under the law of the United States  
27 and a branch or agency of a bank that is not organized under the  
28 law of the United States or a state are located in any of the  
29 following jurisdictions:

30 (1) In the state that the law of the United States designates, if  
31 the law designates a state of location.

32 (2) In the state that the registered organization, branch, or agency  
33 designates, if the law of the United States authorizes the registered  
34 organization, branch, or agency to designate its state of location,  
35 including by designating its main office, home office, or other  
36 comparable office.

37 (3) In the District of Columbia, if neither paragraph (1) nor  
38 paragraph (2) applies.

1 (g) A registered organization continues to be located in the  
2 jurisdiction specified by subdivision (e) or (f) notwithstanding  
3 either of the following:

4 (1) The suspension, revocation, forfeiture, or lapse of the  
5 registered organization’s status as such in its jurisdiction of  
6 organization.

7 (2) The dissolution, winding up, or cancellation of the existence  
8 of the registered organization.

9 (h) The United States is located in the District of Columbia.

10 (i) A branch or agency of a bank that is not organized under the  
11 law of the United States or a state is located in the state in which  
12 the branch or agency is licensed, if all branches and agencies of  
13 the bank are licensed in only one state.

14 (j) A foreign air carrier under the Federal Aviation Act of 1958,  
15 as amended, is located at the designated office of the agent upon  
16 which service of process may be made on behalf of the carrier.

17 (k) This section applies only for purposes of this chapter.

18 SEC. 10. Section 9311 of the Commercial Code is amended  
19 to read:

20 9311. (a) Except as otherwise provided in subdivision (d), the  
21 filing of a financing statement is not necessary or effective to  
22 perfect a security interest in property subject to any of the  
23 following:

24 (1) A statute, regulation, or treaty of the United States whose  
25 requirements for a security interest’s obtaining priority over the  
26 rights of a lien creditor with respect to the property preempt  
27 subdivision (a) of Section 9310.

28 (2) (A) The provisions of the Vehicle Code which require  
29 registration of a vehicle or boat.

30 (B) The provisions of the Health and Safety Code which require  
31 registration of a mobilehome or commercial coach, except that  
32 during any period in which collateral is inventory, the filing  
33 provisions of Chapter 5 (commencing with Section 9501) apply  
34 to a security interest in that collateral.

35 (C) The provisions of the Health and Safety Code which require  
36 registration of all interests in approved air contaminant emission  
37 reductions (Sections 40709 to 40713, inclusive, of the Health and  
38 Safety Code).

39 (3) A statute of another jurisdiction which provides for a security  
40 interest to be indicated on a certificate of title as a condition or

1 result of the security interest's obtaining priority over the rights  
2 of a lien creditor with respect to the property.

3 (b) Compliance with the requirements of a statute, regulation,  
4 or treaty described in subdivision (a) for obtaining priority over  
5 the rights of a lien creditor is equivalent to the filing of a financing  
6 statement under this division. Except as otherwise provided in  
7 subdivision (d), in Section 9313, and in subdivisions (d) and (e)  
8 of Section 9316 for goods covered by a certificate of title, a security  
9 interest in property subject to a statute, regulation, or treaty  
10 described in subdivision (a) may be perfected only by compliance  
11 with those requirements, and a security interest so perfected  
12 remains perfected notwithstanding a change in the use or transfer  
13 of possession of the collateral.

14 (c) Except as otherwise provided in subdivision (d) and in  
15 subdivisions (d) and (e) of Section 9316, duration and renewal of  
16 perfection of a security interest perfected by compliance with the  
17 requirements prescribed by a statute, regulation, or treaty described  
18 in subdivision (a) are governed by the statute, regulation, or treaty.  
19 In other respects, the security interest is subject to this division.

20 (d) During any period in which collateral subject to a statute  
21 specified in paragraph (2) of subdivision (a) is inventory held for  
22 sale or lease by a person or leased by that person as lessor and that  
23 person is in the business of selling goods of that kind, this section  
24 does not apply to a security interest in that collateral created by  
25 that person.

26 SEC. 11. Section 9316 of the Commercial Code is amended  
27 to read:

28 9316. (a) A security interest perfected pursuant to the law of  
29 the jurisdiction designated in subdivision (1) of Section 9301 or  
30 in subdivision (c) of Section 9305 remains perfected until the  
31 earliest of any of the following:

32 (1) The time perfection would have ceased under the law of that  
33 jurisdiction.

34 (2) The expiration of four months after a change of the debtor's  
35 location to another jurisdiction.

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

39 (b) If a security interest described in subdivision (a) becomes  
40 perfected under the law of the other jurisdiction before the earliest

1 time or event described in that subdivision, it remains perfected  
2 thereafter. If the security interest does not become perfected under  
3 the law of the other jurisdiction before the earliest time or event,  
4 it becomes unperfected and is deemed never to have been perfected  
5 as against a purchaser of the collateral for value.

6 (c) A possessory security interest in collateral, other than goods  
7 covered by a certificate of title and as-extracted collateral consisting  
8 of goods, remains continuously perfected if all of the following  
9 conditions are satisfied:

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

12 (2) Thereafter the collateral is brought into another jurisdiction.

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

15 (d) Except as otherwise provided in subdivision (e), a security  
16 interest in goods covered by a certificate of title which is perfected  
17 by any method under the law of another jurisdiction when the  
18 goods become covered by a certificate of title from this state  
19 remains perfected until the security interest would have become  
20 unperfected under the law of the other jurisdiction had the goods  
21 not become so covered.

22 (e) A security interest described in subdivision (d) becomes  
23 unperfected as against a purchaser of the goods for value and is  
24 deemed never to have been perfected as against a purchaser of the  
25 goods for value if the applicable requirements for perfection under  
26 subdivision (b) of Section 9311 or under Section 9313 are not  
27 satisfied before the earlier of either of the following:

28 (1) The time the security interest would have become  
29 unperfected under the law of the other jurisdiction had the goods  
30 not become covered by a certificate of title from this state.

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

33 (f) A security interest in deposit accounts, letter-of-credit rights,  
34 or investment property which is perfected under the law of the  
35 bank's jurisdiction, the issuer's jurisdiction, a nominated person's  
36 jurisdiction, the securities intermediary's jurisdiction, or the  
37 commodity intermediary's jurisdiction, as applicable, remains  
38 perfected until the earlier of the following:

39 (1) The time the security interest would have become  
40 unperfected under the law of that jurisdiction.

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

3 (g) If a security interest described in subdivision (f) becomes  
4 perfected under the law of the other jurisdiction before the earlier  
5 of the time or the end of the period described in that subdivision,  
6 it remains perfected thereafter. If the security interest does not  
7 become perfected under the law of the other jurisdiction before  
8 the earlier of that time or the end of that period, it becomes  
9 unperfected and is deemed never to have been perfected as against  
10 a purchaser of the collateral for value.

11 (h) The following rules apply to collateral to which a security  
12 interest attaches within four months after the debtor changes its  
13 location to another jurisdiction:

14 (1) A financing statement filed before the change pursuant to  
15 the law of the jurisdiction designated in paragraph (1) of Section  
16 9301 or subdivision (c) of Section 9305 is effective to perfect a  
17 security interest in the collateral if the financing statement would  
18 have been effective to perfect a security interest in the collateral  
19 had the debtor not changed its location.

20 (2) If a security interest perfected by a financing statement that  
21 is effective under paragraph (1) becomes perfected under the law  
22 of the other jurisdiction before the earlier of the time the financing  
23 statement would have become ineffective under the law of the  
24 jurisdiction designated in paragraph (1) of Section 9301 or  
25 subdivision (c) of Section 9305 or the expiration of the four-month  
26 period, it remains perfected thereafter. If the security interest does  
27 not become perfected under the law of the other jurisdiction before  
28 the earlier time or event, it becomes unperfected and is deemed  
29 never to have been perfected as against a purchaser of the collateral  
30 for value.

31 (i) If a financing statement naming an original debtor is filed  
32 pursuant to the law of the jurisdiction designated in paragraph (1)  
33 of Section 9301 or subdivision (c) of Section 9305 and the new  
34 debtor is located in another jurisdiction, each of the following rules  
35 apply:

36 (1) The financing statement is effective to perfect a security  
37 interest in collateral acquired by the new debtor before, and within  
38 four months after, the new debtor becomes bound under subdivision  
39 (d) of Section 9203, if the financing statement would have been

1 effective to perfect a security interest in the collateral had the  
2 collateral been acquired by the original debtor.

