

Uniform Commercial Code Amendments (2022)

Uniform Law Commission

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National Conference of Commissioners on Uniform State Laws

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Uniform Commercial Code Amendments (2022)

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AMENDMENTS (2022)

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1 **UNIFORM COMMERCIAL CODE AMENDMENTS (2022)**

2 **ARTICLE 1**

3 **GENERAL PROVISIONS**

4 **Section 1-201. General Definitions.**

5 * * *

6 (b) Subject to definitions contained in other articles of [the Uniform Commercial Code]
7 that apply to particular articles or parts thereof:

8 * * *

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

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

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

19 * * *

20 (15) “Delivery”, with respect to an electronic document of title, means voluntary
21 transfer of control and, with respect to an instrument, a tangible document of title, or an
22 authoritative tangible copy of a record evidencing chattel paper, means voluntary
23 transfer of possession.

1 * * *

2 (16A) “Electronic” means relating to technology having electrical, digital,
3 magnetic, wireless, optical, electromagnetic, or similar capabilities.

4 * * *

5 (21) “Holder” means:

6 (A) the person in possession of a negotiable instrument that is payable
7 either to bearer or to an identified person that is the person in possession; or

8 (B) the person in possession of a negotiable tangible document of title if
9 the goods are deliverable either to bearer or to the order of the person in possession; or

10 (C) the person in control, other than pursuant to Section 7-106(g), of a
11 negotiable electronic document of title.

12 * * *

13 (24) “Money” means a medium of exchange that is currently authorized or
14 adopted by a domestic or foreign government. The term includes a monetary unit of account
15 established by an intergovernmental organization, or pursuant to an agreement between two or
16 more countries. The term does not include an electronic record that is a medium of exchange
17 recorded and transferable in a system that existed and operated for the medium of exchange
18 before the medium of exchange was authorized or adopted by the government.

19 * * *

20 (27) “Person” means an individual, corporation, business trust, estate, trust,
21 partnership, limited liability company, association, joint venture, government, governmental
22 subdivision, agency, or instrumentality, ~~public corporation,~~ or any other legal or commercial
23 entity. The term includes a protected series, however denominated, of an entity if the protected

1 series is established under law other than [the Uniform Commercial Code] that limits, or limits if
2 conditions specified under the law are satisfied, the ability of a creditor of the entity or of any
3 other protected series of the entity to satisfy a claim from assets of the protected series.

4 * * *

5 (36) “Send” ~~,~~ in connection with a ~~writing, record, or notice~~ notification means:

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

10 (B) ~~in any other way to cause to be received any record or notice~~
11 ~~within the time it would have arrived if properly sent~~ to cause the record or notification to be
12 received within the time it would have been received if properly sent under subparagraph (A).

13 (37) ~~“Signed” includes using any symbol executed or adopted with present~~
14 ~~intention to adopt or accept a writing.~~ “Sign” means, with present intent to authenticate or adopt
15 a record:

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

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

19 “Signed”, “signing”, and “signature” have corresponding meanings.

20 * * *

21 Legislative Note:

22
23 A state should review and amend any statute or regulation that relies on or refers to the
24 definition of “money” in subsection (b)(24) to account for the amendment to that definition.

25
26 A state should enact the amendment to subsection (b)(27) whether the state has enacted the

1 Uniform Protected Series Act (2017) or otherwise recognizes a protected series under its law.
2 Because the amendment applies only under the enacting state's Uniform Commercial Code,
3 inclusion of the amendment does not require the enacting state to recognize a limit on liability of
4 a protected series organized under the law of another jurisdiction or a limit on liability of the
5 entity that established the protected series. The amendment clarifies the status of a protected
6 series as a "person" under the choice-of-law and substantive law rules of the enacting state's
7 Uniform Commercial Code.

8
9

Section 1-204. Value.

10 Except as otherwise provided in Articles 3, 4, ~~and~~ 5, ~~and~~ 6, [6.] and 12, a person gives
11 value for rights if the person acquires them:

12 * * *

13 **Section 1-301. Territorial Applicability; Parties' Power to Choose Applicable Law.**

14 * * *

15 (c) If one of the following provisions of [the Uniform Commercial Code] specifies the
16 applicable law, that provision governs and a contrary agreement is effective only to the extent
17 permitted by the law so specified:

18 * * *

19 (8) Sections 9-301 through 9-307;

20 (9) Section 12-107.

21 **Section 1-306. Waiver or Renunciation of Claim or Right After Breach.**

22 A claim or right arising out of an alleged breach may be discharged in whole or in part
23 without consideration by agreement of the aggrieved party in ~~an authenticated~~ a signed record.

24 **ARTICLE 2**

25 **SALES**

26 * * *

27 **Section 2-102. Scope; Certain Security and Other Transactions Excluded from**

1 **this Article.**

2 ~~Unless the context otherwise requires, this Article applies to transactions in goods; it does~~
3 ~~not apply to any transaction which although in the form of an unconditional contract to sell or~~
4 ~~present sale is intended to operate only as a security transaction nor does this Article impair or~~
5 ~~repeal any statute regulating sales to consumers, farmers or other specified classes of buyers.~~

6 (1) Unless the context otherwise requires, and except as provided in subsection (3), this
7 Article applies to transactions in goods and, in the case of a hybrid transaction, it applies to the
8 extent provided in subsection (2).

9 (2) In a hybrid transaction:

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

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

16 (3) This Article does not:

17 _____ (a) apply to a transaction even though in the form of an unconditional contract to
18 sell or present sale, operates only to create a security interest; **or**

19 _____ (b) impair or repeal a statute regulating sales to consumers, farmers, or other
20 specified classes of buyers.

21 **Section 2-106. Definitions: “Contract”; “Agreement”; “Contract for Sale”;**
22 **“Sale”; “Present Sale”; “Conforming” to Contract; “Termination”; “Cancellation”;**
23 **“Hybrid Transaction”.**

1 * * *

2 (5) “Hybrid transaction” means a single transaction involving a sale of goods and:

3 (a) the provision of services;

4 (b) a lease of other goods; or

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

6 **Section 2-201. Formal Requirements; Statute of Frauds.**

7 (1) Except as otherwise provided in this section a contract for the sale of goods for the
8 price of \$500 or more is not enforceable by way of action or defense unless there is ~~some writing~~
9 a record sufficient to indicate that a contract for sale has been made between the parties and
10 signed by the party against whom enforcement is sought or by ~~his~~ the party’s authorized agent or
11 broker. A ~~writing~~ record is not insufficient because it omits or incorrectly states a term agreed
12 upon but the contract is not enforceable under this ~~paragraph~~ subsection beyond the quantity of
13 goods shown in ~~such writing~~ the record.

14 (2) Between merchants if within a reasonable time a ~~writing~~ record in confirmation of the
15 contract and sufficient against the sender is received and the party receiving it has reason to
16 know its contents, it satisfies the requirements of subsection (1) against ~~such~~ the party unless
17 ~~written~~ notice in a record of objection to its contents is given within 10 days after it is received.

18 * * *

19 **Section 2-202. Final ~~Written~~ Expression: Parol or Extrinsic Evidence.**

20 Terms with respect to which the confirmatory memoranda of the parties agree or which
21 are otherwise set forth in a ~~writing~~ record intended by the parties as a final expression of their
22 agreement with respect to such terms as are included therein may not be contradicted by
23 evidence of any prior agreement or of a contemporaneous oral agreement but may be explained

1 or supplemented;

2 * * *

3 (b) by evidence of consistent additional terms unless the court finds the ~~writing~~
4 record to have been intended also as a complete and exclusive statement of the terms of the
5 agreement.

6 **Section 2-203. Seals Inoperative.**

7 The affixing of a seal to a ~~writing~~ record evidencing a contract for sale or an offer to buy
8 or sell goods does not constitute the ~~writing~~ record a sealed instrument and the law with respect
9 to sealed instruments does not apply to such a contract or offer.

10 **Section 2-205. Firm Offers.**

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

16 **Section 2-209. Modification, Rescission, and Waiver.**

17 * * *

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

22 * * *

23 **ARTICLE 2A**

1 **LEASES**

2 **Section 2A-102. Scope.**

3 (1) This Article applies to any transaction, regardless of form, that creates a lease and, in
4 the case of a hybrid lease, it applies to the extent provided in subsection (2).

5 (2) In a hybrid lease:

6 (a) if the lease-of-goods aspects do not predominate:

7 (i) only the provisions of this Article which relate primarily to the lease-
8 of-goods aspects of the transaction apply, and the provisions that relate primarily to the
9 transaction as a whole do not apply;

10 (ii) Section 2A-209 applies if the lease is a finance lease; and

11 (iii) Section 2A-407 applies to the promises of the lessee in a finance lease
12 to the extent the promises are consideration for the right to possession and use of the leased
13 goods; and

14 (b) if the lease-of-goods aspects predominate, this Article applies to the
15 transaction, but does not preclude application in appropriate circumstances of other law to
16 aspects of the lease which do not relate to the lease of goods.

17 **Section 2A-103. Definitions and Index of Definitions.**

18 (1) In this Article, unless the context otherwise requires:

19 * * *

20 (h.1) “Hybrid lease” means a single transaction involving a lease of goods and:

21 (i) the provision of services;

22 (ii) a sale of other goods; or

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

1 * * *

2

3 **Section 2A-107. Waiver or Renunciation of Claim or Right After Default.**

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

7 **Section 2A-201. Statute of Frauds.**

8 (1) A lease contract is not enforceable by way of action or defense unless:

9 * * *

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

13 * * *

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

17 * * *

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

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

21 * * *

22 **Section 2A-202. Final ~~Written~~ Expression: Parol or Extrinsic Evidence.**

23 Terms with respect to which the confirmatory memoranda of the parties agree or which
24 are otherwise set forth in a ~~writing~~ record intended by the parties as a final expression of their

1 agreement with respect to such terms as are included therein may not be contradicted by
2 evidence of any prior agreement or of a contemporaneous oral agreement but may be explained
3 or supplemented:

4 * * *

5 (b) by evidence of consistent additional terms unless the court finds the ~~writing~~
6 record to have been intended also as a complete and exclusive statement of the terms of the
7 agreement.

8 **Section 2A-203. Seals Inoperative.**

9 The affixing of a seal to a ~~writing~~ record evidencing a lease contract or an offer to enter
10 into a lease contract does not render the ~~writing~~ record a sealed instrument and the law with
11 respect to sealed instruments does not apply to the lease contract or offer.

