

AMENDED IN SENATE MARCH 15, 1999

SENATE BILL

No. 45

Introduced by Senator Sher

December 7, 1998

An act to repeal and add Division 9 (commencing with Section 9101) of the Commercial Code, relating to secured transactions.

LEGISLATIVE COUNSEL'S DIGEST

SB 45, as amended, Sher. Commercial law: secured transactions.

Existing provisions of the Commercial Code govern security interests in personal property and fixtures, as well as certain sales of accounts, contract rights, and chattel paper.

This bill would repeal those provisions and replace them with new provisions concerning those subjects. Among other things, the new provisions would (1) broaden the scope of covered transactions and collateral, (2) expand the duties of secured parties relating to the release of control and the provision of information to debtors with respect to collateral and the obligations it secures, (3) change certain choice-of-law rules and other requirements regarding the perfection of security interests, (4) revise and add certain new priority rules for secured interests generally and certain special priority rules relating to banks and deposit accounts, (5) revise provisions relative to the relationships between certain 3rd parties and the parties to secured transactions, (6) enact new provisions governing the assignment of certain types of collateral, (7) revise specified filing requirements and

financing statement requisites, and impose certain new reporting and other duties on the Secretary of State in connection with these changes, and (8) change certain default and enforcement rules.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

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

1 SECTION 1. Division 9 (commencing with Section
2 9101) of the Commercial Code is repealed.

3 SEC. 2. Division 9 (commencing with Section 9101)
4 is added to the Commercial Code, to read:

5
6 ~~DIVISION 9. SECURED TRANSACTIONS~~

7
8 *DIVISION 9. SECURED TRANSACTIONS*

9
10 *CHAPTER I. GENERAL PROVISIONS*

11
12 *9101. This division may be cited as the Uniform*
13 *Commercial Code-Secured Transactions.*

14 *9102. (a) In this division:*

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

18 *(2) "Account," except as used in "account for," means*
19 *a right to payment of a monetary obligation, whether or*
20 *not earned by performance, (i) for property that has*
21 *been or is to be sold, leased, licensed, assigned, or*
22 *otherwise disposed of, (ii) for services rendered or to be*
23 *rendered, (iii) for a policy of insurance issued or to be*
24 *issued, (iv) for a secondary obligation incurred or to be*
25 *incurred, (v) for energy provided or to be provided, (vi)*
26 *for the use or hire of a vessel under a charter or other*
27 *contract, (vii) arising out of the use of a credit or charge*
28 *card or information contained on or for use with the card,*
29 *or (viii) as winnings in a lottery or other game of chance*
30 *operated or sponsored by a state, governmental unit of a*
31 *state, or person licensed or authorized to operate the*



1 *game by a state or governmental unit of a state. The term*
2 *includes health-care-insurance receivables. The term*
3 *does not include (i) rights to payment evidenced by*
4 *chattel paper or an instrument, (ii) commercial tort*
5 *claims, (iii) deposit accounts, (iv) investment property,*
6 *(v) letter-of-credit rights or letters of credit, or (vi) rights*
7 *to payment for money or funds advanced or sold, other*
8 *than rights arising out of the use of a credit or charge card*
9 *or information contained on or for use with the card.*

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

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

17 (A) *Authenticated by a secured party.*

18 (B) *Indicating the aggregate unpaid secured*
19 *obligations as of a date not more than 35 days earlier or*
20 *35 days later than the date of the record.*

21 (C) *Identifying the components of the obligations in*
22 *reasonable detail.*

23 (5) *“Agricultural lien” means an interest, other than a*
24 *security interest, in farm products that meets all of the*
25 *following conditions:*

26 (A) *It secures payment or performance of an*
27 *obligation for either of the following:*

28 (i) *Goods or services furnished in connection with a*
29 *debtor’s farming operation.*

30 (ii) *Rent on real property leased by a debtor in*
31 *connection with its farming operation.*

32 (B) *It is created by statute in favor of a person that*
33 *does either of the following:*

34 (i) *In the ordinary course of its business furnished*
35 *goods or services to a debtor in connection with a debtor’s*
36 *farming operation.*

37 (ii) *Leased real property to a debtor in connection*
38 *with the debtor’s farming operation.*

39 (C) *Its effectiveness does not depend on the person’s*
40 *possession of the personal property.*



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

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

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

7 (ii) Attaches to the minerals as extracted.

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

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

13 (A) To sign.

14 (B) To execute or otherwise adopt a symbol, or
15 encrypt or similarly process a record in whole or in part,
16 with the present intent of the authenticating person to
17 identify the person and adopt or accept a record.

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

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

24 (10) “Certificate of title” means a certificate of title
25 with respect to which a statute provides for the security
26 interest in question to be indicated on the certificate as
27 a condition or result of the security interest’s obtaining
28 priority over the rights of a lien creditor with respect to
29 the collateral.

30 (11) “Chattel paper” means a record or records that
31 evidence both a monetary obligation and a security
32 interest in specific goods, a security interest in specific
33 goods and software used in the goods, or a lease of specific
34 goods. The term does not include charters or other
35 contracts involving the use or hire of a vessel. If a
36 transaction is evidenced both by a security agreement or
37 lease and by an instrument or series of instruments, the
38 group of records taken together constitutes chattel paper.



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

4 (A) Proceeds to which a security interest attaches.

5 (B) Accounts, chattel paper, payment intangibles, and
6 promissory notes that have been sold.

7 (C) Goods that are the subject of a consignment.

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

11 (A) The claimant is an organization.

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

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

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

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

21 (15) “Commodity contract” means a commodity
22 futures contract, an option on a commodity futures
23 contract, a commodity option, or another contract if the
24 contract or option is either of the following:

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

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

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

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

36 (A) Is registered as a futures commission merchant
37 under federal commodities law.

38 (B) In the ordinary course of its business provides
39 clearance or settlement services for a board of trade that



1 *has been designated as a contract market pursuant to*
2 *federal commodities law.*

3 (18) “Communicate” means to do either of the
4 following:

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

6 (B) *To transmit a record by any means agreed upon by*
7 *the persons sending and receiving the record.*

8 (C) *In the case of transmission of a record to or by a*
9 *filing office, to transmit a record by any means prescribed*
10 *by filing-office rule.*

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

13 (20) “Consignment” means a transaction, regardless
14 of its form, in which a person delivers goods to a merchant
15 for the purpose of sale and all of the following conditions
16 are satisfied:

17 (A) *The merchant satisfies all of the following*
18 *conditions:*

19 (i) *He or she deals in goods of that kind under a name*
20 *other than the name of the person making delivery.*

21 (ii) *He or she is not an auctioneer.*

22 (iii) *He or she is not generally known by its creditors*
23 *to be substantially engaged in selling the goods of others.*

24 (B) *With respect to each delivery, the aggregate value*
25 *of the goods is one thousand dollars (\$1,000) or more at*
26 *the time of delivery.*

27 (C) *The goods are not consumer goods immediately*
28 *before delivery.*

29 (D) *The transaction does not create a security interest*
30 *that secures an obligation.*

31 (21) “Consignor” means a person that delivers goods
32 to a consignee in a consignment.

33 (22) “Consumer debtor” means a debtor in a
34 consumer transaction.

35 (23) “Consumer goods” means goods that are used or
36 bought for use primarily for personal, family, or
37 household purposes.

38 (24) “Consumer-goods transaction” means a
39 consumer transaction in which both of the following
40 conditions are satisfied:



1 (A) An individual incurs an obligation primarily for
2 personal, family, or household purposes.

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

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

9 (26) “Consumer transaction” means a transaction in
10 which (i) an individual incurs an obligation primarily for
11 personal, family, or household purposes, (ii) a security
12 interest secures the obligation, and (iii) the collateral is
13 held or acquired primarily for personal, family, or
14 household purposes. The term includes consumer-goods
15 transactions.

16 (27) “Continuation statement” means an amendment
17 of a financing statement which does both of the following:

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

20 (B) Indicates that it is a continuation statement for, or
21 that it is filed to continue the effectiveness of, the
22 identified financing statement.

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

24 (A) A person having an interest, other than a security
25 interest or other lien, in the collateral, whether or not the
26 person is an obligor.

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

29 (C) A consignee.

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

34 (30) “Document” means a document of title or a
35 receipt of the type described in subdivision (2) of Section
36 7201.

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



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

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

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

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

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

13 (ii) Aquatic goods produced in aquacultural
14 operations.

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

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

18 (D) Products of crops or livestock in their
19 unmanufactured states.

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

23 (36) “File number” means the number assigned to an
24 initial financing statement pursuant to subdivision (a) of
25 Section 9519.

26 (37) “Filing office” means an office designated in
27 Section 9501 as the place to file a financing statement.

28 (38) “Filing-office rule” means a rule adopted
29 pursuant to Section 9526.

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

33 (40) “Fixture filing” means the filing of a financing
34 statement covering goods that are or are to become
35 fixtures and satisfying subdivisions (a) and (b) of Section
36 9502. The term includes the filing of a financing
37 statement covering goods of a transmitting utility which
38 are or are to become fixtures.



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

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

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

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

36 (45) “Governmental unit” means a subdivision,
37 agency, department, county, parish, municipality, or
38 other unit of the government of the United States, a state,
39 or a foreign country. The term includes an organization
40 having a separate corporate existence if the organization



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

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

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

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

19 (A) Leased by a person as lessor.

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

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

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

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

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

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

38 (52) “Lien creditor” means either of the following:

39 (A) A creditor that has acquired a lien on the property
40 involved by attachment, levy, or the like.



1 (B) An assignee for benefit of creditors from the time
2 of assignment.

3 (C) A trustee in bankruptcy from the date of the filing
4 of the petition.

5 (D) A receiver in equity from the time of
6 appointment.

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

23 (54) “Manufactured-home transaction” means a
24 secured transaction that satisfies either of the following:

25 (A) It creates a purchase-money security interest in a
26 manufactured home, other than a manufactured home
27 held as inventory.

28 (B) It is a secured transaction in which a
29 manufactured home, other than a manufactured home
30 held as inventory, is the primary collateral.

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

34 (56) “New debtor” means a person that becomes
35 bound as debtor under subdivision (d) of Section 9203 by
36 a security agreement previously entered into by another
37 person.

38 (57) “New value” means (i) money, (ii) money’s
39 worth in property, services, or new credit, or (iii) release
40 by a transferee of an interest in property previously



1 transferred to the transferee. The term does not include
2 an obligation substituted for another obligation.

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

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

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

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

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

22 (A) The spouse of the individual.

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

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

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

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

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

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

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



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

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

6 (64) “Proceeds” means any of the following property:

7 (A) Whatever is acquired upon the sale, lease, license,
8 exchange, or other disposition of collateral.

9 (B) Whatever is collected on, or distributed on
10 account of, collateral.

11 (C) Rights arising out of collateral.

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

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

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

26 (66) “Proposal” means a record authenticated by a
27 secured party that includes the terms on which the
28 secured party is willing to accept collateral in full or
29 partial satisfaction of the obligation it secures pursuant to
30 Sections 9620, 9621, and 9622.

31 (67) “Public-finance transaction” means a secured
32 transaction in connection with which all of the following
33 conditions are satisfied:

34 (A) Debt securities are issued.

35 (B) All or a portion of the securities issued have an
36 initial stated maturity of at least 20 years.

37 (C) The debtor, obligor, secured party, account
38 debtor or other person obligated on collateral, assignor or
39 assignee of a secured obligation, or assignor or assignee of



1 a security interest is a state or a governmental unit of a
2 state.

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

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

14 (70) “Registered organization” means an organization
15 organized solely under the law of a single state or the
16 United States and as to which the state or the United
17 States must maintain a public record showing the
18 organization to have been organized.

19 (71) “Secondary obligor” means an obligor to the
20 extent that either of the following conditions are satisfied:

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

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

25 (72) “Secured party” means any of the following:

26 (A) A person in whose favor a security interest is
27 created or provided for under a security agreement,
28 whether or not any obligation to be secured is
29 outstanding.

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

31 (C) A consignor.

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

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

37 (F) A person that holds a security interest arising
38 under Section 2401, 2505, 4210, or 5118, or under
39 subdivision (3) of Section 2711 or subdivision (5) of
40 Section 10508.



1 (73) “Security agreement” means an agreement that
2 creates or provides for a security interest.

3 (74) “Send,” in connection with a record or
4 notification, means to do either of the following:

5 (A) To deposit in the mail, deliver for transmission, or
6 transmit by any other usual means of communication,
7 with postage or cost of transmission provided for,
8 addressed to any address reasonable under the
9 circumstances.

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

13 (75) “Software” means a computer program and any
14 supporting information provided in connection with a
15 transaction relating to the program. The term does not
16 include a computer program that is included in the
17 definition of goods.

18 (76) “State” means a state of the United States, the
19 District of Columbia, Puerto Rico, the United States
20 Virgin Islands, or any territory or insular possession
21 subject to the jurisdiction of the United States.

22 (77) “Supporting obligation” means a letter-of-credit
23 right or secondary obligation that supports the payment
24 or performance of an account, chattel paper, document,
25 general intangible, instrument, or investment property.

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

29 (79) “Termination statement” means an amendment
30 of a financing statement that does both of the following:

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

33 (B) Indicates either that it is a termination statement
34 or that the identified financing statement is no longer
35 effective.

36 (80) “Transmitting utility” means a person primarily
37 engaged in the business of any of the following:

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



1 (B) Transmitting communications electrically,
2 electromagnetically, or by light.

3 (C) Transmitting goods by pipeline or sewer.

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

6 (b) The following definitions in other divisions apply
7 to this division:

8	
9	“Applicant” Section 5102.
10	“Beneficiary” Section 5102.
11	“Broker” Section 8102.
12	“Certificated security” Section 8102.
13	“Check” Section 3104.
14	“Clearing corporation” Section 8102.
15	“Contract for sale” Section 2106.
16	“Customer” Section 4104.
17	“Entitlement holder” Section 8102.
18	“Financial asset” Section 8102.
19	“Holder in due course” Section 3302.
20	“Issuer” (with respect to a letter of credit or
21	letter-of-credit right) Section 5102.
22	“Issuer” (with respect to a security) Section 8201.
23	“Lease” Section 10103.
24	“Lease agreement” Section 10103.
25	“Lease contract” Section 10103.
26	“Leasehold interest” Section 10103.
27	“Lessee” Section 10103.
28	“Lessee in ordinary course of business” Section 10103.
29	“Lessor” Section 10103.
30	“Lessor’s residual interest” Section 10103.
31	“Letter of credit” Section 5102.
32	“Merchant” Section 2104.
33	“Negotiable instrument” Section 3104.
34	“Nominated person” Section 5102.
35	“Note” Section 3104.
36	“Proceeds of a letter of credit” Section 5114.
37	“Prove” Section 3103.
38	“Sale” Section 2106.
39	“Securities account” Section 8501.
40	“Securities intermediary” Section 8102.



1 “Security” Section 8102.
2 “Security certificate” Section 8102.
3 “Security entitlement” Section 8102.
4 “Uncertificated security” Section 8102.

5
6 (c) Division 1 (commencing with Section 1101)
7 contains general definitions and principles of
8 construction and interpretation applicable throughout
9 this division.

10 9103. (a) In this section:

11 (1) “Purchase-money collateral” means goods or
12 software that secures a purchase-money obligation
13 incurred with respect to that collateral.

14 (2) “Purchase-money obligation” means an obligation
15 of an obligor incurred as all or part of the price of the
16 collateral or for value given to enable the debtor to
17 acquire rights in or the use of the collateral if the value is
18 in fact so used.

19 (b) A security interest in goods is a purchase-money
20 security interest as follows:

21 (1) To the extent that the goods are purchase-money
22 collateral with respect to that security interest.

23 (2) If the security interest is in inventory that is or was
24 purchase-money collateral, also to the extent that the
25 security interest secures a purchase-money obligation
26 incurred with respect to other inventory in which the
27 secured party holds or held a purchase-money security
28 interest.

29 (3) Also to the extent that the security interest secures
30 a purchase-money obligation incurred with respect to
31 software in which the secured party holds or held a
32 purchase-money security interest.

33 (c) A security interest in software is a purchase-money
34 security interest to the extent that the security interest
35 also secures a purchase-money obligation incurred with
36 respect to goods in which the secured party holds or held
37 a purchase-money security interest if both of the
38 following conditions are satisfied:



1 (1) The debtor acquired its interest in the software in
2 an integrated transaction in which it acquired an interest
3 in the goods.

4 (2) The debtor acquired its interest in the software for
5 the principal purpose of using the software in the goods.

6 (d) The security interest of a consignor in goods that
7 are the subject of a consignment is a purchase-money
8 security interest in inventory.

9 (e) In a transaction other than a consumer-goods
10 transaction, if the extent to which a security interest is a
11 purchase-money security interest depends on the
12 application of a payment to a particular obligation, the
13 payment must be applied as follows:

14 (1) In accordance with any reasonable method of
15 application to which the parties agree.

16 (2) In the absence of the parties' agreement to a
17 reasonable method, in accordance with any intention of
18 the obligor manifested at or before the time of payment.

19 (3) In the absence of an agreement to a reasonable
20 method and a timely manifestation of the obligor's
21 intention, in the following order:

22 (A) To obligations that are not secured.

23 (B) If more than one obligation is secured, to
24 obligations secured by purchase-money security interests
25 in the order in which those obligations were incurred.

26 (f) In a transaction other than a consumer-goods
27 transaction, a purchase-money security interest does not
28 lose its status as such, even if any of the following
29 conditions are satisfied:

30 (1) The purchase-money collateral also secures an
31 obligation that is not a purchase-money obligation.

32 (2) Collateral that is not purchase-money collateral
33 also secures the purchase-money obligation.

34 (3) The purchase-money obligation has been
35 renewed, refinanced, consolidated, or restructured.

36 (g) In a transaction other than a consumer-goods
37 transaction, a secured party claiming a purchase-money
38 security interest has the burden of establishing the extent
39 to which the security interest is a purchase-money
40 security interest.



1 (h) The limitation of the rules in subdivisions (e), (f),
2 and (g) to transactions other than consumer-goods
3 transactions is intended to leave to the court the
4 determination of the proper rules in consumer-goods
5 transactions. The court may not infer from that limitation
6 the nature of the proper rule in consumer-goods
7 transactions and may continue to apply established
8 approaches.

9 9104. (a) A secured party has control of a deposit
10 account if any of the following conditions is satisfied:

11 (1) The secured party is the bank with which the
12 deposit account is maintained.

13 (2) The debtor, secured party, and bank have agreed
14 in an authenticated record that the bank will comply with
15 instructions originated by the secured party directing
16 disposition of the funds in the account without further
17 consent by the debtor.

18 (3) The secured party becomes the bank's customer
19 with respect to the deposit account.

20 (b) A secured party that has satisfied subdivision (a)
21 has control, even if the debtor retains the right to direct
22 the disposition of funds from the deposit account.

23 9105. A secured party has control of electronic chattel
24 paper if the record or records comprising the chattel
25 paper are created, stored, and assigned in such a manner
26 that each of the following conditions is satisfied:

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

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

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

36 (4) Copies or revisions that add or change an
37 identified assignee of the authoritative copy can be made
38 only with the participation of the secured party.



1 (5) Each copy of the authoritative copy and any copy
2 of a copy is readily identifiable as a copy that is not the
3 authoritative copy.

4 (6) Any revision of the authoritative copy is readily
5 identifiable as an authorized or unauthorized revision.

6 9106. (a) A person has control of a certificated
7 security, uncertificated security, or security entitlement
8 as provided in Section 8106.

9 (b) A secured party has control of a commodity
10 contract if either of the following conditions is satisfied:

11 (1) The secured party is the commodity intermediary
12 with which the commodity contract is carried.

13 (2) The commodity customer, secured party, and
14 commodity intermediary have agreed that the
15 commodity intermediary will apply any value distributed
16 on account of the commodity contract as directed by the
17 secured party without further consent by the commodity
18 customer.

19 (c) A secured party having control of all security
20 entitlements or commodity contracts carried in a
21 securities account or commodity account has control over
22 the securities account or commodity account.

23 9107. A secured party has control of a letter-of-credit
24 right to the extent of any right to payment or
25 performance by the issuer or any nominated person if the
26 issuer or nominated person has consented to an
27 assignment of proceeds of the letter of credit under
28 subdivision (c) of Section 5114 or otherwise applicable
29 law or practice.

30 9108. (a) Except as otherwise provided in
31 subdivisions (c), (d), and (e), a description of personal or
32 real property is sufficient, whether or not it is specific, if
33 it reasonably identifies what is described.

34 (b) Except as otherwise provided in subdivision (d), a
35 description of collateral reasonably identifies the
36 collateral if it identifies the collateral by any of the
37 following:

38 (1) Specific listing.

39 (2) Category.



1 (3) Except as otherwise provided in subdivision (e), a
2 type of collateral defined in the Uniform Commercial
3 Code.

4 (4) Quantity.

5 (5) Computational or allocational formula or
6 procedure.

7 (6) Except as otherwise provided in subdivision (c),
8 any other method, if the identity of the collateral is
9 objectively determinable.

10 (c) A description of collateral as “all the debtor’s
11 assets” or “all the debtor’s personal property” or using
12 words of similar import does not reasonably identify the
13 collateral.

14 (d) Except as otherwise provided in subdivision (e), a
15 description of a security entitlement, securities account,
16 or commodity account is sufficient if it describes either of
17 the following:

18 (1) The collateral by those terms or as investment
19 property.

20 (2) The underlying financial asset or commodity
21 contract.

22 (e) A description only by type of collateral defined in
23 the Uniform Commercial Code is an insufficient
24 description of either of the following:

25 (1) A commercial tort claim.

26 (2) In a consumer transaction, consumer goods, a
27 security entitlement, a securities account, or a
28 commodity account.

29 9109. (a) Except as otherwise provided in
30 subdivisions (c) and (d), this division applies to each of
31 the following:

32 (1) A transaction, regardless of its form, that creates a
33 security interest in personal property or fixtures by
34 contract.

35 (2) An agricultural lien.

36 (3) A sale of accounts, chattel paper, payment
37 intangibles, or promissory notes.

38 (4) A consignment.

39 (5) A security interest arising under Section 2401 or
40 2505, or under subdivision (3) of Section 2711, or



1 subdivision (5) of Section 10508, as provided in Section
2 9110.

3 (6) A security interest arising under Section 4210 or
4 5118.

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

9 (c) This division does not apply to the extent that any
10 of the following conditions is satisfied:

11 (1) A statute, regulation, or treaty of the United States
12 preempts this division.

13 (2) Another statute of this state expressly governs the
14 creation, perfection, priority, or enforcement of a
15 security interest created by this state or a governmental
16 unit of this state.

17 (3) A statute of another state, a foreign country, or a
18 governmental unit of another state or a foreign country,
19 other than a statute generally applicable to security
20 interests, expressly governs creation, perfection, priority,
21 or enforcement of a security interest created by the state,
22 country, or governmental unit.

23 (4) The rights of a transferee beneficiary or nominated
24 person under a letter of credit are independent and
25 superior under Section 5114.

26 (d) This division does not apply to any of the following:

27 (1) A landlord's lien, other than an agricultural lien.

28 (2) A lien, other than an agricultural lien, given by
29 statute or other rule of law for services or materials, but
30 Section 9333 applies with respect to priority of the lien.

31 (3) An assignment of a claim for wages, salary, or other
32 compensation of an employee.

33 (4) A sale of accounts, chattel paper, payment
34 intangibles, or promissory notes as part of a sale of the
35 business out of which they arose.

36 (5) An assignment of accounts, chattel paper,
37 payment intangibles, or promissory notes which is for the
38 purpose of collection only.



1 (6) An assignment of a right to payment under a
2 contract to an assignee that is also obligated to perform
3 under the contract.

4 (7) An assignment of a single account, payment
5 intangible, or promissory note to an assignee in full or
6 partial satisfaction of a preexisting indebtedness.

7 (8) A transfer of an interest in or an assignment of a
8 claim under a policy of insurance, other than an
9 assignment by or to a health-care provider of a
10 health-care-insurance receivable and any subsequent
11 assignment of the right to payment, but Sections 9315 and
12 9322 apply with respect to proceeds and priorities in
13 proceeds.