3 (2) A security interest perfected by the financing statement and  
4 which becomes perfected under the law of the other jurisdiction  
5 before the earlier of the time the financing statement would have  
6 become ineffective under the law of the jurisdiction designated in  
7 paragraph (1) of Section 9301 or subdivision (c) of Section 9305  
8 or the expiration of the four-month period remains perfected  
9 thereafter. A security interest that is perfected by the financing  
10 statement but which does not become perfected under the law of  
11 the other jurisdiction before the earlier time or event becomes  
12 unperfected and is deemed never to have been perfected as against  
13 a purchaser of the collateral for value.

14 SEC. 12. Section 9317 of the Commercial Code is amended  
15 to read:

16 9317. (a) A security interest or agricultural lien is subordinate  
17 to the rights of both of the following:

18 (1) A person entitled to priority under Section 9322.

19 (2) Except as otherwise provided in subdivision (e), a person  
20 that becomes a lien creditor before the earlier of the time the  
21 security interest or agricultural lien is perfected, or one of the  
22 conditions specified in paragraph (3) of subdivision (b) of Section  
23 9203 is met and a financing statement covering the collateral is  
24 filed.

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

31 (c) Except as otherwise provided in subdivision (e), a lessee of  
32 goods takes free of a security interest or agricultural lien if the  
33 lessee gives value and receives delivery of the collateral without  
34 knowledge of the security interest or agricultural lien and before  
35 it is perfected.

36 (d) A licensee of a general intangible or a buyer, other than a  
37 secured party, of collateral other than tangible chattel paper,  
38 tangible documents, goods, instruments, or a certificated security  
39 takes free of a security interest if the licensee or buyer gives value

1 without knowledge of the security interest and before it is  
2 perfected.

3 (e) Except as otherwise provided in Sections 9320 and 9321, if  
4 a person files a financing statement with respect to a purchase  
5 money security interest before or within 20 days after the debtor  
6 receives delivery of the collateral, the security interest takes priority  
7 over the rights of a buyer, lessee, or lien creditor which arise  
8 between the time the security interest attaches and the time of  
9 filing.

10 SEC. 13. Section 9326 of the Commercial Code is amended  
11 to read:

12 9326. (a) Subject to subdivision (b), a security interest that is  
13 created by a new debtor in collateral in which the new debtor has  
14 or acquires rights and is perfected solely by a filed financing  
15 statement that would be ineffective to perfect the security interest  
16 but for the application of paragraph (1) of subdivision (i) of Section  
17 9316 or Section 9508 is subordinate to a security interest in the  
18 same collateral which is perfected other than by such a filed  
19 financing statement.

20 (b) The other provisions of this chapter determine the priority  
21 among conflicting security interests in the same collateral perfected  
22 by filed financing statements described in subdivision (a).  
23 However, if the security agreements to which a new debtor became  
24 bound as debtor were not entered into by the same original debtor,  
25 the conflicting security interests rank according to priority in time  
26 of the new debtor's having become bound.

27 SEC. 14. Section 9406 of the Commercial Code is amended  
28 to read:

29 9406. (a) Subject to subdivisions (b) to (i), inclusive, an  
30 account debtor on an account, chattel paper, or a payment  
31 intangible may discharge its obligation by paying the assignor  
32 until, but not after, the account debtor receives a notification,  
33 authenticated by the assignor or the assignee, that the amount due  
34 or to become due has been assigned and that payment is to be made  
35 to the assignee. After receipt of the notification, the account debtor  
36 may discharge its obligation by paying the assignee and may not  
37 discharge the obligation by paying the assignor.

38 (b) Subject to subdivision (h), notification is ineffective under  
39 subdivision (a) as follows:

40 (1) If it does not reasonably identify the rights assigned.

1 (2) To the extent that an agreement between an account debtor  
2 and a seller of a payment intangible limits the account debtor's  
3 duty to pay a person other than the seller and the limitation is  
4 effective under law other than this division.

5 (3) At the option of an account debtor, if the notification notifies  
6 the account debtor to make less than the full amount of any  
7 installment or other periodic payment to the assignee, even if any  
8 of the following conditions is satisfied:

9 (A) Only a portion of the account, chattel paper, or payment  
10 intangible has been assigned to that assignee.

11 (B) A portion has been assigned to another assignee.

12 (C) The account debtor knows that the assignment to that  
13 assignee is limited.

14 (c) Subject to subdivision (h), if requested by the account debtor,  
15 an assignee shall seasonably furnish reasonable proof that the  
16 assignment has been made. Unless the assignee complies, the  
17 account debtor may discharge its obligation by paying the assignor,  
18 even if the account debtor has received a notification under  
19 subdivision (a).

20 (d) Except as otherwise provided in subdivision (e) and in  
21 Sections 9407 and 10303, and subject to subdivision (h), a term  
22 in an agreement between an account debtor and an assignor or in  
23 a promissory note is ineffective to the extent that it does either of  
24 the following:

25 (1) Prohibits, restricts, or requires the consent of the account  
26 debtor or person obligated on the promissory note to the assignment  
27 or transfer of, or the creation, attachment, perfection, or  
28 enforcement of a security interest in, the account, chattel paper,  
29 payment intangible, or promissory note.

30 (2) Provides that the assignment or transfer or the creation,  
31 attachment, perfection, or enforcement of the security interest may  
32 give rise to a default, breach, right of recoupment, claim, defense,  
33 termination, right of termination, or remedy under the account,  
34 chattel paper, payment intangible, or promissory note.

35 (e) Subdivision (d) does not apply to the sale of a payment  
36 intangible or promissory note, other than a sale pursuant to a  
37 disposition under Section 9610 or an acceptance of collateral under  
38 Section 9620.

39 (f) Except as otherwise provided in Sections 9407 and 10303,  
40 and subject to subdivisions (h) and (i), a rule of law, statute, or

1 regulation, that prohibits, restricts, or requires the consent of a  
2 government, governmental body or official, or account debtor to  
3 the assignment or transfer of, or creation of a security interest in,  
4 an account or chattel paper is ineffective to the extent that the rule  
5 of law, statute, or regulation does either of the following:

6 (1) Prohibits, restricts, or requires the consent of the government,  
7 governmental body or official, or account debtor to the assignment  
8 or transfer of, or the creation, attachment, perfection, or  
9 enforcement of a security interest in, the account or chattel paper.

10 (2) Provides that the assignment or transfer or the creation,  
11 attachment, perfection, or enforcement of the security interest may  
12 give rise to a default, breach, right of recoupment, claim, defense,  
13 termination, right of termination, or remedy under the account or  
14 chattel paper.

15 (g) Subject to subdivision (h), an account debtor may not waive  
16 or vary its option under paragraph (3) of subdivision (b).

17 (h) This section is subject to law other than this division which  
18 establishes a different rule for an account debtor who is an  
19 individual and who incurred the obligation primarily for personal,  
20 family, or household purposes.

21 (i) This section does not apply to an assignment of a health care  
22 insurance receivable.

23 (j) Subdivision (f) does not apply to an assignment or transfer  
24 of, or the creation, attachment, perfection, or enforcement of a  
25 security interest in, a claim or right to receive compensation for  
26 injuries or sickness as described in paragraph (1) or (2) of  
27 subdivision (a) of Section 104 of Title 26 of the United States  
28 Code, as amended, or a claim or right to receive benefits under a  
29 special needs trust as described in paragraph (4) of subdivision (d)  
30 of Section 1396p of Title 42 of the United States Code, as amended,  
31 to the extent that subdivision (f) is inconsistent with those laws.

32 SEC. 15. Section 9408 of the Commercial Code is amended  
33 to read:

34 9408. (a) Except as otherwise provided in subdivision (b), a  
35 term in a promissory note or in an agreement between an account  
36 debtor and a debtor that relates to a health care insurance receivable  
37 or a general intangible, including a contract, permit, license, or  
38 franchise, and which term prohibits, restricts, or requires the  
39 consent of the person obligated on the promissory note or the  
40 account debtor to, the assignment or transfer of, or the creation,

1 attachment, or perfection of a security interest in, the promissory  
2 note, health care insurance receivable, or general intangible, is  
3 ineffective to the extent that the term does, or would do, either of  
4 the following:

5 (1) It would impair the creation, attachment, or perfection of a  
6 security interest.