12 **Section 2A-205. Firm Offers.**

13 An offer by a merchant to lease goods to or from another person in a signed ~~writing~~
14 record that by its terms gives assurance it will be held open is not revocable, for lack of
15 consideration, during the time stated or, if no time is stated, for a reasonable time, but in no event
16 may the period of irrevocability exceed 3 months. Any such term of assurance on a form
17 supplied by the offeree must be separately signed by the offeror.

18 **Section 2A-208. Modification, Rescission, and Waiver.**

19 * * *

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

1 * * *

2 **ARTICLE 3**

3 **NEGOTIABLE INSTRUMENTS**

4 **Section 3-104. Negotiable Instrument.**

5 (a) Except as provided in subsections (c) and (d), “negotiable instrument” means an
6 unconditional promise or order to pay a fixed amount of money, with or without interest or other
7 charges described in the promise or order, if it:

8 * * *

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

16 * * *

17 **Section 3-105. Issue of Instrument.**

18 (a) “Issue” means:

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

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

1 **FUNDS TRANSFERS**

2 **Section 4A-103. Payment Order – Definitions.**

3 (a) In this Article:

4 (1) “Payment order” means an instruction of a sender to a receiving bank,
5 transmitted orally, ~~electronically, or in writing~~ or in a record, to pay, or to cause another bank to
6 pay, a fixed or determinable amount of money to a beneficiary if:

7 (i) the instruction does not state a condition to payment to the beneficiary
8 other than time of payment,

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

11 (iii) the instruction is transmitted by the sender directly to the receiving
12 bank or to an agent, funds-transfer system, or communication system for transmittal to the
13 receiving bank.

14 * * *

15 **Section 4A-201. Security Procedure.**

16 “Security procedure” means a procedure established by agreement of a customer and a
17 receiving bank for the purpose of (i) verifying that a payment order or communication amending
18 or cancelling a payment order is that of the customer, or (ii) detecting error in the transmission or
19 the content of the payment order or communication. A security procedure may impose an
20 obligation on the receiving bank or the customer and may require the use of algorithms or other
21 codes, identifying words, ~~or~~ numbers, symbols, sounds, biometrics, encryption, callback
22 procedures, or similar security devices. Comparison of a signature on a payment order or
23 communication with an authorized specimen signature of the customer or requiring a payment

1 order to be sent from a known email address, IP address, or telephone number is not by itself a
2 security procedure.

3 **Section 4A-202. Authorized and Verified Payment Orders.**

4 * * *

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

16 (c) Commercial reasonableness of a security procedure is a question of law to be
17 determined by considering the wishes of the customer expressed to the bank, the circumstances
18 of the customer known to the bank, including the size, type, and frequency of payment orders
19 normally issued by the customer to the bank, alternative security procedures offered to the
20 customer, and security procedures in general use by customers and receiving banks similarly
21 situated. A security procedure is deemed to be commercially reasonable if (i) the security
22 procedure was chosen by the customer after the bank offered, and the customer refused, a
23 security procedure that was commercially reasonable for that customer, and (ii) the customer

1 expressly agreed in ~~writing~~ a record to be bound by any payment order, whether or not
2 authorized, issued in its name and accepted by the bank in compliance with the bank's
3 obligations under the security procedure chosen by the customer.

4 * * *

5 **Section 4A-203. Unenforceability of Certain Verified Payment Orders.**

6 (a) If an accepted payment order is not, under Section 4A-202(a), an authorized order of a
7 customer identified as sender, but is effective as an order of the customer pursuant to Section
8 4A-202(b), the following rules apply:

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

11 * * *

12 **Section 4A-207. Misdescription of Beneficiary.**

13 * * *

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

18 * * *

19 (2) If the originator is not a bank and proves that the person identified by number
20 was not entitled to receive payment from the originator, the originator is not obliged to pay its
21 order unless the originator's bank proves that the originator, before acceptance of the originator's
22 order, had notice that payment of a payment order issued by the originator might be made by the
23 beneficiary's bank on the basis of an identifying or bank account number even if it identifies a

1 person different from the named beneficiary. Proof of notice may be made by any admissible
2 evidence. The originator's bank satisfies the burden of proof if it proves that the originator,
3 before the payment order was accepted, signed a writing record stating the information to which
4 the notice relates.

5 * * *

6 **Section 4A-208. Misdescription of Intermediary Bank or Beneficiary's Bank.**

7 * * *

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

11 * * *

12 (2) If the sender is not a bank and the receiving bank proves that the sender,
13 before the payment order was accepted, had notice that the receiving bank might rely on the
14 number as the proper identification of the intermediary or beneficiary's bank even if it identifies
15 a person different from the bank identified by name, the rights and obligations of the sender and
16 the receiving bank are governed by subsection (b)(1), as though the sender were a bank. Proof of
17 notice may be made by any admissible evidence. The receiving bank satisfies the burden of proof
18 if it proves that the sender, before the payment order was accepted, signed a writing record
19 stating the information to which the notice relates.

20 * * *

21 **Section 4A-210. Rejection of Payment Order.**

22 (a) A payment order is rejected by the receiving bank by a notice of rejection transmitted
23 to the sender orally, ~~electronically~~, or in writing a record. A notice of rejection need not use any

1 particular words and is sufficient if it indicates that the receiving bank is rejecting the order or
2 will not execute or pay the order. Rejection is effective when the notice is given if transmission
3 is by a means that is reasonable in the circumstances. If notice of rejection is given by a means
4 that is not reasonable, rejection is effective when the notice is received. If an agreement of the
5 sender and receiving bank establishes the means to be used to reject a payment order, (i) any
6 means complying with the agreement is reasonable and (ii) any means not complying is not
7 reasonable unless no significant delay in receipt of the notice resulted from the use of the
8 noncomplying means.

9 * * *

10 **Section 4A-211. Cancellation and Amendment of Payment Order.**

11 (a) A communication of the sender of a payment order cancelling or amending the order
12 may be transmitted to the receiving bank orally, ~~electronically~~, or in writing a record. If a
13 security procedure is in effect between the sender and the receiving bank, the communication is
14 not effective to cancel or amend the order unless the communication is verified pursuant to the
15 security procedure or the bank agrees to the cancellation or amendment.

16 * * *

17 **Section 4A-305. Liability for Late or Improper Execution or Failure to Execute**
18 **Payment Order.**

19 * * *

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

23 (d) If a receiving bank fails to execute a payment order it was obliged by express

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

6 * * *

7 **ARTICLE 5**

8 **LETTERS OF CREDIT**

9 * * *

10 **Section 5-104. Formal Requirements.**

11 A letter of credit, confirmation, advice, transfer, amendment, or cancellation may be
12 issued in any form that is a signed record ~~and is authenticated (i) by a signature or (ii) in~~
13 ~~accordance with the agreement of the parties or the standard practice referred to in Section 5-~~
14 ~~108(e).~~

15 * * *

16 **Section 5-116. Choice of Law and Forum.**

17 (a) The liability of an issuer, nominated person, or adviser for action or omission is
18 governed by the law of the jurisdiction chosen by an agreement in the form of a record signed ~~or~~
19 ~~otherwise authenticated~~ by the affected parties ~~in the manner provided in Section 5-104~~ or by a
20 provision in the person's letter of credit, confirmation, or other undertaking. The jurisdiction
21 whose law is chosen need not bear any relation to the transaction.

22 (b) Unless subsection (a) applies, the liability of an issuer, nominated person, or adviser
23 for action or omission is governed by the law of the jurisdiction in which the person is located.

1 The person is considered to be located at the address indicated in the person's undertaking. If
2 more than one address is indicated, the person is considered to be located at the address from
3 which the person's undertaking was issued.

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

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

11 ~~(e)~~ (e) Except as otherwise provided in this subsection, the liability of an issuer,
12 nominated person, or adviser is governed by any rules of custom or practice, such as the Uniform
13 Customs and Practice for Documentary Credits, to which the letter of credit, confirmation, or
14 other undertaking is expressly made subject. If (i) this article would govern the liability of an
15 issuer, nominated person, or adviser under subsection (a) or (b), (ii) the relevant undertaking
16 incorporates rules of custom or practice, and (iii) there is conflict between this article and those
17 rules as applied to that undertaking, those rules govern except to the extent of any conflict with
18 the nonvariable provisions specified in Section 5-103(c).

19 ~~(d)~~ (f) If there is conflict between this article and Article 3, 4, 4A, or 9, this article
20 governs.

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

1 associated with the electronic copy, or a system in which the electronic copy is recorded:

2 (1) enables the person readily to identify each electronic copy as either an

3 authoritative copy or a nonauthoritative copy;

4 (2) enables the person readily to identify itself in any way, including by name,

5 identifying number, cryptographic key, office, or account number, as the person to which each

6 authoritative electronic copy was issued or transferred; and

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

8 (A) prevent others from adding or changing the person to which each

9 authoritative electronic copy has been issued or transferred; and

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

11 (d) Subject to subsection (e), a power is exclusive under subsection (c)(3)(A) and (B)

12 even if:

13 (1) the authoritative electronic copy, a record attached to or logically associated

14 with the authoritative electronic copy, or a system in which the authoritative electronic copy is

15 recorded limits the use of the document of title or has a protocol that is programmed to cause a

16 change, including a transfer or loss of control; or

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

18 (e) A power of a person is not shared with another person under subsection (d)(2) and the

19 person's power is not exclusive if:

20 (1) the person can exercise the power only if the power also is exercised by the

21 other person; and

22 (2) the other person:

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

1 transmitting and receiving the information.

2 * * *

3 (b) ~~Other~~ The following definitions applying to in this Article and the sections in which
4 ~~they appear~~ are other Articles apply to this Article:

5 “Appropriate person”. Section 8-107.

6 “Control”. Section 8-106.

7 * * *

8 “Controllable account”. Section 9-102.

9 “Controllable electronic record”. Section 12-102.

10 “Controllable payment intangible”. Section 9-102.

11 * * *

12 “Delivery”. Section 8-301.

13 “Investment company security”. Section 8-103.

14 “Issuer”. Section 8-201.

15 “Overissue”. Section 8-210.

16 “Protected purchaser”. Section 8-303.

17 “Securities account.” Section 8-501.