14 (9) An assignment of a right represented by a
15 judgment, other than a judgment taken on a right to
16 payment that was collateral.

17 (10) A right of recoupment or set-off, provided that
18 both of the following sections apply:

19 (A) Section 9340 applies with respect to the
20 effectiveness of rights of recoupment or set-off against
21 deposit accounts.

22 (B) Section 9404 applies with respect to defenses or
23 claims of an account debtor.

24 (11) The creation or transfer of an interest in or lien on
25 real property, including a lease or rents thereunder,
26 except to the extent that provision is made for each of the
27 following:

28 (A) Liens on real property in Sections 9203 and 9308.

29 (B) Fixtures in Section 9334.

30 (C) Fixture filings in Sections 9501, 9502, 9512, 9516,
31 and 9519.

32 (D) Security agreements covering personal and real
33 property in Section 9604.

34 (12) An assignment of a claim arising in tort, other
35 than a commercial tort claim, but Sections 9315 and 9322
36 apply with respect to proceeds and priorities in proceeds.

37 (13) An assignment of a deposit account in a consumer
38 transaction, but Sections 9315 and 9322 apply with respect
39 to proceeds and priorities in proceeds.



1 9110. A security interest arising under Section 2401 or
 2 2505, or under subdivision (3) of Section 2711, or
 3 subdivision (5) of Section 10508 is subject to this division.
 4 However, until the debtor obtains possession of the goods,
 5 all of the following apply:

6 (1) The security interest is enforceable, even if
 7 paragraph (3) of subdivision (b) of Section 9203 has not
 8 been satisfied.

9 (2) Filing is not required to perfect the security
 10 interest.

11 (3) The rights of the secured party after default by the
 12 debtor are governed by Division 2 (commencing with
 13 Section 2101) or Division 10 (commencing with Section
 14 10101).

15 (4) The security interest has priority over a conflicting
 16 security interest created by the debtor.

17

18 CHAPTER 2. EFFECTIVENESS OF SECURITY AGREEMENT:
 19 ATTACHMENT OF SECURITY INTEREST: RIGHTS OF PARTIES
 20 TO SECURITY AGREEMENT

21

22 9201. (a) Except as otherwise provided in the
 23 Uniform Commercial Code, a security agreement is
 24 effective according to its terms between the parties,
 25 against purchasers of the collateral, and against creditors.

26 (b) A transaction subject to this division is subject to
 27 any applicable rule of law which establishes a different
 28 rule for consumers and nothing in this division validates
 29 any charge or practice illegal under any statute or
 30 regulation governing usury, small loans, retail installment
 31 sales, or the like, or extends the application of any statute
 32 or regulation of that type to any transaction not otherwise
 33 subject to that statute or regulation.

34 (c) In case of conflict between this division and a rule
 35 of law, statute, or regulation described in subdivision (b),
 36 the rule of law, statute, or regulation controls. Failure to
 37 comply with a statute or regulation described in
 38 subdivision (b) has only the effect the statute or
 39 regulation specifies.

40 (d) This division does not do either of the following:



1 (1) Validate any rate, charge, agreement, or practice
2 that violates a rule of law, statute, or regulation described
3 in subdivision (b).

4 (2) Extend the application of the rule of law, statute,
5 or regulation to a transaction not otherwise subject to it.

6 9202. Except as otherwise provided with respect to
7 consignments or sales of accounts, chattel paper,
8 payment intangibles, or promissory notes, the provisions
9 of this article with regard to rights and obligations apply
10 whether title to collateral is in the secured party or the
11 debtor.

12 9203. (a) A security interest attaches to collateral
13 when it becomes enforceable against the debtor with
14 respect to the collateral, unless an agreement expressly
15 postpones the time of attachment.

16 (b) Except as otherwise provided in subdivisions (c)
17 to (i), inclusive, a security interest is enforceable against
18 the debtor and third parties with respect to the collateral
19 only if each of the following conditions is satisfied:

20 (1) Value has been given.

21 (2) The debtor has rights in the collateral or the power
22 to transfer rights in the collateral to a secured party.

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

24 (A) The debtor has authenticated a security
25 agreement that provides a description of the collateral
26 and, if the security interest covers timber to be cut, a
27 description of the land concerned.

28 (B) The collateral is not a certificated security and is
29 in the possession of the secured party under Section 9313
30 pursuant to the debtor's security agreement.

31 (C) The collateral is a certificated security in
32 registered form and the security certificate has been
33 delivered to the secured party under Section 8301
34 pursuant to the debtor's security agreement.

35 (D) The collateral is deposit accounts, electronic
36 chattel paper, investment property, or letter-of-credit
37 rights, and the secured party has control under Section
38 9104, 9105, 9106, or 9107 pursuant to the debtor's security
39 agreement.



1 (c) Subdivision (b) is subject to Section 4210 on the
2 security interest of a collecting bank, Section 5118 on the
3 security interest of a letter-of-credit issuer or nominated
4 person, Section 9110 on a security interest arising under
5 Division 2 (commencing with Section 2101) or Division
6 10 (commencing with Section 10101), and Section 9206 on
7 security interests in investment property.

8 (d) A person becomes bound as debtor by a security
9 agreement entered into by another person if, by
10 operation of law other than this division or by contract,
11 either of the following conditions is satisfied:

12 (1) The security agreement becomes effective to
13 create a security interest in the person's property.

14 (2) The person becomes generally obligated for the
15 obligations of the other person, including the obligation
16 secured under the security agreement, and acquires or
17 succeeds to all or substantially all of the assets of the other
18 person.

19 (e) If a new debtor becomes bound as debtor by a
20 security agreement entered into by another person both
21 of the following apply:

22 (1) The agreement satisfies paragraph (3) of
23 subdivision (b) with respect to existing or after-acquired
24 property of the new debtor to the extent the property is
25 described in the agreement.

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

28 (f) The attachment of a security interest in collateral
29 gives the secured party the rights to proceeds provided
30 by Section 9315 and is also attachment of a security
31 interest in a supporting obligation for the collateral.

32 (g) The attachment of a security interest in a right to
33 payment or performance secured by a security interest or
34 other lien on personal or real property is also attachment
35 of a security interest in the security interest, mortgage, or
36 other lien.

37 (h) The attachment of a security interest in a securities
38 account is also attachment of a security interest in the
39 security entitlements carried in the securities account.



1 (i) *The attachment of a security interest in a*
2 *commodity account is also attachment of a security*
3 *interest in the commodity contracts carried in the*
4 *commodity account.*

5 9204. (a) *Except as otherwise provided in*
6 *subdivision (b), a security agreement may create or*
7 *provide for a security interest in after-acquired collateral.*

8 (b) *A security interest does not attach under a term*
9 *constituting an after-acquired property clause to either of*
10 *the following:*

11 (1) *Consumer goods, other than an accession when*
12 *given as additional security, unless the debtor acquires*
13 *rights in them within 10 days after the secured party gives*
14 *value.*

15 (2) *A commercial tort claim.*

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

21 9205. (a) *A security interest is not invalid or*
22 *fraudulent against creditors solely because either of the*
23 *following conditions is satisfied:*

24 (1) *The debtor has the right or ability to do any of the*
25 *following:*

26 (A) *Use, commingle, or dispose of all or part of the*
27 *collateral, including returned or repossessed goods.*

28 (B) *Collect, compromise, enforce, or otherwise deal*
29 *with collateral.*

30 (C) *Accept the return of collateral or make*
31 *repossessions.*

32 (D) *Use, commingle, or dispose of proceeds.*

33 (2) *The secured party fails to require the debtor to*
34 *account for proceeds or replace collateral.*

35 (b) *This section does not relax the requirements of*
36 *possession if attachment, perfection, or enforcement of a*
37 *security interest depends upon possession of the collateral*
38 *by the secured party.*



1 9206. (a) A security interest in favor of a securities
2 intermediary attaches to a person's security entitlement
3 if both of the following conditions are satisfied:

4 (1) The person buys a financial asset through the
5 securities intermediary in a transaction in which the
6 person is obligated to pay the purchase price to the
7 securities intermediary at the time of the purchase.

8 (2) The securities intermediary credits the financial
9 asset to the buyer's securities account before the buyer
10 pays the securities intermediary.

11 (b) The security interest described in subdivision (a)
12 secures the person's obligation to pay for the financial
13 asset.

14 (c) A security interest in favor of a person that delivers
15 a certificated security or other financial asset represented
16 by a writing attaches to the security or other financial
17 asset if both of the following conditions are satisfied:

18 (1) The security or other financial asset satisfies both
19 of the following:

20 (A) In the ordinary course of business it is transferred
21 by delivery with any necessary indorsement or
22 assignment.

23 (B) It is delivered under an agreement between
24 persons in the business of dealing with those securities or
25 financial assets.

26 (2) The agreement calls for delivery against payment.

27 (d) The security interest described in subdivision (c)
28 secures the obligation to make payment for the delivery.

29 9207. (a) Except as otherwise provided in
30 subdivision (d), a secured party shall use reasonable care
31 in the custody and preservation of collateral in the
32 secured party's possession. In the case of chattel paper or
33 an instrument, reasonable care includes taking necessary
34 steps to preserve rights against prior parties unless
35 otherwise agreed.

36 (b) Except as otherwise provided in subdivision (d), if
37 a secured party has possession of collateral all of the
38 following apply:

39 (1) Reasonable expenses, including the cost of
40 insurance and payment of taxes or other charges,



1 incurred in the custody, preservation, use, or operation of
2 the collateral are chargeable to the debtor and are
3 secured by the collateral.

4 (2) The risk of accidental loss or damage is on the
5 debtor to the extent of a deficiency in any effective
6 insurance coverage.

7 (3) The secured party shall keep the collateral
8 identifiable, but fungible collateral may be commingled.

9 (4) The secured party may use or operate the
10 collateral for any of the following purposes:

11 (A) For the purpose of preserving the collateral or its
12 value.

13 (B) As permitted by an order of a court having
14 competent jurisdiction.

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

17 (c) Except as otherwise provided in subdivision (d), a
18 secured party having possession of collateral or control of
19 collateral under Section 9104, 9105, 9106, or 9107 may or
20 shall, as the case may be, do all of the following:

21 (1) May hold as additional security any proceeds,
22 except money or funds, received from the collateral.

23 (2) Shall apply money or funds received from the
24 collateral to reduce the secured obligation, unless
25 remitted to the debtor.

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

27 (d) If the secured party is a buyer of accounts, chattel
28 paper, payment intangibles, or promissory notes or a
29 consignor both of the following apply:

30 (1) Subdivision (a) does not apply unless the secured
31 party is entitled under an agreement to either of the
32 following:

33 (A) To charge back uncollected collateral.

34 (B) Otherwise to full or limited recourse against the
35 debtor or a secondary obligor based on the nonpayment
36 or other default of an account debtor or other obligor on
37 the collateral.

38 (2) Subdivisions (b) and (c) do not apply.

39 9208. (a) This section applies to cases in which there
40 is no outstanding secured obligation and the secured



1 party is not committed to make advances, incur
2 obligations, or otherwise give value.

3 (b) Within 10 days after receiving an authenticated
4 demand by the debtor all of the following apply:

5 (1) A secured party having control of a deposit
6 account under paragraph (2) of subdivision (a) of Section
7 9104 shall send to the bank with which the deposit
8 account is maintained an authenticated statement that
9 releases the bank from any further obligation to comply
10 with instructions originated by the secured party.

11 (2) A secured party having control of a deposit
12 account under paragraph (3) of subdivision (a) of Section
13 9104 shall do either of the following:

14 (A) Pay the debtor the balance on deposit in the
15 deposit account.

16 (B) Transfer the balance on deposit into a deposit
17 account in the debtor's name.

18 (3) A secured party, other than a buyer, having control
19 of electronic chattel paper under Section 9105 shall do all
20 of the following:

21 (A) Communicate the authoritative copy of the
22 electronic chattel paper to the debtor or its designated
23 custodian.

24 (B) If the debtor designates a custodian that is the
25 designated custodian with which the authoritative copy
26 of the electronic chattel paper is maintained for the
27 secured party, communicate to the custodian an
28 authenticated record releasing the designated custodian
29 from any further obligation to comply with instructions
30 originated by the secured party and instructing the
31 custodian to comply with instructions originated by the
32 debtor.

33 (C) Take appropriate action to enable the debtor or its
34 designated custodian to make copies of or revisions to the
35 authoritative copy which add or change an identified
36 assignee of the authoritative copy without the consent of
37 the secured party.

38 (4) A secured party having control of investment
39 property under paragraph (2) of subdivision (d) of
40 Section 8106 or under subdivision (b) of Section 9106 shall



1 *send to the securities intermediary or commodity*
2 *intermediary with which the security entitlement or*
3 *commodity contract is maintained an authenticated*
4 *record that releases the securities intermediary or*
5 *commodity intermediary from any further obligation to*
6 *comply with entitlement orders or directions originated*
7 *by the secured party.*

8 (5) *A secured party having control of a letter-of-credit*
9 *right under Section 9107 shall send to each person having*
10 *an unfulfilled obligation to pay or deliver proceeds of the*
11 *letter of credit to the secured party an authenticated*
12 *release from any further obligation to pay or deliver*
13 *proceeds of the letter of credit to the secured party.*

14 9209. (a) *Except as otherwise provided in*
15 *subdivision (c), this section applies if both of the following*
16 *conditions are satisfied:*

17 (1) *There is no outstanding secured obligation.*

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

20 (b) *Within 10 days after receiving an authenticated*
21 *demand by the debtor, a secured party shall send to an*
22 *account debtor that has received notification of an*
23 *assignment to the secured party as assignee under*
24 *subdivision (a) of Section 9406 an authenticated record*
25 *that releases the account debtor from any further*
26 *obligation to the secured party.*

27 (c) *This section does not apply to an assignment*
28 *constituting the sale of an account, chattel paper, or*
29 *payment intangible.*

30 9210. (a) *In this section:*

31 (1) *“Request” means a record of a type described in*
32 *paragraph (2), (3), or (4).*

33 (2) *“Request for an accounting” means a record*
34 *authenticated by a debtor requesting that the recipient*
35 *provide an accounting of the unpaid obligations secured*
36 *by collateral and reasonably identifying the transaction or*
37 *relationship that is the subject of the request.*

38 (3) *“Request regarding a list of collateral” means a*
39 *record authenticated by a debtor requesting that the*
40 *recipient approve or correct a list of what the debtor*



1 *believes to be the collateral securing an obligation and*
2 *reasonably identifying the transaction or relationship that*
3 *is the subject of the request.*

4 (4) *“Request regarding a statement of account”*
5 *means a record authenticated by a debtor requesting that*
6 *the recipient approve or correct a statement indicating*
7 *what the debtor believes to be the aggregate amount of*
8 *unpaid obligations secured by collateral as of a specified*
9 *date and reasonably identifying the transaction or*
10 *relationship that is the subject of the request.*

11 (b) *Subject to subdivisions (c), (d), (e), and (f), a*
12 *secured party, other than a buyer of accounts, chattel*
13 *paper, payment intangibles, or promissory notes or a*
14 *consignor, shall comply with a request within 14 days*
15 *after receipt as follows:*

16 (1) *In the case of a request for an accounting, by*
17 *authenticating and sending to the debtor an accounting.*

18 (2) *In the case of a request regarding a list of collateral*
19 *or a request regarding a statement of account, by*
20 *authenticating and sending to the debtor an approval or*
21 *correction.*

22 (c) *A secured party that claims a security interest in all*
23 *of a particular type of collateral owned by the debtor may*
24 *comply with a request regarding a list of collateral by*
25 *sending to the debtor an authenticated record including*
26 *a statement to that effect within 14 days after receipt.*

27 (d) *A person that receives a request regarding a list of*
28 *collateral, claims no interest in the collateral when it*
29 *receives the request, and claimed an interest in the*
30 *collateral at an earlier time shall comply with the request*
31 *within 14 days after receipt by sending to the debtor an*
32 *authenticated record that satisfies both of the following*
33 *conditions:*

34 (1) *It disclaims any interest in the collateral.*

35 (2) *If known to the recipient, it provides the name and*
36 *mailing address of any assignee of or successor to the*
37 *recipient’s security interest in the collateral.*

38 (e) *A person that receives a request for an accounting*
39 *or a request regarding a statement of account, claims no*
40 *interest in the obligations when it receives the request,*



1 and claimed an interest in the obligations at an earlier
2 time shall comply with the request within 14 days after
3 receipt by sending to the debtor an authenticated record
4 that satisfies both of the following conditions:

5 (1) It disclaims any interest in the obligations.

6 (2) If known to the recipient, it provides the name and
7 mailing address of any assignee of or successor to the
8 recipient's interest in the obligations.

9 (f) A debtor is entitled without charge to one response
10 to a request under this section during any six-month
11 period. The secured party may require payment of a
12 charge not exceeding twenty-five dollars (\$25) for each
13 additional response.

14
15 CHAPTER 3. PERFECTION AND PRIORITY

16
17 9301. Except as otherwise provided in Sections 9303 to
18 9306, inclusive, the following rules determine the law
19 governing perfection, the effect of perfection or
20 nonperfection, and the priority of a security interest in
21 collateral:

22 (1) Except as otherwise provided in this section, while
23 a debtor is located in a jurisdiction, the local law of that
24 jurisdiction governs perfection, the effect of perfection or
25 nonperfection, and the priority of a security interest in
26 collateral.

27 (2) While collateral is located in a jurisdiction, the local
28 law of that jurisdiction governs perfection, the effect of
29 perfection or nonperfection, and the priority of a
30 possessory security interest in that collateral.

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

35 (A) Perfection of a security interest in the goods by
36 filing a fixture filing.

37 (B) Perfection of a security interest in timber to be
38 cut.

1 (C) *The effect of perfection or nonperfection and the*
2 *priority of a nonpossessory security interest in the*
3 *collateral.*

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

8 9302. *While farm products are located in a*
9 *jurisdiction, the local law of that jurisdiction governs*
10 *perfection, the effect of perfection or nonperfection, and*
11 *the priority of an agricultural lien on the farm products.*

12 9303. (a) *This section applies to goods covered by a*
13 *certificate of title, even if there is no other relationship*
14 *between the jurisdiction under whose certificate of title*
15 *the goods are covered and the goods or the debtor.*

16 (b) *Goods become covered by a certificate of title*
17 *when a valid application for the certificate of title and the*
18 *applicable fee are delivered to the appropriate authority.*
19 *Goods cease to be covered by a certificate of title at the*
20 *earlier of the time the certificate of title ceases to be*
21 *effective under the law of the issuing jurisdiction or the*
22 *time the goods become covered subsequently by a*
23 *certificate of title issued by another jurisdiction.*

24 (c) *The local law of the jurisdiction under whose*
25 *certificate of title the goods are covered governs*
26 *perfection, the effect of perfection or nonperfection, and*
27 *the priority of a security interest in goods covered by a*
28 *certificate of title from the time the goods become*
29 *covered by the certificate of title until the goods cease to*
30 *be covered by the certificate of title.*

31 9304. (a) *The local law of a bank's jurisdiction*
32 *governs perfection, the effect of perfection or*
33 *nonperfection, and the priority of a security interest in a*
34 *deposit account maintained with that bank.*

35 (b) *The following rules determine a bank's jurisdiction*
36 *for purposes of this chapter:*

37 (1) *If an agreement between the bank and the debtor*
38 *governing the deposit account expressly provides that a*
39 *particular jurisdiction is the bank's jurisdiction for*
40 *purposes of this chapter, this division, or the Uniform*



1 *Commercial Code, that jurisdiction is the bank's*
2 *jurisdiction.*

3 *(2) If paragraph (1) does not apply and an agreement*
4 *between the bank and its customer governing the deposit*
5 *account expressly provides that the agreement is*
6 *governed by the law of a particular jurisdiction, that*
7 *jurisdiction is the bank's jurisdiction.*

8 *(3) If neither paragraph (1) nor paragraph (2) applies*
9 *and an agreement between the bank and its customer*
10 *governing the deposit account expressly provides that the*
11 *deposit account is maintained at an office in a particular*
12 *jurisdiction, that jurisdiction is the bank's jurisdiction.*

13 *(4) If none of the preceding paragraphs applies, the*
14 *bank's jurisdiction is the jurisdiction in which the office*
15 *identified in an account statement as the office serving*
16 *the customer's account is located.*

17 *(5) If none of the preceding paragraphs applies, the*
18 *bank's jurisdiction is the jurisdiction in which the chief*
19 *executive office of the bank is located.*

20 *9305. (a) Except as otherwise provided in*
21 *subdivision (c), the following rules apply:*

22 *(1) While a security certificate is located in a*
23 *jurisdiction, the local law of that jurisdiction governs*
24 *perfection, the effect of perfection or nonperfection, and*
25 *the priority of a security interest in the certificated*
26 *security represented thereby.*

27 *(2) The local law of the issuer's jurisdiction as specified*
28 *in subdivision (d) of Section 8110 governs perfection, the*
29 *effect of perfection or nonperfection, and the priority of*
30 *a security interest in an uncertificated security.*

31 *(3) The local law of the securities intermediary's*
32 *jurisdiction as specified in subdivision (e) of Section 8110*
33 *governs perfection, the effect of perfection or*
34 *nonperfection, and the priority of a security interest in a*
35 *security entitlement or securities account.*

36 *(4) The local law of the commodity intermediary's*
37 *jurisdiction governs perfection, the effect of perfection or*
38 *nonperfection, and the priority of a security interest in a*
39 *commodity contract or commodity account.*

1 (b) The following rules determine a commodity
2 intermediary's jurisdiction for purposes of this chapter:

3 (1) If an agreement between the commodity
4 intermediary and commodity customer governing the
5 commodity account expressly provides that a particular
6 jurisdiction is the commodity intermediary's jurisdiction
7 for purposes of this chapter, this division, or the Uniform
8 Commercial Code, that jurisdiction is the commodity
9 intermediary's jurisdiction.

10 (2) If paragraph (1) does not apply and an agreement
11 between the commodity intermediary and commodity
12 customer governing the commodity account expressly
13 provides that the agreement is governed by the law of a
14 particular jurisdiction, that jurisdiction is the commodity
15 intermediary's jurisdiction.

16 (3) If neither paragraph (1) nor paragraph (2) applies
17 and an agreement between the commodity intermediary
18 and commodity customer governing the commodity
19 account expressly provides that the commodity account
20 is maintained at an office in a particular jurisdiction, that
21 jurisdiction is the commodity intermediary's jurisdiction.

22 (4) If none of the preceding paragraphs applies, the
23 commodity intermediary's jurisdiction is the jurisdiction
24 in which the office identified in an account statement as
25 the office serving the commodity customer's account is
26 located.

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

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

33 (1) Perfection of a security interest in investment
34 property by filing.

35 (2) Automatic perfection of a security interest in
36 investment property created by a broker or securities
37 intermediary.

38 (3) Automatic perfection of a security interest in a
39 commodity contract or commodity account created by a
40 commodity intermediary.



1 9306. (a) *Subject to subdivision (c), the local law of*
2 *the issuer’s jurisdiction or a nominated person’s*
3 *jurisdiction governs perfection, the effect of perfection or*
4 *nonperfection, and the priority of a security interest in a*
5 *letter-of-credit right if the issuer’s jurisdiction or*
6 *nominated person’s jurisdiction is a state.*

7 (b) *For purposes of this chapter, an issuer’s jurisdiction*
8 *or nominated person’s jurisdiction is the jurisdiction*
9 *whose law governs the liability of the issuer or nominated*
10 *person with respect to the letter-of-credit right as*
11 *provided in Section 5116.*

12 (c) *This section does not apply to a security interest*
13 *that is perfected only under subdivision (d) of Section*
14 *9308.*

15 9307. (a) *In this section, “place of business” means a*
16 *place where a debtor conducts its affairs.*

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

19 (1) *A debtor who is an individual is located at the*
20 *individual’s principal residence.*

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

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

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

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

39 (e) *A registered organization that is organized under*
40 *the law of a state is located in that state.*



1 (f) Except as otherwise provided in subdivision (i), a
2 registered organization that is organized under the law of
3 the United States and a branch or agency of a bank that
4 is not organized under the law of the United States or a
5 state are located in either of the following jurisdictions:

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

8 (2) In the state that the registered organization,
9 branch, or agency designates, if the law of the United
10 States authorizes the registered organization, branch, or
11 agency to designate its state of location.