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

12 (b) Subdivision (a) applies to a security interest in a payment  
13 intangible or promissory note only if the security interest arises  
14 out of a sale of the payment intangible or promissory note, other  
15 than a sale pursuant to a disposition under Section 9610 or an  
16 acceptance of collateral under Section 9620.

17 (c) A rule of law, statute, or regulation that prohibits, restricts,  
18 or requires the consent of a government, governmental body or  
19 official, person obligated on a promissory note, or account debtor  
20 to the assignment or transfer of, or the creation of a security interest  
21 in, a promissory note, health care insurance receivable, or general  
22 intangible, including a contract, permit, license, or franchise  
23 between an account debtor and a debtor, is ineffective to the extent  
24 that the rule of law, statute, or regulation does, or would do, either  
25 of the following:

26 (1) It would impair the creation, attachment, or perfection of a  
27 security interest.

28 (2) It provides that the assignment or transfer or the creation,  
29 attachment, or perfection of the security interest may give rise to  
30 a default, breach, right of recoupment, claim, defense, termination,  
31 right of termination, or remedy under the promissory note, health  
32 care insurance receivable, or general intangible.

33 (d) To the extent that a term in a promissory note or in an  
34 agreement between an account debtor and a debtor that relates to  
35 a health care insurance receivable or general intangible or a rule  
36 of law, statute, or regulation described in subdivision (c) would  
37 be effective under law other than this division but is ineffective  
38 under subdivision (a) or (c), the creation, attachment, or perfection  
39 of a security interest in the promissory note, health care insurance

1 receivable, or general intangible is subject to all of the following  
2 rules:

3 (1) It is not enforceable against the person obligated on the  
4 promissory note or the account debtor.

5 (2) It does not impose a duty or obligation on the person  
6 obligated on the promissory note or the account debtor.

7 (3) It does not require the person obligated on the promissory  
8 note or the account debtor to recognize the security interest, pay  
9 or render performance to the secured party, or accept payment or  
10 performance from the secured party.

11 (4) It does not entitle the secured party to use or assign the  
12 debtor's rights under the promissory note, health care insurance  
13 receivable, or general intangible, including any related information  
14 or materials furnished to the debtor in the transaction giving rise  
15 to the promissory note, health care insurance receivable, or general  
16 intangible.

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

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

23 (e) Subdivision (c) does not apply to an assignment or transfer  
24 of, or the creation, attachment, perfection, or enforcement of a  
25 security interest in, a claim or right to receive compensation for  
26 injuries or sickness as described in paragraph (1) or (2) of  
27 subdivision (a) of Section 104 of Title 26 of the United States  
28 Code, as amended, or a claim or right to receive benefits under a  
29 special needs trust as described in paragraph (4) of subdivision (d)  
30 of Section 1396p of Title 42 of the United States Code, as amended,  
31 to the extent that subdivision (c) is inconsistent with those laws.

32 SEC. 16. Section 9502 of the Commercial Code is amended  
33 to read:

34 9502. (a) Subject to subdivision (b), a financing statement is  
35 sufficient only if it satisfies all of the following conditions:

36 (1) It provides the name of the debtor.

37 (2) It provides the name of the secured party or a representative  
38 of the secured party.

39 (3) It indicates the collateral covered by the financing statement.

1 (b) Except as otherwise provided in subdivision (b) of Section  
2 9501, to be sufficient, a financing statement that covers as-extracted  
3 collateral or timber to be cut, or which is filed as a fixture filing  
4 and covers goods that are or are to become fixtures, must satisfy  
5 subdivision (a) and also satisfy all of the following conditions:

- 6 (1) Indicate that it covers this type of collateral.
- 7 (2) Indicate that it is to be recorded in the real property records.
- 8 (3) Provide a description of the real property to which the  
9 collateral is related sufficient to give constructive notice of a  
10 mortgage under the law of this state if the description were  
11 contained in a record of the mortgage of the real property.
- 12 (4) If the debtor does not have an interest of record in the real  
13 property, provide the name of a record owner.

14 (c) A record of a mortgage is effective, from the date of  
15 recording, as a financing statement filed as a fixture filing or as a  
16 financing statement covering as-extracted collateral or timber to  
17 be cut only if all of the following conditions are satisfied:

- 18 (1) The record indicates the goods or accounts that it covers.
- 19 (2) The goods are or are to become fixtures related to the real  
20 property described in the record or the collateral is related to the  
21 real property described in the record and is as-extracted collateral  
22 or timber to be cut.
- 23 (3) The record satisfies the requirements for a financing  
24 statement in this section, except that both of the following shall  
25 apply:
  - 26 (A) The record need not indicate that it is to be filed in the real  
27 property records.
  - 28 (B) The record sufficiently provides the name of a debtor who  
29 is an individual if it provides the individual name of the debtor or  
30 the surname and first personal name of the debtor, even if the  
31 debtor is an individual to whom paragraph (4) of subdivision (a)  
32 of Section 9503 applies.
- 33 (4) The record is duly recorded.

34 (d) A financing statement may be filed before a security  
35 agreement is made or a security interest otherwise attaches.

36 SEC. 17. Section 9503 of the Commercial Code is amended  
37 to read:

38 9503. (a) A financing statement sufficiently provides the name  
39 of the debtor only if it does so in accordance with the following  
40 rules:

1 (1) Except as otherwise provided in paragraph (3), if the debtor  
2 is a registered organization or the collateral is held in a trust that  
3 is a registered organization, only if the financing statement provides  
4 the name that is stated to be the registered organization's name on  
5 the public organic record most recently filed with or issued or  
6 enacted by the registered organization's jurisdiction of organization  
7 which purports to state, amend, or restate the registered  
8 organization's name.

9 (2) Subject to subdivision (f), if the collateral is being  
10 administered by the personal representative of a decedent, only if  
11 the financing statement provides, as the name of the debtor, the  
12 name of the decedent and, in a separate part of the financing  
13 statement, indicates that the collateral is being administered by a  
14 personal representative.

15 (3) If the collateral is held in a trust that is not a registered  
16 organization, only if the financing statement satisfies both of the  
17 following conditions:

18 (A) Provides, as the name of the debtor, either of the following:

19 (i) If the organic record of the trust specifies a name for the  
20 trust, the name specified.

21 (ii) If the organic record of the trust does not specify a name  
22 for the trust, the name of the settlor or testator.

23 (B) In a separate part of the financing statement, the following  
24 information is provided, as applicable:

25 (i) If the name is provided in accordance with clause (i) of  
26 subparagraph (A), the financing statement indicates that the  
27 collateral is held in a trust.

28 (ii) If the name is provided in accordance with clause (ii) of  
29 subparagraph (A), the financing statement provides additional  
30 information sufficient to distinguish the trust from other trusts  
31 having one or more of the same settlors or the same testator and  
32 indicates that the collateral is held in a trust, unless the additional  
33 information so indicates.

34 (4) Subject to subdivision (g), if the debtor is an individual to  
35 whom the Department of Motor Vehicles has issued a driver's  
36 license or identification card that has not expired, only if the  
37 financing statement provides the name of the individual indicated  
38 on that driver's license or identification card.

39 (5) If the debtor is an individual to whom paragraph (4) does  
40 not apply, only if the financing statement provides the individual

1 name of the debtor or the surname and first personal name of the  
2 debtor.

3 (6) In other cases, according to the following rules:

4 (A) If the debtor has a name, only if the financing statement  
5 provides the organizational name of the debtor.

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

10 (b) A financing statement that provides the name of the debtor  
11 in accordance with subdivision (a) is not rendered ineffective by  
12 the absence of either of the following:

13 (1) A trade name or other name of the debtor.

14 (2) Unless required under subparagraph (B) of paragraph (6) of  
15 subdivision (a), names of partners, members, associates, or other  
16 persons comprising the debtor.

17 (c) A financing statement that provides only the debtor's trade  
18 name does not sufficiently provide the name of the debtor.