18 **Section 8-103. Rules for Determining Whether Certain Obligations and Interests**
19 **are Securities or Financial Assets.**

20 * * *

21 (h) A controllable account, controllable electronic record, or controllable payment
22 intangible is not a financial asset unless Section 8-102(a)(9)(iii) applies.

23 * * *

1 **Section 8-106. Control**

2 * * *

3 (d) A purchaser has “control” of a security entitlement if:

4 * * *

5 (3) ~~another person has control of the security entitlement on behalf of the~~
6 ~~purchaser or, having previously acquired control of the security entitlement, acknowledges that it~~
7 ~~has control on behalf of the purchaser.~~ person, other than the transferor to the purchaser of an
8 interest in the security entitlement:

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

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

13 * * *

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

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

20 * * *

21 **Section 8-110. Applicability; Choice of Law.**

22 * * *

23 (g) The local law of the issuer’s jurisdiction or the securities intermediary’s jurisdiction

1 governs a matter or transaction specified in subsection (a) or (b) even if the matter or transaction
2 does not bear any relation to the jurisdiction.

3 **Section 8-303. Protected Purchaser.**

4 * * *

5 (b) ~~In addition to acquiring the rights of a purchaser, a~~ A protected purchaser acquires its
6 interest in the security free of any adverse claim.

7 **ARTICLE 9**

8 **SECURED TRANSACTIONS**

9 **Section 9-102. Definitions and Index of Definitions.**

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

11 * * *

12 (2) “Account”, except as used in “account for”, “account statement”, “account
13 to”, “commodity account” in paragraph (14), “customer’s account”, “deposit account” in
14 paragraph(29), “on account of”, and “statement of account”, means a right to payment of a
15 monetary obligation, whether or not earned by performance, (i) for property that has been or is to
16 be sold, leased, licensed, assigned, or otherwise disposed of, (ii) for services rendered or to be
17 rendered, (iii) for a policy of insurance issued or to be issued, (iv) for a secondary obligation
18 incurred or to be incurred, (v) for energy provided or to be provided, (vi) for the use or hire of a
19 vessel under a charter or other contract, (vii) arising out of the use of a credit or charge card or
20 information contained on or for use with the card, or (viii) as winnings in a lottery or other game
21 of chance operated or sponsored by a State, governmental unit of a State, or person licensed or
22 authorized to operate the game by a State or governmental unit of a State. The term includes
23 controllable accounts and health-care-insurance receivables. The term does not include (i) ~~rights~~

1 ~~to payment evidenced by chattel paper or an instrument~~ chattel paper, (ii) commercial tort
2 claims, (iii) deposit accounts, (iv) investment property, (v) letter-of-credit rights or letters of
3 credit, ~~or~~ (vi) rights to payment for money or funds advanced or sold, other than rights arising
4 out of the use of a credit or charge card or information contained on or for use with the ~~card~~ card,
5 or (vii) rights to payment evidenced by an instrument.

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

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

10 (A) ~~authenticated~~ signed by a secured party;

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

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

14 * * *

15 (7) ~~“Authenticate” means:~~

16 (A) ~~to sign; or~~

17 (B) ~~with present intent to adopt or accept a record, to attach to or logically~~
18 ~~associate with the record an electronic sound, symbol, or process. [Reserved.]~~

19 (7A) “Assignee”, except as used in “assignee for benefit of creditors”, means a
20 person (i) in whose favor a security interest that secures an obligation is created or provided for
21 under a security agreement, whether or not the obligation is outstanding or (ii) to which an
22 account, chattel paper, payment intangible, or promissory note has been sold. The term includes
23 a person to which a security interest has been transferred by a secured party.

1 (7B) “Assignor” means a person that (i) under a security agreement creates or
2 provides for a security interest that secures an obligation or (ii) sells an account, chattel paper,
3 payment intangible, or promissory note. The term includes a secured party that has transferred a
4 security interest to another person.

5 * * *

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

17 (11) “Chattel paper” means:

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

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

23 (i) the right to payment and lease agreement are evidenced by a

1 record; and

2 (ii) the predominant purpose of the transaction giving rise to the

3 lease was to give the lessee the right to possession and use of the goods.

4 The term does not include a right to payment arising out of a charter or other contract involving

5 the use or hire of a vessel or a right to payment arising out of the use of a credit or charge card or

6 information contained on or for use with the card.

7 * * *

8 (27A) “Controllable account” means an account evidenced by a controllable

9 electronic record that provides that the account debtor undertakes to pay the person that has

10 control under Section 12-105 of the controllable electronic record.

11 (27B) “Controllable payment intangible” means a payment intangible evidenced

12 by a controllable electronic record that provides that the account debtor undertakes to pay the

13 person that has control under Section 12-105 of the controllable electronic record.

14 * * *

15 (31) “Electronic chattel paper” means chattel paper evidenced by a record or

16 records consisting of information stored in an electronic medium. [Reserved.]

17 (31A) “Electronic money” means money in an electronic form.

18 * * *

19 (42) “General intangible” means any personal property, including things in action,

20 other than accounts, chattel paper, commercial tort claims, deposit accounts, documents, goods,

21 instruments, investment property, letter-of-credit rights, letters of credit, money, and oil, gas, or

22 other minerals before extraction. The term includes controllable electronic records, payment

23 intangibles, and software.

1 (43) [Reserved.] [“Good faith” means honesty in fact and the observance of
2 reasonable commercial standards of fair dealing.]

3 * * *

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

11 * * *

12 (54A) “Money” has the meaning in Section 1-201(b)(24), but does not include (i)
13 a deposit account or (ii) money in an electronic form that cannot be subjected to control under
14 Section 9-105A.

15 * * *

16 (61) “Payment intangible” means a general intangible under which the account
17 debtor’s principal obligation is a monetary obligation. The term includes a controllable payment
18 intangible.

19 * * *

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

23 * * *

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

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

5 (B) to cause the record or notification to be received within the time that it
6 would have been received if properly sent under subparagraph (A). [Reserved.]

7 * * *

8 (79) “Tangible chattel paper” means chattel paper evidenced by a record or
9 records consisting of information that is inscribed on a tangible medium. [Reserved.]

10 (79A) “Tangible money” means money in a tangible form.

11 * * *

12 (b) **[Definitions in other articles.]** “Control” as provided in ~~Section~~ Section 7-106 **and**
13 Section 12-105 and the following definitions in other articles apply to this article:

14 * * *

15 “Controllable electronic record”. Section 12-102.

16 * * *

17 “Qualifying purchaser”. Section 12-102.

18 * * *

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

21 Legislative Note: Replicate the formatting of the tabulated material in subsection (a)(11) exactly
22 to ensure that the meaning of the material is preserved.

23
24 The definition of “good faith” in subsection (a)(43) was deleted from subsection (a) pursuant to
25 a conforming amendment accompanying the 2001 amendments of Article 1. However, any
26 jurisdiction that has not adopted the 2001 Article 1 amendments should retain the definition of

1 “good faith.”

2
3 **Section 9-104. Control of Deposit Account.**

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

5 * * *

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

9 (3) the secured party becomes the bank’s customer with respect to the deposit
10 account; or

11 (4) another person, other than the debtor:

12 (A) has control of the deposit account and acknowledges that it has control
13 on behalf of the secured party; or

14 (B) obtains control of the deposit account after having acknowledged that
15 it will obtain control of the deposit account on behalf of the secured party.

16 * * *

17 **Section 9-105. Control of Electronic Chattel Paper.**

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

22 (b) ~~**[Specific facts giving control.]**~~ A system satisfies subsection (a) if the record or
23 records comprising the chattel paper are created, stored, and assigned in such a manner that:

24 (1) a single authoritative copy of the record or records exists which is unique,

1 identifiable, and, except as otherwise provided in paragraphs (4), (5), and (6), unalterable;

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

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

6 (4) copies or amendments that add or change an identified assignee of the
7 authoritative copy can be made only with the consent of the secured party;

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

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

12 **Section 9-105. Control of Electronic Copy of Record Evidencing Chattel Paper.**

13 **(a) [General rule: control of electronic copy of record evidencing chattel paper.]** A
14 purchaser has control of an authoritative electronic copy of a record evidencing chattel paper if a
15 system employed for evidencing the assignment of interests in the chattel paper reliably
16 establishes the purchaser as the person to which the authoritative electronic copy was assigned.

17 **(b) [Single authoritative copy.]** A system satisfies subsection (a) if the record or records
18 evidencing the chattel paper are created, stored, and assigned in a manner that:

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

21 (2) the authoritative copy identifies the purchaser as the assignee of the record or
22 records;

23 (3) the authoritative copy is communicated to and maintained by the purchaser or

1 its designated custodian;

2 (4) copies or amendments that add or change an identified assignee of the
3 authoritative copy can be made only with the consent of the purchaser;

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

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

8 (c) [One or more authoritative copies.] A system satisfies subsection (a), and a
9 purchaser has control of an authoritative electronic copy of a record evidencing chattel paper, if
10 the electronic copy, a record attached to or logically associated with the electronic copy, or a
11 system in which the electronic copy is recorded:

12 (1) enables the purchaser readily to identify each electronic copy as either an
13 authoritative copy or a nonauthoritative copy;

14 (2) enables the purchaser readily to identify itself in any way, including by name,
15 identifying number, cryptographic key, office, or account number, as the assignee of the
16 authoritative electronic copy; and

17 (3) gives the purchaser exclusive power, subject to subsection (d), to:

18 (A) prevent others from adding or changing an identified assignee of the
19 authoritative electronic copy; and

20 (B) transfer control of the authoritative electronic copy.

21 (d) [Meaning of exclusive.] Subject to subsection (e), a power is exclusive under
22 subsection (c)(3)(A) and (B) even if:

23 (1) the authoritative electronic copy, a record attached to or logically associated

1 with the authoritative electronic copy, or a system in which the authoritative electronic copy is
2 recorded limits the use of the authoritative electronic copy or has a protocol programmed to
3 cause a change, including a transfer or loss of control; or

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

5 **(e) [When power not shared with another person.]** A power of a purchaser is not
6 shared with another person under subsection (d)(2) and the purchaser's power is not exclusive if:

7 (1) the purchaser can exercise the power only if the power also is exercised by the
8 other person; and

9 (2) the other person:

10 (A) can exercise the power without exercise of the power by the
11 purchaser; or

12 (B) is the transferor to the purchaser of an interest in the chattel paper.