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

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

17 (1) The suspension, revocation, forfeiture, or lapse of
18 the registered organization's status as such in its
19 jurisdiction of organization.

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

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

24 (i) A branch or agency of a bank that is not organized
25 under the law of the United States or a state is located in
26 the state in which the branch or agency is licensed, if all
27 branches and agencies of the bank are licensed in only
28 one state.

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

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

35 9308. (a) Except as otherwise provided in this section
36 and in Section 9309, a security interest is perfected if it has
37 attached and all of the applicable requirements for
38 perfection in Sections 9310 to 9316, inclusive, have been
39 satisfied. A security interest is perfected when it attaches



1 *if the applicable requirements are satisfied before the*
2 *security interest attaches.*

3 *(b) An agricultural lien is perfected if it has become*
4 *effective and all of the applicable requirements for*
5 *perfection in Section 9310 have been satisfied. An*
6 *agricultural lien is perfected when it becomes effective*
7 *if the applicable requirements are satisfied before the*
8 *agricultural lien becomes effective.*

9 *(c) A security interest or agricultural lien is perfected*
10 *continuously if it is originally perfected by one method*
11 *under this division and is later perfected by another*
12 *method under this division, without an intermediate*
13 *period when it was unperfected.*

14 *(d) Perfection of a security interest in collateral also*
15 *perfects a security interest in a supporting obligation for*
16 *the collateral.*

17 *(e) Perfection of a security interest in a right to*
18 *payment or performance also perfects a security interest*
19 *in a security interest, mortgage, or other lien on personal*
20 *or real property securing the right.*

21 *(f) Perfection of a security interest in a securities*
22 *account also perfects a security interest in the security*
23 *entitlements carried in the securities account.*

24 *(g) Perfection of a security interest in a commodity*
25 *account also perfects a security interest in the commodity*
26 *contracts carried in the commodity account.*

27 *9309. The following security interests are perfected*
28 *when they attach:*

29 *(1) A purchase-money security interest in consumer*
30 *goods, except as otherwise provided in subdivision (b) of*
31 *Section 9311 with respect to consumer goods that are*
32 *subject to a statute or treaty described in subdivision (a)*
33 *of Section 9311.*

34 *(2) An assignment of accounts or payment intangibles*
35 *which does not by itself or in conjunction with other*
36 *assignments to the same assignee transfer a significant*
37 *part of the assignor's outstanding accounts or payment*
38 *intangibles.*

39 *(3) A sale of a payment intangible.*

40 *(4) A sale of a promissory note.*



- 1 (5) A security interest created by the assignment of a
2 health-care-insurance receivable to the provider of the
3 health care goods or services.
- 4 (6) A security interest arising under Section 2401 or
5 2505, under subdivision (3) of Section 2711, or under
6 subdivision (5) of Section 10508, until the debtor obtains
7 possession of the collateral.
- 8 (7) A security interest of a collecting bank arising
9 under Section 4210.
- 10 (8) A security interest of an issuer or nominated
11 person arising under Section 5118.
- 12 (9) A security interest arising in the delivery of a
13 financial asset under subdivision (c) of Section 9206.
- 14 (10) A security interest in investment property
15 created by a broker or securities intermediary.
- 16 (11) A security interest in a commodity contract or a
17 commodity account created by a commodity
18 intermediary.
- 19 (12) An assignment for the benefit of all creditors of
20 the transferor and subsequent transfers by the assignee
21 thereunder.
- 22 (13) A security interest created by an assignment of a
23 beneficial interest in a decedent's estate.
- 24 9310. (a) Except as otherwise provided in
25 subdivision (b) and in subdivision (b) of Section 9312, a
26 financing statement must be filed to perfect all security
27 interests and agricultural liens.
- 28 (b) The filing of a financing statement is not necessary
29 to perfect a security interest that satisfies any of the
30 following conditions:
- 31 (1) It is perfected under subdivision (d), (e), (f), or
32 (g) of Section 9308.
- 33 (2) It is perfected under Section 9309 when it attaches.
- 34 (3) It is a security interest in property subject to a
35 statute, regulation, or treaty described in subdivision (a)
36 of Section 9311.
- 37 (4) It is a security interest in goods in possession of a
38 bailee which is perfected under paragraph (1) or (2) of
39 subdivision (d) of Section 9312.



1 (5) *It is a security interest in certificated securities,*
2 *documents, goods, or instruments which is perfected*
3 *without filing or possession under subdivision (e), (f), or*
4 *(g) of Section 9312.*

5 (6) *It is a security interest in collateral in the secured*
6 *party's possession under Section 9313.*

7 (7) *It is a security interest in a certificated security*
8 *which is perfected by delivery of the security certificate*
9 *to the secured party under Section 9313.*

10 (8) *It is a security interest in deposit accounts,*
11 *electronic chattel paper, investment property, or*
12 *letter-of-credit rights which is perfected by control under*
13 *Section 9314.*

14 (9) *It is a security interest in proceeds which is*
15 *perfected under Section 9315.*

16 (10) *It is perfected under Section 9316.*

17 (c) *If a secured party assigns a perfected security*
18 *interest or agricultural lien, a filing under this division is*
19 *not required to continue the perfected status of the*
20 *security interest against creditors of and transferees from*
21 *the original debtor.*

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

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

30 (2) (A) *The provisions of the Vehicle Code which*
31 *require registration of a vehicle or boat.*

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

38 (C) *The provisions of the Health and Safety Code*
39 *which require registration of all interests in approved air*



1 *contaminant emission reductions (Sections 40709 to*
2 *40713, inclusive, of the Health and Safety Code).*

3 *(3) A certificate-of-title statute of another jurisdiction*
4 *which provides for a security interest to be indicated on*
5 *the certificate as a condition or result of the security*
6 *interest's obtaining priority over the rights of a lien*
7 *creditor with respect to the property.*

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

21 *(c) Except as otherwise provided in subdivision (d)*
22 *and in subdivisions (d) and (e) of Section 9316, duration*
23 *and renewal of perfection of a security interest perfected*
24 *by compliance with the requirements prescribed by a*
25 *statute, regulation, or treaty described in subdivision (a)*
26 *are governed by the statute, regulation, or treaty. In other*
27 *respects, the security interest is subject to this division.*

28 *(d) During any period in which collateral is inventory*
29 *held for sale or lease by a person or leased by that person*
30 *as lessor and that person is in the business of selling or*
31 *leasing goods of that kind, this section does not apply to*
32 *a security interest in that collateral created by that person*
33 *as debtor.*

34 *9312. (a) A security interest in chattel paper,*
35 *negotiable documents, instruments, or investment*
36 *property may be perfected by filing.*

37 *(b) Except as otherwise provided in subdivisions (c)*
38 *and (d) of Section 9315 for proceeds, all of the following*
39 *apply:*



1 (1) A security interest in a deposit account may be
2 perfected only by control under Section 9314.

3 (2) Except as otherwise provided in subdivision (d) of
4 Section 9308, a security interest in a letter-of-credit right
5 may be perfected only by control under Section 9314.

6 (3) A security interest in money may be perfected only
7 by the secured party's taking possession under Section
8 9313.

9 (c) While goods are in the possession of a bailee that
10 has issued a negotiable document covering the goods
11 both of the following apply:

12 (1) A security interest in the goods may be perfected
13 by perfecting a security interest in the document.

14 (2) A security interest perfected in the document has
15 priority over any security interest that becomes
16 perfected in the goods by another method during that
17 time.

18 (d) While goods are in the possession of a bailee that
19 has issued a nonnegotiable document covering the goods,
20 a security interest in the goods may be perfected by any
21 of the following methods:

22 (1) Issuance of a document in the name of the secured
23 party.

24 (2) The bailee's receipt of notification of the secured
25 party's interest.

26 (3) Filing as to the goods.

27 (e) A security interest in certificated securities,
28 negotiable documents, or instruments is perfected
29 without filing or the taking of possession for a period of 20
30 days from the time it attaches to the extent that it arises
31 for new value given under an authenticated security
32 agreement.

33 (f) A perfected security interest in a negotiable
34 document or goods in possession of a bailee, other than
35 one that has issued a negotiable document for the goods,
36 remains perfected for 20 days without filing if the secured
37 party makes available to the debtor the goods or
38 documents representing the goods for the purpose of
39 either of the following:

40 (1) Ultimate sale or exchange.



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

5 (g) A perfected security interest in a certificated
6 security or instrument remains perfected for 20 days
7 without filing if the secured party delivers the security
8 certificate or instrument to the debtor for the purpose of
9 either of the following:

10 (1) Ultimate sale or exchange.

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

13 (h) After the 20-day period specified in subdivision
14 (e), (f), or (g) expires, perfection depends upon
15 compliance with this division.

16 9313. (a) Except as otherwise provided in
17 subdivision (b), a secured party may perfect a security
18 interest in negotiable documents, goods, instruments,
19 money, or tangible chattel paper by taking possession of
20 the collateral. A secured party may perfect a security
21 interest in certificated securities by taking delivery of the
22 certificated securities under Section 8301.

23 (b) With respect to goods covered by a certificate of
24 title issued by this state, a secured party may perfect a
25 security interest in the goods by taking possession of the
26 goods only in the circumstances described in subdivision
27 (d) of Section 9316.

28 (c) With respect to collateral other than certificated
29 securities and goods covered by a document, a secured
30 party takes possession of collateral in the possession of a
31 person other than the debtor, the secured party, or a
32 lessee of the collateral from the debtor in the ordinary
33 course of the debtor's business, when either of the
34 following conditions is satisfied:

35 (1) The person in possession authenticates a record
36 acknowledging that it holds possession of the collateral for
37 the secured party's benefit.

38 (2) The person takes possession of the collateral after
39 having authenticated a record acknowledging that it will



1 hold possession of collateral for the secured party's
2 benefit.

3 (d) If perfection of a security interest depends upon
4 possession of the collateral by a secured party, perfection
5 occurs no earlier than the time the secured party takes
6 possession and continues only while the secured party
7 retains possession.

8 (e) A security interest in a certificated security in
9 registered form is perfected by delivery when delivery of
10 the certificated security occurs under Section 8301 and
11 remains perfected by delivery until the debtor obtains
12 possession of the security certificate.

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

16 (g) If a person acknowledges that it holds possession
17 for the secured party's benefit both of the following apply:

18 (1) The acknowledgment is effective under
19 subdivision (c) or under subdivision (a) of Section 8301,
20 even if the acknowledgment violates the rights of a
21 debtor.

22 (2) Unless the person otherwise agrees or law other
23 than this division otherwise provides, the person does not
24 owe any duty to the secured party and is not required to
25 confirm the acknowledgment to another person.

26 (h) A secured party having possession of collateral
27 does not relinquish possession by delivering the collateral
28 to a person other than the debtor or a lessee of the
29 collateral from the debtor in the ordinary course of the
30 debtor's business if the person was instructed before the
31 delivery or is instructed contemporaneously with the
32 delivery to do either of the following:

33 (1) To hold possession of the collateral for the secured
34 party's benefit.

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

36 (i) A secured party does not relinquish possession,
37 even if a delivery under subdivision (h) violates the rights
38 of a debtor. A person to which collateral is delivered
39 under subdivision (h) does not owe any duty to the
40 secured party and is not required to confirm the delivery



1 to another person unless the person otherwise agrees or
2 law other than this division otherwise provides.

3 9314. (a) A security interest in investment property,
4 deposit accounts, letter-of-credit rights, or electronic
5 chattel paper may be perfected by control of the
6 collateral under Section 9104, 9105, 9106, or 9107.

7 (b) A security interest in deposit accounts, electronic
8 chattel paper, or letter-of-credit rights is perfected by
9 control under Section 9104, 9105, or 9107 when the
10 secured party obtains control and remains perfected by
11 control only while the secured party retains control.

12 (c) A security interest in investment property is
13 perfected by control under Section 9106 from the time
14 the secured party obtains control and remains perfected
15 by control until both of the following conditions are
16 satisfied:

17 (1) The secured party does not have control.

18 (2) One of the following occurs:

19 (A) If the collateral is a certificated security, the
20 debtor has or acquires possession of the security
21 certificate.

22 (B) If the collateral is an uncertificated security, the
23 issuer has registered or registers the debtor as the
24 registered owner.

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

27 9315. (a) Except as otherwise provided in this
28 division and in subdivision (2) of Section 2403, both of the
29 following apply:

30 (1) A security interest or agricultural lien continues in
31 collateral notwithstanding sale, lease, license, exchange,
32 or other disposition thereof unless the secured party
33 authorized the disposition free of the security interest or
34 agricultural lien.

35 (2) A security interest attaches to any identifiable
36 proceeds of collateral.

37 (b) Proceeds that are commingled with other
38 property are identifiable proceeds as follows:

39 (1) If the proceeds are goods, to the extent provided
40 by Section 9336.



1 (2) If the proceeds are not goods, to the extent that the
2 secured party identifies the proceeds by a method of
3 tracing, including application of equitable principles, that
4 is permitted under law other than this division with
5 respect to commingled property of the type involved.

6 (c) A security interest in proceeds is a perfected
7 security interest if the security interest in the original
8 collateral was perfected.

9 (d) A perfected security interest in proceeds becomes
10 unperfected on the 21st day after the security interest
11 attaches to the proceeds unless any of the following
12 conditions is satisfied:

13 (1) All of the following are satisfied:

14 (A) A filed financing statement covers the original
15 collateral.

16 (B) The proceeds are collateral in which a security
17 interest may be perfected by filing in the office in which
18 the financing statement has been filed.

19 (C) The proceeds are not acquired with cash
20 proceeds.

21 (2) The proceeds are identifiable cash proceeds.

22 (3) The security interest in the proceeds is perfected
23 other than under subdivision (c) when the security
24 interest attaches to the proceeds or within 20 days
25 thereafter.

26 (e) If a filed financing statement covers the original
27 collateral, a security interest in proceeds which remains
28 perfected under paragraph (1) of subdivision (d)
29 becomes unperfected at the later of either of the
30 following:

31 (1) When the effectiveness of the filed financing
32 statement lapses under Section 9515 or is terminated
33 under Section 9513.

34 (2) The 21st day after the security interest attaches to
35 the proceeds.

36 9316. (a) A security interest perfected pursuant to
37 the law of the jurisdiction designated in subdivision (1)
38 of Section 9301 or in subdivision (c) of Section 9305
39 remains perfected until the earliest of any of the
40 following:



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

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

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

8 (b) If a security interest described in subdivision (a)
9 becomes perfected under the law of the other jurisdiction
10 before the earliest time or event described in that
11 subdivision, it remains perfected thereafter. If the
12 security interest does not become perfected under the
13 law of the other jurisdiction before the earliest time or
14 event, it becomes unperfected and is deemed never to
15 have been perfected as against a purchaser of the
16 collateral for value.

17 (c) A possessory security interest in collateral, other
18 than goods covered by a certificate of title and
19 as-extracted collateral consisting of goods, remains
20 continuously perfected if all of the following conditions
21 are satisfied:

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

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

27 (3) Upon entry into the other jurisdiction, the security
28 interest is perfected under the law of the other
29 jurisdiction.

30 (d) Except as otherwise provided in subdivision (e), a
31 security interest in goods covered by a certificate of title
32 which is perfected by any method under the law of
33 another jurisdiction when the goods become covered by
34 a certificate of title from this state remains perfected until
35 the security interest would have become unperfected
36 under the law of the other jurisdiction had the goods not
37 become so covered.

38 (e) A security interest described in subdivision (d)
39 becomes unperfected as against a purchaser of the goods
40 for value and is deemed never to have been perfected as



1 against a purchaser of the goods for value if the applicable
2 requirements for perfection under subdivision (b) of
3 Section 9311 or under Section 9313 are not satisfied before
4 the earlier of either of the following:

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

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

11 (f) A security interest in deposit accounts,
12 letter-of-credit rights, or investment property which is
13 perfected under the law of the bank's jurisdiction, the
14 issuer's jurisdiction, a nominated person's jurisdiction, the
15 securities intermediary's jurisdiction, or the commodity
16 intermediary's jurisdiction, as applicable, remains
17 perfected until the earlier of the following:

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

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

22 (g) If a security interest described in subdivision (f)
23 becomes perfected under the law of the other jurisdiction
24 before the earlier of the time or the end of the period
25 described in that subdivision, it remains perfected
26 thereafter. If the security interest does not become
27 perfected under the law of the other jurisdiction before
28 the earlier of that time or the end of that period, it
29 becomes unperfected and is deemed never to have been
30 perfected as against a purchaser of the collateral for
31 value.

32 9317. (a) An unperfected security interest or
33 agricultural lien is subordinate to the rights of both of the
34 following:

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

36 (2) A person that becomes a lien creditor before the
37 earlier of the time the security interest or agricultural lien
38 is perfected or a financing statement covering the
39 collateral is filed.



1 (b) Except as otherwise provided in subdivision (e), a
2 buyer, other than a secured party, of tangible chattel
3 paper, documents, goods, instruments, or a security
4 certificate takes free of a security interest or agricultural
5 lien if the buyer gives value and receives delivery of the
6 collateral without knowledge of the security interest or
7 agricultural lien and before it is perfected.

8 (c) Except as otherwise provided in subdivision (e), a
9 lessee of goods takes free of a security interest or
10 agricultural lien if the lessee gives value and receives
11 delivery of the collateral without knowledge of the
12 security interest or agricultural lien and before it is
13 perfected.

14 (d) A licensee of a general intangible or a buyer, other
15 than a secured party, of accounts, electronic chattel
16 paper, general intangibles, or investment property other
17 than a certificated security takes free of a security interest
18 if the licensee or buyer gives value without knowledge of
19 the security interest and before it is perfected.

20 (e) Except as otherwise provided in Sections 9320 and
21 9321, if a person files a financing statement with respect
22 to a purchase-money security interest before or within 20
23 days after the debtor receives delivery of the collateral,
24 the security interest takes priority over the rights of a
25 buyer, lessee, or lien creditor which arise between the
26 time the security interest attaches and the time of filing.

27 9318. (a) A debtor that has sold an account, chattel
28 paper, payment intangible, or promissory note does not
29 retain a legal or equitable interest in the collateral sold.

30 (b) For purposes of determining the rights of creditors
31 of, and purchasers for value of an account or chattel paper
32 from, a debtor that has sold an account or chattel paper,
33 while the buyer's security interest is unperfected, the
34 debtor is deemed to have rights and title to the account
35 or chattel paper identical to those the debtor sold.

36 9319. (a) Except as otherwise provided in
37 subdivision (b), for purposes of determining the rights of
38 creditors of, and purchasers for value of goods from, a
39 consignee, while the goods are in the possession of the
40 consignee, the consignee has rights and title to the goods



1 identical to those the consignor had or had power to
2 transfer.

3 (b) For purposes of determining the rights of a
4 creditor of a consignee, law other than this division
5 determines the rights and title of a consignee while goods
6 are in the consignee's possession if, under this chapter, a
7 perfected security interest held by the consignor would
8 have priority over the rights of the creditor.

9 9320. (a) Except as otherwise provided in
10 subdivision (e), a buyer in ordinary course of business,
11 other than a person buying farm products from a person
12 engaged in farming operations, takes free of a security
13 interest created by the buyer's seller, even if the security
14 interest is perfected and the buyer knows of its existence.

15 (b) Except as otherwise provided in subdivision (e), a
16 buyer of goods from a person who used or bought the
17 goods for use primarily for personal, family, or household
18 purposes takes free of a security interest, even if
19 perfected, if all of the following conditions are satisfied:

20 (1) The buyer buys without knowledge of the security
21 interest.

22 (2) The buyer buys for value.

23 (3) The buyer buys primarily for the buyer's personal,
24 family, or household purposes.

25 (4) The buyer buys before the filing of a financing
26 statement covering the goods.

27 (c) To the extent that it affects the priority of a
28 security interest over a buyer of goods under subdivision
29 (b), the period of effectiveness of a filing made in the
30 jurisdiction in which the seller is located is governed by
31 subdivisions (a) and (b) of Section 9316.

32 (d) A buyer in ordinary course of business buying oil,
33 gas, or other minerals at the wellhead or minehead or
34 after extraction takes free of an interest arising out of an
35 encumbrance.

36 (e) Subdivisions (a) and (b) do not affect a security
37 interest in goods in the possession of the secured party
38 under Section 9313.

39 9321. (a) In this section, "licensee in ordinary course
40 of business" means a person that becomes a licensee of a



1 general intangible in good faith, without knowledge that
2 the license violates the rights of another person in the
3 general intangible, and in the ordinary course from a
4 person in the business of licensing general intangibles of
5 that kind. A person becomes a licensee in the ordinary
6 course if the license to the person comports with the usual
7 or customary practices in the kind of business in which
8 the licensor is engaged or with the licensor's own usual or
9 customary practices.

10 (b) A licensee in ordinary course of business takes its
11 rights under a nonexclusive license free of a security
12 interest in the general intangible created by the licensor,
13 even if the security interest is perfected and the licensee
14 knows of its existence.

15 (c) A lessee in ordinary course of business takes its
16 leasehold interest free of a security interest in the goods
17 created by the lessor, even if the security interest is
18 perfected and the lessee knows of its existence.

19 9322. (a) Except as otherwise provided in this
20 section, priority among conflicting security interests and
21 agricultural liens in the same collateral is determined
22 according to the following rules:

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

30 (2) A perfected security interest or agricultural lien
31 has priority over a conflicting unperfected security
32 interest or agricultural lien.

33 (3) The first security interest or agricultural lien to
34 attach or become effective has priority if conflicting
35 security interests and agricultural liens are unperfected.

36 (b) For the purposes of paragraph (1) of subdivision
37 (a), the following rules apply:

38 (1) The time of filing or perfection as to a security
39 interest in collateral is also the time of filing or perfection
40 as to a security interest in proceeds.



1 (2) *The time of filing or perfection as to a security*
2 *interest in collateral supported by a supporting obligation*
3 *is also the time of filing or perfection as to a security*
4 *interest in the supporting obligation.*

5 (c) *Except as otherwise provided in subdivision (f), a*
6 *security interest in collateral which qualifies for priority*
7 *over a conflicting security interest under Section 9327,*
8 *9328, 9329, 9330, or 9331 also has priority over a conflicting*
9 *security interest in both of the following:*

10 (1) *Any supporting obligation for the collateral.*

11 (2) *Proceeds of the collateral if all of the following*
12 *conditions are satisfied:*

13 (A) *The security interest in proceeds is perfected.*

14 (B) *The proceeds are cash proceeds or of the same*
15 *type as the collateral.*

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

20 (d) *Subject to subdivision (e) and except as otherwise*
21 *provided in subdivision (f), if a security interest in chattel*
22 *paper, deposit accounts, negotiable documents,*
23 *instruments, investment property, or letter-of-credit*
24 *rights is perfected by a method other than filing,*
25 *conflicting perfected security interests in proceeds of the*
26 *collateral rank according to priority in time of filing.*

27 (e) *Subdivision (d) applies only if the proceeds of the*
28 *collateral are not cash proceeds, chattel paper, negotiable*
29 *documents, instruments, investment property, or*
30 *letter-of-credit rights.*

31 (f) *Subdivisions (a) to (e), inclusive, are subject to all*
32 *of the following:*

33 (1) *Subdivision (g) and the other provisions of this*
34 *chapter.*

35 (2) *Section 4210 with respect to a security interest of*
36 *a collecting bank.*

37 (3) *Section 5118 with respect to a security interest of*
38 *an issuer or nominated person.*



1 (4) Section 9110 with respect to a security interest
2 arising under Division 2 (commencing with Section 2101)
3 or Division 10 (commencing with Section 10101).

4 (g) A perfected agricultural lien on collateral has
5 priority over a conflicting security interest in or
6 agricultural lien on the same collateral if the statute
7 creating the agricultural lien so provides.

8 9323. (a) Except as otherwise provided in
9 subdivision (c), for purposes of determining the priority
10 of a perfected security interest under paragraph (1) of
11 subdivision (a) of Section 9322, perfection of the security
12 interest dates from the time an advance is made to the
13 extent that the security interest secures an advance that
14 satisfies both of the following conditions:

15 (1) It is made while the security interest is perfected
16 only under either of the following:

17 (A) Under Section 9309 when it attaches.