19 (d) Failure to indicate the representative capacity of a secured  
20 party or representative of a secured party does not affect the  
21 sufficiency of a financing statement.

22 (e) A financing statement may provide the name of more than  
23 one debtor and the name of more than one secured party.

24 (f) The name of the decedent indicated on the order appointing  
25 the personal representative of the decedent issued by the court  
26 having jurisdiction over the collateral is sufficient as the "name  
27 of the decedent" under paragraph (2) of subdivision (a).

28 (g) If the Department of Motor Vehicles has issued to ~~the~~ *an*  
29 individual more than one driver's license or identification card of  
30 a kind described in paragraph (4) of subdivision (a), the one that  
31 was issued most recently is the one to which paragraph (4) of  
32 subdivision (a) refers.

33 (h) In this section, the "name of the settlor or testator" means  
34 either of the following:

35 (1) If the settlor is a registered organization, the name that is  
36 stated to be the settlor's name on the public organic record most  
37 recently filed with or issued or enacted by the settlor's jurisdiction  
38 of organization which purports to state, amend, or restate the  
39 settlor's name.

1 (2) In other cases, the name of the settlor or testator indicated  
2 in the trust's organic record.

3 SEC. 18. Section 9507 of the Commercial Code is amended  
4 to read:

5 9507. (a) A filed financing statement remains effective with  
6 respect to collateral that is sold, exchanged, leased, licensed, or  
7 otherwise disposed of and in which a security interest or  
8 agricultural lien continues, even if the secured party knows of or  
9 consents to the disposition.

10 (b) Except as otherwise provided in subdivision (c) and in  
11 Section 9508, a financing statement is not rendered ineffective if,  
12 after the financing statement is filed, the information provided in  
13 the financing statement becomes seriously misleading under  
14 Section 9506.

15 (c) If the name that a filed financing statement provides for a  
16 debtor becomes insufficient as the name of the debtor under  
17 subdivision (a) of Section 9503 so that the financing statement  
18 becomes seriously misleading under Section 9506, the following  
19 rules apply:

20 (1) The financing statement is effective to perfect a security  
21 interest in collateral acquired by the debtor before, or within four  
22 months after, the filed financing statement becomes seriously  
23 misleading.

24 (2) The financing statement is not effective to perfect a security  
25 interest in collateral acquired by the debtor more than four months  
26 after the filed financing statement becomes seriously misleading,  
27 unless an amendment to the financing statement which renders the  
28 financing statement not seriously misleading is filed within four  
29 months after the financing statement became seriously misleading.

30 SEC. 19. Section 9515 of the Commercial Code is amended  
31 to read:

32 9515. (a) Except as otherwise provided in subdivisions (b),  
33 (e), (f), and (g), a filed financing statement is effective for a period  
34 of five years after the date of filing.

35 (b) Except as otherwise provided in subdivisions (e), (f), and  
36 (g), an initial financing statement filed in connection with a public  
37 finance transaction or manufactured home transaction is effective  
38 for a period of 30 years after the date of filing if it indicates that  
39 it is filed in connection with a public finance transaction or  
40 manufactured home transaction.

1 (c) The effectiveness of a filed financing statement lapses on  
2 the expiration of the period of its effectiveness unless before the  
3 lapse a continuation statement is filed pursuant to subdivision (d).  
4 Upon lapse, a financing statement ceases to be effective and any  
5 security interest or agricultural lien that was perfected by the  
6 financing statement becomes unperfected, unless the security  
7 interest is perfected otherwise. If the security interest or agricultural  
8 lien becomes unperfected upon lapse, it is deemed never to have  
9 been perfected as against a purchaser of the collateral for value.

10 (d) A continuation statement may be filed only within six months  
11 before the expiration of the five-year period specified in  
12 subdivision (a) or the 30-year period specified in subdivision (b),  
13 whichever is applicable.

14 (e) Except as otherwise provided in Section 9510, upon timely  
15 filing of a continuation statement, the effectiveness of the initial  
16 financing statement continues for a period of five years  
17 commencing on the day on which the financing statement would  
18 have become ineffective in the absence of the filing. Upon the  
19 expiration of the five-year period, the financing statement lapses  
20 in the same manner as provided in subdivision (c), unless, before  
21 the lapse, another continuation statement is filed pursuant to  
22 subdivision (d). Succeeding continuation statements may be filed  
23 in the same manner to continue the effectiveness of the initial  
24 financing statement.

25 (f) If a debtor is a transmitting utility and a filed initial financing  
26 statement so indicates, the financing statement is effective until a  
27 termination statement is filed.

28 (g) A record of a mortgage that is effective as a financing  
29 statement filed as a fixture filing under subdivision (c) of Section  
30 9502 remains effective as a financing statement filed as a fixture  
31 filing until the mortgage is released or satisfied of record or its  
32 effectiveness otherwise terminates as to the real property.

33 SEC. 20. Section 9516 of the Commercial Code is amended  
34 to read:

35 9516. (a) Except as otherwise provided in subdivision (b),  
36 communication of a record to a filing office and tender of the filing  
37 fee or acceptance of the record by the filing office constitutes  
38 filing.

39 (b) Filing does not occur with respect to a record that a filing  
40 office refuses to accept because of any of the following:

1 (1) The record is not communicated by a method or medium of  
2 communication authorized by the filing office.

3 (2) An amount equal to or greater than the applicable filing fee  
4 is not tendered.

5 (3) The filing office is unable to index the record because of  
6 any of the following:

7 (A) In the case of an initial financing statement, the record does  
8 not provide a name for the debtor.

9 (B) In the case of an amendment or information statement, either  
10 of the following applies with respect to the record:

11 (i) It does not identify the initial financing statement as required  
12 by Section 9512 or 9518, as applicable.

13 (ii) It identifies an initial financing statement whose  
14 effectiveness has lapsed under Section 9515.

15 (C) In the case of an initial financing statement that provides  
16 the name of a debtor identified as an individual or an amendment  
17 that provides a name of a debtor identified as an individual which  
18 was not previously provided in the financing statement to which  
19 the record relates, the record does not identify the debtor's surname.

20 (D) In the case of a record filed or recorded in the filing office  
21 described in paragraph (1) of subdivision (a) of Section 9501, the  
22 record does not provide a sufficient description of the real property  
23 to which it relates.

24 (4) In the case of an initial financing statement or an amendment  
25 that adds a secured party of record, the record does not provide a  
26 name and mailing address for the secured party of record.

27 (5) In the case of an initial financing statement or an amendment  
28 that provides a name of a debtor which was not previously provided  
29 in the financing statement to which the amendment relates, the  
30 record does not do any of the following:

31 (A) Provide a mailing address for the debtor.

32 (B) Indicate whether the name provided as the name of the  
33 debtor is the name of an individual or an organization.

34 (6) In the case of an assignment reflected in an initial financing  
35 statement under subdivision (a) of Section 9514 or an amendment  
36 filed under subdivision (b) of Section 9514, the record does not  
37 provide a name and mailing address for the assignee.

38 (7) In the case of a continuation statement, the record is not  
39 filed within the six-month period prescribed by subdivision (d) of  
40 Section 9515.

1 (c) For purposes of subdivision (b), both of the following rules  
2 apply:

3 (1) A record does not provide information if the filing office is  
4 unable to read or decipher the information.

5 (2) A record that does not indicate that it is an amendment or  
6 identify an initial financing statement to which it relates, as  
7 required by Section 9512, 9514, or 9518, is an initial financing  
8 statement.

9 (d) A record that is communicated to the filing office with tender  
10 of the filing fee, but which the filing office refuses to accept for a  
11 reason other than one set forth in subdivision (b), is effective as a  
12 filed record except as against a purchaser of the collateral which  
13 gives value in reasonable reliance upon the absence of the record  
14 from the files.

15 SEC. 21. Section 9518 of the Commercial Code is amended  
16 to read:

17 9518. (a) A person may file in the filing office an information  
18 statement with respect to a record indexed there under the person’s  
19 name if the person believes that the record is inaccurate or was  
20 wrongfully filed.

21 (b) An information statement under subdivision (a) shall do all  
22 of the following:

23 (1) Identify the record to which it relates by the file number  
24 assigned to the initial financing statement to which the record  
25 relates.

26 (2) Indicate that it is an information statement.