13 **(f) [Presumption of exclusivity of certain powers.]** If a purchaser has the powers
14 specified in subsection (c)(3)(A) and (B), the powers are presumed to be exclusive.

15 **(g) [Obtaining control through another person.]** A purchaser has control of an
16 authoritative electronic copy of a record evidencing chattel paper if another person, other than
17 the transferor to the purchaser of an interest in the chattel paper:

18 (1) has control of the authoritative electronic copy and acknowledges that it has
19 control on behalf of the purchaser; or

20 (2) obtains control of the authoritative electronic copy after having acknowledged
21 that it will obtain control of the electronic copy on behalf of the purchaser.

22 **Section 9-105A. Control of Electronic Money.**

23 **(a) [General rule: control of electronic money.]** A person has control of electronic

1 money if:

2 (1) the electronic money, a record attached to or logically associated with the

3 electronic money, or a system in which the electronic money is recorded gives the person:

4 (A) power to avail itself of substantially all the benefit from the electronic

5 money; and

6 (B) exclusive power, subject to subsection (b), to:

7 (i) prevent others from availing themselves of substantially all the

8 benefit from the electronic money; and

9 (ii) transfer control of the electronic money to another person or

10 cause another person to obtain control of other electronic money as a result of the transfer of the

11 electronic money; and

12 (2) the electronic money, a record attached to or logically associated with the

13 electronic money, or a system in which the electronic money is recorded enables the person

14 readily to identify itself in any way, including by name, identifying number, cryptographic key,

15 office, or account number, as having the powers under paragraph (1).

16 (b) [Meaning of exclusive.] Subject to subsection (c) a power is exclusive under

17 subsection (a)(1)(B)(i) and (ii), even if:

18 (1) the electronic money, a record attached to or logically associated with the

19 electronic money, or a system in which the electronic money is recorded limits the use of the

20 electronic money or has a protocol programmed to cause a change, including a transfer or loss of

21 control; or

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

23 (c) [When power not shared with another person.] A power of a person is not shared

1 with another person under subsection (b)(2) and the person’s power is not exclusive if:

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

4 (2) the other person:

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

6 (B) is the transferor to the person of an interest in the electronic money.

7 (d) [Presumption of exclusivity of certain powers.] If a person has the powers specified
8 in subsection (a)(1)(B)(i) and (ii), the powers are presumed to be exclusive.

9 (e) [Control through another person.] A person has control of electronic money if
10 another person, other than the transferor to the person of an interest in the electronic money:

11 (1) has control of the electronic money and acknowledges that it has control on
12 behalf of the person; or

13 (2) obtains control of the electronic money after having acknowledged that it will
14 obtain control of the electronic money on behalf of the person.

15 **Section 9-107A. Control of Controllable Electronic Record, Controllable**
16 **Account, or Controllable Payment Intangible.**

17 (a) [Control under Section 12-105.] A secured party has control of a controllable
18 electronic record as provided in Section 12-105.

19 (b) [Control of controllable account and controllable payment intangible.] A secured
20 party has control of a controllable account or controllable payment intangible if the secured party
21 has control of the controllable electronic record that evidences the controllable account or
22 controllable payment intangible.

23 **Section 9-107B. No Requirement to Acknowledge or Confirm; No Duties.**

1 (a) [No requirement to acknowledge.] A person that has control under Section 9-104, 9-
2 105, or 9-105A is not required to acknowledge that it has control on behalf of another person.

3 (b) [No duties or confirmation.] If a person acknowledges that it has or will obtain
4 control on behalf of another person, unless the person otherwise agrees or law other than this
5 article otherwise provides, the person does not owe any duty to the other person and is not
6 required to confirm the acknowledgment to any other person.

7 **Section 9-203. Attachment and Enforceability of Security Interest; Proceeds;**
8 **Supporting Obligations; Formal Requisites.**

9 * * *

10 (b) [Enforceability.] Except as otherwise provided in subsections (c) through (i), a
11 security interest is enforceable against the debtor and third parties with respect to the collateral
12 only if:

13 * * *

14 (3) one of the following conditions is met:

15 (A) the debtor has ~~authenticated~~ signed a security agreement that provides
16 a description of the collateral and, if the security interest covers timber to be cut, a description of
17 the land concerned;

18 * * *

19 (C) the collateral is a certificated security in registered form and the
20 security certificate has been delivered to the secured party under Section 8-301 pursuant to the
21 debtor's security agreement; ~~or~~

22 (D) the collateral is controllable accounts, controllable electronic records,
23 controllable payment intangibles, deposit accounts, ~~electronic chattel paper,~~ electronic

1 documents, electronic money, investment property, or letter-of-credit rights, or electronic
2 documents, and the secured party has control under Section 7-106, 9-104, 9-105A, 9-106, or 9-
3 107, or 9-107A pursuant to the debtor's security agreement; or

4 (E) the collateral is chattel paper and the secured party has possession and
5 control under Section 9-314A pursuant to the debtor's security agreement.

6 * * *

7 **Section 9-204. After-Acquired Property; Future Advances.**

8 * * *

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

11 * * *

12 (b.1) [Limitation on subsection (b).] Subsection (b) does not prevent a security interest
13 from attaching:

14 (1) to consumer goods as proceeds under Section 9-315(a) or commingled goods
15 under Section 9-336(c);

16 (2) to a commercial tort claim as proceeds under Section 9-315(a); or

17 (3) under an after-acquired property clause to property that is proceeds of
18 consumer goods or a commercial tort claim.

19 * * *

20 **Section 9-207. Rights and Duties of Secured Party Having Possession or Control**
21 **of Collateral.**

22 * * *

23 (c) **[Duties and rights when secured party in possession or control.]** Except as

1 otherwise provided in subsection (d), a secured party having possession of collateral or control of
2 collateral under Section 7-106, 9-104, 9-105, 9-105A, 9-106, ~~or 9-107~~, or 9-107A:

3 * * *

4 **Section 9-208. Additional Duties of Secured Party Having Control of Collateral.**

5 * * *

6 (b) [**Duties of secured party after receiving demand from debtor.**] Within 10 days
7 after receiving ~~an authenticated~~ a signed demand by the debtor:

8 (1) a secured party having control of a deposit account under Section 9-104(a)(2)
9 shall send to the bank with which the deposit account is maintained ~~an authenticated statement a~~
10 signed record that releases the bank from any further obligation to comply with instructions
11 originated by the secured party;

12 * * *

13 ~~(3) a secured party, other than a buyer, having control of electronic chattel paper~~
14 ~~under Section 9-105 shall:~~

15 ~~(A) communicate the authoritative copy of the electronic chattel paper to~~
16 ~~the debtor or its designated custodian;~~

17 ~~(B) if the debtor designates a custodian that is the designated custodian~~
18 ~~with which the authoritative copy of the electronic chattel paper is maintained for the secured~~
19 ~~party, communicate to the custodian an authenticated record releasing the designated custodian~~
20 ~~from any further obligation to comply with instructions originated by the secured party and~~
21 ~~instructing the custodian to comply with instructions originated by the debtor; and~~

22 ~~(C) take appropriate action to enable the debtor or its designated custodian~~
23 ~~to make copies of or revisions to the authoritative copy which add or change an identified~~

1 ~~assignee of the authoritative copy without the consent of the secured party; and~~

2 (3) a secured party, other than a buyer, having control under Section 9-105 of an
3 authoritative electronic copy of a record evidencing chattel paper shall transfer control of the
4 electronic copy to the debtor or a person designated by the debtor;

5 (4) a secured party having control of investment property under Section 8-
6 106(d)(2) or 9-106(b) shall send to the securities intermediary or commodity intermediary with
7 which the security entitlement or commodity contract is maintained ~~an authenticated~~ a signed
8 record that releases the securities intermediary or commodity intermediary from any further
9 obligation to comply with entitlement orders or directions originated by the secured party;

10 (5) a secured party having control of a letter-of-credit right under Section 9-107
11 shall send to each person having an unfulfilled obligation to pay or deliver proceeds of the letter
12 of credit to the secured party ~~an authenticated~~ a signed release from any further obligation to pay
13 or deliver proceeds of the letter of credit to the secured party; ~~and~~

14 ~~(6) a secured party having control of an electronic document shall:~~

15 ~~(A) give control of the electronic document to the debtor or its designated~~
16 ~~custodian;~~

17 ~~(B) if the debtor designates a custodian that is the designated custodian~~
18 ~~with which the authoritative copy of the electronic document is maintained for the secured party,~~
19 ~~communicate to the custodian an authenticated record releasing the designated custodian from~~
20 ~~any further obligation to comply with instructions originated by the secured party and instructing~~
21 ~~the custodian to comply with instructions originated by the debtor; and~~

22 ~~(C) take appropriate action to enable the debtor or its designated custodian~~
23 ~~to make copies of or revisions to the authoritative copy which add or change an identified~~

1 assignee of the authoritative copy without the consent of the secured party.

2 (6) a secured party having control under Section 7-106 of an authoritative
3 electronic copy of an electronic document of title shall transfer control of the electronic copy to
4 the debtor or a person designated by the debtor;

5 (7) a secured party having control under Section 9-105A of electronic money shall
6 transfer control of the electronic money to the debtor or a person designated by the debtor; and

7 (8) a secured party having control under Section 12-105 of a controllable
8 electronic record, other than a buyer of a controllable account or controllable payment intangible
9 evidenced by the controllable electronic record, shall transfer control of the controllable
10 electronic record to the debtor or a person designated by the debtor.

11 **Section 9-209. Duties of Secured Party if Account Debtor Has Been Notified of**
12 **Assignment.**

13 * * *

14 (b) **[Duties of secured party after receiving demand from debtor.]** Within 10 days
15 after receiving ~~an authenticated~~ a signed demand by the debtor, a secured party shall send to an
16 account debtor that has received notification under Section 9-406(a) or 12-106(b) of an
17 assignment to the secured party as assignee ~~under Section 9-406(a) an authenticated~~ a signed
18 record that releases the account debtor from any further obligation to the secured party.

19 * * *

20 **Section 9-210. Request for Accounting; Request Regarding List of Collateral or**
21 **Statement of Account.**

22 (a) **[Definitions.]** In this section:

23 * * *

1 (2) “Request for an accounting” means a record ~~authenticated~~ signed by a debtor
2 requesting that the recipient provide an accounting of the unpaid obligations secured by
3 collateral and reasonably identifying the transaction or relationship that is the subject of the
4 request.