18 (B) Temporarily under subdivision (e), (f), or (g) of
19 Section 9312.

20 (2) It is not made pursuant to a commitment entered
21 into before or while the security interest is perfected by
22 a method other than under Section 9309 or under
23 subdivision (e), (f), or (g) of Section 9312.

24 (b) Except as otherwise provided in subdivision (c), a
25 security interest is subordinate to the rights of a person
26 that becomes a lien creditor while the security interest is
27 perfected only to the extent that it secures advances
28 made more than 45 days after the person becomes a lien
29 creditor unless either of the following conditions is
30 satisfied:

31 (1) The advance is made without knowledge of the
32 lien.

33 (2) The advance is made pursuant to a commitment
34 entered into without knowledge of the lien.

35 (c) Subdivisions (a) and (b) do not apply to a security
36 interest held by a secured party that is a buyer of
37 accounts, chattel paper, payment intangibles, or
38 promissory notes or a consignor.

39 (d) Except as otherwise provided in subdivision (e), a
40 buyer of goods other than a buyer in ordinary course of



1 *business takes free of a security interest to the extent that*
2 *it secures advances made after the earlier of either of the*
3 *following:*

4 (1) *The time the secured party acquires knowledge of*
5 *the buyer's purchase.*

6 (2) *Forty-five days after the purchase.*

7 (e) *Subdivision (d) does not apply if the advance is*
8 *made pursuant to a commitment entered into without*
9 *knowledge of the buyer's purchase and before the*
10 *expiration of the 45-day period.*

11 (f) *Except as otherwise provided in subdivision (g), a*
12 *lessee of goods, other than a lessee in ordinary course of*
13 *business, takes the leasehold interest free of a security*
14 *interest to the extent that it secures advances made after*
15 *the earlier of either of the following:*

16 (1) *The time the secured party acquires knowledge of*
17 *the lease.*

18 (2) *Forty-five days after the lease contract becomes*
19 *enforceable.*

20 (g) *Subdivision (f) does not apply if the advance is*
21 *made pursuant to a commitment entered into without*
22 *knowledge of the lease and before the expiration of the*
23 *45-day period.*

24 9324. (a) *Except as otherwise provided in*
25 *subdivision (g), a perfected purchase-money security*
26 *interest in goods other than inventory or livestock has*
27 *priority over a conflicting security interest in the same*
28 *goods, and, except as otherwise provided in Section 9327,*
29 *a perfected security interest in its identifiable proceeds*
30 *also has priority, if the purchase-money security interest*
31 *is perfected when the debtor receives possession of the*
32 *collateral or within 20 days thereafter.*

33 (b) *Subject to subdivision (c) and except as otherwise*
34 *provided in subdivision (g), a perfected purchase-money*
35 *security interest in inventory has priority over a*
36 *conflicting security interest in the same inventory, has*
37 *priority over a conflicting security interest in chattel*
38 *paper or an instrument constituting proceeds of the*
39 *inventory and in proceeds of the chattel paper, if so*
40 *provided in Section 9330, and, except as otherwise*



1 provided in Section 9327, also has priority in identifiable
2 cash proceeds of the inventory to the extent the
3 identifiable cash proceeds are received on or before the
4 delivery of the inventory to a buyer, if all of the following
5 conditions are satisfied:

6 (1) The purchase-money security interest is perfected
7 when the debtor receives possession of the inventory.

8 (2) The purchase-money secured party sends an
9 authenticated notification to the holder of the conflicting
10 security interest.

11 (3) The holder of the conflicting security interest
12 receives the notification within five years before the
13 debtor receives possession of the inventory.

14 (4) The notification states that the person sending the
15 notification has or expects to acquire a purchase-money
16 security interest in inventory of the debtor and describes
17 the inventory.

18 (c) Paragraphs (2) to (4), inclusive, of subdivision (b)
19 apply only if the holder of the conflicting security interest
20 had filed a financing statement covering the same types
21 of inventory as follows:

22 (1) If the purchase-money security interest is
23 perfected by filing, before the date of the filing.

24 (2) If the purchase-money security interest is
25 temporarily perfected without filing or possession under
26 subdivision (f) of Section 9312, before the beginning of
27 the 20-day period thereunder.

28 (d) Subject to subdivision (e) and except as otherwise
29 provided in subdivision (g), a perfected purchase-money
30 security interest in livestock that are farm products has
31 priority over a conflicting security interest in the same
32 livestock, and, except as otherwise provided in Section
33 9327, a perfected security interest in their identifiable
34 proceeds and identifiable products in their
35 unmanufactured states also has priority, if all of the
36 following conditions are satisfied:

37 (1) The purchase-money security interest is perfected
38 when the debtor receives possession of the livestock.



1 (2) *The purchase-money secured party sends an*
2 *authenticated notification to the holder of the conflicting*
3 *security interest.*

4 (3) *The holder of the conflicting security interest*
5 *receives the notification within six months before the*
6 *debtor receives possession of the livestock.*

7 (4) *The notification states that the person sending the*
8 *notification has or expects to acquire a purchase-money*
9 *security interest in livestock of the debtor and describes*
10 *the livestock.*

11 (e) *Paragraphs (2) to (4), inclusive, of subdivision (d)*
12 *apply only if the holder of the conflicting security interest*
13 *had filed a financing statement covering the same types*
14 *of livestock as follows:*

15 (1) *If the purchase-money security interest is*
16 *perfected by filing, before the date of the filing.*

17 (2) *If the purchase-money security interest is*
18 *temporarily perfected without filing or possession under*
19 *subdivision (f) of Section 9312, before the beginning of*
20 *the 20-day period thereunder.*

21 (f) *Except as otherwise provided in subdivision (g), a*
22 *perfected purchase-money security interest in software*
23 *has priority over a conflicting security interest in the*
24 *same collateral, and, except as otherwise provided in*
25 *Section 9327, a perfected security interest in its*
26 *identifiable proceeds also has priority, to the extent that*
27 *the purchase-money security interest in the goods in*
28 *which the software was acquired for use has priority in the*
29 *goods and proceeds of the goods under this section.*

30 (g) *If more than one security interest qualifies for*
31 *priority in the same collateral under subdivision (a), (b),*
32 *(d), or (f), the following rules apply:*

33 (1) *A security interest securing an obligation incurred*
34 *as all or part of the price of the collateral has priority over*
35 *a security interest securing an obligation incurred for*
36 *value given to enable the debtor to acquire rights in, or*
37 *the use of, collateral.*

38 (2) *In all other cases, subdivision (a) of Section 9322*
39 *applies to the qualifying security interests.*



1 9325. (a) Except as otherwise provided in
2 subdivision (b), a security interest created by a debtor is
3 subordinate to a security interest in the same collateral
4 created by another person if either of the following
5 applies:

6 (1) The debtor acquired the collateral subject to the
7 security interest created by the other person.

8 (2) The security interest created by the other person
9 was perfected when the debtor acquired the collateral.

10 (3) There is no period thereafter when the security
11 interest is unperfected.

12 (b) Subdivision (a) subordinates a security interest
13 only if either of the following conditions is satisfied:

14 (1) The security interest otherwise would have
15 priority solely under subdivision (a) of Section 9322 or
16 under Section 9324.

17 (2) The security interest arose solely under
18 subdivision (3) of Section 2711 or subdivision (5) of
19 Section 10508.

20 9326. (a) Subject to subdivision (b), a security
21 interest created by a new debtor which is perfected by a
22 filed financing statement that is effective solely under
23 Section 9508 in collateral in which a new debtor has or
24 acquires rights is subordinate to a security interest in the
25 same collateral which is perfected other than by a filed
26 financing statement that is effective solely under Section
27 9508.

28 (b) The other provisions of this chapter determine the
29 priority among conflicting security interests in the same
30 collateral perfected by filed financing statements that are
31 effective solely under Section 9508. However, if the
32 security agreements to which a new debtor became
33 bound as debtor were not entered into by the same
34 original debtor, the conflicting security interests rank
35 according to priority in time of the new debtor's having
36 become bound.

37 9327. The following rules govern priority among
38 conflicting security interests in the same deposit account:

39 (1) A security interest held by a secured party having
40 control of the deposit account under Section 9104 has



1 *priority over a conflicting security interest held by a*
2 *secured party that does not have control.*

3 (2) *Except as otherwise provided in subdivisions (3)*
4 *and (4), security interests perfected by control under*
5 *Section 9314 rank according to priority in time of*
6 *obtaining control.*

7 (3) *Except as otherwise provided in subdivision (4), a*
8 *security interest held by the bank with which the deposit*
9 *account is maintained has priority over a conflicting*
10 *security interest held by another secured party.*

11 (4) *A security interest perfected by control under*
12 *paragraph (3) of subdivision (a) of Section 9104 has*
13 *priority over a security interest held by the bank with*
14 *which the deposit account is maintained.*

15 9328. *The following rules govern priority among*
16 *conflicting security interests in the same investment*
17 *property:*

18 (1) *A security interest held by a secured party having*
19 *control of investment property under Section 9106 has*
20 *priority over a security interest held by a secured party*
21 *that does not have control of the investment property.*

22 (2) *Except as otherwise provided in subdivisions (3)*
23 *and (4), conflicting security interests held by secured*
24 *parties each of which has control under Section 9106 rank*
25 *according to priority in time of one of the following:*

26 (A) *If the collateral is a security, obtaining control.*

27 (B) *If the collateral is a security entitlement carried in*
28 *a securities account and if the secured party obtained*
29 *control under paragraph (1) of subdivision (d) of Section*
30 *8106, the secured party's becoming the person for which*
31 *the securities account is maintained.*

32 (C) *If the collateral is a security entitlement carried in*
33 *a securities account and if the secured party obtained*
34 *control under paragraph (2) of subdivision (d) of Section*
35 *8106, the securities intermediary's agreement to comply*
36 *with the secured party's entitlement orders with respect*
37 *to security entitlements carried, or to be carried, in the*
38 *securities account.*

39 (D) *If the collateral is a security entitlement carried in*
40 *a securities account and if the secured party obtained*



1 control through another person under paragraph (3) of
2 subdivision (d) of Section 8106, the time on which priority
3 would be based under this paragraph if the other person
4 were the secured party.

5 (E) If the collateral is a commodity contract carried
6 with a commodity intermediary, the satisfaction of the
7 requirement for control specified in paragraph (2) of
8 subdivision (b) of Section 9106 with respect to
9 commodity contracts carried, or to be carried, with the
10 commodity intermediary.

11 (3) A security interest held by a securities
12 intermediary in a security entitlement or a securities
13 account maintained with the securities intermediary has
14 priority over a conflicting security interest held by
15 another secured party.

16 (4) A security interest held by a commodity
17 intermediary in a commodity contract or a commodity
18 account maintained with the commodity intermediary
19 has priority over a conflicting security interest held by
20 another secured party.

21 (5) A security interest in a certificated security in
22 registered form which is perfected by taking delivery
23 under subdivision (a) of Section 9313 and not by control
24 under Section 9314 has priority over a conflicting security
25 interest perfected by a method other than control.

26 (6) Conflicting security interests created by a broker,
27 securities intermediary, or commodity intermediary
28 which are perfected without control under Section 9106
29 rank equally.

30 (7) In all other cases, priority among conflicting
31 security interests in investment property is governed by
32 Sections 9322 and 9323.

33 9329. The following rules govern priority among
34 conflicting security interests in the same letter-of-credit
35 right:

36 (1) A security interest held by a secured party having
37 control of the letter-of-credit right under Section 9107 has
38 priority to the extent of its control over a conflicting
39 security interest held by a secured party that does not
40 have control.



1 (2) Security interests perfected by control under
2 Section 9314 rank according to priority in time of
3 obtaining control.

4 9330. (a) A purchaser of chattel paper has priority
5 over a security interest in the chattel paper which is
6 claimed merely as proceeds of inventory subject to a
7 security interest if both of the following conditions are
8 satisfied:

9 (1) In good faith and in the ordinary course of the
10 purchaser's business, the purchaser gives new value and
11 takes possession of the chattel paper or obtains control of
12 the chattel paper under Section 9105.

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

16 (b) A purchaser of chattel paper has priority over a
17 security interest in the chattel paper which is claimed
18 other than merely as proceeds of inventory subject to a
19 security interest if the purchaser gives new value and
20 takes possession of the chattel paper or obtains control of
21 the chattel paper under Section 9105 in good faith, in the
22 ordinary course of the purchaser's business, and without
23 knowledge that the purchase violates the rights of the
24 secured party.

25 (c) Except as otherwise provided in Section 9327, a
26 purchaser having priority in chattel paper under
27 subdivision (a) or (b) also has priority in proceeds of the
28 chattel paper to the extent that either of the following
29 applies:

30 (1) Section 9322 provides for priority in the proceeds.

31 (2) The proceeds consist of the specific goods covered
32 by the chattel paper or cash proceeds of the specific
33 goods, even if the purchaser's security interest in the
34 proceeds is unperfected.

35 (d) Except as otherwise provided in subdivision (a) of
36 Section 9331, a purchaser of an instrument has priority
37 over a security interest in the instrument perfected by a
38 method other than possession if the purchaser gives value
39 and takes possession of the instrument in good faith and

1 without knowledge that the purchase violates the rights
2 of the secured party.

3 (e) For purposes of subdivisions (a) and (b), the
4 holder of a purchase-money security interest in inventory
5 gives new value for chattel paper constituting proceeds
6 of the inventory.

7 (f) For purposes of subdivisions (b) and (d), if chattel
8 paper or an instrument indicates that it has been assigned
9 to an identified secured party other than the purchaser,
10 a purchaser of the chattel paper or instrument has
11 knowledge that the purchase violates the rights of the
12 secured party.

13 9331. (a) This division does not limit the rights of a
14 holder in due course of a negotiable instrument, a holder
15 to which a negotiable document of title has been duly
16 negotiated, or a protected purchaser of a security. These
17 holders or purchasers take priority over an earlier
18 security interest, even if perfected, to the extent
19 provided in Division 3 (commencing with Section 3101),
20 Division 7 (commencing with Section 7101), and Division
21 8 (commencing with Section 8101).

22 (b) This division does not limit the rights of or impose
23 liability on a person to the extent that the person is
24 protected against the assertion of an adverse claim under
25 Division 8 (commencing with Section 8101).

26 (c) Filing under this division does not constitute notice
27 of a claim or defense to the holders, or purchasers, or
28 persons described in subdivisions (a) and (b).

29 9332. (a) A transferee of money takes the money free
30 of a security interest unless the transferee acts in collusion
31 with the debtor in violating the rights of the secured
32 party.

33 (b) A transferee of funds from a deposit account takes
34 the funds free of a security interest in the deposit account
35 unless the transferee acts in collusion with the debtor in
36 violating the rights of the secured party.

37 9333. (a) In this section, “possessory lien” means an
38 interest, other than a security interest or an agricultural
39 lien which satisfies all of the following conditions:



1 (1) It secures payment or performance of an
2 obligation for services or materials furnished with respect
3 to goods by a person in the ordinary course of the person's
4 business.

5 (2) It is created by statute or rule of law in favor of the
6 person.

7 (3) Its effectiveness depends on the person's
8 possession of the goods.

9 (b) A possessory lien on goods has priority over a
10 security interest in the goods unless the lien is created by
11 a statute that expressly provides otherwise.

12 9334. (a) A security interest under this division may
13 be created in goods that are fixtures or may continue in
14 goods that become fixtures. A security interest does not
15 exist under this division in ordinary building materials
16 incorporated into an improvement on land.

17 (b) This division does not prevent creation of an
18 encumbrance upon fixtures under real property law.

19 (c) In cases not governed by subdivisions (d) to (h),
20 inclusive, a security interest in fixtures is subordinate to
21 a conflicting interest of an encumbrancer or owner of the
22 related real property other than the debtor.

23 (d) Except as otherwise provided in subdivision (h), a
24 perfected security interest in fixtures has priority over a
25 conflicting interest of an encumbrancer or owner of the
26 real property if the debtor has an interest of record in or
27 is in possession of the real property and all of the following
28 conditions are satisfied:

29 (1) The security interest is a purchase-money security
30 interest.

31 (2) The interest of the encumbrancer or owner arises
32 before the goods become fixtures.

33 (3) The security interest is perfected by a fixture filing
34 before the goods become fixtures or within 20 days
35 thereafter.

36 (e) A perfected security interest in fixtures has
37 priority over a conflicting interest of an encumbrancer or
38 owner of the real property if any of the following
39 conditions is satisfied:



1 (1) The debtor has an interest of record in the real
2 property or is in possession of the real property and both
3 of the following conditions are satisfied:

4 (A) The security interest is perfected by a fixture filing
5 before the interest of the encumbrancer or owner is of
6 record.

7 (B) The security interest has priority over any
8 conflicting interest of a predecessor in title of the
9 encumbrancer or owner.

10 (2) Before the goods become fixtures, the security
11 interest is perfected by any method permitted by this
12 division and the fixtures are readily removable and are
13 any of the following:

14 (A) Factory or office machines.

15 (B) Equipment that is not primarily used or leased for
16 use in the operation of the real property.

17 (C) Replacements of domestic appliances that are
18 consumer goods.

19 (3) The conflicting interest is a lien on the real
20 property obtained by legal or equitable proceedings after
21 the security interest was perfected by any method
22 permitted by this division.

23 (4) The security interest is both of the following:

24 (A) Created in a manufactured home in a
25 manufactured-home transaction.

26 (B) Perfected pursuant to a statute described in
27 paragraph (2) of subdivision (a) of Section 9311.

28 (f) A security interest in fixtures, whether or not
29 perfected, has priority over a conflicting interest of an
30 encumbrancer or owner of the real property if either of
31 the following conditions is satisfied:

32 (1) The encumbrancer or owner has, in an
33 authenticated record, consented to the security interest
34 or disclaimed an interest in the goods as fixtures.

35 (2) The debtor has a right to remove the goods as
36 against the encumbrancer or owner.

37 (g) The priority of the security interest under
38 subdivision (f) continues for a reasonable time if the
39 debtor's right to remove the goods as against the
40 encumbrancer or owner terminates.



1 (h) A mortgage is a construction mortgage to the
2 extent that it secures an obligation incurred for the
3 construction of an improvement on land, including the
4 acquisition cost of the land, if a recorded record of the
5 mortgage so indicates. Except as otherwise provided in
6 subdivisions (e) and (f), a security interest in fixtures is
7 subordinate to a construction mortgage if a record of the
8 mortgage is recorded before the goods become fixtures
9 and the goods become fixtures before the completion of
10 the construction. A mortgage has this priority to the same
11 extent as a construction mortgage to the extent that it is
12 given to refinance a construction mortgage.

13 (i) A perfected security interest in crops growing on
14 real property has priority over a conflicting interest of an
15 encumbrancer or owner of the real property if the debtor
16 has an interest of record in, or is in possession of, the real
17 property.

18 9335. (a) A security interest may be created in an
19 accession and continues in collateral that becomes an
20 accession.

21 (b) If a security interest is perfected when the
22 collateral becomes an accession, the security interest
23 remains perfected in the collateral.

24 (c) Except as otherwise provided in subdivision (d),
25 the other provisions of this chapter determine the
26 priority of a security interest in an accession.

27 (d) A security interest in an accession is subordinate to
28 a security interest in the whole which is perfected by
29 compliance with the requirements of a certificate-of-title
30 statute under subdivision (b) of Section 9311.

31 (e) After default, subject to Chapter 6 (commencing
32 with subdivision 9601), a secured party may remove an
33 accession from other goods if the security interest in the
34 accession has priority over the claims of every person
35 having an interest in the whole.

36 (f) A secured party that removes an accession from
37 other goods under subdivision (e) shall promptly
38 reimburse any holder of a security interest or other lien
39 on, or owner of, the whole or of the other goods, other
40 than the debtor, for the cost of repair of any physical



1 injury to the whole or the other goods. The secured party
2 need not reimburse the holder or owner for any
3 diminution in value of the whole or the other goods
4 caused by the absence of the accession removed or by any
5 necessity for replacing it. A person entitled to
6 reimbursement may refuse permission to remove until
7 the secured party gives adequate assurance for the
8 performance of the obligation to reimburse.

9 9336. (a) In this section, “commingled goods” means
10 goods that are physically united with other goods in such
11 a manner that their identity is lost in a product or mass.

12 (b) A security interest does not exist in commingled
13 goods as such. However, a security interest may attach to
14 a product or mass that results when goods become
15 commingled goods.

16 (c) If collateral becomes commingled goods, a security
17 interest attaches to the product or mass.

18 (d) If a security interest in collateral is perfected
19 before the collateral becomes commingled goods, the
20 security interest that attaches to the product or mass
21 under subdivision (c) is perfected.

22 (e) Except as otherwise provided in subdivision (f),
23 the other provisions of this chapter determine the
24 priority of a security interest that attaches to the product
25 or mass under subdivision (c).

26 (f) If more than one security interest attaches to the
27 product or mass under subdivision (c), the following rules
28 determine priority:

29 (1) A security interest that is perfected under
30 subdivision (d) has priority over a security interest that
31 is unperfected at the time the collateral becomes
32 commingled goods.

33 (2) If more than one security interest is perfected
34 under subdivision (d), the security interests rank equally
35 in proportion to value of the collateral at the time it
36 became commingled goods.

37 9337. If, while a security interest in goods is perfected
38 by any method under the law of another jurisdiction, this
39 state issues a certificate of title that does not show that the
40 goods are subject to the security interest or contain a



1 *statement that they may be subject to security interests*
2 *not shown on the certificate both of the following apply:*

3 (1) *A buyer of the goods, other than a person in the*
4 *business of selling goods of that kind, takes free of the*
5 *security interest if the buyer gives value and receives*
6 *delivery of the goods after issuance of the certificate and*
7 *without knowledge of the security interest.*

8 (2) *The security interest is subordinate to a conflicting*
9 *security interest in the goods that attaches, and is*
10 *perfected under subdivision (b) of Section 9311, after*
11 *issuance of the certificate and without the conflicting*
12 *secured party's knowledge of the security interest.*

13 9338. *If a security interest or agricultural lien is*
14 *perfected by a filed financing statement providing*
15 *information described in paragraph (5) of subdivision (b)*
16 *of Section 9516 which is incorrect at the time the*
17 *financing statement is filed both of the following apply:*

18 (1) *The security interest or agricultural lien is*
19 *subordinate to a conflicting perfected security interest in*
20 *the collateral to the extent that the holder of the*
21 *conflicting security interest gives value in reasonable*
22 *reliance upon the incorrect information.*

23 (2) *A purchaser, other than a secured party, of the*
24 *collateral takes free of the security interest or agricultural*
25 *lien to the extent that, in reasonable reliance upon the*
26 *incorrect information, the purchaser gives value and, in*
27 *the case of chattel paper, documents, goods, instruments,*
28 *or a security certificate, receives delivery of the collateral.*

29 9339. *This division does not preclude subordination*
30 *by agreement by a person entitled to priority.*

31 9340. (a) *Except as otherwise provided in*
32 *subdivision (c), a bank with which a deposit account is*
33 *maintained may exercise any right of recoupment or*
34 *set-off against a secured party that holds a security*
35 *interest in the deposit account.*

36 (b) *Except as otherwise provided in subdivision (c),*
37 *the application of this division to a security interest in a*
38 *deposit account does not affect a right of recoupment or*
39 *set-off of the secured party as to a deposit account*
40 *maintained with the secured party.*



1 (c) *The exercise by a bank of a set-off against a deposit*
2 *account is ineffective against a secured party that holds*
3 *a security interest in the deposit account which is*
4 *perfected by control under paragraph (3) of subdivision*
5 *(a) of Section 9104, if the set-off is based on a claim against*
6 *the debtor.*

7 9341. *Except as otherwise provided in subdivision (c)*
8 *of Section 9340, and unless the bank otherwise agrees in*
9 *an authenticated record, a bank's rights and duties with*
10 *respect to a deposit account maintained with the bank are*
11 *not terminated, suspended, or modified by any of the*
12 *following:*

13 (1) *The creation, attachment, or perfection of a*
14 *security interest in the deposit account.*

15 (2) *The bank's knowledge of the security interest.*

16 (3) *The bank's receipt of instructions from the secured*
17 *party.*

18 9342. *This division does not require a bank to enter*
19 *into an agreement of the kind described in paragraph (2)*
20 *of subdivision (a) of Section 9104, even if its customer so*
21 *requests or directs. A bank that has entered into such an*
22 *agreement is not required to confirm the existence of the*
23 *agreement to another person unless requested to do so by*
24 *its customer.*

25

26 CHAPTER 4. RIGHTS OF THIRD PARTIES

27

28 9401. (a) *Except as otherwise provided in*
29 *subdivision (b) and in Sections 9406, 9407, 9408, and 9409,*
30 *whether a debtor's rights in collateral may be voluntarily*
31 *or involuntarily transferred is governed by law other than*
32 *this division.*

33 (b) *An agreement between the debtor and secured*
34 *party which prohibits a transfer of the debtor's rights in*
35 *collateral or makes the transfer a default does not prevent*
36 *the transfer from taking effect.*

37 9402. *The existence of a security interest, agricultural*
38 *lien, or authority given to a debtor to dispose of or use*
39 *collateral, without more, does not subject a secured party*



1 to liability in contract or tort for the debtor's acts or
2 omissions.