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

32 (4) If the ~~correction~~ *information* statement relates to a record  
33 filed or recorded in a filing office described in paragraph (1) of  
34 subdivision (a) of Section 9501, the date that the initial financing  
35 statement was filed or recorded and the information specified in  
36 subdivision (b) of Section 9502.

37 (c) A person may file in the filing office an information  
38 statement with respect to a record filed there if the person is a  
39 secured party of record with respect to the financing statement to  
40 which the record relates and believes that the person that filed the

1 record was not entitled to do so under subdivision (d) of Section  
2 9509.

3 (d) An information statement under subdivision (c) shall do all  
4 of the following:

5 (1) Identify the record to which it relates by the file number  
6 assigned to the initial financing statement to which the record  
7 relates.

8 (2) Indicate that it is an information statement.

9 (3) Provide the basis for the person's belief that the person that  
10 filed the record was not entitled to do so under subdivision (d) of  
11 Section 9509.

12 (e) The filing of an information statement does not affect the  
13 effectiveness of an initial financing statement or other filed record.

14 SEC. 22. Section 9521 of the Commercial Code is amended  
15 to read:

16 9521. (a) A filing office that accepts written records may not  
17 refuse to accept a written initial financing statement in the  
18 following form and format ~~or in the following form and format~~  
19 ~~but lacking a space identified for the disclosure of the social~~  
20 ~~security number of an individual~~ except for a reason set forth in  
21 subdivision (b) of Section 9516:



**UCC FINANCING STATEMENT**

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

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

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME – insert only one debtor name (1a or 1b) – do not abbreviate or combine names

1a. ORGANIZATION'S NAME					
OR	1b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX
1c. MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY
1d. TAX ID #, SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	1e. TYPE OF ORGANIZATION	1f. JURISDICTION OF ORGANIZATION	1g. ORGANIZATIONAL ID #, if any <input type="checkbox"/> NONE	

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME – insert only one debtor name (2a or 2b) – do not abbreviate or combine names

2a. ORGANIZATION'S NAME					
OR	2b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX
2c. MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY
2d. TAX ID #, SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	2e. TYPE OF ORGANIZATION	2f. JURISDICTION OF ORGANIZATION	2g. ORGANIZATIONAL ID #, if any <input type="checkbox"/> NONE	

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

3a. ORGANIZATION'S NAME					
OR	3b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX
3c. MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY

4. This FINANCING STATEMENT covers the following collateral:

5. ALTERNATIVE DESIGNATION (if applicable): <input type="checkbox"/> LESSEE/LESSOR <input type="checkbox"/> CONSIGNEE/CONSIGNOR <input type="checkbox"/> BAILEE/BAILOR <input type="checkbox"/> SELLER/BUYER <input type="checkbox"/> A.G. LIEN <input type="checkbox"/> NON-UCC FINANCING	
6. <input type="checkbox"/> This FINANCING STATEMENT is to be filed (for record) (or recorded) in the REAL ESTATE RECORDS. Attach Addendum	7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) (optional) <input type="checkbox"/> All Debtors <input type="checkbox"/> Debtor 1 <input type="checkbox"/> Debtor 2
8. OPTIONAL FILER REFERENCE DATA	

**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 LAST NAME      FIRST NAME      MIDDLE NAME, SUFFIX

10. MISCELLANEOUS:

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

11. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME – insert only one name (11a or 11b) – do not abbreviate or combine names

11a. ORGANIZATION'S NAME

OR

11b. INDIVIDUAL'S LAST NAME      FIRST NAME      MIDDLE NAME      SUFFIX

11c. MAILING ADDRESS      CITY      STATE      POSTAL CODE      COUNTRY

11d. TAX ID #, SSN OR EIN      ADD'L INFO RE ORGANIZATION DEBTOR      11e. TYPE OF ORGANIZATION      11f. JURISDICTION OF ORGANIZATION      11g. ORGANIZATIONAL ID #, if any

NONE

12.  ADDITIONAL SECURED PARTY'S or  ASSIGNOR S/P'S NAME – insert only one name (12a or 12b)

12a. ORGANIZATION'S NAME

OR

12b. INDIVIDUAL'S LAST NAME      FIRST NAME      MIDDLE NAME      SUFFIX

12c. MAILING ADDRESS      CITY      STATE      POSTAL CODE      COUNTRY

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

14. Description of real estate:

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:

17. Check only if applicable and check only one box.

Debtor is a  Trust or  Trustee acting with respect to property held in trust or  Decedent's Estate

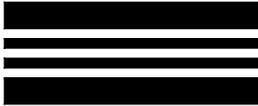
18. Check only if applicable and check only one box.

Debtor is a TRANSMITTING UTILITY

Filed in connection with a Manufactured Home Transaction — effective 30 years

Filed in connection with a Public Finance Transaction — effective 30 years

1 (b) A filing office that accepts written records may not refuse  
2 to accept a written record in the following form and format ~~or in~~  
3 ~~the following form and format but lacking a space identified for~~  
4 ~~the disclosure of the social security number of an individual~~ except  
5 for a reason set forth in subdivision (b) of Section 9516:



**UCC FINANCING STATEMENT AMENDMENT**

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

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

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1a. INITIAL FINANCING STATEMENT FILE #	1b. This FINANCING STATEMENT AMENDMENT is to be filed (for record) (or recorded) in the REAL ESTATE RECORDS. <input type="checkbox"/>
----------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------

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.  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.

4.  ASSIGNMENT (full or partial): Give name of assignee in item 7a or 7b and address of assignee in item 7c; and also give name of assignor in item 9.

5. AMENDMENT (PARTY INFORMATION): This Amendment affects  Debtor or  Secured Party of record. Check only one of these two boxes. Also check one of the following three boxes and provide appropriate information in item 6 and/or 7.

CHANGE name and/or address: Give current record name in item 6a or 6b; also give new name (if name change) in item 7a or 7b and/or new address (if address change) in item 7c.  DELETE name: Give record name to be deleted in item 6a or 6b.  ADD name: Complete item 7a or 7b, and also item 7c; also complete items 7d-7g (if applicable).

6. CURRENT RECORD INFORMATION:

6a. ORGANIZATION'S NAME			
OR 6b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX

7. CHANGED (NEW) OR ADDED INFORMATION:

7a. ORGANIZATION'S NAME			
OR 7b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX

7c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY
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7d. TAX ID #, SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	7e. TYPE OF ORGANIZATION	7f. JURISDICTION OF ORGANIZATION	7g. ORGANIZATIONAL ID #, if any <input type="checkbox"/> NONE
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8. AMENDMENT (COLLATERAL CHANGE): check only one box. Describe collateral  deleted or  added, or give entire  restated collateral description, or describe collateral  assigned.

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 which adds collateral or adds the authorizing Debtor, or if this is a Termination authorized by a Debtor, check here  and enter name of DEBTOR authorizing this Amendment.

9a. ORGANIZATION'S NAME			
OR 9b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX

10. OPTIONAL FILER REFERENCE DATA

**UCC FINANCING STATEMENT AMENDMENT ADDENDUM**

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

11. INITIAL FINANCING STATEMENT FILE # (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 LAST NAME

FIRST NAME

MIDDLE NAME, SUFFIX

13. Use this space for additional information

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1 SEC. 23. Section 9607 of the Commercial Code is amended  
2 to read:

3 9607. (a) If so agreed, and in any event after default, a secured  
4 party may do all of the following:

5 (1) Notify an account debtor or other person obligated on  
6 collateral to make payment or otherwise render performance to or  
7 for the benefit of the secured party.

8 (2) Take any proceeds to which the secured party is entitled  
9 under Section 9315.

10 (3) Enforce the obligations of an account debtor or other person  
11 obligated on collateral and exercise the rights of the debtor with  
12 respect to the obligation of the account debtor or other person  
13 obligated on collateral to make payment or otherwise render  
14 performance to the debtor, and with respect to any property that  
15 secures the obligations of the account debtor or other person  
16 obligated on the collateral.

17 (4) If it holds a security interest in a deposit account perfected  
18 by control under paragraph (1) of subdivision (a) of Section 9104,  
19 apply the balance of the deposit account to the obligation secured  
20 by the deposit account.