5 (3) “Request regarding a list of collateral” means a record ~~authenticated~~ signed
6 by a debtor requesting that the recipient approve or correct a list of what the debtor believes to be
7 the collateral securing an obligation and reasonably identifying the transaction or relationship
8 that is the subject of the request.

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

14 (b) **[Duty to respond to requests.]** Subject to subsections (c), (d), (e), and (f), a secured
15 party, other than a buyer of accounts, chattel paper, payment intangibles, or promissory notes or
16 a consignor, shall comply with a request within 14 days after receipt:

17 (1) in the case of a request for an accounting, by ~~authenticating~~ signing and
18 sending to the debtor an accounting; and

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

22 (c) **[Request regarding list of collateral; statement concerning type of collateral.]** A
23 secured party that claims a security interest in all of a particular type of collateral owned by the

1 debtor may comply with a request regarding a list of collateral by sending to the debtor an
2 ~~authenticated~~ a signed record including a statement to that effect within 14 days after receipt.

3 (d) **[Request regarding list of collateral; no interest claimed.]** A person that receives
4 a request regarding a list of collateral, claims no interest in the collateral when it receives the
5 request, and claimed an interest in the collateral at an earlier time shall comply with the request
6 within 14 days after receipt by sending to the debtor ~~an authenticated~~ a signed record:

7 * * *

8 (e) **[Request for accounting or regarding statement of account; no interest in**
9 **obligation claimed.]** A person that receives a request for an accounting or a request regarding a
10 statement of account, claims no interest in the obligations when it receives the request, and
11 claimed an interest in the obligations at an earlier time shall comply with the request within 14
12 days after receipt by sending to the debtor ~~an authenticated~~ a signed record:

13 * * *

14 **Section 9-301. Law Governing Perfection and Priority of Security Interests.**

15 Except as otherwise provided in Sections 9-303 through ~~9-306~~ 9-306B, the following
16 rules determine the law governing perfection, the effect of perfection or nonperfection, and the
17 priority of a security interest in collateral:

18 * * *

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

- 22 (A) perfection of a security interest in the goods by filing a fixture filing;
23 (B) perfection of a security interest in timber to be cut; and

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

3 * * *

4 **Section 9-304. Law Governing Perfection and Priority of Security Interests in**
5 **Deposit Accounts.**

6 (a) **[Law of bank's jurisdiction governs.]** The local law of a bank's jurisdiction
7 governs perfection, the effect of perfection or nonperfection, and the priority of a security
8 interest in a deposit account maintained with that bank even if the transaction does not bear any
9 relation to the bank's jurisdiction.

10 * * *

11 **Section 9-305. Law Governing Perfection and Priority of Security Interests in**
12 **Investment Property.**

13 (a) **[Governing law: general rules.]** Except as otherwise provided in subsection (c), the
14 following rules apply:

15 * * *

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

18 * * *

19 **Section 9-306A. Law Governing Perfection and Priority of Security Interests in**
20 **Chattel Paper.**

21 (a) **[Chattel paper evidenced by authoritative electronic copy.]** Except as provided in
22 subsection (d), if chattel paper is evidenced only by an authoritative electronic copy of the chattel
23 paper or is evidenced by an authoritative electronic copy and an authoritative tangible copy, the

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

4 (b) [Chattel paper's jurisdiction.] The following rules determine the chattel paper's
5 jurisdiction under this section:

6 (1) If the authoritative electronic copy of the record evidencing chattel paper, or a
7 record attached to or logically associated with the electronic copy and readily available for
8 review, expressly provides that a particular jurisdiction is the chattel paper's jurisdiction for
9 purposes of this part, this article, or [the Uniform Commercial Code], that jurisdiction is the
10 chattel paper's jurisdiction.

11 (2) If paragraph (1) does not apply and the rules of the system in which the
12 authoritative electronic copy is recorded are readily available for review and expressly provide
13 that a particular jurisdiction is the chattel paper's jurisdiction for purposes of this part, this
14 article, or [the Uniform Commercial Code], that jurisdiction is the chattel paper's jurisdiction.

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

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

23 (5) If paragraphs (1) through (4) do not apply, the chattel paper's jurisdiction is

1 the jurisdiction in which the debtor is located.

2 **(c) [Chattel paper evidenced by authoritative tangible copy.]** If an authoritative
3 tangible copy of a record evidences chattel paper and the chattel paper is not evidenced by an
4 authoritative electronic copy, while the authoritative tangible copy of the record evidencing
5 chattel paper is located in a jurisdiction, the local law of that jurisdiction governs:

6 (1) perfection of a security interest in the chattel paper by possession under
7 Section 9-314A; and

8 (2) the effect of perfection or nonperfection and the priority of a security interest
9 in the chattel paper.

10 **(d) [When perfection governed by law of jurisdiction where debtor located.]** The
11 local law of the jurisdiction in which the debtor is located governs perfection of a security
12 interest in chattel paper by filing.

13 **Section 9-306B. Law Governing Perfection and Priority of Security Interests in**
14 **Controllable Accounts, Controllable Electronic Records, and Controllable Payment**
15 **Intangibles.**

16 **(a) [Governing law: general rules.]** Except as provided in subsection (b), the local law
17 of the controllable electronic record's jurisdiction specified in Section 12-107(c) and (d) governs
18 perfection, the effect of perfection or nonperfection, and the priority of a security interest in a
19 controllable electronic record and a security interest in a controllable account or controllable
20 payment intangible evidenced by the controllable electronic record.

21 **(b) [When perfection governed by law of jurisdiction where debtor located.]** The
22 local law of the jurisdiction in which the debtor is located governs:

23 (1) perfection of a security interest in a controllable account, controllable

1 electronic record, or controllable payment intangible by filing; and

2 (2) automatic perfection of a security interest in a controllable payment intangible

3 created by a sale of the controllable payment intangible.

4 **Section 9-310. When Filing Required to Perfect Security Interest or Agricultural**
5 **Lien; Security Interests and Agricultural Liens to Which Filing Provisions Do Not**
6 **Apply.**

7 * * *

8 (b) **[Exceptions: filing not necessary.]** The filing of a financing statement is not
9 necessary to perfect a security interest:

10 * * *

11 (8) in controllable accounts, controllable electronic records, controllable payment
12 intangibles, deposit accounts, ~~electronic chattel paper,~~ electronic documents, investment
13 property, or letter-of-credit rights which is perfected by control under Section 9-314;

14 (8.1) in chattel paper which is perfected by possession and control under Section
15 9-314A;

16 * * *

17 **Section 9-312. Perfection of Security Interests in Chattel Paper, Controllable**
18 **Accounts, Controllable Electronic Records, Controllable Payment Intangibles, Deposit**
19 **Accounts, Negotiable Documents, Goods Covered by Documents, Instruments,**
20 **Investment Property, Letter-of-Credit Rights, and Money; Perfection by Permissive**
21 **Filing; Temporary Perfection Without Filing or Transfer of Possession.**

22 (a) **[Perfection by filing permitted.]** A security interest in chattel paper, ~~negotiable~~
23 ~~documents,~~ controllable accounts, controllable electronic records, controllable payment

1 intangibles, instruments, or investment property, or negotiable documents may be perfected by
2 filing.

3 (b) **[Control or possession of certain collateral.]** Except as otherwise provided in
4 Section 9-315(c) and (d) for proceeds:

5 * * *

6 (2) except as otherwise provided in Section 9-308(d), a security interest in a letter-
7 of-credit right may be perfected only by control under Section 9-314; ~~and~~

8 (3) a security interest in tangible money may be perfected only by the secured
9 party's taking possession under Section 9-313; and

10 (4) a security interest in electronic money may be perfected only by control under
11 Section 9-314.

12 * * *

13 (e) **[Temporary perfection: new value.]** A security interest in certificated securities,
14 negotiable documents, or instruments is perfected without filing or the taking of possession or
15 control for a period of 20 days from the time it attaches to the extent that it arises for new value
16 given under ~~an authenticated~~ a signed security agreement.

17 * * *

18 **Section 9-313. When Possession by or Delivery to Secured Party Perfects**
19 **Security Interest Without Filing.**

20 (a) **[Perfection by possession or delivery.]** Except as otherwise provided in subsection
21 (b), a secured party may perfect a security interest in ~~tangible negotiable documents,~~ goods,
22 instruments, negotiable tangible documents, or tangible money, ~~or tangible chattel paper~~ by
23 taking possession of the collateral. A secured party may perfect a security interest in certificated

1 securities by taking delivery of the certificated securities under Section 8-301.

2 * * *

3 (c) **[Collateral in possession of person other than debtor.]** With respect to collateral
4 other than certificated securities and goods covered by a document, a secured party takes
5 possession of collateral in the possession of a person other than the debtor, the secured party, or a
6 lessee of the collateral from the debtor in the ordinary course of the debtor's business, when:

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

9 (2) the person takes possession of the collateral after having ~~authenticated~~ signed
10 a record acknowledging that it will hold possession of the collateral for the secured party's
11 benefit.

12 * * *

13 **Section 9-314. Perfection by Control.**

14 (a) **[Perfection by control.]** A security interest in ~~investment property, deposit accounts,~~
15 ~~letter-of-credit rights, electronic chattel paper, or electronic documents~~ controllable accounts,
16 controllable electronic records, controllable payment intangibles, deposit accounts, electronic
17 documents, electronic money, investment property, or letter-of-credit rights may be perfected by
18 control of the collateral under Section 7-106, 9-104, ~~9-105,~~ 9-105A, 9-106, ~~or 9-107,~~ or 9-107A.

19 (b) **[Specified collateral: time of perfection by control; continuation of perfection.]** A
20 security interest in ~~deposit accounts, electronic chattel paper, letter-of-credit rights, or electronic~~
21 ~~documents,~~ controllable accounts, controllable electronic records, controllable payment
22 intangibles, deposit accounts, electronic documents, electronic money, or letter-of-credit rights is
23 perfected by control under Section 7-106, 9-104, ~~9-105,~~ 9-105A, ~~or 9-107,~~ or 9-107A ~~when not~~

1 earlier than the time the secured party obtains control and remains perfected by control only
2 while the secured party retains control.