3 9403. (a) In this section, "value" has the meaning
4 provided in subdivision (a) of Section 3303.

5 (b) Except as otherwise provided in this section, an
6 agreement between an account debtor and an assignor
7 not to assert against an assignee any claim or defense that
8 the account debtor may have against the assignor is
9 enforceable by an assignee that takes an assignment that
10 satisfies all of the following conditions:

11 (1) It is taken for value.

12 (2) It is taken in good faith.

13 (3) It is taken without notice of a claim of a property
14 or possessory right to the property assigned.

15 (4) It is taken without notice of a defense or claim in
16 recoupment of the type that may be asserted against a
17 person entitled to enforce a negotiable instrument under
18 subdivision (a) of Section 3305.

19 (c) Subdivision (b) does not apply to defenses of a type
20 that may be asserted against a holder in due course of a
21 negotiable instrument under subdivision (b) of Section
22 3305.

23 (d) In a consumer transaction, if a record evidences
24 the account debtor's obligation, law other than this
25 division requires that the record include a statement to
26 the effect that the rights of an assignee are subject to
27 claims or defenses that the account debtor could assert
28 against the original obligee, and the record does not
29 include such a statement, then both of the following
30 apply:

31 (1) The record has the same effect as if the record
32 included such a statement.

33 (2) The account debtor may assert against an assignee
34 those claims and defenses that would have been available
35 if the record included such a statement.

36 (e) This section is subject to law other than this
37 division which establishes a different rule for an account
38 debtor who is an individual and who incurred the
39 obligation primarily for personal, family, or household
40 purposes.



1 (f) Except as otherwise provided in subdivision (d),
2 this section does not displace law other than this division
3 which gives effect to an agreement by an account debtor
4 not to assert a claim or defense against an assignee.

5 9404. (a) Unless an account debtor has made an
6 enforceable agreement not to assert defenses or claims,
7 and subject to subdivisions (b) to (e), inclusive, the rights
8 of an assignee are subject to both of the following:

9 (1) All terms of the agreement between the account
10 debtor and assignor and any defense or claim in
11 recoupment arising from the transaction that gave rise to
12 the contract.

13 (2) Any other defense or claim of the account debtor
14 against the assignor which accrues before the account
15 debtor receives a notification of the assignment
16 authenticated by the assignor or the assignee.

17 (b) Subject to subdivision (c) and except as otherwise
18 provided in subdivision (d), the claim of an account
19 debtor against an assignor may be asserted against an
20 assignee under subdivision (a) only to reduce the amount
21 the account debtor owes.

22 (c) This section is subject to law other than this
23 division which establishes a different rule for an account
24 debtor who is an individual and who incurred the
25 obligation primarily for personal, family, or household
26 purposes.

27 (d) In a consumer transaction, if a record evidences
28 the account debtor's obligation, law other than this
29 division requires that the record include a statement to
30 the effect that the account debtor's recovery against an
31 assignee with respect to claims and defenses against the
32 assignor may not exceed amounts paid by the account
33 debtor under the record, and the record does not include
34 such a statement, the extent to which a claim of an
35 account debtor against the assignor may be asserted
36 against an assignee is determined as if the record included
37 such a statement.

38 (e) This section does not apply to an assignment of a
39 health-care-insurance receivable.



1 9405. (a) A modification of or substitution for an
2 assigned contract is effective against an assignee if made
3 in good faith. The assignee acquires corresponding rights
4 under the modified or substituted contract. The
5 assignment may provide that the modification or
6 substitution is a breach of contract by the assignor. This
7 subdivision is subject to subdivisions (b) to (d), inclusive.

8 (b) Subdivision (a) applies to the extent that either of
9 the following apply:

10 (1) The right to payment or a part thereof under an
11 assigned contract has not been fully earned by
12 performance.

13 (2) The right to payment or a part thereof has been
14 fully earned by performance and the account debtor has
15 not received notification of the assignment under
16 subdivision (a) of Section 9406.

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

22 (d) This section does not apply to an assignment of a
23 health-care-insurance receivable.

24 9406. (a) Subject to subdivisions (b) to (i), inclusive,
25 an account debtor on an account, chattel paper, or a
26 payment intangible may discharge its obligation by
27 paying the assignor until, but not after, the account
28 debtor receives a notification, authenticated by the
29 assignor or the assignee, that the amount due or to
30 become due has been assigned and that payment is to be
31 made to the assignee. After receipt of the notification, the
32 account debtor may discharge its obligation by paying the
33 assignee and may not discharge the obligation by paying
34 the assignor.

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

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

39 (2) To the extent that an agreement between an
40 account debtor and a seller of a payment intangible limits



1 *the account debtor's duty to pay a person other than the*
2 *seller and the limitation is effective under law other than*
3 *this division.*

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

9 (A) *Only a portion of the account, chattel paper, or*
10 *general 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*
13 *that assignee is limited.*

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

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

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

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

38 (e) *Subdivision (d) does not apply to the sale of a*
39 *payment intangible or promissory note.*



1 (f) Except as otherwise provided in Sections 9407 and
2 10303, and subject to subdivisions (h) and (i), a rule of
3 law, statute, or regulation, that prohibits, restricts, or
4 requires the consent of a government, governmental
5 body or official, or account debtor to the assignment or
6 transfer of, or creation of a security interest in, an account
7 or chattel paper is ineffective to the extent that the rule
8 of law, statute, or regulation does either of the following:

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

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

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

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

27 (i) This section does not apply to an assignment of a
28 health-care-insurance receivable.

29 9407. (a) Except as otherwise provided in
30 subdivision (b), a term in a lease agreement is ineffective
31 to the extent that it does either of the following:

32 (1) Prohibits, restricts, or requires the consent of a
33 party to the lease to the creation, attachment, perfection,
34 or enforcement of a security interest in an interest of a
35 party under the lease contract or in the lessor's residual
36 interest in the goods.

37 (2) Provides that the creation, attachment, perfection,
38 or enforcement of the security interest may give rise to
39 a default, breach, right of recoupment, claim, defense,



1 termination, right of termination, or remedy under the
2 lease.

3 (b) Except as otherwise provided in subdivision (7) of
4 Section 10303, a term described in paragraph (2) of
5 subdivision (a) is effective to the extent that there is
6 either of the following:

7 (1) A transfer by the lessee of the lessee's right of
8 possession or use of the goods in violation of the term.

9 (2) A delegation of a material performance of either
10 party to the lease contract in violation of the term.

11 (c) The creation, attachment, perfection, or
12 enforcement of a security interest in the lessor's interest
13 under the lease contract or the lessor's residual interest
14 in the goods is not a transfer that materially impairs the
15 lessee's prospect of obtaining return performance or
16 materially changes the duty of or materially increases the
17 burden or risk imposed on the lessee within the purview
18 of subdivision (4) of Section 10303 unless, and then only
19 to the extent that, enforcement actually results in a
20 delegation of material performance of the lessor. Even in
21 that event, the creation, attachment, perfection, and
22 enforcement of the security interest remain effective.

23 9408. (a) Except as otherwise provided in
24 subdivision (b), a term in a promissory note or in an
25 agreement between an account debtor and a debtor
26 which relates to a health-care-insurance receivable or a
27 general intangible, including a contract, permit, license,
28 or franchise, and which term prohibits, restricts, or
29 requires the consent of the person obligated on the
30 promissory note or the account debtor to, the assignment
31 or transfer of, or the creation, attachment, or perfection
32 of a security interest in, the promissory note,
33 health-care-insurance receivable, or general intangible, is
34 ineffective to the extent that the term does, or would do,
35 either of the following:

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

38 (2) It provides that the creation, attachment, or
39 perfection of the security interest may give rise to a
40 default, breach, right of recoupment, claim, defense,



1 *termination, right of termination, or remedy under the*
2 *promissory note, health-care-insurance receivable, or*
3 *general intangible.*

4 *(b) Subdivision (a) applies to a security interest in a*
5 *payment intangible or promissory note only if the*
6 *security interest arises out of a sale of the payment*
7 *intangible or promissory note.*

8 *(c) A rule of law, statute, or regulation, which*
9 *prohibits, restricts, or requires the consent of a*
10 *government, governmental body or official, person*
11 *obligated on a promissory note, or account debtor to the*
12 *assignment or transfer of, or the creation of a security*
13 *interest in, a promissory note, health-care-insurance*
14 *receivable, or general intangible, including a contract,*
15 *permit, license, or franchise between an account debtor*
16 *and a debtor, is ineffective to the extent that the rule of*
17 *law, statute, or regulation does, or would do, either of the*
18 *following:*

19 *(1) It would impair the creation, attachment, or*
20 *perfection of a security interest.*

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

27 *(d) To the extent that a term in a promissory note or*
28 *in an agreement between an account debtor and a debtor*
29 *which relates to a health-care-insurance receivable or*
30 *general intangible or a rule of law, statute, or regulation*
31 *described in subdivision (c) would be effective under law*
32 *other than this division but is ineffective under*
33 *subdivision (a) or (c), all of the following rules apply with*
34 *respect to the creation, attachment, or perfection of a*
35 *security interest in the promissory note,*
36 *health-care-insurance receivable, or general intangible:*

37 *(1) It is not enforceable against the person obligated*
38 *on the promissory note or the account debtor.*



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

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

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

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

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

23 9409. (a) A term in a letter of credit or a rule of law,
24 statute, regulation, custom, or practice applicable to the
25 letter of credit which prohibits, restricts, or requires the
26 consent of an applicant, issuer, or nominated person to a
27 beneficiary's assignment of or creation of a security
28 interest in a letter-of-credit right is ineffective to the
29 extent that the term or rule of law, statute, regulation,
30 custom, or practice does, or would do, either of the
31 following:

32 (1) It would impair the creation, attachment, or
33 perfection of a security interest in the letter-of-credit
34 right.

35 (2) It provides that the creation, attachment, or
36 perfection of the security interest may give rise to a
37 default, breach, right of recoupment, claim, defense,
38 termination, right of termination, or remedy under the
39 letter-of-credit right.



1 (b) To the extent that a term in a letter of credit is
2 ineffective under subdivision (a) but would be effective
3 under law other than this division or a custom or practice
4 applicable to the letter of credit, to the transfer of a right
5 to draw or otherwise demand performance under the
6 letter of credit, or to the assignment of a right to proceeds
7 of the letter of credit, all of the following rules apply with
8 respect to the creation, attachment, or perfection of a
9 security interest in the letter-of-credit right:

10 (1) It is not enforceable against the applicant, issuer,
11 nominated person, or transferee beneficiary.

12 (2) It imposes no duties or obligations on the applicant,
13 issuer, nominated person, or transferee beneficiary.

14 (3) It does not require the applicant, issuer, nominated
15 person, or transferee beneficiary to recognize the
16 security interest, pay or render performance to the
17 secured party, or accept payment or other performance
18 from the secured party.

19

20

CHAPTER 5. FILING

21

22 9501. (a) Except as otherwise provided in
23 subdivision (b), if the local law of this state governs
24 perfection of a security interest or agricultural lien, the
25 office in which to file a financing statement to perfect the
26 security interest or agricultural lien is either of the
27 following:

28 (1) The office designated for the filing or recording of
29 a record of a mortgage on the related real property, if
30 either of the following conditions is satisfied:

31 (A) The collateral is as-extracted collateral or timber
32 to be cut.

33 (B) The financing statement is filed as a fixture filing
34 and the collateral is goods that are or are to become
35 fixtures.

36 (2) The office of the Secretary of State in all other
37 cases, including a case in which the collateral is goods that
38 are or are to become fixtures and the financing statement
39 is not filed as a fixture filing.



1 (b) The office in which to file a financing statement to
2 perfect a security interest in collateral, including fixtures,
3 of a transmitting utility is the office of the Secretary of
4 State. The financing statement also constitutes a fixture
5 filing as to the collateral indicated in the financing
6 statement which is or is to become fixtures.

7 9502. (a) Subject to subdivision (b), a financing
8 statement is sufficient only if it satisfies all of the following
9 conditions:

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

11 (2) It provides the name of the secured party or a
12 representative of the secured party.

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

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

21 (1) Indicate that it covers this type of collateral.

22 (2) Indicate that it is to be recorded in the real
23 property records.

24 (3) Provide a description of the real property to which
25 the collateral is related sufficient to give constructive
26 notice of a mortgage under the law of this state if the
27 description were contained in a record of the mortgage
28 of the real property.

29 (4) If the debtor does not have an interest of record in
30 the real property, provide the name of a record owner.

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

36 (1) The record indicates the goods or accounts that it
37 covers.

38 (2) The goods are or are to become fixtures related to
39 the real property described in the record or the collateral



1 *is related to the real property described in the record and*
2 *is as-extracted collateral or timber to be cut.*

3 (3) *The record complies with the requirements for a*
4 *financing statement in this section other than an*
5 *indication that it is to be filed in the real property records.*

6 (4) *The record is duly recorded.*

7 (d) *A financing statement may be filed before a*
8 *security agreement is made or a security interest*
9 *otherwise attaches.*

10 9503. (a) *A financing statement sufficiently provides*
11 *the name of the debtor only if it does so in accordance*
12 *with the following rules:*

13 (1) *If the debtor is a registered organization, only if the*
14 *financing statement provides the name of the debtor*
15 *indicated on the public record of the debtor's jurisdiction*
16 *of organization which shows the debtor to have been*
17 *organized.*

18 (2) *If the debtor is a decedent's estate, only if the*
19 *financing statement provides the name of the decedent*
20 *and indicates that the debtor is an estate.*

21 (3) *If the debtor is a trust or a trustee acting with*
22 *respect to property held in trust, only if the financing*
23 *statement satisfies both of the following conditions:*

24 (A) *It provides the name specified for the trust in its*
25 *organic documents or, if no name is specified, provides*
26 *the name of the settlor and additional information*
27 *sufficient to distinguish the debtor from other trusts*
28 *having one or more of the same settlors.*

29 (B) *It indicates, in the debtor's name or otherwise,*
30 *that the debtor is a trust or is a trustee acting with respect*
31 *to property held in trust.*

32 (4) *In other cases, according to the following rules:*

33 (A) *If the debtor has a name, only if it provides the*
34 *individual or organizational name of the debtor.*

35 (B) *If the debtor does not have a name, only if it*
36 *provides the names of the partners, members, associates,*
37 *or other persons comprising the debtor.*

38 (b) *A financing statement that provides the name of*
39 *the debtor in accordance with subdivision (a) is not*



1 rendered ineffective by the absence of either of the
2 following:

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

4 (2) Unless required under subparagraph (B) of
5 paragraph (4) of subdivision (a), names of partners,
6 members, associates, or other persons comprising the
7 debtor.

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

11 (d) Failure to indicate the representative capacity of
12 a secured party or representative of a secured party does
13 not affect the sufficiency of a financing statement.

14 (e) A financing statement may provide the name of
15 more than one debtor and the name of more than one
16 secured party.

17 9504. A financing statement sufficiently indicates the
18 collateral that it covers only if the financing statement
19 provides either of the following:

20 (1) A description of the collateral pursuant to Section
21 9108.

22 (2) An indication that the financing statement covers
23 all assets or all personal property.

24 9505. (a) A consignor, lessor, or other bailor of goods,
25 a licensor, or a buyer of a payment intangible or
26 promissory note may file a financing statement, or may
27 comply with a statute or treaty described in subdivision
28 (a) of Section 9311, using the terms "consignor,"
29 "consignee," "lessor," "lessee," "bailor," "bailee,"
30 "licensor," "licensee," "owner," "registered owner,"
31 "buyer," "seller," or words of similar import, instead of
32 the terms "secured party" and "debtor."

33 (b) This chapter applies to the filing of a financing
34 statement under subdivision (a) and, as appropriate, to
35 compliance that is equivalent to filing a financing
36 statement under subdivision (b) of Section 9311, but the
37 filing or compliance is not of itself a factor in determining
38 whether the collateral secures an obligation. If it is
39 determined for another reason that the collateral secures
40 an obligation, a security interest held by the consignor,



1 lessor, bailor, owner, or buyer which attaches to the
2 collateral is perfected by the filing or compliance.

3 9506. (a) A financing statement substantially
4 satisfying the requirements of this part is effective, even
5 if it has minor errors or omissions, unless the errors or
6 omissions make the financing statement seriously
7 misleading.

8 (b) Except as otherwise provided in subdivision (c), a
9 financing statement that fails sufficiently to provide the
10 name of the debtor in accordance with subdivision (a) of
11 Section 9503 is seriously misleading.

12 (c) If a search of the records of the filing office under
13 the debtor's correct name, using the filing office's
14 standard search logic, if any, would disclose a financing
15 statement that fails sufficiently to provide the name of the
16 debtor in accordance with subdivision (a) of Section 9503,
17 the name provided does not make the financing
18 statement seriously misleading.

19 (d) For purposes of subdivision (b) of Section 9508, the
20 "debtor's correct name" in subdivision (c) means the
21 correct name of the new debtor.

22 9507. (a) A filed financing statement remains
23 effective with respect to collateral that is sold, exchanged,
24 leased, licensed, or otherwise disposed of and in which a
25 security interest or agricultural lien continues, even if the
26 secured party knows of or consents to the disposition.

27 (b) Except as otherwise provided in subdivision (c)
28 and in Section 9508, a financing statement is not rendered
29 ineffective if, after the financing statement is filed, the
30 information provided in the financing statement
31 becomes seriously misleading under Section 9506.

32 (c) If a debtor so changes its name that a filed
33 financing statement becomes seriously misleading under
34 Section 9506, the following rules apply:

35 (1) The financing statement is effective to perfect a
36 security interest in collateral acquired by the debtor
37 before, or within four months after, the change.

38 (2) The financing statement is not effective to perfect
39 a security interest in collateral acquired by the debtor
40 more than four months after the change, unless an



1 amendment to the financing statement which renders
2 the financing statement not seriously misleading is filed
3 within four months after the change.

4 9508. (a) Except as otherwise provided in this
5 section, a filed financing statement naming an original
6 debtor is effective to perfect a security interest in
7 collateral in which a new debtor has or acquires rights to
8 the extent that the financing statement would have been
9 effective had the original debtor acquired rights in the
10 collateral.

11 (b) If the difference between the name of the original
12 debtor and that of the new debtor causes a filed financing
13 statement that is effective under subdivision (a) to be
14 seriously misleading under Section 9506, the following
15 rules apply:

16 (1) The financing statement is effective to perfect a
17 security interest in collateral acquired by the new debtor
18 before, and within four months after, the new debtor
19 becomes bound under subdivision (d) of Section 9203.

20 (2) The financing statement is not effective to perfect
21 a security interest in collateral acquired by the new
22 debtor more than four months after the new debtor
23 becomes bound under subdivision (d) of Section 9203
24 unless an initial financing statement providing the name
25 of the new debtor is filed before the expiration of that
26 time.

27 (c) This section does not apply to collateral as to which
28 a filed financing statement remains effective against the
29 new debtor under subdivision (a) of Section 9507.

30 9509. (a) A person may file an initial financing
31 statement, an amendment that adds collateral covered by
32 a financing statement, or an amendment that adds a
33 debtor to a financing statement only if either of the
34 following conditions is satisfied:

35 (1) The debtor authorizes the filing in an
36 authenticated record.

37 (2) The person holds an agricultural lien that has
38 become effective at the time of filing and the financing
39 statement covers only collateral in which the person holds
40 an agricultural lien.



1 (b) By authenticating or becoming bound as debtor by
2 a security agreement, a debtor or new debtor authorizes
3 the filing of an initial financing statement, and an
4 amendment, covering both of the following:

5 (1) The collateral described in the security
6 agreement.

7 (2) Property that becomes collateral under paragraph
8 (2) of subdivision (a) of Section 9315, whether or not the
9 security agreement expressly covers proceeds.

10 (c) A person may file an amendment other than an
11 amendment that adds collateral covered by a financing
12 statement or an amendment that adds a debtor to a
13 financing statement only if either of the following
14 conditions is satisfied:

15 (1) The secured party of record authorizes the filing.

16 (2) The amendment is a termination statement for a
17 financing statement as to which the secured party of
18 record has failed to file or send a termination statement
19 as required by subdivision (a) or (c) of Section 9513, the
20 debtor authorizes the filing, and the termination
21 statement indicates that the debtor authorized it to be
22 filed.

23 (d) If there is more than one secured party of record
24 for a financing statement, each secured party of record
25 may authorize the filing of an amendment under
26 subdivision (c).

27 9510. (a) A filed record is effective only to the extent
28 that it was filed by a person that may file it under Section
29 9509.

30 (b) A record authorized by one secured party of
31 record does not affect the financing statement with
32 respect to another secured party of record.

33 (c) A continuation statement that is not filed within
34 the six-month period prescribed by subdivision (d) of
35 Section 9515 is ineffective.

36 9511. (a) A secured party of record with respect to a
37 financing statement is a person whose name is provided
38 as the name of the secured party or a representative of the
39 secured party in an initial financing statement that has
40 been filed. If an initial financing statement is filed under



1 subdivision (a) of Section 9514, the assignee named in the
2 initial financing statement is the secured party of record
3 with respect to the financing statement.

4 (b) If an amendment of a financing statement which
5 provides the name of a person as a secured party or a
6 representative of a secured party is filed, the person
7 named in the amendment is a secured party of record. If
8 an amendment is filed under subdivision (b) of Section
9 9514, the assignee named in the amendment is a secured
10 party of record.

11 (c) A person remains a secured party of record until
12 the filing of an amendment of the financing statement
13 which deletes the person.

14 9512. (a) Subject to Section 9509, a person may add
15 or delete collateral covered by, continue or terminate the
16 effectiveness of, or, subject to subdivision (e), otherwise
17 amend the information provided in, a financing
18 statement by filing an amendment that does both of the
19 following:

20 (1) Identifies, by its file number, the initial financing
21 statement to which the amendment relates.

22 (2) If the amendment relates to an initial financing
23 statement filed or recorded in a filing office described in
24 paragraph (1) of subdivision (a) of Section 9501, provides
25 the date that the initial financing statement was filed or
26 recorded and the information specified in subdivision (b)
27 of Section 9502.

28 (b) Except as otherwise provided in Section 9515, the
29 filing of an amendment does not extend the period of
30 effectiveness of the financing statement.

31 (c) A financing statement that is amended by an
32 amendment that adds collateral is effective as to the
33 added collateral only from the date of the filing of the
34 amendment.

35 (d) A financing statement that is amended by an
36 amendment that adds a debtor is effective as to the added
37 debtor only from the date of the filing of the amendment.

38 (e) An amendment is ineffective to the extent that it
39 does either of the following:



1 (1) It purports to delete all debtors and fails to provide
2 the name of a debtor to be covered by the financing
3 statement.

4 (2) It purports to delete all secured parties of record
5 and fails to provide the name of a new secured party of
6 record.

7 9513. (a) A secured party shall cause the secured
8 party of record for a financing statement to file a
9 termination statement for the financing statement if the
10 financing statement covers consumer goods and either of
11 the following conditions is satisfied:

12 (1) There is no obligation secured by the collateral
13 covered by the financing statement and no commitment
14 to make an advance, incur an obligation, or otherwise
15 give value.