21 (5) If it holds a security interest in a deposit account perfected  
22 by control under paragraph (2) or (3) of subdivision (a) of Section  
23 9104, instruct the bank to pay the balance of the deposit account  
24 to or for the benefit of the secured party.

25 (b) If necessary to enable a secured party to exercise under  
26 paragraph (3) of subdivision (a) the right of a debtor to enforce a  
27 mortgage nonjudicially, the secured party may record in the office  
28 in which a record of the mortgage is recorded both of the following:

29 (1) A copy of the security agreement that creates or provides  
30 for a security interest in the obligation secured by the mortgage.

31 (2) The secured party's sworn affidavit in recordable form  
32 stating both of the following:

33 (A) That a default has occurred with respect to the obligation  
34 secured by the mortgage.

35 (B) That the secured party is entitled to enforce the mortgage  
36 nonjudicially.

37 (c) A secured party shall proceed in a commercially reasonable  
38 manner if both of the following apply with respect to the secured  
39 party:

1 (1) It undertakes to collect from or enforce an obligation of an  
2 account debtor or other person obligated on collateral.

3 (2) It is entitled to charge back uncollected collateral or  
4 otherwise to full or limited recourse against the debtor or a  
5 secondary obligor.

6 (d) A secured party may deduct from the collections made  
7 pursuant to subdivision (c) reasonable expenses of collection and  
8 enforcement, including reasonable attorney’s fees and legal  
9 expenses incurred by the secured party.

10 (e) This section does not determine whether an account debtor,  
11 bank, or other person obligated on collateral owes a duty to a  
12 secured party.

13 SEC. 24. Chapter 8 (commencing with Section 9801) is added  
14 to Division 9 of the Commercial Code, to read:

15

16 CHAPTER 8. TRANSITION PROVISIONS FOR 2010 AMENDMENTS

17

18 9801. The changes to this division made by the act adding this  
19 chapter shall become operative on July 1, 2013.

20 9802. (a) Except as otherwise provided in this chapter, the  
21 changes to this division made by the act adding this chapter apply  
22 to a transaction or lien within its scope, even if the transaction or  
23 lien was entered into or created before July 1, 2013.

24 (b) The changes to this division made by the act adding this  
25 chapter do not affect an action, case, or proceeding commenced  
26 before July 1, 2013.

27 9803. (a) A security interest that is a perfected security interest  
28 immediately before July 1, 2013, is a perfected security interest  
29 under this division as amended by this act if, as of July 1, 2013,  
30 the applicable requirements for attachment and perfection under  
31 this division as of that date are satisfied without further action.

32 (b) Except as otherwise provided in Section 9805, if,  
33 immediately before July 1, 2013, a security interest is a perfected  
34 security interest, but the applicable requirements for perfection  
35 under this division as of July 1, 2013, are not satisfied as of that  
36 date, the security interest remains perfected thereafter only if the  
37 applicable requirements for perfection under this division as  
38 amended by this act are satisfied by July 1, 2014.

1 9804. A security interest that is an unperfected security interest  
2 immediately before July 1, 2013, becomes a perfected security  
3 interest as follows:

4 (a) Without further action, on July 1, 2013, if the applicable  
5 requirements for perfection under this division as amended by this  
6 act are satisfied before or at that time.

7 (b) When the applicable requirements for perfection are satisfied  
8 if the requirements are satisfied after that time.

9 9805. (a) The filing of a financing statement before July 1,  
10 2013, is effective to perfect a security interest to the extent the  
11 filing would satisfy the applicable requirements for perfection  
12 under this division as amended by this act.

13 (b) The changes to this division made by the act adding this  
14 chapter do not render ineffective an effective financing statement  
15 that, before July 1, 2013, is filed and satisfies the applicable  
16 requirements for perfection under the law of the jurisdiction  
17 governing perfection as provided in this division as it existed before  
18 that date. However, except as otherwise provided in subdivisions  
19 (c) and (d) and Section 9806, the financing statement ceases to be  
20 effective under the following conditions:

21 (1) If the financing statement is filed in this state, at the time  
22 the financing statement would have ceased to be effective had the  
23 changes to this division made by the act adding this chapter not  
24 become operative.

25 (2) If the financing statement is filed in another jurisdiction, at  
26 the earlier of the following:

27 (A) The time the financing statement would have ceased to be  
28 effective under the law of that jurisdiction.

29 (B) June 30, 2018.

30 (c) The filing of a continuation statement after July 1, 2013,  
31 does not continue the effectiveness of a financing statement filed  
32 before that date. However, upon the timely filing of a continuation  
33 statement after July 1, 2013, and in accordance with the law of the  
34 jurisdiction governing perfection as provided in this division, the  
35 effectiveness of a financing statement filed in the same office in  
36 that jurisdiction before July 1, 2013, continues for the period  
37 provided by the law of that jurisdiction.

38 (d) Subparagraph (B) of paragraph (2) of subdivision (b) applies  
39 to a financing statement that, before July 1, 2013, is filed against  
40 a transmitting utility and satisfies the applicable requirements for

1 perfection under the law of the jurisdiction governing perfection  
2 as provided in this division as it existed before that date, only to  
3 the extent that this division provides that the law of a jurisdiction  
4 other than the jurisdiction in which the financing statement is filed  
5 governs perfection of a security interest in collateral covered by  
6 the financing statement.

7 (e) A financing statement that includes a financing statement  
8 filed before July 1, 2013, and a continuation statement filed after  
9 that date is effective only to the extent that it satisfies the  
10 requirements of Chapter 5 (commencing with Section 9501) as  
11 amended by the act adding this chapter for an initial financing  
12 statement. A financing statement that indicates that the debtor is  
13 a decedent's estate indicates that the collateral is being  
14 administered by a personal representative within the meaning of  
15 paragraph (2) of subdivision (a) of Section 9503, as amended by  
16 the act adding this chapter. A financing statement that indicates  
17 that the debtor is a trust or is a trustee acting with respect to  
18 property held in trust indicates that the collateral is held in a trust  
19 within the meaning of paragraph (3) of subdivision (a) of Section  
20 9503 as amended by the act adding this chapter.

21 9806. (a) The filing of an initial financing statement in the  
22 office specified in Section 9501 continues the effectiveness of a  
23 financing statement filed before July 1, 2013, if the following  
24 conditions are satisfied:

25 (1) The filing of an initial financing statement in that office  
26 would be effective to perfect a security interest under this division  
27 as amended by the act adding this chapter.

28 (2) The preeffective-date financing statement was filed in an  
29 office in another state.

30 (3) The initial financing statement satisfies subdivision (c).

31 (b) The filing of an initial financing statement under subdivision  
32 (a) continues the effectiveness of the preeffective-date financing  
33 statement if the following conditions are satisfied:

34 (1) If the initial financing statement is filed before July 1, 2013,  
35 for the period provided in Section 9515 prior to its amendment by  
36 the act adding this chapter with respect to an initial financing  
37 statement.

38 (2) If the initial financing statement is filed after July 1, 2013,  
39 for the period provided in Section 9515 as amended by the act  
40 adding this chapter with respect to an initial financing statement.

1 (c) To be effective for purposes of subdivision (a), an initial  
2 financing statement shall satisfy the following conditions:

3 (1) Satisfy the requirements of Chapter 5 (commencing with  
4 Section 9501) as amended by the act adding this chapter for an  
5 initial financing statement.

6 (2) Identify the preeffective-date financing statement by  
7 indicating the office in which the financing statement was filed  
8 and providing the dates of filing and file numbers, if any, of the  
9 financing statement and of the most recent continuation statement  
10 filed with respect to the financing statement.

11 (3) Indicate that the preeffective-date financing statement  
12 remains effective.

13 9807. (a) In this section, “preeffective-date financing  
14 statement” means a financing statement filed before July 1, 2013.

15 (b) After July 1, 2013, a person may add or delete collateral  
16 covered by, continue or terminate the effectiveness of, or otherwise  
17 amend the information provided in, a preeffective-date financing  
18 statement only in accordance with the law of the jurisdiction  
19 governing perfection as provided in this division as amended by  
20 the act adding this chapter. However, the effectiveness of a  
21 preeffective-date financing statement also may be terminated in  
22 accordance with the law of the jurisdiction in which the financing  
23 statement is filed.