3 (c) **[Investment property: time of perfection by control; continuation of**
4 **perfection.]** A security interest in investment property is perfected by control under Section 9-
5 106 ~~from~~ not earlier than the time the secured party obtains control and remains perfected by
6 control until:

7 (1) the secured party does not have control; and

8 (2) one of the following occurs:

9 (A) if the collateral is a certificated security, the debtor has or
10 acquires possession of the security certificate;

11 (B) if the collateral is an uncertificated security, the issuer has
12 registered or registers the debtor as the registered owner; or

13 (C) if the collateral is a security entitlement, the debtor is or
14 becomes the entitlement holder.

15 * * *

16 **Section 9-314A. Perfection by Possession and Control of Chattel Paper.**

17 (a) **[Perfection by possession and control.]** A secured party may perfect a security
18 interest in chattel paper by taking possession of each authoritative tangible copy of the record
19 evidencing the chattel paper and obtaining control of each authoritative electronic copy of the
20 electronic record evidencing the chattel paper.

21 (b) **[Time of perfection; continuation of perfection.]** A security interest is perfected
22 under subsection (a) not earlier than the time the secured party takes possession and obtains
23 control and remains perfected under subsection (a) only while the secured party retains

1 possession and control.

2 **(c) [Application of Section 9-313 to perfection by possession of chattel paper.]**

3 Section 9-313(c) and (f) through (i) applies to perfection by possession of an authoritative
4 tangible copy of a record evidencing chattel paper.

5 **Section 9-316. Continued Perfection of Security Interest Following Change in**
6 **Governing Law.**

7 (a) **[General rule: effect on perfection of change in governing law.]** A security interest
8 perfected pursuant to the law of the jurisdiction designated in Section 9-301(1), ~~or~~ 9-305(c), 9-
9 306A(d), or 9-306B(b) remains perfected until the earliest of:

10 * * *

11 (f) **[Change in jurisdiction of chattel paper, controllable electronic record, bank,**
12 **issuer, nominated person, securities intermediary, or commodity intermediary.]** A security
13 interest in chattel paper, controllable accounts, controllable electronic records, controllable
14 payment intangibles, deposit accounts, letter-of-credit rights, or investment property which is
15 perfected under the law of the chattel paper's jurisdiction, the controllable electronic record's
16 jurisdiction, the bank's jurisdiction, the issuer's jurisdiction, a nominated person's jurisdiction,
17 the securities intermediary's jurisdiction, or the commodity intermediary's jurisdiction, as
18 applicable, remains perfected until the earlier of:

19 * * *

20 **Section 9-317. Interests That Take Priority Over or Take Free of Security**
21 **Interest or Agricultural Lien.**

22 * * *

23 (b) **[Buyers that receive delivery.]** Except as otherwise provided in subsection (e), a

1 buyer, other than a secured party, ~~of tangible chattel paper, tangible documents,~~ of goods,
2 instruments, tangible documents, or a security certificate takes free of a security interest or
3 agricultural lien if the buyer gives value and receives delivery of the collateral without
4 knowledge of the security interest or agricultural lien and before it is perfected.

5 * * *

6 (d) **[Licensees and buyers of certain collateral.]** A Subject to subsections (f) through
7 (i), a licensee of a general intangible or a buyer, other than a secured party, of collateral other
8 than ~~tangible chattel paper,~~ electronic money, tangible documents, goods, instruments, or a
9 certificated security takes free of a security interest if the licensee or buyer gives value without
10 knowledge of the security interest and before it is perfected.

11 * * *

12 (f) **[Buyers of chattel paper.]** A buyer, other than a secured party, of chattel paper takes
13 free of a security interest if, without knowledge of the security interest and before it is perfected,
14 the buyer gives value and:

15 (1) receives delivery of each authoritative tangible copy of the record evidencing
16 the chattel paper; and

17 (2) if each authoritative electronic copy of the record evidencing the chattel paper
18 can be subjected to control under Section 9-105, obtains control of each authoritative electronic
19 copy.

20 (g) **[Buyers of electronic documents.]** A buyer of an electronic document takes free of a
21 security interest if, without knowledge of the security interest and before it is perfected, the
22 buyer gives value and, if each authoritative electronic copy of the document can be subjected to
23 control under Section 7-106, obtains control of each authoritative electronic copy.

1 (h) [Buyers of controllable electronic records.] A buyer of a controllable electronic
2 record takes free of a security interest if, without knowledge of the security interest and before it
3 is perfected, the buyer gives value and obtains control of the controllable electronic record.

4 (i) [Buyers of controllable accounts and controllable payment intangibles.] A buyer,
5 other than a secured party, of a controllable account or a controllable payment intangible takes
6 free of a security interest if, without knowledge of the security interest and before it is perfected,
7 the buyer gives value and obtains control of the controllable account or controllable payment
8 intangible.

9 **Section 9-323. Future Advances.**

10 * * *

11 (d) [Buyer of goods.] Except as otherwise provided in subsection (e), a buyer of goods
12 ~~other than a buyer in ordinary course of business~~ takes free of a security interest to the extent that
13 it secures advances made after the earlier of:

14 * * *

15 (f) [Lessee of goods.] Except as otherwise provided in subsection (g), a lessee of goods,
16 ~~other than a lessee in ordinary course of business,~~ takes the leasehold interest free of a security
17 interest to the extent that it secures advances made after the earlier of:

18 * * *

19 **Section 9-324. Priority of Purchase-Money Security Interests.**

20 * * *

21 (b) [Inventory purchase-money priority.] Subject to subsection (c) and except as
22 otherwise provided in subsection (g), a perfected purchase-money security interest in inventory
23 has priority over a conflicting security interest in the same inventory, has priority over a

1 conflicting security interest in chattel paper or an instrument constituting proceeds of the
2 inventory and in proceeds of the chattel paper, if so provided in Section 9-330, and, except as
3 otherwise provided in Section 9-327, also has priority in identifiable cash proceeds of the
4 inventory to the extent the identifiable cash proceeds are received on or before the delivery of the
5 inventory to a buyer, if:

6 * * *

7 (2) the purchase-money secured party sends ~~an authenticated~~ a signed notification
8 to the holder of the conflicting security interest;

9 * * *

10 (d) [**Livestock purchase-money priority.**] Subject to subsection (e) and except as
11 otherwise provided in subsection (g), a perfected purchase-money security interest in livestock
12 that are farm products has priority over a conflicting security interest in the same livestock, and,
13 except as otherwise provided in Section 9-327, a perfected security interest in their identifiable
14 proceeds and identifiable products in their unmanufactured states also has priority, if:

15 * * *

16 (2) the purchase-money secured party sends ~~an authenticated~~ a signed notification
17 to the holder of the conflicting security interest;

18 * * *

19 **Section 9-326A. Priority of Security Interest in Controllable Account,**

20 **Controllable Electronic Record, and Controllable Payment Intangible.**

21 A security interest in a controllable account, controllable electronic record, or
22 controllable payment intangible held by a secured party having control of the account, electronic
23 record, or payment intangible has priority over a conflicting security interest held by a secured

1 party that does not have control.

2 **Section 9-330. Priority of Purchaser of Chattel Paper or Instrument.**

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

6 (1) in good faith and in the ordinary course of the purchaser's business, the
7 purchaser gives new value, ~~and~~ takes possession of each authoritative tangible copy of the record
8 evidencing the chattel paper, ~~or~~ and obtains control ~~of~~ under Section 9-105 of each authoritative
9 electronic copy of the record evidencing the chattel paper ~~under Section 9-105;~~ and

10 (2) ~~the chattel paper does~~ authoritative copies of the record evidencing the chattel
11 paper do not indicate that ~~it~~ the chattel paper has been assigned to an identified assignee other
12 than the purchaser.

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

21 * * *

22 (f) **[Indication of assignment gives knowledge.]** For purposes of subsections (b) and
23 (d), if the authoritative copies of the record evidencing chattel paper or an instrument indicates

1 indicate that if the chattel paper or instrument has been assigned to an identified secured party
2 other than the purchaser, a purchaser of the chattel paper or instrument has knowledge that the
3 purchase violates the rights of the secured party.

4 **Section 9-331. Priority of Rights of Purchasers of Controllable Accounts,**
5 **Controllable Electronic Records, Controllable Payment Intangibles, Instruments,**
6 **Documents, Instruments, and Securities Under Other Articles; Priority of Interests in**
7 **Financial Assets and Security Entitlements and Protection Against Assertion of Claim**
8 **Under ~~Article 8~~ Articles 8 and 12.**

9 (a) **[Rights under Articles 3, 7, ~~and 8,~~ and 12 not limited.]** This article does not limit
10 the rights of a holder in due course of a negotiable instrument, a holder to which a negotiable
11 document of title has been duly negotiated, ~~or~~ a protected purchaser of a security, or a qualifying
12 purchaser of a controllable account, controllable electronic record, or controllable payment
13 intangible. These holders or purchasers take priority over an earlier security interest, even if
14 perfected, to the extent provided in Articles 3, 7, ~~and 8,~~ and 12.

15 (b) **[Protection under ~~Article 8~~ Articles 8 and 12.]** This article does not limit the rights
16 of or impose liability on a person to the extent that the person is protected against the assertion of
17 a claim under Article 8 or 12.

18 * * *

19 **Section 9-332. Transfer of Money; Transfer of Funds from Deposit Account.**

20 (a) **[Transferee of tangible money.]** A transferee of tangible money takes the money
21 free of a security interest ~~unless the transferee acts~~ if the transferee receives possession of the
22 money without acting in collusion with the debtor in violating the rights of the secured party.

23 (b) **[Transferee of funds from deposit account.]** A transferee of funds from a deposit

1 account takes the funds free of a security interest in the deposit account ~~unless the transferee acts~~
2 if the transferee receives the funds without acting in collusion with the debtor in violating the
3 rights of the secured party.

4 (c) [Transferee of electronic money.] A transferee of electronic money takes the money
5 free of a security interest if the transferee obtains control of the money without acting in
6 collusion with the debtor in violating the rights of the secured party.