16 (2) The debtor did not authorize the filing of the initial
17 financing statement.

18 (b) To comply with subdivision (a), a secured party
19 shall cause the secured party of record to file the
20 termination statement in accordance with either of the
21 following rules:

22 (1) Within one month after there is no obligation
23 secured by the collateral covered by the financing
24 statement and no commitment to make an advance, incur
25 an obligation, or otherwise give value.

26 (2) If earlier, within 20 days after the secured party
27 receives an authenticated demand from a debtor.

28 (c) In cases not governed by subdivision (a), within 20
29 days after a secured party receives an authenticated
30 demand from a debtor, the secured party shall cause the
31 secured party of record for a financing statement to send
32 to the debtor a termination statement for the financing
33 statement or file the termination statement in the filing
34 office if any of the following conditions is satisfied:

35 (1) Except in the case of a financing statement
36 covering accounts or chattel paper that has been sold or
37 goods that are the subject of a consignment, there is no
38 obligation secured by the collateral covered by the
39 financing statement and no commitment to make an
40 advance, incur an obligation, or otherwise give value.



1 (2) *The financing statement covers accounts or*
2 *chattel paper that has been sold but as to which the*
3 *account debtor or other person obligated has discharged*
4 *its obligation.*

5 (3) *The financing statement covers goods that were*
6 *the subject of a consignment to the debtor but are not in*
7 *the debtor's possession.*

8 (4) *The debtor did not authorize the filing of the initial*
9 *financing statement.*

10 (d) *Except as otherwise provided in Section 9510,*
11 *upon the filing of a termination statement with the filing*
12 *office, the financing statement to which the termination*
13 *statement relates ceases to be effective.*

14 9514. (a) *Except as otherwise provided in*
15 *subdivision (c), an initial financing statement may reflect*
16 *an assignment of all of the secured party's power to*
17 *authorize an amendment to the financing statement by*
18 *providing the name and mailing address of the assignee*
19 *as the name and address of the secured party.*

20 (b) *Except as otherwise provided in subdivision (c), a*
21 *secured party of record may assign all or part of its power*
22 *to authorize an amendment to a financing statement by*
23 *filing in the filing office an amendment of the financing*
24 *statement which does all of the following:*

25 (1) *Identifies, by its file number, the initial financing*
26 *statement to which it relates.*

27 (2) *Provides the name of the assignor.*

28 (3) *Provides the name and mailing address of the*
29 *assignee.*

30 (c) *An assignment of record of a security interest in a*
31 *fixture covered by a record of a mortgage which is*
32 *effective as a financing statement filed as a fixture filing*
33 *under subdivision (c) of Section 9502 may be made only*
34 *by an assignment of record of the mortgage in the*
35 *manner provided by law of this state other than the*
36 *Uniform Commercial Code.*

37 9515. (a) *Except as otherwise provided in*
38 *subdivisions (b), (e), (f), and (g), a filed financing*
39 *statement is effective for a period of five years after the*
40 *date of filing.*



1 (b) Except as otherwise provided in subdivisions (e),
2 (f), and (g), an initial financing statement filed in
3 connection with a public-finance transaction or
4 manufactured-home transaction is effective for a period
5 of 30 years after the date of filing if it indicates that it is
6 filed in connection with a public-finance transaction or
7 manufactured-home transaction.

8 (c) The effectiveness of a filed financing statement
9 lapses on the expiration of the period of its effectiveness
10 unless before the lapse a continuation statement is filed
11 pursuant to subdivision (d). Upon lapse, a financing
12 statement ceases to be effective and any security interest
13 or agricultural lien that was perfected by the financing
14 statement becomes unperfected, unless the security
15 interest is perfected otherwise. If the security interest or
16 agricultural lien becomes unperfected upon lapse, it is
17 deemed never to have been perfected as against a
18 purchaser of the collateral for value.

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

23 (e) Except as otherwise provided in Section 9510,
24 upon timely filing of a continuation statement, the
25 effectiveness of the initial financing statement continues
26 for a period of five years commencing on the day on
27 which the financing statement would have become
28 ineffective in the absence of the filing. Upon the
29 expiration of the five-year period, the financing
30 statement lapses in the same manner as provided in
31 subdivision (c), unless, before the lapse, another
32 continuation statement is filed pursuant to subdivision
33 (d). Succeeding continuation statements may be filed in
34 the same manner to continue the effectiveness of the
35 initial financing statement.

36 (f) If a debtor is a transmitting utility and a filed
37 financing statement so indicates, the financing statement
38 is effective until a termination statement is filed.

39 (g) A record of a mortgage that is effective as a
40 financing statement filed as a fixture filing under



1 subdivision (c) of Section 9502 remains effective as a
2 financing statement filed as a fixture filing until the
3 mortgage is released or satisfied of record or its
4 effectiveness otherwise terminates as to the real
5 property.

6 9516. (a) Except as otherwise provided in
7 subdivision (b), communication of a record to a filing
8 office and tender of the filing fee or acceptance of the
9 record by the filing office constitutes filing.

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

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

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

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

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

22 (B) In the case of an amendment or correction
23 statement, either of the following applies with respect to
24 the record:

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

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

29 (C) In the case of an initial financing statement that
30 provides the name of a debtor identified as an individual
31 or an amendment that provides a name of a debtor
32 identified as an individual which was not previously
33 provided in the financing statement to which the record
34 relates, the record does not identify the debtor's last
35 name.

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



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

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

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

11 (B) Indicate whether the debtor is an individual or an
12 organization.

13 (C) If the financing statement indicates that the
14 debtor is an organization, provide any of the following:

15 (i) A type of organization for the debtor.

16 (ii) A jurisdiction of organization for the debtor.

17 (iii) An organizational identification number for the
18 debtor or indicate that the debtor has none.

19 (6) In the case of an assignment reflected in an initial
20 financing statement under subdivision (a) of Section 9514
21 or an amendment filed under subdivision (b) of Section
22 9514, the record does not provide a name and mailing
23 address for the assignee.

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

27 (c) For purposes of subdivision (b), both of the
28 following rules apply:

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

31 (2) A record that does not indicate that it is an
32 amendment or identify an initial financing statement to
33 which it relates, as required by Section 9512, 9514, or 9518,
34 is an initial financing statement.

35 (d) A record that is communicated to the filing office
36 with tender of the filing fee, but which the filing office
37 refuses to accept for a reason other than one set forth in
38 subdivision (b), is effective as a filed record except as
39 against a purchaser of the collateral which gives value in



1 reasonable reliance upon the absence of the record from
2 the files.

3 9517. The failure of the filing office to index a record
4 correctly does not affect the effectiveness of the filed
5 record.

6 9518. (a) A person may file in the filing office a
7 correction statement with respect to a record indexed
8 there under the person's name if the person believes that
9 the record is inaccurate or was wrongfully filed.

10 (b) A correction statement must do all of the
11 following:

12 (1) Identify the record to which it relates by both of
13 the following:

14 (A) The file number assigned to the initial financing
15 statement to which the record relates.

16 (B) If the correction statement relates to a record filed
17 or recorded in a filing office described in paragraph (1)
18 of subdivision (a) of Section 9501, the date that the initial
19 financing statement was filed or recorded and the
20 information specified in subdivision (b) of Section 9502.

21 (2) Indicate that it is a correction statement.

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

27 (c) The filing of a correction statement does not affect
28 the effectiveness of an initial financing statement or other
29 filed record.

30 9519. (a) For each record filed in a filing office, the
31 filing office shall do all of the following:

32 (1) Assign a unique number to the filed record.

33 (2) Create a record that bears the number assigned to
34 the filed record and the date and time of filing.

35 (3) Maintain the filed record for public inspection.

36 (4) Index the filed record in accordance with
37 subdivisions (c), (d), and (e).

38 (b) Except as otherwise provided in subdivision (i), a
39 file number assigned after January 1, 2002, must include
40 a digit that:



1 (1) Is mathematically derived from or related to the
2 other digits of the file number.

3 (2) Enables the filing office to detect whether a
4 number communicated as the file number includes a
5 single-digit or transpositional error.

6 (c) Except as otherwise provided in subdivisions (d)
7 and (e), the filing office shall do both of the following:

8 (1) Index an initial financing statement according to
9 the name of the debtor and index all filed records relating
10 to the initial financing statement in a manner that
11 associates with one another an initial financing statement
12 and all filed records relating to the initial financing
13 statement.

14 (2) Index a record that provides a name of a debtor
15 which was not previously provided in the financing
16 statement to which the record relates also according to
17 the name that was not previously provided.

18 (d) If a financing statement is filed as a fixture filing or
19 covers as-extracted collateral or timber to be cut, it must
20 be recorded and the filing office shall index it in
21 accordance with both of the following rules:

22 (1) Under the names of the debtor and of each owner
23 of record shown on the financing statement as if they
24 were the mortgagors under a mortgage of the real
25 property described.

26 (2) To the extent that the law of this State provides for
27 indexing of records of mortgages under the name of the
28 mortgagee, under the name of the secured party as if the
29 secured party were the mortgagee thereunder, or, if
30 indexing is by description, as if the financing statement
31 were a record of a mortgage of the real property
32 described.

33 (e) If a financing statement is filed as a fixture filing or
34 covers as-extracted collateral or timber to be cut, the
35 filing office shall index an assignment filed under
36 subdivision (a) of Section 9514 or an amendment filed
37 under subdivision (b) of Section 9514 in accordance with
38 both of the following rules:

39 (1) Under the name of the assignor as grantor.



1 (2) To the extent that the law of this state provides for
2 indexing a record of the assignment of a mortgage under
3 the name of the assignee, under the name of the assignee.

4 (f) The filing office shall maintain a capability to do
5 both of the following:

6 (1) Retrieve a record by the name of the debtor and
7 by either of the following:

8 (A) If the filing office is described in paragraph (1) of
9 subdivision (a) of Section 9501, by the file number
10 assigned to the initial financing statement to which the
11 record relates and the date that the record was filed or
12 recorded.

13 (B) If the filing office is described in paragraph (2) of
14 subdivision (a) of Section 9501, by the file number
15 assigned to the initial financing statement to which the
16 record relates.

17 (2) Associate and retrieve with one another an initial
18 financing statement and each filed record relating to the
19 initial financing statement.

20 (g) The filing office may not remove a debtor's name
21 from the index until one year after the effectiveness of a
22 financing statement naming the debtor lapses under
23 Section 9515 with respect to all secured parties of record.

24 (h) Except as otherwise provided in subdivision (i),
25 the filing office shall perform the acts required by
26 subdivisions (a) to (e), inclusive, at the time and in the
27 manner prescribed by filing-office rule, but not later than
28 two business days after the filing office receives the
29 record in question.

30 (i) Subdivisions (b) and (h) do not apply to a filing
31 office described in paragraph (1) of subdivision (a) of
32 Section 9501.

33 9520. (a) A filing office shall refuse to accept a record
34 for filing for a reason set forth in subdivision (b) of Section
35 9516 and may refuse to accept a record for filing only for
36 a reason set forth in subdivision (b) of Section 9516.

37 (b) If a filing office refuses to accept a record for filing,
38 it shall communicate to the person that presented the
39 record the fact of and reason for the refusal and the date
40 and time the record would have been filed had the filing



1 office accepted it. The communication shall be made at
2 the time and in the manner prescribed by filing-office
3 rule, but in the case of a filing office described in
4 paragraph (2) of subdivision (a) of Section 9501, in no
5 event more than two business days after the filing office
6 receives the record.

7 (c) A filed financing statement satisfying subdivisions
8 (a) and (b) of Section 9502 is effective, even if the filing
9 office is required to refuse to accept it for filing under
10 subdivision (a). However, Section 9338 applies to a filed
11 financing statement providing information described in
12 paragraph (5) of subdivision (b) of Section 9516 which is
13 incorrect at the time the financing statement is filed.

14 (d) If a record communicated to a filing office
15 provides information that relates to more than one
16 debtor, this chapter applies as to each debtor separately.

17 9521. (a) A filing office that accepts written records
18 may not refuse to accept a written initial financing
19 statement in the following form and format except for a
20 reason set forth in subdivision (b) of Section 9516:



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2 INSERTED

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1 *(b) A filing office that accepts written records may not*
2 *refuse to accept a written record in the following form*
3 *and format except for a reason set forth in subdivision (b)*
4 *of Section 9516:*



1 PRINTER: PLEASE NOTE: TIP-IN MATERIAL TO BE
2 INSERTED

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1 9522. (a) *The filing office shall maintain a record of*
2 *the information provided in a filed financing statement*
3 *for at least one year after the effectiveness of the*
4 *financing statement has lapsed under Section 9515 with*
5 *respect to all secured parties of record. The record shall*
6 *be retrievable by using the name of the debtor and either*
7 *of the following:*

8 (1) *If the record was filed or recorded in a filing office*
9 *described in paragraph (1) of subdivision (a) of Section*
10 *9501, by using the file number assigned to the initial*
11 *financing statement to which the record relates and the*
12 *date the record was filed or recorded.*

13 (2) *If the record was filed in a filing office described in*
14 *paragraph (2) of subdivision (a) of Section 9501, by using*
15 *the file number assigned to the initial financing statement*
16 *to which the record relates.*

17 (b) *Except to the extent that a statute governing*
18 *disposition of public records provides otherwise, the filing*
19 *office immediately may destroy any written record*
20 *evidencing a financing statement. However, if the filing*
21 *office destroys a written record, it shall maintain another*
22 *record of the financing statement which complies with*
23 *subdivision (a).*

24 9523. (a) *If a person that files a written record*
25 *requests an acknowledgment of the filing, the filing office*
26 *shall send to the person an image of the record showing*
27 *the number assigned to the record pursuant to paragraph*
28 *(1) of subdivision (a) of Section 9519 and the date and*
29 *time of the filing of the record. However, if the person*
30 *furnishes a copy of the record to the filing office, the filing*
31 *office may instead do both of the following:*

32 (1) *Note upon the copy the number assigned to the*
33 *record pursuant to paragraph (1) of subdivision (a) of*
34 *Section 9519 and the date and time of the filing of the*
35 *record.*

36 (2) *Send the copy to the person.*

37 (b) *If a person files a record other than a written*
38 *record, the filing office shall communicate to the person*
39 *an acknowledgment that provides all of the following*
40 *information:*

1 (1) *The information in the record.*

2 (2) *The number assigned to the record pursuant to*
3 *paragraph (1) of subdivision (a) of Section 9519.*

4 (3) *The date and time of the filing of the record.*

5 (c) *The filing office shall communicate or otherwise*
6 *make available in a record all of the following information*
7 *to any person that requests it:*

8 (1) *Whether there is on file on a date and time*
9 *specified by the filing office, but not a date earlier than*
10 *three business days before the filing office receives the*
11 *request, any financing statement that satisfies all of the*
12 *following conditions:*

13 (A) *It designates a particular debtor or, if the request*
14 *so states, designates a particular debtor at the address*
15 *specified in the request.*

16 (B) *It has not lapsed under Section 9515 with respect*
17 *to all secured parties of record.*

18 (C) *If the request so states, it has lapsed under Section*
19 *9515 and a record of which is maintained by the filing*
20 *office under subdivision (a) of Section 9522.*

21 (2) *The date and time of filing of each financing*
22 *statement.*

23 (3) *The information provided in each financing*
24 *statement.*

25 (d) *In complying with its duty under subdivision (c),*
26 *the filing office may communicate information in any*
27 *medium. However, if requested, the filing office shall*
28 *communicate information by issuing its written*
29 *certificate.*

30 (e) *The filing office described in paragraph (2) of*
31 *subdivision (a) of Section 9501 shall perform the acts*
32 *required by subdivisions (a) to (d), inclusive, at the time*
33 *and in the manner prescribed by filing-office rule, but not*
34 *later than two business days after the filing office receives*
35 *the request.*

36 (f) *At least weekly, the filing office described in*
37 *paragraph (2) of subdivision (a) of Section 9501 shall offer*
38 *to sell or license to the public on a nonexclusive basis, in*
39 *bulk, copies of all records filed in it under this chapter, in*



1 every medium from time to time available to the filing
2 office.

3 9524. Delay by the filing office beyond a time limit
4 prescribed in this chapter is excused if both of the
5 following conditions are satisfied:

6 (1) The delay is caused by interruption of
7 communication or computer facilities, war, emergency
8 conditions, failure of equipment, or other circumstances
9 beyond control of the filing office.

10 (2) The filing office exercises reasonable diligence
11 under the circumstances.

12 9525. (a) Except as otherwise provided in
13 subdivision (e), the fee for filing and indexing a record
14 under this chapter, other than an initial financing
15 statement of the kind described in subdivision (c) of
16 Section 9502, is as follows:

17 (1) Ten dollars (\$10) if the record is communicated in
18 writing and consists of one or two pages.

19 (2) Twenty dollars (\$20) if the record is
20 communicated in writing and consists of more than two
21 pages.

22 (3) Five dollars (\$5) if the record is communicated by
23 another medium authorized by a rule adopted by the
24 filing office.

25 (b) Except as otherwise provided in subdivision (e),
26 the fee for filing and indexing an initial financing
27 statement of the kind described in subdivision (c) of
28 Section 9502 is the amount specified in subdivision (c), if
29 applicable, plus the following amounts:

30 (1) \$ ____ if the financing statement indicates that
31 it is filed in connection with a public-finance transaction.

32 (2) \$ ____ if the financing statement indicates that
33 it is filed in connection with a manufactured-home
34 transaction.

35 (c) The number of names required to be indexed does
36 not affect the amount of the fee in subdivisions (a) and
37 (b).

38 (d) The fee for responding to a request for information
39 from the filing office, including for issuing a certificate



1 *showing whether there is on file any financing statement*
2 *naming a particular debtor, is as follows:*

3 (1) *Ten dollars (\$10) if the request is communicated*
4 *in writing.*

5 (2) *Five dollars (\$5) if the request is communicated by*
6 *another medium authorized by a rule adopted by the*
7 *filing office.*

8 (e) *This section does not require a fee with respect to*
9 *a record of a mortgage which is effective as a financing*
10 *statement filed as a fixture filing or as a financing*
11 *statement covering as-extracted collateral or timber to be*
12 *cut under subdivision (c) of Section 9502. However, the*
13 *recording and satisfaction fees that otherwise would be*
14 *applicable to the record of the mortgage apply.*

15 9526. (a) *The Secretary of State shall adopt and*
16 *publish rules to implement this division. The filing-office*
17 *rules shall be consistent with this division.*

18 (b) *To keep the filing-office rules and practices of the*
19 *filing office in harmony with the rules and practices of*
20 *filing offices in other jurisdictions that enact substantially*
21 *this chapter, and to keep the technology used by the filing*
22 *office compatible with the technology used by filing*
23 *offices in other jurisdictions that enact substantially this*
24 *chapter, the Secretary of State, so far as is consistent with*
25 *the purposes, policies, and provisions of this division, in*
26 *adopting, amending, and repealing filing-office rules,*
27 *shall do all of the following:*

28 (1) *Consult with filing offices in other jurisdictions*
29 *that enact substantially this chapter.*

30 (2) *Consult the most recent version of the Model Rules*
31 *promulgated by the International Association of*
32 *Corporate Administrators or any successor organization.*

33 (3) *Take into consideration the rules and practices of,*
34 *and the technology used by, filing offices in other*
35 *jurisdictions that enact substantially this chapter.*

36 9527. *The Secretary of State shall report annually on*
37 *or before January 31 to the Legislature on the operation*
38 *of the filing office. The report must contain a statement*
39 *of the extent to which both of the following apply:*



1 (1) *The filing-office rules are not in harmony with the*
2 *rules of filing offices in other jurisdictions that enact*
3 *substantially this chapter and the reasons for these*
4 *variations.*

5 (2) *The filing-office rules are not in harmony with the*
6 *most recent version of the Model Rules promulgated by*
7 *the International Association of Corporate*
8 *Administrators, or any successor organization, and the*
9 *reasons for these variations.*

10

11

CHAPTER 6. DEFAULT

12

13 9601. (a) *After default, a secured party has the rights*
14 *provided in this chapter and, except as otherwise*
15 *provided in Section 9602, those rights provided by*
16 *agreement of the parties. A secured party may do both of*
17 *the following:*

18 (1) *Reduce a claim to judgment, foreclose, or*
19 *otherwise enforce the claim, security interest, or*
20 *agricultural lien by any available judicial procedure.*

21 (2) *If the collateral is documents, proceed either as to*
22 *the documents or as to the goods they cover.*

23 (b) *A secured party in possession of collateral or*
24 *control of collateral under Section 9104, 9105, 9106, or*
25 *9107 has the rights and duties provided in Section 9207.*

26 (c) *The rights under subdivisions (a) and (b) are*
27 *cumulative and may be exercised simultaneously.*

28 (d) *Except as otherwise provided in subdivision (g)*
29 *and in Section 9605, after default, a debtor and an obligor*
30 *have the rights provided in this chapter and by*
31 *agreement of the parties.*

32 (e) *If a secured party has reduced its claim to*
33 *judgment, the lien of any levy that may be made upon the*
34 *collateral by virtue of an execution based upon the*
35 *judgment relates back to the earliest of any of the*
36 *following:*

37 (1) *The date of perfection of the security interest or*
38 *agricultural lien in the collateral.*

39 (2) *The date of filing a financing statement covering*
40 *the collateral.*



1 (3) Any date specified in a statute under which the
2 agricultural lien was created.

3 (f) A sale pursuant to an execution is a foreclosure of
4 the security interest or agricultural lien by judicial
5 procedure within the meaning of this section. A secured
6 party may purchase at the sale and thereafter hold the
7 collateral free of any other requirements of this division.

8 (g) Except as otherwise provided in subdivision (c) of
9 Section 9607, this part imposes no duties upon a secured
10 party that is a consignor or is a buyer of accounts, chattel
11 paper, payment intangibles, or promissory notes.

12 9602. Except as otherwise provided in Section 9624, to
13 the extent that they give rights to a debtor or obligor and
14 impose duties on a secured party, the debtor or obligor
15 may not waive or vary the rules stated in the following
16 listed sections:

17 (1) Subparagraph (C) of paragraph (4) of subdivision
18 (b) of Section 9207, which deals with use and operation
19 of the collateral by the secured party.

20 (2) Section 9210, which deals with requests for an
21 accounting and requests concerning a list of collateral and
22 statement of account.

23 (3) Subdivision (c) of Section 9607, which deals with
24 collection and enforcement of collateral.

25 (4) Subdivision (a) of Section 9608 and subdivision (c)
26 of Section 9615 to the extent that they deal with
27 application or payment of noncash proceeds of collection,
28 enforcement, or disposition.

29 (5) Subdivision (a) of Section 9608 and subdivision (d)
30 of Section 9615 to the extent that they require accounting
31 for or payment of surplus proceeds of collateral.

32 (6) Section 9609 to the extent that it imposes upon a
33 secured party that takes possession of collateral without
34 judicial process the duty to do so without breach of the
35 peace.

36 (7) Subdivision (b) of Section 9610, and Sections 9611,
37 9613, and 9614, which deal with disposition of collateral.