24 (c) Except as otherwise provided in subdivision (d), if the law  
25 of this state governs perfection of a security interest, the  
26 information in a preeffective-date financing statement may be  
27 amended after July 1, 2013, only if:

28 (1) The preeffective-date financing statement and an amendment  
29 are filed in the office specified in Section 9501.

30 (2) An amendment is filed in the office specified in Section  
31 9501 concurrently with, or after the filing in that office of, an initial  
32 financing statement that satisfies subdivision (c) of Section 9806.

33 (3) An initial financing statement that provides the information  
34 as amended and satisfies subdivision (c) of Section 9806 is filed  
35 in the office specified in Section 9501.

36 (d) If the law of this state governs perfection of a security  
37 interest, the effectiveness of a preeffective-date financing statement  
38 may be continued only under subdivision (c) or (e) of Section 9805  
39 or Section 9806.

1 (e) Whether or not the law of this state governs perfection of a  
2 security interest, the effectiveness of a preeffective-date financing  
3 statement filed in this state may be terminated after July 1, 2013,  
4 by filing a termination statement in the office in which the  
5 preeffective-date financing statement is filed, unless an initial  
6 financing statement that satisfies subdivision (c) of Section 9806  
7 has been filed in the office specified by the law of the jurisdiction  
8 governing perfection as provided in this division as amended by  
9 the act adding this chapter as the office in which to file a financing  
10 statement.

11 9808. A person may file an initial financing statement or a  
12 continuation statement under this chapter if the following  
13 conditions are satisfied:

- 14 (a) The secured party of record authorizes the filing.
- 15 (b) The filing is necessary under this part to accomplish either  
16 of the following:
  - 17 (1) To continue the effectiveness of a financing statement filed  
18 before July 1, 2013.
  - 19 (2) To perfect or continue the perfection of a security interest.

20 9809. The changes to this division made by the act adding this  
21 chapter determine the priority of conflicting claims to collateral.  
22 However, if the relative priorities of the claims were established  
23 before those changes become operative on July 1, 2013, this  
24 division as it existed before those changes become operative  
25 determines priority.

26 SEC. 25. Section 10103 of the Commercial Code is amended  
27 to read:

28 10103. (a) In this division, unless the context otherwise  
29 requires:

- 30 (1) “Buyer in ordinary course of business” means a person who,  
31 in good faith and without knowledge that the sale to him or her is  
32 in violation of the ownership rights or security interest or leasehold  
33 interest of a third party in the goods, buys in ordinary course from  
34 a person in the business of selling goods of that kind, but does not  
35 include a pawnbroker. “Buying” may be for cash or by exchange  
36 of other property or on secured or unsecured credit and includes  
37 acquiring goods or documents of title under a preexisting contract  
38 for sale but does not include a transfer in bulk or as security for  
39 or in total or partial satisfaction of a money debt.

1 (2) “Cancellation” occurs when either party puts an end to the  
2 lease contract for default by the other party.

3 (3) “Commercial unit” means such a unit of goods as by  
4 commercial usage is a single whole for purposes of lease and  
5 division of which materially impairs its character or value on the  
6 market or in use. A commercial unit may be a single article, as a  
7 machine, or a set of articles, as a suite of furniture or a line of  
8 machinery, or a quantity, as a gross or carload, or any other unit  
9 treated in use or in the relevant market as a single whole.

10 (4) “Conforming” goods or performance under a lease contract  
11 means goods or performance that are in accordance with the  
12 obligations under the lease contract.

13 (5) “Consumer lease” means a lease that a lessor regularly  
14 engaged in the business of leasing or selling makes to a lessee who  
15 is an individual and who takes under the lease primarily for a  
16 personal, family, or household purpose.

17 (6) “Fault” means wrongful act, omission, breach, or default.

18 (7) “Finance lease” means a lease with respect to which (A) the  
19 lessor does not select, manufacture, or supply the goods, (B) the  
20 lessor acquires the goods or the right to possession and use of the  
21 goods in connection with the lease, and (C) one of the following  
22 occurs:

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

26 (ii) The lessee’s approval of the contract by which the lessor  
27 acquired the goods or the right to possession and use of the goods  
28 is a condition to effectiveness of the lease contract.

29 (iii) The lessee, before signing the lease contract, receives an  
30 accurate and complete statement designating the promises and  
31 warranties, and any disclaimers of warranties, limitations or  
32 modifications of remedies, or liquidated damages, including those  
33 of a third party, such as the manufacturer of the goods, provided  
34 to the lessor by the person supplying the goods in connection with  
35 or as part of the contract by which the lessor acquired the goods  
36 or the right to possession and use of the goods.

37 (iv) The lessor, before the lessee signs the lease contract, informs  
38 the lessee in writing (aa) of the identity of the person supplying  
39 the goods to the lessor, unless the lessee has selected that person  
40 and directed the lessor to acquire the goods or the right to

1 possession and use of the goods from that person, (bb) that the  
2 lessee is entitled under this division to the promises and warranties,  
3 including those of any third party, provided to the lessor by the  
4 person supplying the goods in connection with or as part of the  
5 contract by which the lessor acquired the goods or the right to  
6 possession and use of the goods, and (cc) that the lessee may  
7 communicate with the person supplying the goods to the lessor  
8 and receive an accurate and complete statement of those promises  
9 and warranties, including any disclaimers and limitations of them  
10 or of remedies.

11 (8) “Goods” means all things that are movable at the time of  
12 identification to the lease contract, or are fixtures (Section 10309),  
13 but the term does not include money, documents, instruments,  
14 accounts, chattel paper, general intangibles, or minerals or the like,  
15 including oil and gas, before extraction. The term also includes  
16 the unborn young of animals.

17 (9) “Installment lease contract” means a lease contract that  
18 authorizes or requires the delivery of goods in separate lots to be  
19 separately accepted, even though the lease contract contains a  
20 clause “each delivery is a separate lease” or its equivalent.

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

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

32 (12) “Lease contract” means the total legal obligation that results  
33 from the lease agreement as affected by this division and any other  
34 applicable rules of law. Unless the context clearly indicates  
35 otherwise, the term includes a sublease contract.

36 (13) “Leasehold interest” means the interest of the lessor or the  
37 lessee under a lease contract.

38 (14) “Lessee” means a person who acquires the right to  
39 possession and use of goods under a lease. Unless the context  
40 clearly indicates otherwise, the term includes a sublessee.

1 (15) “Lessee in ordinary course of business” means a person  
2 who, in good faith and without knowledge that the lease to him or  
3 her is in violation of the ownership rights or security interest or  
4 leasehold interest of a third party in the goods, leases in ordinary  
5 course from a person in the business of selling or leasing goods  
6 of that kind, but does not include a pawnbroker. “Leasing” may  
7 be for cash or by exchange of other property or on secured or  
8 unsecured credit and includes acquiring goods or documents of  
9 title under a preexisting lease contract but does not include a  
10 transfer in bulk or as security for or in total or partial satisfaction  
11 of a money debt.

12 (16) “Lessor” means a person who transfers the right to  
13 possession and use of goods under a lease. Unless the context  
14 clearly indicates otherwise, the term includes a sublessor.

15 (17) “Lessor’s residual interest” means the lessor’s interest in  
16 the goods after expiration, termination, or cancellation of the lease  
17 contract.

18 (18) “Lien” means a charge against or interest in goods to secure  
19 payment of a debt or performance of an obligation, but the term  
20 does not include a security interest.

21 (19) “Lot” means a parcel or a single article that is the subject  
22 matter of a separate lease or delivery, whether or not it is sufficient  
23 to perform the lease contract.

24 (20) “Merchant lessee” means a lessee that is a merchant with  
25 respect to goods of the kind subject to the lease.

26 (21) “Present value” means the amount as of a date certain of  
27 one or more sums payable in the future, discounted to the date  
28 certain. The discount is determined by the interest rate specified  
29 by the parties if the rate was not manifestly unreasonable at the  
30 time the transaction was entered into; otherwise, the discount is  
31 determined by a commercially reasonable rate that takes into  
32 account the facts and circumstances of each case at the time the  
33 transaction was entered into.

34 (22) “Purchase” includes taking by sale, lease, mortgage,  
35 security interest, pledge, gift, or any other voluntary transaction  
36 creating an interest in goods.