7 **Section 9-334. Priority of Security Interests in Fixtures and Crops.**

8 * * *

9 (f) **[Priority based on consent, disclaimer, or right to remove.]** A security interest in
10 fixtures, whether or not perfected, has priority over a conflicting interest of an encumbrancer or
11 owner of the real property if:

12 (1) the encumbrancer or owner has, in ~~an authenticated~~ a signed record, consented
13 to the security interest or disclaimed an interest in the goods as fixtures; or

14 * * *

15 **Section 9-341. Bank's Rights and Duties with Respect to Deposit Account.**

16 Except as otherwise provided in Section 9-340(c), and unless the bank otherwise agrees
17 in ~~an authenticated~~ a signed record, a bank's rights and duties with respect to a deposit account
18 maintained with the bank are not terminated, suspended, or modified by:

19 * * *

20 **Section 9-404. Rights Acquired by Assignee; Claims and Defenses Against**
21 **Assignee.**

22 (a) **[Assignee's rights subject to terms, claims, and defenses; exceptions.]** Unless an
23 account debtor has made an enforceable agreement not to assert defenses or claims, and subject

1 to subsections (b) through (e), the rights of an assignee are subject to:

2 * * *

3 (2) any other defense or claim of the account debtor against the assignor which
4 accrues before the account debtor receives a notification of the assignment ~~authenticated~~ signed
5 by the assignor or the assignee.

6 * * *

7 **Section 9-406. Discharge of Account Debtor; Notification of Assignment;**
8 **Identification and Proof of Assignment; Restrictions on Assignment of Accounts,**
9 **Chattel Paper, Payment Intangibles, and Promissory Notes Ineffective.**

10 (a) **[Discharge of account debtor; effect of notification.]** Subject to subsections (b)
11 through (i) and (l), an account debtor on an account, chattel paper, or a payment intangible may
12 discharge its obligation by paying the assignor until, but not after, the account debtor receives a
13 notification, ~~authenticated~~ signed by the assignor or the assignee, that the amount due or to
14 become due has been assigned and that payment is to be made to the assignee. After receipt of
15 the notification, the account debtor may discharge its obligation by paying the assignee and may
16 not discharge the obligation by paying the assignor.

17 (b) **[When notification ineffective.]** Subject to ~~subsection~~ subsections (h) and (l),
18 notification is ineffective under subsection (a):

19 (1) if it does not reasonably identify the rights assigned;

20 (2) to the extent that an agreement between an account debtor and a seller of a
21 payment intangible limits the account debtor's duty to pay a person other than the seller and the
22 limitation is effective under law other than this article; or

23 (3) at the option of an account debtor, if the notification notifies the account

1 debtor to make less than the full amount of any installment or other periodic payment to the
2 assignee, even if:

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

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

6 (C) the account debtor knows that the assignment to that assignee is
7 limited.

8 (c) **[Proof of assignment.]** Subject to ~~subsection~~ subsections (h) and (l), if requested by
9 the account debtor, an assignee shall seasonably furnish reasonable proof that the assignment
10 has been made. Unless the assignee complies, the account debtor may discharge its obligation
11 by paying the assignor, even if the account debtor has received a notification under subsection
12 (a).

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

18 * * *

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

21 * * *

22

1 (1) [Inapplicability of certain subsections.] Subsections (a), (b), (c) and (g) do not apply
2 to a controllable account or controllable payment intangible.

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

5
6 **Section 9-408. Restrictions on Assignment of Promissory Notes, Health-Care-**
7 **Insurance Receivables, and Certain General Intangibles Ineffective.**

8 * * *

9 (g) [“Promissory note.”] In this section, “promissory note” includes a negotiable
10 instrument that evidences chattel paper.

11 **Section 9-509. Persons Entitled to File a Record.**

12 (a) **[Person entitled to file record.]** A person may file an initial financing statement,
13 amendment that adds collateral covered by a financing statement, or amendment that adds a
14 debtor to a financing statement only if:

15 (1) the debtor authorizes the filing in ~~an authenticated~~ a signed record or pursuant
16 to subsection (b) or (c); or

17 * * *

18 (b) **[Security agreement as authorization.]** By ~~authenticating~~ signing or becoming
19 bound as debtor by a security agreement, a debtor or new debtor authorizes the filing of an initial
20 financing statement, and an amendment, covering:

21 * * *

22 **Section 9-513. Termination Statement.**

23 * * *

24 (b) **[Time for compliance with subsection (a).]** To comply with subsection (a), a
25 secured party shall cause the secured party of record to file the termination statement:

1 * * *

2 (2) if earlier, within 20 days after the secured party receives ~~an authenticated~~ a
3 signed demand from a debtor.

4 (c) **[Other collateral.]** In cases not governed by subsection (a), within 20 days after a
5 secured party receives ~~an authenticated~~ a signed demand from a debtor, the secured party shall
6 cause the secured party of record for a financing statement to send to the debtor a termination
7 statement for the financing statement or file the termination statement in the filing office if:

8 * * *

9
10 **Section 9-601. Rights After Default; Judicial Enforcement; Consignor or Buyer**
11 **of Accounts, Chattel Paper, Payment Intangibles, or Promissory Notes.**

12 * * *

13 (b) **[Rights and duties of secured party in possession or control.]** A secured party in
14 possession of collateral or control of collateral under Section 7-106, 9-104, 9-105, 9-105A, 9-
15 106, ~~or 9-107~~, or 9-107A has the rights and duties provided in Section 9-207.

16 * * *

17 **Section 9-605. Unknown Debtor or Secondary Obligor.**

18 A (a) **[In general: No duty owed by secured party.]** Except as provided in subsection
19 (b), a secured party does not owe a duty based on its status as secured party:

20 (1) to a person that is a debtor or obligor, unless the secured party knows:

21 (A) that the person is a debtor or obligor;

22 (B) the identity of the person; and

23 (C) how to communicate with the person; or

24 (2) to a secured party or lienholder that has filed a financing statement against a

1 person, unless the secured party knows:

2 (A) that the person is a debtor; and

3 (B) the identity of the person.

4 **(b) [Exception: Secured party owes duty to debtor or obligor.]** A secured party owes a
5 duty based on its status as a secured party to a person if, at the time the secured party obtains
6 control of collateral that is a controllable account, controllable electronic record, or controllable
7 payment intangible or at the time the security interest attaches to the collateral, whichever is
8 later:

9 (1) the person is a debtor or obligor; and

10 (2) the secured party knows that the information specified in subsection (a)(1)(A),
11 (B), or (C) relating to the person is not provided by the collateral, a record attached to or
12 logically associated with the collateral, or the system in which the collateral is recorded.

13 **Section 9-608. Application of Proceeds of Collection or Enforcement; Liability**
14 **for Deficiency and Right to Surplus.**

15 (a) **[Application of proceeds, surplus, and deficiency if obligation secured.]** If a
16 security interest or agricultural lien secures payment or performance of an obligation, the
17 following rules apply:

18 (1) A secured party shall apply or pay over for application the cash proceeds of
19 collection or enforcement under Section 9-607 in the following order to:

20 (A) the reasonable expenses of collection and enforcement and, to the
21 extent provided for by agreement and not prohibited by law, reasonable attorney's fees and legal
22 expenses incurred by the secured party;

23 (B) the satisfaction of obligations secured by the security interest or

1 agricultural lien under which the collection or enforcement is made; and

2 (C) the satisfaction of obligations secured by any subordinate security
3 interest in or other lien on the collateral subject to the security interest or agricultural lien under
4 which the collection or enforcement is made if the secured party receives ~~an authenticated~~ a
5 signed demand for proceeds before distribution of the proceeds is completed.

6 * * *

7 **Section 9-611. Notification Before Disposition of Collateral.**

8 (a) [**“Notification date.”**] In this section, “notification date” means the earlier of the date
9 on which:

10 (1) a secured party sends to the debtor and any secondary obligor ~~an authenticated~~
11 a signed notification of disposition; or

12 * * *

13 (b) [**Notification of disposition required.**] Except as otherwise provided in subsection
14 (d), a secured party that disposes of collateral under Section 9-610 shall send to the persons
15 specified in subsection (c) a reasonable ~~authenticated~~ signed notification of disposition.

16 (c) [**Persons to be notified.**] To comply with subsection (b), the secured party shall send
17 ~~an authenticated~~ a signed notification of disposition to:

18 * * *

19 (3) if the collateral is other than consumer goods:

20 (A) any other person from which the secured party has received, before
21 the notification date, ~~an authenticated~~ a signed notification of a claim of an interest in the
22 collateral;

23 (B) any other secured party or lienholder that, 10 days before the

1 notification date, held a security interest in or other lien on the collateral perfected by the filing
2 of a financing statement that:

3 (i) identified the collateral;

4 (ii) was indexed under the debtor's name as of that date; and

5 (iii) was filed in the office in which to file a financing statement
6 against the debtor covering the collateral as of that date; and

7 (C) any other secured party that, 10 days before the notification date, held
8 a security interest in the collateral perfected by compliance with a statute, regulation, or treaty
9 described in Section 9-311(a).

10 * * *

11 (e) [**Compliance with subsection (c)(3)(B).**] A secured party complies with the
12 requirement for notification prescribed by subsection (c)(3)(B) if:

13 * * *

14 (2) before the notification date, the secured party:

15 (A) did not receive a response to the request for information; or

16 (B) received a response to the request for information and sent ~~an~~

17 ~~authenticated~~ a signed notification of disposition to each secured party or other lienholder named
18 in that response whose financing statement covered the collateral.

19 **Section 9-613. Contents and Form of Notification Before Disposition of**

20 **Collateral: General.**

21 Except in a consumer-goods transaction, the following rules apply:

22 (1) The contents of a notification of disposition are sufficient if the notification:

23 (A) describes the debtor and the secured party;

1 (B) describes the collateral that is the subject of the intended disposition;
2 (C) states the method of intended disposition;
3 (D) states that the debtor is entitled to an accounting of the unpaid
4 indebtedness and states the charge, if any, for an accounting; and
5 (E) states the time and place of a public disposition or the time after which
6 any other disposition is to be made.

7 (2) Whether the contents of a notification that lacks any of the information
8 specified in paragraph (1) are nevertheless sufficient is a question of fact.

9 (3) The contents of a notification providing substantially the information
10 specified in paragraph (1) are sufficient, even if the notification includes:

11 (A) information not specified by that paragraph; or

12 (B) minor errors that are not seriously misleading.

13 (4) A particular phrasing of the notification is not required.