38 (8) Subdivision (f) of Section 9615, which deals with
39 calculation of a deficiency or surplus when a disposition



1 *is made to the secured party, a person related to the*
2 *secured party, or a secondary obligor.*

3 *(9) Section 9616, which deals with explanation of the*
4 *calculation of a surplus or deficiency.*

5 *(10) Section 9620, 9621, and 9622, which deal with*
6 *acceptance of collateral in satisfaction of obligation.*

7 *(11) Section 9623, which deals with redemption of*
8 *collateral.*

9 *(12) Section 9624, which deals with permissible*
10 *waivers.*

11 *(13) Sections 9625 and 9626, which deal with the*
12 *secured party's liability for failure to comply with this*
13 *division.*

14 *9603. (a) The parties may determine by agreement*
15 *the standards measuring the fulfillment of the rights of a*
16 *debtor or obligor and the duties of a secured party under*
17 *a rule stated in Section 9602 if the standards are not*
18 *manifestly unreasonable.*

19 *(b) Subdivision (a) does not apply to the duty under*
20 *Section 9609 to refrain from breaching the peace.*

21 *9604. (a) If a security agreement covers both*
22 *personal and real property, a secured party may proceed*
23 *in either of the following ways:*

24 *(1) Under this chapter as to the personal property*
25 *without prejudicing any rights with respect to the real*
26 *property.*

27 *(2) As to both the personal property and the real*
28 *property in accordance with the rights with respect to the*
29 *real property, in which case the other provisions of this*
30 *chapter do not apply.*

31 *(b) Subject to subdivision (c), if a security agreement*
32 *covers goods that are or become fixtures, a secured party*
33 *may proceed in either of the following ways:*

34 *(1) Under this chapter.*

35 *(2) In accordance with the rights with respect to real*
36 *property, in which case the other provisions of this*
37 *chapter do not apply.*

38 *(c) Subject to the other provisions of this chapter, if a*
39 *secured party holding a security interest in fixtures has*
40 *priority over all owners and encumbrancers of the real*



1 *property, the secured party, after default, may remove*
2 *the collateral from the real property.*

3 *(d) A secured party that removes collateral shall*
4 *promptly reimburse any encumbrancer or owner of the*
5 *real property, other than the debtor, for the cost of repair*
6 *of any physical injury caused by the removal. The secured*
7 *party need not reimburse the encumbrancer or owner for*
8 *any diminution in value of the real property caused by the*
9 *absence of the goods removed or by any necessity of*
10 *replacing them. A person entitled to reimbursement may*
11 *refuse permission to remove until the secured party gives*
12 *adequate assurance for the performance of the obligation*
13 *to reimburse.*

14 *9605. A secured party does not owe a duty based on its*
15 *status as secured party to either of the following persons:*

16 *(1) To a person that is a debtor or obligor, unless the*
17 *secured party knows any of the following:*

18 *(A) That the person is a debtor or obligor.*

19 *(B) The identity of the person.*

20 *(C) How to communicate with the person.*

21 *(2) To a secured party or lienholder that has filed a*
22 *financing statement against a person, unless the secured*
23 *party knows both of the following:*

24 *(A) That the person is a debtor.*

25 *(B) The identity of the person.*

26 *9606. For purposes of this chapter, a default occurs in*
27 *connection with an agricultural lien at the time the*
28 *secured party becomes entitled to enforce the lien in*
29 *accordance with the statute under which it was created.*

30 *9607. (a) If so agreed, and in any event after default,*
31 *a secured party may do all of the following:*

32 *(1) Notify an account debtor or other person obligated*
33 *on collateral to make payment or otherwise render*
34 *performance to or for the benefit of the secured party.*

35 *(2) Take any proceeds to which the secured party is*
36 *entitled under Section 9315.*

37 *(3) Enforce the obligations of an account debtor or*
38 *other person obligated on collateral and exercise the*
39 *rights of the debtor with respect to the obligation of the*
40 *account debtor or other person obligated on collateral to*



1 *make payment or otherwise render performance to the*
2 *debtor; and with respect to any property that secures the*
3 *obligations of the account debtor or other person*
4 *obligated on the collateral.*

5 *(4) If it holds a security interest in a deposit account*
6 *perfected by control under paragraph (1) of subdivision*
7 *(a) of Section 9104, apply the balance of the deposit*
8 *account to the obligation secured by the deposit account.*

9 *(5) If it holds a security interest in a deposit account*
10 *perfected by control under paragraph (2) or (3) of*
11 *subdivision (a) of Section 9104, instruct the bank to pay*
12 *the balance of the deposit account to or for the benefit of*
13 *the secured party.*

14 *(b) If necessary to enable a secured party to exercise*
15 *under paragraph (3) of subdivision (a) the right of a*
16 *debtor to enforce a mortgage nonjudicially, the secured*
17 *party may record in the office in which a record of the*
18 *mortgage is recorded both of the following:*

19 *(1) A copy of the security agreement that creates or*
20 *provides for a security interest in the obligation secured*
21 *by the mortgage.*

22 *(2) The secured party's sworn affidavit in recordable*
23 *form stating both of the following:*

24 *(A) That a default has occurred.*

25 *(B) That the secured party is entitled to enforce the*
26 *mortgage nonjudicially.*

27 *(c) A secured party shall proceed in a commercially*
28 *reasonable manner if both of the following apply with*
29 *respect to the secured party:*

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

33 *(2) It is entitled to charge back uncollected collateral*
34 *or otherwise to full or limited recourse against the debtor*
35 *or a secondary obligor.*

36 *(d) A secured party may deduct from the collections*
37 *made pursuant to subdivision (c) reasonable expenses of*
38 *collection and enforcement, including reasonable*
39 *attorney's fees and legal expenses incurred by the*
40 *secured party.*



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

4 9608. (a) If a security interest or agricultural lien
5 secures payment or performance of an obligation, the
6 following rules apply:

7 (1) A secured party shall apply or pay over for
8 application the cash proceeds of collection or
9 enforcement under this section in the following order to:

10 (A) The reasonable expenses of collection and
11 enforcement and, to the extent provided for by
12 agreement and not prohibited by law, reasonable
13 attorney's fees and legal expenses incurred by the
14 secured party.

15 (B) The satisfaction of obligations secured by the
16 security interest or agricultural lien under which the
17 collection or enforcement is made.

18 (C) The satisfaction of obligations secured by any
19 subordinate security interest in or other lien on the
20 collateral subject to the security interest or agricultural
21 lien under which the collection or enforcement is made
22 if the secured party receives an authenticated demand
23 for proceeds before distribution of the proceeds is
24 completed.

25 (2) If requested by a secured party, a holder of a
26 subordinate security interest or other lien shall furnish
27 reasonable proof of the interest or lien within a
28 reasonable time. Unless the holder complies, the secured
29 party need not comply with the holder's demand under
30 subparagraph (C) of paragraph (1).

31 (3) A secured party need not apply or pay over for
32 application noncash proceeds of collection and
33 enforcement under this section unless the failure to do so
34 would be commercially unreasonable. A secured party
35 that applies or pays over for application noncash proceeds
36 shall do so in a commercially reasonable manner.

37 (4) A secured party shall account to and pay a debtor
38 for any surplus, and the obligor is liable for any deficiency.

39 (b) If the underlying transaction is a sale of accounts,
40 chattel paper, payment intangibles, or promissory notes,



1 *the debtor is not entitled to any surplus, and the obligor*
2 *is not liable for any deficiency.*

3 *9609. (a) After default, a secured party may do both*
4 *of the following:*

5 *(1) Take possession of the collateral.*

6 *(2) Without removal, render equipment unusable and*
7 *dispose of collateral on a debtor's premises under Section*
8 *9610.*

9 *(b) A secured party may proceed under subdivision*
10 *(a) in either of the following ways:*

11 *(1) Pursuant to judicial process.*

12 *(2) Without judicial process, if it proceeds without*
13 *breach of the peace.*

14 *(c) If so agreed, and in any event after default, a*
15 *secured party may require the debtor to assemble the*
16 *collateral and make it available to the secured party at a*
17 *place to be designated by the secured party which is*
18 *reasonably convenient to both parties.*

19 *9610. (a) After default, a secured party may sell,*
20 *lease, license, or otherwise dispose of any or all of the*
21 *collateral in its present condition or following any*
22 *commercially reasonable preparation or processing.*

23 *(b) Every aspect of a disposition of collateral,*
24 *including the method, manner, time, place, and other*
25 *terms, must be commercially reasonable. If commercially*
26 *reasonable, a secured party may dispose of collateral by*
27 *public or private proceedings, by one or more contracts,*
28 *as a unit or in parcels, and at any time and place and on*
29 *any terms.*

30 *(c) A secured party may purchase collateral at either*
31 *of the following:*

32 *(1) At a public disposition.*

33 *(2) At a private disposition only if the collateral is of a*
34 *kind that is customarily sold on a recognized market or*
35 *the subject of widely distributed standard price*
36 *quotations.*

37 *(d) A contract for sale, lease, license, or other*
38 *disposition includes the warranties relating to title,*
39 *possession, quiet enjoyment, and the like which by*



1 operation of law accompany a voluntary disposition of
2 property of the kind subject to the contract.

3 (e) A secured party may disclaim or modify warranties
4 under subdivision (d) in either of the following ways:

5 (1) In a manner that would be effective to disclaim or
6 modify the warranties in a voluntary disposition of
7 property of the kind subject to the contract of disposition.

8 (2) By communicating to the purchaser a record
9 evidencing the contract for disposition and including an
10 express disclaimer or modification of the warranties.

11 (f) A record is sufficient to disclaim warranties under
12 subdivision (e) if it indicates “There is no warranty
13 relating to title, possession, quiet enjoyment, or the like
14 in this disposition” or uses words of similar import.

15 9611. (a) In this section, “notification date” means
16 the earlier of the date on which:

17 (1) A secured party sends to the debtor and any
18 secondary obligor an authenticated notification of
19 disposition.

20 (2) The debtor and any secondary obligor waive the
21 right to notification.

22 (b) Except as otherwise provided in subdivision (d), a
23 secured party that disposes of collateral under Section
24 9610 shall send to the persons specified in subdivision (c)
25 a reasonable authenticated notification of disposition.

26 (c) To comply with subdivision (b), the secured party
27 shall send an authenticated notification of disposition to
28 all of the following persons:

29 (1) The debtor.

30 (2) Any secondary obligor.

31 (3) If the collateral is other than consumer goods to
32 both of the following persons:

33 (A) Any other person from which the secured party
34 has received, before the notification date, an
35 authenticated notification of a claim of an interest in the
36 collateral.

37 (B) Any other secured party or lienholder that, 10 days
38 before the notification date, held a security interest in or
39 other lien on the collateral perfected by the filing of a



1 *financing statement with respect to which all of the*
2 *following apply:*

3 *(i) It identified the collateral.*

4 *(ii) It was indexed under the debtor's name as of that*
5 *date.*

6 *(iii) It was filed in the office in which to file a financing*
7 *statement against the debtor covering the collateral as of*
8 *that date.*

9 *(C) Any other secured party that, 10 days before the*
10 *notification date, held a security interest in the collateral*
11 *perfected by compliance with a statute, regulation, or*
12 *treaty described in subdivision (a) of Section 9311.*

13 *(d) Subdivision (b) does not apply if the collateral is*
14 *perishable or threatens to decline speedily in value or is*
15 *of a type customarily sold on a recognized market.*

16 *(e) A secured party complies with the requirement for*
17 *notification prescribed in subparagraph (B) of paragraph*
18 *(3) of subsection (c) if it satisfies both of the following*
19 *conditions:*

20 *(1) Not later than 20 days or earlier than 30 days before*
21 *the notification date, the secured party requests, in a*
22 *commercially reasonable manner, information*
23 *concerning financing statements indexed under the*
24 *debtor's name in the office indicated in subparagraph (B)*
25 *of paragraph (3) of subdivision (c).*

26 *(2) Before the notification date, the secured party*
27 *either:*

28 *(A) Did not receive a response to the request for*
29 *information.*

30 *(B) Received a response to the request for information*
31 *and sent an authenticated notification of disposition to*
32 *each secured party named in that response whose*
33 *financing statement covered the collateral.*

34 *9612. (a) Except as otherwise provided in*
35 *subdivision (b), whether a notification is sent within a*
36 *reasonable time is a question of fact.*

37 *(b) In a transaction other than a consumer transaction,*
38 *a notification of disposition sent after default and 10 days*
39 *or more before the earliest time of disposition set forth in*



1 the notification is sent within a reasonable time before the
2 disposition.

3 9613. Except in a consumer-goods transaction, the
4 following rules apply:

5 (1) The contents of a notification of disposition are
6 sufficient if the notification does all of the following:

7 (A) It describes the debtor and the secured party.

8 (B) It describes the collateral that is the subject of the
9 intended disposition.

10 (C) It states the method of intended disposition.

11 (D) It states that the debtor is entitled to an
12 accounting of the unpaid indebtedness and states the
13 charge, if any, for an accounting.

14 (E) It states the time and place of a public sale or the
15 time after which any other disposition is to be made.

16 (2) Whether the contents of a notification that lacks
17 any of the information specified in paragraph (1) are
18 nevertheless sufficient is a question of fact.

19 (3) The contents of a notification providing
20 substantially the information specified in paragraph (1)
21 are sufficient, even if the notification includes either of
22 the following:

23 (A) Information not specified by that paragraph.

24 (B) Minor errors that are not seriously misleading.

25 (4) A particular phrasing of the notification is not
26 required.

27 (5) The following form of notification and the form
28 appearing in subdivision (3) of Section 9614, when
29 completed, each provides sufficient information:

30

31 NOTIFICATION OF DISPOSITION OF COLLATERAL

32

33 To: _____

34 [Name of debtor, obligor, or other person to which the
35 notification is sent]

36 From: _____

37 [Name, address, and telephone number of
38 secured party]

39 Name of Debtor(s): _____

40 [Include only if debtor(s) are not an addressee]



1 *[For a public disposition:]*
 2 *We will sell [or lease or license, as applicable]*
 3 *the _____ [to the highest qualified bidder in public*
 4 *_____ [describe collateral]*
 5 *as follows:]*

6
 7 *Day and Date: _____*

8
 9 *Time: _____*

10
 11 *Place: _____*

12
 13 *[For a private disposition:]*
 14 *We will sell [or license, as applicable] the _____*
 15 *_____ describe collateral*
 16 *privately sometime after _____.*
 17 *_____ [day and date]*

18 *You are entitled to an accounting of the unpaid indebtedness*
 19 *secured by the property that we intend to sell [or lease or*
 20 *license, as applicable] [for a charge of \$_____]. You may request*
 21 *an accounting by calling us at _____*
 22 *_____ [telephone number]*

23
 24 *9614. In a consumer-goods transaction, the following*
 25 *rules apply:*

26 *(1) A notification of disposition must provide all of the*
 27 *following information:*

28 *(A) The information specified in subdivision (1) of*
 29 *Section 9613.*

30 *(B) A description of any liability for a deficiency of the*
 31 *person to which the notification is sent.*

32 *(C) A telephone number from which the amount that*
 33 *must be paid to the secured party to redeem the collateral*
 34 *under Section 9623 is available.*

35 *(D) A telephone number or mailing address from*
 36 *which additional information concerning the disposition*
 37 *and the obligation secured is available.*

38 *(2) A particular phrasing of the notification is not*
 39 *required.*



1 (3) The following form of notification, when
2 completed, provides sufficient information:

3
4 _____
5 [Name and address of secured party]

6 _____
7 [Date]

8
9 NOTICE OF OUR PLAN TO SELL PROPERTY

10
11 _____
12 [Name and address of any obligor who is also a debtor]

13 Subject: _____
14 [Identification of Transaction]

15 We have your _____, because you broke promises
16 [describe collateral]
17 in our agreement.

18
19 [For a public disposition:]

20 We will sell _____, at public sale. A sale could
21 [describe collateral]
22 include a lease or license. The sale will be held as follows:

23 Date: _____

24 Time: _____

25 Place: _____

26
27 You may attend the sale and bring bidders if you want.

28
29 [For a private disposition:]

30 We will sell _____ at private sale sometime
31 [describe collateral]
32 after _____.
33 [date]

34
35 A sale could include a lease or license.
36



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The money that we get from the sale (after paying our costs) will reduce the amount you owe. If we get less money than you owe, you _____ still owe us the _____ [will or will not, as applicable] difference. If we get more money than you owe, you will get the extra money, unless we must pay it to someone else.

You can get the property back at any time before we sell it by paying us the full amount you owe (not just the past due payments), including our expenses. To learn the exact amount you must pay, call us at _____ [telephone number]

If you want us to explain to you in writing how we have figured the amount that you owe us, you may call us at _____ [telephone number] [or write us at _____] [secured party's address] and request a written explanation. [We will charge you \$____ for the explanation if we sent you another written explanation of the amount you owe us within the last six months.]

If you need more information about the sale call us at _____ [telephone number] [or write us at _____] [secured party's address]

We are sending this notice to the following other people who have an interest in _____ [describe collateral] or who owe money under your agreement: _____ [Names of all other debtors and obligors, if any]

(4) A notification in the form of paragraph (3) is sufficient, even if additional information appears at the end of the form.

(5) A notification in the form of paragraph (3) is sufficient, even if it includes errors in information not required by paragraph (1), unless the error is misleading with respect to rights arising under this division.



1 (6) If a notification under this section is not in the form
2 of paragraph (3), law other than this division determines
3 the effect of including information not required by
4 paragraph (1).

5 9615. (a) A secured party shall apply or pay over for
6 application the cash proceeds of disposition in the
7 following order to each of the following:

8 (1) The reasonable expenses of retaking, holding,
9 preparing for disposition, processing, and disposing, and,
10 to the extent provided for by agreement and not
11 prohibited by law, reasonable attorney's fees and legal
12 expenses incurred by the secured party.

13 (2) The satisfaction of obligations secured by the
14 security interest or agricultural lien under which the
15 disposition is made.

16 (3) The satisfaction of obligations secured by any
17 subordinate security interest in or other subordinate lien
18 on the collateral if both of the following conditions are
19 satisfied:

20 (A) The secured party receives from the holder of the
21 subordinate security interest or other lien an
22 authenticated demand for proceeds before distribution of
23 the proceeds is completed.

24 (B) In a case in which a consignor has an interest in the
25 collateral, the subordinate security interest or other lien
26 is senior to the interest of the consignor.

27 (4) A secured party that is a consignor of the collateral
28 if the secured party receives from the consignor an
29 authenticated demand for proceeds before distribution of
30 the proceeds is completed.

31 (b) If requested by a secured party, a holder of a
32 subordinate security interest or other lien shall furnish
33 reasonable proof of the interest or lien within a
34 reasonable time. Unless the holder does so, the secured
35 party need not comply with the holder's demand under
36 paragraph (3) of subdivision (a).

37 (c) A secured party need not apply or pay over for
38 application noncash proceeds of disposition under this
39 section unless the failure to do so would be commercially
40 unreasonable. A secured party that applies or pays over



1 for application noncash proceeds shall do so in a
2 commercially reasonable manner.

3 (d) If the security interest under which a disposition
4 is made secures payment or performance of an obligation,
5 after making the payments and applications required by
6 subdivision (a) and permitted by subdivision (c), both of
7 the following apply:

8 (1) Unless paragraph (4) of subdivision (a) requires
9 the secured party to apply or pay over cash proceeds to
10 a consignor, the secured party shall account to and pay a
11 debtor for any surplus.

12 (2) The obligor is liable for any deficiency.

13 (e) If the underlying transaction is a sale of accounts,
14 chattel paper, payment intangibles, or promissory notes,
15 both of the following apply:

16 (1) The debtor is not entitled to any surplus.

17 (2) The obligor is not liable for any deficiency.

18 (f) The surplus or deficiency following a disposition is
19 calculated based on the amount of proceeds that would
20 have been realized in a disposition complying with this
21 chapter to a transferee other than the secured party, a
22 person related to the secured party, or a secondary
23 obligor if both of the following apply:

24 (1) The transferee in the disposition is the secured
25 party, a person related to the secured party, or a
26 secondary obligor.

27 (2) The amount of proceeds of the disposition is
28 significantly below the range of proceeds that a
29 complying disposition to a person other than the secured
30 party, a person related to the secured party, or a
31 secondary obligor would have brought.

32 (g) The following rules apply with respect to a secured
33 party that receives cash proceeds of a disposition in good
34 faith and without knowledge that the receipt violates the
35 rights of the holder of a security interest or other lien that
36 is not subordinate to the security interest or agricultural
37 lien under which the disposition is made:

38 (1) The secured party takes the cash proceeds free of
39 the security interest or other lien.



1 (2) *The secured party is not obligated to apply the*
2 *proceeds of the disposition to the satisfaction of*
3 *obligations secured by the security interest or other lien.*

4 (3) *The secured party is not obligated to account to or*
5 *pay the holder of the security interest or other lien for any*
6 *surplus.*

7 9616. (a) *In this section:*

8 (1) *“Explanation” means a writing that contains all of*
9 *the following:*

10 (A) *States the amount of the surplus or deficiency.*

11 (B) *Provides an explanation in accordance with*
12 *subdivision (c) of how the secured party calculated the*
13 *surplus or deficiency.*

14 (C) *States, if applicable, that future debits, credits,*
15 *charges, including additional credit service charges or*
16 *interest, rebates, and expenses may affect the amount of*
17 *the surplus or deficiency.*

18 (D) *Provides a telephone number or mailing address*
19 *from which additional information concerning the*
20 *transaction is available.*

21 (2) *“Request” means a record that is all of the*
22 *following:*

23 (A) *Authenticated by a debtor or consumer obligor.*

24 (B) *Requesting that the recipient provide an*
25 *explanation.*

26 (C) *Sent after disposition of the collateral under*
27 *Section 9610.*

28 (b) *In a consumer-goods transaction in which the*
29 *debtor is entitled to a surplus or a consumer obligor is*
30 *liable for a deficiency under Section 9615, the secured*
31 *party shall do either of the following:*

32 (1) *Send an explanation to the debtor or consumer*
33 *obligor, as applicable, after the disposition and in*
34 *accordance with both of the following:*

35 (A) *Before or when the secured party accounts to the*
36 *debtor and pays any surplus or first makes written*
37 *demand on the consumer obligor after the disposition for*
38 *payment of the deficiency.*

39 (B) *Within 14 days after receipt of a request.*



1 (2) *In the case of a consumer obligor who is liable for*
2 *a deficiency, within 14 days after receipt of a request,*
3 *send to the consumer obligor a record waiving the*
4 *secured party's right to a deficiency.*

5 (c) *To comply with subparagraph (B) of paragraph*
6 *(1) of subdivision (a), a writing must provide the*
7 *following information in the following order:*

8 (1) *The aggregate amount of obligations secured by*
9 *the security interest under which the disposition was*
10 *made, and, if the amount reflects a rebate of unearned*
11 *interest or credit service charge, an indication of that fact,*
12 *calculated as of a specified date in accordance with either*
13 *of the following:*

14 (A) *If the secured party takes or receives possession of*
15 *the collateral after default, not more than 35 days before*
16 *the secured party takes or receives possession.*

17 (B) *If the secured party takes or receives possession of*
18 *the collateral before default or does not take possession of*
19 *the collateral, not more than 35 days before the*
20 *disposition.*

21 (2) *The amount of proceeds of the disposition.*

22 (3) *The aggregate amount of the obligations after*
23 *deducting the amount of proceeds.*

24 (4) *The amount, in the aggregate or by type, and types*
25 *of expenses, including expenses of retaking, holding,*
26 *preparing for disposition, processing, and disposing of the*
27 *collateral, and attorney's fees secured by the collateral*
28 *which are known to the secured party and relate to the*
29 *current disposition.*

30 (5) *The amount, in the aggregate or by type, and types*
31 *of credits, including rebates of interest or credit service*
32 *charges, to which the obligor is known to be entitled and*
33 *which are not reflected in the amount in paragraph (1).*

34 (6) *The amount of the surplus or deficiency.*

35 (d) *A particular phrasing of the explanation is not*
36 *required. An explanation complying substantially with*
37 *the requirements of subdivision (a) is sufficient, even if*
38 *it includes minor errors that are not seriously misleading.*

39 (e) *A debtor or consumer obligor is entitled without*
40 *charge to one response to a request under this section*



1 during any six-month period in which the secured party
2 did not send to the debtor or consumer obligor an
3 explanation pursuant to paragraph (1) of subdivision (b).
4 The secured party may require payment of a charge not
5 exceeding twenty-five dollars (\$25) for each additional
6 response.

7 9617. (a) A secured party's disposition of collateral
8 after default does all of the following:

9 (1) Transfers to a transferee for value all of the
10 debtor's rights in the collateral.

11 (2) Discharges the security interest under which the
12 disposition is made.

13 (3) Discharges any subordinate security interest or
14 other subordinate lien.

15 (b) A transferee that acts in good faith takes free of the
16 rights and interests described in subdivision (a), even if
17 the secured party fails to comply with this division or the
18 requirements of any judicial proceeding.

19 (c) If a transferee does not take free of the rights and
20 interests described in subdivision (a), the transferee
21 takes the collateral subject to all of the following:

22 (1) The debtor's rights in the collateral.