37 (23) “Sublease” means a lease of goods the right to possession  
38 and use of which was acquired by the lessor as a lessee under an  
39 existing lease.

- 1 (24) “Supplier” means a person from whom a lessor buys or
- 2 leases goods to be leased under a finance lease.
- 3 (25) “Supply contract” means a contract under which a lessor
- 4 buys or leases goods to be leased.
- 5 (26) “Termination” occurs when either party pursuant to a power
- 6 created by agreement or law puts an end to the lease contract
- 7 otherwise than for default.
- 8 (b) Other definitions applying to this division and the sections
- 9 in which they appear are:
- 10 “Accessions.” Subdivision (a) of Section 10310.
- 11 “Construction mortgage.” Paragraph (4) of subdivision (a) of
- 12 Section 10309.
- 13 “Encumbrance.” Paragraph (5) of subdivision (a) of Section
- 14 10309.
- 15 “Fixtures.” Paragraph (1) of subdivision (a) of Section 10309.
- 16 “Fixture filing.” Paragraph (2) of subdivision (a) of Section
- 17 10309.
- 18 “Purchase money lease.” Paragraph (3) of subdivision (a) of
- 19 Section 10309.
- 20 (c) The following definitions in other divisions apply to this
- 21 division:
- 22 “Account.” Paragraph (2) of subdivision (a) of Section 9102.
- 23 “Between merchants.” Subdivision (3) of Section 2104.
- 24 “Buyer.” Paragraph (a) of subdivision (1) of Section 2103.
- 25 “Chattel paper.” Paragraph (11) of subdivision (a) of Section
- 26 9102.
- 27 “Consumer goods.” Paragraph (23) of subdivision (a) of Section
- 28 9102.
- 29 “Document.” Paragraph (30) of subdivision (a) of Section 9102.
- 30 “Entrusting.” Subdivision (3) of Section 2403.
- 31 “General intangible.” Paragraph (42) of subdivision (a) of Section
- 32 9102.
- 33 “Instrument.” Paragraph (47) of subdivision (a) of Section 9102.
- 34 “Merchant.” Subdivision (1) of Section 2104.
- 35 “Mortgage.” Paragraph (55) of subdivision (a) of Section 9102.
- 36 “Pursuant to commitment.” Paragraph (69) of subdivision (a) of
- 37 Section 9102.
- 38 “Receipt of goods.” Paragraph (c) of subdivision (1) of Section
- 39 2103.
- 40 “Sale.” Subdivision (1) of Section 2106.

1 “Sale on approval.” Section 2326.

2 “Sale or return.” Section 2326.

3 “Seller.” Paragraph (d) of subdivision (1) of Section 2103.

4 (d) In addition, Division 1 contains general definitions and  
5 principles of construction and interpretation applicable throughout  
6 this division.

7 SEC. 26. Section 21855 of the Food and Agricultural Code is  
8 amended to read:

9 21855. Notwithstanding any other provision of law, in any  
10 action for the wrongful taking, possessing, harboring, or  
11 transporting of cattle, for the driving of cattle off their usual range,  
12 or for the killing or slaughter of cattle without the consent of the  
13 owner or the person lawfully in possession of such cattle, the  
14 detriment caused thereby to the plaintiff shall be four times the  
15 value of the cattle at the time of the taking, possessing, harboring,  
16 transporting, or driving, or killing or slaughtering thereof, with  
17 interest from that time, plus an amount in fair compensation for  
18 the time and money properly expended by the plaintiff in pursuit  
19 of the cattle.

20 The provisions of this section shall not apply to a secured party,  
21 as defined in paragraph (73) of subdivision (a) of Section 9102 of  
22 the Commercial Code, when taking possession of cattle pursuant  
23 to a security agreement if one of the following conditions has been  
24 met prior to movement of any such cattle:

25 (a) The secured party has requested and received a brand  
26 inspection of the cattle covered by the security agreement pursuant  
27 to Sections 21051.5 and 21171 of this code.

28 (b) The secured party has requested the inspection required by  
29 subdivision (a) and due to an insufficient amount of time to inspect  
30 the cattle prior to their movement, the brand inspector agrees to  
31 allow movement of the cattle, with inspection of such cattle to be  
32 made at their first destination prior to their commingling with any  
33 other cattle.

34 The inspection performed pursuant to subdivision (a) or (b) shall  
35 be conducted for the sole purpose of assuring that the cattle that  
36 are moved are the same cattle subject to the security agreement.

37 In a proper case, which shall include the killing or slaughter of  
38 cattle, exemplary damages may be awarded to the plaintiff as  
39 provided in Section 3340 of the Civil Code.

1 The commencement of any criminal prosecution for grand theft  
2 of cattle shall not preclude or prevent the commencement of any  
3 civil action for damages, as specified in this section.

4 SEC. 27. Section 504b of the Penal Code is amended to read:

5 504b. Where under the terms of a security agreement, as  
6 defined in paragraph (74) of subdivision (a) of Section 9102 of  
7 the Commercial Code, the debtor has the right to sell the property  
8 covered thereby and is to account to the secured party for, and pay  
9 to the secured party the indebtedness secured by the security  
10 agreement from, the proceeds of the sale of any of the property,  
11 and where the debtor, having sold the property covered by the  
12 security agreement and having received the proceeds of the sale,  
13 willfully and wrongfully, and with the intent to defraud, fails to  
14 pay to the secured party the amounts due under the security  
15 agreement, or the proceeds of the sale, whichever is the lesser  
16 amount, and appropriates the money to his or her own use, the  
17 debtor shall be guilty of embezzlement and shall be punishable as  
18 provided in Section 514.

19 SEC. 28. Section 574 of the Penal Code is amended to read:

20 574. As used in this chapter, the following terms have the  
21 following meanings:

22 (a) “Buyer” has the meaning set forth in subdivision (c) of  
23 Section 2981 of the Civil Code.

24 (b) “Conditional sale contract” has the meaning set forth in  
25 subdivision (a) of Section 2981 of the Civil Code. Notwithstanding  
26 subdivision (k) of Section 2981 of the Civil Code, “conditional  
27 sale contract” includes any contract for the sale or bailment of a  
28 motor vehicle between a buyer and a seller primarily for business  
29 or commercial purposes.

30 (c) “Direct loan agreement” means an agreement between a  
31 lender and a purchaser whereby the lender has advanced funds  
32 pursuant to a loan secured by the motor vehicle which the purchaser  
33 has purchased.

34 (d) “Lease contract” means a lease contract between a lessor  
35 and lessee as this term and these parties are defined in Section  
36 2985.7 of the Civil Code. Notwithstanding subdivision (d) of  
37 Section 2985.7 of the Civil Code, “lease contract” includes a lease  
38 for business or commercial purposes.

39 (e) “Motor vehicle” means any vehicle required to be registered  
40 under the Vehicle Code.

1 (f) “Person” means an individual, company, firm, association,  
2 partnership, trust, corporation, limited liability company, or other  
3 legal entity.

4 (g) “Purchaser” has the meaning set forth in paragraph (30) of  
5 subdivision (b) of Section 1201 of the Commercial Code.

6 (h) “Security agreement” and “secured party” have the meanings  
7 set forth, respectively, in paragraphs (74) and (73) of subdivision  
8 (a) of Section 9102 of the Commercial Code. “Security interest”  
9 has the meaning set forth in paragraph (35) of subdivision (b) of  
10 Section 1201 of the Commercial Code.

11 (i) “Seller” has the meaning set forth in subdivision (b) of  
12 Section 2981 of the Civil Code, and includes the present holder  
13 of the conditional sale contract.

14 SEC. 29. This act shall become operative on July 1, 2013.

15 SEC. 30. This act is an urgency statute necessary for the  
16 immediate preservation of the public peace, health, or safety within  
17 the meaning of Article IV of the Constitution and shall go into  
18 immediate effect. The facts constituting the necessity are:

19 To enact amendments to the Commercial Code that are in  
20 conformity with amendments to the Commercial Codes in other  
21 states that are also operative on July 1, 2013, and thus allow  
22 businesses within this state to benefit from uniformity with the  
23 rules of commerce throughout the nation, it is necessary that this  
24 bill go into immediate effect.