23 (2) The security interest or agricultural lien under
24 which the disposition is made.

25 (3) Any other security interest or other lien.

26 9618. (a) A secondary obligor acquires the rights and
27 becomes obligated to perform the duties of the secured
28 party after any of the following occurs:

29 (1) The secondary obligor receives an assignment of a
30 secured obligation from the secured party.

31 (2) The secondary obligor receives a transfer of
32 collateral from the secured party and agrees to accept the
33 rights and assume the duties of the secured party.

34 (3) The secondary obligor is subrogated to the rights
35 of a secured party with respect to collateral.

36 (b) Both of the following rules apply with respect to an
37 assignment, transfer, or subrogation described in
38 subdivision (a):

39 (1) It is not a disposition of collateral under Section
40 9610.



1 (2) *It relieves the secured party of further duties*
2 *under this division.*

3 9619. (a) *In this section, “transfer statement” means*
4 *a record authenticated by a secured party stating all of the*
5 *following:*

6 (1) *That the debtor has defaulted in connection with*
7 *an obligation secured by specified collateral.*

8 (2) *That the secured party has exercised its postdefault*
9 *remedies with respect to the collateral.*

10 (3) *That, by reason of the exercise, a transferee has*
11 *acquired the rights of the debtor in the collateral.*

12 (4) *The name and mailing address of the secured*
13 *party, debtor, and transferee.*

14 (b) *A transfer statement entitles the transferee to the*
15 *transfer of record of all rights of the debtor in the*
16 *collateral specified in the statement in any official filing,*
17 *recording, registration, or certificate-of-title system*
18 *covering the collateral. If a transfer statement is*
19 *presented with the applicable fee and request form to the*
20 *official or office responsible for maintaining the system,*
21 *the official or office shall do all of the following:*

22 (1) *Accept the transfer statement.*

23 (2) *Promptly amend its records to reflect the transfer.*

24 (3) *If applicable, issue a new appropriate certificate of*
25 *title in the name of the transferee.*

26 (c) *A transfer of the record or legal title to collateral*
27 *to a secured party under subdivision (b) or otherwise is*
28 *not of itself a disposition of collateral under this division*
29 *and does not of itself relieve the secured party of its duties*
30 *under this division.*

31 9620. (a) *Except as otherwise provided in*
32 *subdivision (g), a secured party may accept collateral in*
33 *full or partial satisfaction of the obligation it secures only*
34 *if all of the following conditions are satisfied:*

35 (1) *The debtor consents to the acceptance under*
36 *subdivision (c).*

37 (2) *The secured party does not receive, within the*
38 *time set forth in subdivision (d), a notification of*
39 *objection to the proposal authenticated by either of the*
40 *following:*



1 (A) A person to which the secured party was required
2 to send a proposal under Section 9621.

3 (B) Any other person, other than the debtor, holding
4 an interest in the collateral subordinate to the security
5 interest that is the subject of the proposal.

6 (3) If the collateral is consumer goods, the collateral is
7 not in the possession of the debtor when the debtor
8 consents to the acceptance.

9 (4) Subdivision (e) does not require the secured party
10 to dispose of the collateral or the debtor waives the
11 requirement pursuant to Section 9624.

12 (b) A purported or apparent acceptance of collateral
13 under this section is ineffective unless both of the
14 following conditions are satisfied:

15 (1) The secured party consents to the acceptance in an
16 authenticated record or sends a proposal to the debtor.

17 (2) The conditions of subdivision (a) are met.

18 (c) For purposes of this section both of the following
19 rules apply:

20 (1) A debtor consents to an acceptance of collateral in
21 partial satisfaction of the obligation it secures only if the
22 debtor agrees to the terms of the acceptance in a record
23 authenticated after default.

24 (2) A debtor consents to an acceptance of collateral in
25 full satisfaction of the obligation it secures only if the
26 debtor agrees to the terms of the acceptance in a record
27 authenticated after default or the secured party does all
28 of the following:

29 (A) Sends to the debtor after default a proposal that is
30 unconditional or subject only to a condition that collateral
31 not in the possession of the secured party be preserved or
32 maintained.

33 (B) In the proposal, proposes to accept collateral in full
34 satisfaction of the obligation it secures.

35 (C) Does not receive a notification of objection
36 authenticated by the debtor within 20 days after the
37 proposal is sent.

38 (d) To be effective under paragraph (2) of subdivision
39 (a), a notification of objection must be received by the
40 secured party as follows:



1 (1) In the case of a person to which the proposal was
2 sent pursuant to Section 9621, within 20 days after
3 notification was sent to that person.

4 (2) In other cases, in accordance with either of the
5 following:

6 (A) Within 20 days after the last notification was sent
7 pursuant to Section 9621.

8 (B) If a notification was not sent, before the debtor
9 consents to the acceptance under subdivision (c).

10 (e) A secured party that has taken possession of
11 collateral shall dispose of the collateral pursuant to
12 Section 9610 within the time specified in subdivision (f)
13 if either of the following conditions has been satisfied:

14 (1) Sixty percent of the cash price has been paid in the
15 case of a purchase-money security interest in consumer
16 goods.

17 (2) Sixty percent of the principal amount of the
18 obligation secured has been paid in the case of a
19 non-purchase-money security interest in consumer
20 goods.

21 (f) To comply with subdivision (e), the secured party
22 shall dispose of the collateral within either of the
23 following time periods:

24 (1) Within 90 days after taking possession.

25 (2) Within any longer period to which the debtor and
26 all secondary obligors have agreed in an agreement to
27 that effect entered into and authenticated after default.

28 (g) In a consumer transaction, a secured party may not
29 accept collateral in partial satisfaction of the obligation it
30 secures.

31 9621. (a) A secured party that desires to accept
32 collateral in full or partial satisfaction of the obligation it
33 secures shall send its proposal to all of the following
34 persons:

35 (1) Any person from which the secured party has
36 received, before the debtor consented to the acceptance,
37 an authenticated notification of a claim of an interest in
38 the collateral.

39 (2) Any other secured party or lienholder that, 10 days
40 before the debtor consented to the acceptance, held a



1 security interest in or other lien on the collateral
2 perfected by the filing of a financing statement that
3 satisfied all of the following conditions:

4 (A) It identified the collateral.

5 (B) It was indexed under the debtor's name as of that
6 date.

7 (C) It was filed in the office or offices in which to file
8 a financing statement against the debtor covering the
9 collateral as of that date.

10 (3) Any other secured party that, 10 days before the
11 debtor consented to the acceptance, held a security
12 interest in the collateral perfected by compliance with a
13 statute, regulation, or treaty described in subdivision (a)
14 of Section 9311.

15 (b) A secured party that desires to accept collateral in
16 partial satisfaction of the obligation it secures shall send
17 its proposal to any secondary obligor in addition to the
18 persons described in subdivision (a).

19 9622. (a) A secured party's acceptance of collateral
20 in full or partial satisfaction of the obligation it secures
21 does all of the following:

22 (1) It discharges the obligation to the extent consented
23 to by the debtor.

24 (2) It transfers to the secured party all of a debtor's
25 rights in the collateral.

26 (3) It discharges the security interest or agricultural
27 lien that is the subject of the debtor's consent and any
28 subordinate security interest or other subordinate lien.

29 (4) It terminates any other subordinate interest.

30 (b) A subordinate interest is discharged or terminated
31 under subdivision (a), even if the secured party fails to
32 comply with this division.

33 9623. (a) A debtor, any secondary obligor, or any
34 other secured party or lienholder may redeem collateral.

35 (b) To redeem collateral, a person shall tender both of
36 the following:

37 (1) Fulfillment of all obligations secured by the
38 collateral.



1 (2) *The reasonable expenses and attorney's fees*
2 *described in paragraph (1) of subdivision (a) of Section*
3 *9615.*

4 (c) *A redemption may occur at any time before a*
5 *secured party has done any of the following:*

6 (1) *Collected collateral under Section 9607.*

7 (2) *Disposed of collateral or entered into a contract for*
8 *its disposition under Section 9610.*

9 (3) *Accepted collateral in full or partial satisfaction of*
10 *the obligation it secures under Section 9622.*

11 9624. (a) *A debtor or secondary obligor may waive*
12 *the right to notification of disposition of collateral under*
13 *Section 9611 only by an agreement to that effect entered*
14 *into and authenticated after default.*

15 (b) *A debtor may waive the right to require*
16 *disposition of collateral under subdivision (e) of Section*
17 *9620 only by an agreement to that effect entered into and*
18 *authenticated after default.*

19 (c) *Except in a consumer-goods transaction, a debtor*
20 *or secondary obligor may waive the right to redeem*
21 *collateral under Section 9623 only by an agreement to*
22 *that effect entered into and authenticated after default.*

23 9625. (a) *If it is established that a secured party is not*
24 *proceeding in accordance with this division, a court may*
25 *order or restrain collection, enforcement, or disposition*
26 *of collateral on appropriate terms and conditions.*

27 (b) *Subject to subdivisions (c), (d), and (f), a person*
28 *is liable for damages in the amount of any loss caused by*
29 *a failure to comply with this division. Loss caused by a*
30 *failure to comply with a request under Section 9210 may*
31 *include loss resulting from the debtor's inability to obtain,*
32 *or increased costs of, alternative financing.*

33 (c) *Except as otherwise provided in Section 9628 both*
34 *of the following rules apply:*

35 (1) *A person that, at the time of the failure, was a*
36 *debtor, was an obligor, or held a security interest in or*
37 *other lien on the collateral may recover damages under*
38 *subdivision (b) for its loss.*

39 (2) *If the collateral is consumer goods, a person that*
40 *was a debtor or a secondary obligor at the time a secured*



1 party failed to comply with this chapter may recover for
2 that failure in any event an amount not less than the
3 credit service charge plus 10 percent of the principal
4 amount of the obligation or the time-price differential
5 plus 10 percent of the cash price.

6 (d) A debtor whose deficiency is eliminated under
7 Section 9626 may recover damages for the loss of any
8 surplus. However, a debtor or secondary obligor whose
9 deficiency is eliminated or reduced under Section 9626
10 may not otherwise recover under subdivision (b) for
11 noncompliance with the provisions of this chapter
12 relating to collection, enforcement, disposition, or
13 acceptance.

14 (e) In addition to any damages recoverable under
15 subdivision (b), the debtor, consumer obligor, or person
16 named as a debtor in a filed record, as applicable, may
17 recover five hundred dollars (\$500) in each case from any
18 of the following persons:

19 (1) A person that fails to comply with Section 9208.

20 (2) A person that fails to comply with Section 9209.

21 (3) A person that files a record that the person is not
22 entitled to file under subdivision (a) of Section 9509.

23 (4) A person that fails to cause the secured party of
24 record to file or send a termination statement as required
25 by subdivision (a) or (c) of Section 9513.

26 (5) A person that fails to comply with paragraph (1) of
27 subdivision (b) of Section 9616 and whose failure is part
28 of a pattern, or consistent with a practice, of
29 noncompliance.

30 (6) A person that fails to comply with paragraph (2) of
31 subdivision (b) of Section 9616.

32 (f) A debtor or consumer obligor may recover
33 damages under subdivision (b) and, in addition, five
34 hundred dollars (\$500) in each case from a person that,
35 without reasonable cause, fails to comply with a request
36 under Section 9210. A recipient of a request under Section
37 9210 which never claimed an interest in the collateral or
38 obligations that are the subject of a request under that
39 section has a reasonable excuse for failure to comply with
40 the request within the meaning of this subdivision.



1 (g) If a secured party fails to comply with a request
2 regarding a list of collateral or a statement of account
3 under Section 9210, the secured party may claim a
4 security interest only as shown in the statement included
5 in the request as against a person that is reasonably misled
6 by the failure.

7 9626. (a) In an action arising from a transaction,
8 other than a consumer transaction, in which the amount
9 of a deficiency or surplus is in issue, the following rules
10 apply:

11 (1) A secured party need not prove compliance with
12 the provisions of this chapter relating to collection,
13 enforcement, disposition, or acceptance unless the
14 debtor or a secondary obligor places the secured party's
15 compliance in issue.

16 (2) If the secured party's compliance is placed in issue,
17 the secured party has the burden of establishing that the
18 collection, enforcement, disposition, or acceptance was
19 conducted in accordance with this chapter.

20 (3) Except as otherwise provided in Section 9628, if a
21 secured party fails to prove that the collection,
22 enforcement, disposition, or acceptance was conducted
23 in accordance with the provisions of this chapter relating
24 to collection, enforcement, disposition, or acceptance,
25 the liability of a debtor or a secondary obligor for a
26 deficiency is limited to an amount by which the sum of the
27 secured obligation, expenses, and attorney's fees exceeds
28 the greater of either of the following:

29 (A) The proceeds of the collection, enforcement,
30 disposition, or acceptance.

31 (B) The amount of proceeds that would have been
32 realized had the noncomplying secured party proceeded
33 in accordance with the provisions of this chapter relating
34 to collection, enforcement, disposition, or acceptance.

35 (4) For purposes of subparagraph (B) of paragraph
36 (3), the amount of proceeds that would have been
37 realized is equal to the sum of the secured obligation,
38 expenses, and attorney's fees unless the secured party
39 proves that the amount is less than that sum.



1 (5) If a deficiency or surplus is calculated under
2 subdivision (f) of Section 9615, the debtor or obligor has
3 the burden of establishing that the amount of proceeds of
4 the disposition is significantly below the range of prices
5 that a complying disposition to a person other than the
6 secured party, a person related to the secured party, or a
7 secondary obligor would have brought.

8 (b) The limitation of the rules in subdivision (a) to
9 transactions other than consumer transactions is
10 intended to leave to the court the determination of the
11 proper rules in consumer transactions. The court may not
12 infer from that limitation the nature of the proper rule in
13 consumer transactions and may continue to apply
14 established approaches.

15 9627. (a) The fact that a greater amount could have
16 been obtained by a collection, enforcement, disposition,
17 or acceptance at a different time or in a different method
18 from that selected by the secured party is not of itself
19 sufficient to preclude the secured party from establishing
20 that the collection, enforcement, disposition, or
21 acceptance was made in a commercially reasonable
22 manner.

23 (b) A disposition of collateral is made in a
24 commercially reasonable manner if the disposition
25 satisfies any of the following conditions:

26 (1) It is made in the usual manner on any recognized
27 market.

28 (2) It is made at the price current in any recognized
29 market at the time of the disposition.

30 (3) It is made otherwise in conformity with reasonable
31 commercial practices among dealers in the type of
32 property that was the subject of the disposition.

33 (c) A collection, enforcement, disposition, or
34 acceptance is commercially reasonable if it has been
35 approved in or by any of the following:

36 (1) In a judicial proceeding.

37 (2) By a bona fide creditors' committee.

38 (3) By a representative of creditors.

39 (4) By an assignee for the benefit of creditors.



1 (d) Approval under subdivision (c) need not be
2 obtained, and lack of approval does not mean that the
3 collection, enforcement, disposition, or acceptance is not
4 commercially reasonable.

5 9628. (a) Unless a secured party knows that a person
6 is a debtor or obligor, knows the identity of the person,
7 and knows how to communicate with the person both of
8 the following rules apply:

9 (1) The secured party is not liable to the person, or to
10 a secured party or lienholder that has filed a financing
11 statement against the person, for failure to comply with
12 this division.

13 (2) The secured party's failure to comply with this
14 division does not affect the liability of the person for a
15 deficiency.

16 (b) A secured party is not liable because of its status as
17 secured party to either of the following persons:

18 (1) To a person that is a debtor or obligor, unless the
19 secured party knows all of the following:

20 (A) That the person is a debtor or obligor.

21 (B) The identity of the person.

22 (C) How to communicate with the person.

23 (2) To a secured party or lienholder that has filed a
24 financing statement against a person, unless the secured
25 party knows both of the following:

26 (A) That the person is a debtor.

27 (B) The identity of the person.

28 (c) A secured party is not liable to any person, and a
29 person's liability for a deficiency is not affected, because
30 of any act or omission arising out of the secured party's
31 reasonable belief that a transaction is not a
32 consumer-goods transaction or a consumer transaction or
33 that goods are not consumer goods, if the secured party's
34 belief is based on its reasonable reliance on either of the
35 following representations:

36 (1) A debtor's representation concerning the purpose
37 for which collateral was to be used, acquired, or held.

38 (2) An obligor's representation concerning the
39 purpose for which a secured obligation was incurred.



1 (d) A secured party is not liable to any person under
2 paragraph (2) of subdivision (c) of Section 9625 for its
3 failure to comply with Section 9616.

4 (e) A secured party is not liable under paragraph (2)
5 of subdivision (c) of Section 9625 more than once with
6 respect to any one secured obligation.

7

8

CHAPTER 7. TRANSITION

9

10 9701. This division shall become operative on July 1,
11 2001.

12 9702. (a) Except as otherwise provided in this
13 chapter, this division applies to a transaction or lien
14 within its scope, even if the transaction or lien was
15 entered into or created before this division takes effect.

16 (b) Except as otherwise provided in subdivision (c)
17 and in Sections 9703 to 9708, inclusive, both of the
18 following rules apply:

19 (1) Transactions and liens that were not governed by
20 former Division 9, were validly entered into or created
21 before July 1, 2001, and would be subject to this act if they
22 had been entered into or created after July 1, 2001, and
23 the rights, duties, and interests flowing from those
24 transactions and liens remain valid after July 1, 2001.

25 (2) The transactions and liens may be terminated,
26 completed, consummated, and enforced as required or
27 permitted by this division or by the law that otherwise
28 would apply if this division had not taken effect.

29 (c) This division does not affect an action, case, or
30 proceeding commenced before July 1, 2001.

31 9703. (a) A security interest that is enforceable
32 immediately before July 1, 2001, and would have priority
33 over the rights of a person that becomes a lien creditor at
34 that time is a perfected security interest under this
35 division if, on July 1, 2001, the applicable requirements for
36 enforceability and perfection under this division are
37 satisfied without further action.

38 (b) Except as otherwise provided in Section 9705, if,
39 immediately before July 1, 2001, a security interest is
40 enforceable and would have priority over the rights of a



1 person that becomes a lien creditor at that time, but the
2 applicable requirements for enforceability or perfection
3 under this division are not satisfied on July 1, 2001, when
4 all of the following rules apply with respect to the security
5 interest:

6 (1) It is a perfected security interest until July 1, 2002.

7 (2) It remains enforceable thereafter only if the
8 security interest becomes enforceable under Section 9203
9 before July 1, 2002.

10 (3) It remains perfected thereafter only if the
11 applicable requirements for perfection under this
12 division are satisfied before July 1, 2002.

13 9704. All of the following rules apply with respect to
14 a security interest that is enforceable immediately before
15 July 1, 2001, but which would be subordinate to the rights
16 of a person that becomes a lien creditor at that time:

17 (1) It remains an enforceable security interest until
18 July 1, 2002.

19 (2) It remains enforceable thereafter if the security
20 interest becomes enforceable under Section 9203 on July
21 1, 2001, or on July 1, 2002.

22 (3) It becomes perfected in either of the following
23 ways:

24 (A) Without further action, on July 1, 2001, if the
25 applicable requirements for perfection under this
26 division are satisfied on or before that time.

27 (B) When the applicable requirements for perfection
28 are satisfied if the requirements are satisfied after that
29 time.

30 9705. (a) If action, other than the filing of a financing
31 statement, is taken before July 1, 2001, and the action
32 would have resulted in priority of a security interest over
33 the rights of a person that becomes a lien creditor had the
34 security interest become enforceable before July 1, 2001,
35 the action is effective to perfect a security interest that
36 attaches under this division on or before July 1, 2002. An
37 attached security interest becomes unperfected on July
38 1, 2002, unless the security interest becomes a perfected
39 security interest under this division before that date.



1 (b) The filing of a financing statement before July 1,
2 2001, is effective to perfect a security interest to the
3 extent the filing would satisfy the applicable
4 requirements for perfection under this division.

5 (c) This division does not render ineffective an
6 effective financing statement that is filed before July 1,
7 2001, and that has satisfied the applicable requirements
8 for perfection under the law of the jurisdiction governing
9 perfection as provided in former Section 9103. However,
10 except as otherwise provided in subdivisions (d) and (e)
11 and in Section 9706, the financing statement ceases to be
12 effective at the earlier of either of the following:

13 (1) The time the financing statement would have
14 ceased to be effective under the law of the jurisdiction in
15 which it is filed.

16 (2) June 30, 2006.

17 (d) The filing of a continuation statement after July 1,
18 2001, does not continue the effectiveness of the financing
19 statement filed before July 1, 2001. However, upon the
20 timely filing of a continuation statement after July 1, 2001,
21 and in accordance with the law of the jurisdiction
22 governing perfection as provided in Chapter 3
23 (commencing with Section 9301), the effectiveness of a
24 financing statement filed in the same office in that
25 jurisdiction before July 1, 2001, continues for the period
26 provided by the law of that jurisdiction.

27 (e) Paragraph (2) of subdivision (c) applies to a
28 financing statement that is filed against a transmitting
29 utility before July 1, 2001, and that has satisfied the
30 applicable requirements for perfection under the law of
31 the jurisdiction governing perfection as provided in
32 former Section 9103 only to the extent that Chapter 3
33 (commencing with Section 9301) provides that the law of
34 a jurisdiction other than jurisdiction in which the
35 financing statement is filed governs perfection of a
36 security interest in collateral covered by the financing
37 statement.

38 (f) A financing statement that includes a financing
39 statement filed before July 1, 2001, and a continuation
40 statement filed after July 1, 2001, is effective only to the



1 extent that it satisfies the requirements of Chapter 5
2 (commencing with Section 9501) for an initial financing
3 statement.

4 9706. (a) The filing of an initial financing statement
5 in the office specified in Section 9501 continues the
6 effectiveness of a financing statement filed before July 1,
7 2001, if all of the following conditions are satisfied:

8 (1) The filing of an initial financing statement in that
9 office would be effective to perfect a security interest
10 under this division.

11 (2) The pre-effective-date financing statement was
12 filed in an office in another state or another office in this
13 state.

14 (3) The initial financing statement satisfies subdivision
15 (c).

16 (b) The filing of an initial financing statement under
17 subdivision (a) continues the effectiveness of the
18 pre-effective-date financing statement for the following
19 periods:

20 (1) If the initial financing statement is filed before July
21 1, 2001, for the period provided in former Section 9403
22 with respect to a financing statement.

23 (2) If the initial financing statement is filed after July
24 1, 2001, for the period provided in Section 9515 with
25 respect to an initial financing statement.

26 (c) To be effective for purposes of subdivision (a), an
27 initial financing statement must do all of the following:

28 (1) Satisfy the requirements of Chapter 5
29 (commencing with Section 9501) for an initial financing
30 statement.

31 (2) Identify the pre-effective-date financing
32 statement by indicating the office in which the financing
33 statement was filed and providing the dates of filing and
34 file numbers, if any, of the financing statement and of the
35 most recent continuation statement filed with respect to
36 the financing statement.

37 (3) Indicate that the pre-effective-date financing
38 statement remains effective.



1 9707. A person may file an initial financing statement
2 or a continuation statement under this chapter if both of
3 the following conditions are satisfied:

- 4 (1) The secured party of record authorizes the filing.
- 5 (2) The filing is necessary under this chapter to do
6 either of the following:

 - 7 (A) To continue the effectiveness of a financing
8 statement filed before July 1, 2001.
 - 9 (B) To perfect or continue the perfection of a security
10 interest.

11 9708. (a) This division determines priority of
12 conflicting claims to collateral. However, if the relative
13 priorities of the claims were established before July 1,
14 2001, former Division 9 (commencing with Section 9101)
15 determines priority.

16 (b) For purposes of subdivision (a) of Section 9322, the
17 priority of a security interest that becomes enforceable
18 under Section 9203 dates from July 1, 2001, if the security
19 interest is perfected under this division by the filing of a
20 financing statement before July 1, 2001, which would not
21 have been effective to perfect the security interest under
22 former Division 9 (commencing with Section 9101). This
23 subdivision does not apply to conflicting security interests
24 each of which is perfected by the filing of such a financing
25 statement.

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**All matter omitted in this version of the
bill appears in the bill as introduced in the
Senate, December 7, 1998 (JR 11)**