14 (5) The following form of notification and the form appearing in Section 9-
15 614(3), when completed, each provides sufficient information:

16 ~~**NOTIFICATION OF DISPOSITION OF COLLATERAL**~~

17 To: ~~_____~~ [Name of debtor, obligor, or other person to which ~~_____~~ *the*
18 *notification is sent]_____*

19 From: ~~_____~~ [Name, address, and telephone number of secured
20 *party]_____*

21 Name of Debtor(s): ~~_____~~ [Include only if debtor(s) are not an addressee]_____

22 ~~[For a public disposition:]~~

23 We will sell [or lease or license, *as applicable*] the ~~_____~~ [describe collateral]_____ [to the

1 ~~highest qualified bidder] in public as follows:~~

2 Day and Date: _____

3 Time: _____

4 Place:

5 [~~For a private disposition:] _____~~

6 We will sell [or lease or license, *as applicable*] the _____ privately
7 sometime after _____.

8 You are entitled to an accounting of the unpaid indebtedness secured by the property that
9 we intend to sell [or lease or license, *as applicable*] [for a charge of \$ _____]. You may
10 request an accounting by calling us at _____.

11 **{End of Form}**

12 **NOTIFICATION OF DISPOSITION OF COLLATERAL**

13 To: (Name of debtor, obligor, or other person to which the notification is sent)

14 From: (Name, address, and telephone number of secured party)

15 Name of Debtor(s): (Include only if debtor(s) are not an addressee)

16 We will sell (or lease or license, as applicable) the (describe collateral) (include, if
17 applicable: to the highest qualified bidder) in public as follows:

18 Day and Date: _____ (day and date)

19 Time: _____ (time)

20 Place: _____ (place)¹

21 We will sell (or lease or license, as applicable) the (describe collateral) privately

¹ The sender must include this paragraph for a public disposition of the collateral.

1 sometime after (day and date) .²

2

3 You are entitled to an accounting of the unpaid indebtedness secured by the property that
4 we intend to sell (or lease or license, as applicable) (include, if applicable: for a charge of
5 \$ (specify amount)). You may request an accounting by calling us at (telephone number).

6

[End of Form]

7

Section 9-614. Contents and Form of Notification Before Disposition of

8

Collateral: Consumer-Goods Transaction.

9

In a consumer-goods transaction, the following rules apply:

10

(1) A notification of disposition must provide the following information:

11

(A) the information specified in Section 9-613(1);

12

(B) a description of any liability for a deficiency of the person to which

13

the notification is sent;

14

(C) a telephone number from which the amount that must be paid to the

15

secured party to redeem the collateral under Section 9-623 is available; and

16

(D) a telephone number or mailing address from which additional

17

information concerning the disposition and the obligation secured is available.

18

(2) A particular phrasing of the notification is not required.

19

(3) The following form of notification, when completed, provides sufficient

20

information:

21

—[Name and address of secured party]—

22

—[Date]—

² The sender must include this paragraph for a private disposition of the collateral.

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NOTICE OF OUR PLAN TO SELL PROPERTY

~~—[Name and address of any obligor who is also a debtor]—~~

Subject: ~~—[Identification of Transaction]—~~

We have your ~~—[describe collateral]—~~, because you broke promises in our agreement.

~~[For a public disposition:]~~

We will sell ~~—[describe collateral]—~~ at public sale. A sale could include a lease or license.

The sale will be held as follows:

Date: ~~=====~~

Time: ~~=====~~

Place: ~~=====~~

You may attend the sale and bring bidders if you want.

~~[For a private disposition:]~~

We will sell ~~—[describe collateral]—~~ at private sale sometime after ~~—[date]—~~. A sale could include a lease or license.

The money that we get from the sale (after paying our costs) will reduce the amount you owe. If we get less money than you owe, you ~~—[will or will not, as applicable]—~~ still owe us the difference. If we get more money than you owe, you will get the extra money, unless we must pay it to someone else.

You can get the property back at any time before we sell it by paying us the full amount you owe (not just the past due payments), including our expenses. To learn the exact amount you must pay, call us at ~~—[telephone number]—~~.

1
2 If you want us to explain to you in writing how we have figured the amount that you owe us, you
3 may call us at [telephone number] [or write us at [secured party's address]] and
4 request a written explanation. [We will charge you \$ for the explanation if we sent you
5 another written explanation of the amount you owe us within the last six months.]

6
7 If you need more information about the sale call us at [telephone number] [or write us
8 at [secured party's address]].

9
10 We are sending this notice to the following other people who have an interest in [describe
11 collateral] or who owe money under your agreement:
12 [Names of all other debtors and obligors, if any]

13 **{End of Form}**

14 **NOTICE OF OUR PLAN TO SELL PROPERTY**

15 (Name and address of any obligor who is also a debtor)

16 Subject: (Identification of Transaction)

17 We have your (describe collateral) , because you broke promises in our agreement.

18
19 We will sell (describe collateral) at public sale. A sale could include a lease or license. The
20 sale will be held as follows:

21 Date: (date)

22 Time: (time)

23 Place: (place)

1 You may attend the sale and bring bidders if you want.³

2

3 We will sell (describe collateral) at private sale sometime after (date). A sale could include a
4 lease or license.⁴

5 The money that we get from the sale (after paying our costs) will reduce the amount you owe. If
6 we get less money than you owe, you (will or will not, as applicable) still owe us the difference.

7 If we get more money than you owe, you will get the extra money, unless we must pay it to
8 someone else.

9

10 You can get the property back at any time before we sell it by paying us the full amount you owe
11 (not just the past due payments), including our expenses. To learn the exact amount you must
12 pay, call us at (telephone number).

13

14 If you want us to explain to you⁵ (in writing) (in writing or in an electronic document) (in an
15 electronic document) how we have figured the amount that you owe us, you may call us
16 at (telephone number) (or⁶ (write us at (secured party's address)) (description of electronic
17 communication method)) and request⁷ (a written explanation) (or) (a written explanation or an
18 explanation in an electronic document) (or) (an explanation in an electronic document). (We

³ The sender must include this paragraph for a public disposition of the collateral.

⁴ The sender must include this paragraph for a private disposition of the collateral.

⁵ The sender of the form must insert *any one* of the three alternative modes for the explanation (writing, writing and electronic document, or electronic document)

⁶ The sender of the form may include *either, both, or neither* of the two alternative methods (writing or electronic communication) in addition to telephone for the recipient of the Notice to communicate with the sender.

⁷ The sender of the form must refer to the mode or modes for the explanation inserted pursuant to the first set of alternatives for this form mentioned above

1 will charge you \$ (specify amount) for the explanation if we sent you another written
2 explanation of the amount you owe us within the last six months.⁸⁾

3
4 If you need more information about the sale call us at (telephone number) (or⁹⁾ (write us at
5 (secured party's address)) (description of electronic communication method)).

6
7 We are sending this notice to the following other people who have an interest in (describe
8 collateral) or who owe money under your agreement:

9 (Names of all other debtors and obligors, if any)

10 **[End of Form]**

11 * * *

12 **Section 9-615. Application of Proceeds of Disposition; Liability for Deficiency**
13 **and Right to Surplus.**

14 (a) [**Application of proceeds.**] A secured party shall apply or pay over for application
15 the cash proceeds of disposition under Section 9-610 in the following order to:

16 * * *

17 (3) the satisfaction of obligations secured by any subordinate security interest in
18 or other subordinate lien on the collateral if:

19 (A) the secured party receives from the holder of the subordinate security

⁸ If a written explanation is one of the alternative methods inserted pursuant to the first set of alternatives mentioned above, the sender may include this sentence and specify the amount of the charge.

⁹ The sender of the form may include either, both, or neither of the two alternative methods (writing or electronic communication) in addition to telephone for the recipient of the Notice to communicate with the sender.

1 interest or other lien ~~an authenticated~~ a signed demand for proceeds before distribution of the
2 proceeds is completed; and

3 (B) in a case in which a consignor has an interest in the collateral, the
4 subordinate security interest or other lien is senior to the interest of the consignor; and

5 (4) a secured party that is a consignor of the collateral if the secured party
6 receives from the consignor ~~an authenticated~~ a signed demand for proceeds before distribution of
7 the proceeds is completed.

8 * * *

9 **Section 9-616. Explanation of Calculation of Surplus or Deficiency.**

10 (a) **[Definitions.]** In this section:

11 (1) “Explanation” means a ~~writing~~ record that:

12 (A) states the amount of the surplus or deficiency;

13 (B) provides an explanation in accordance with subsection (c) of how the
14 secured party calculated the surplus or deficiency;

15 (C) states, if applicable, that future debits, credits, charges, including
16 additional credit service charges or interest, rebates, and expenses may affect the amount of the
17 surplus or deficiency; and

18 (D) provides a telephone number or mailing address from which additional
19 information concerning the transaction is available.

20 (2) “Request” means a record:

21 (A) ~~authenticated~~ signed by a debtor or consumer obligor;

22 (B) requesting that the recipient provide an explanation; and

23 (C) sent after disposition of the collateral under Section 9-610.

1 (b) **[Explanation of calculation.]** In a consumer-goods transaction in which the debtor is
2 entitled to a surplus or a consumer obligor is liable for a deficiency under Section 9-615, the
3 secured party shall:

4 (1) send an explanation to the debtor or consumer obligor, as applicable, after the
5 disposition and:

6 (A) before or when the secured party accounts to the debtor and pays any
7 surplus or first makes ~~written~~ demand in a record on the consumer obligor after the disposition
8 for payment of the deficiency; and

9 (B) within 14 days after receipt of a request; or

10 * * *

11 (c) **[Required information.]** To comply with subsection (a)(1)(B), ~~a writing~~ an
12 explanation must provide the following information in the following order:

13 * * *

14 **Section 9-619. Transfer of Record or Legal Title.**

15 (a) **[“Transfer statement.”]** In this section, “transfer statement” means a record
16 ~~authenticated~~ signed by a secured party stating:

17 * * *

18 **Section 9-620. Acceptance of Collateral in Full or Partial Satisfaction of**
19 **Obligation; Compulsory Disposition of Collateral.**

20 (a) **[Conditions to acceptance in satisfaction.]** Except as otherwise provided in
21 subsection (g), a secured party may accept collateral in full or partial satisfaction of the
22 obligation it secures only if:

23 * * *

1 (2) the secured party does not receive, within the time set forth in subsection (d), a
2 notification of objection to the proposal ~~authenticated~~ signed by:

3 (A) a person to which the secured party was required to send a proposal
4 under Section 9-621; or

5 (B) any other person, other than the debtor, holding an interest in the
6 collateral subordinate to the security interest that is the subject of the proposal;

7 * * *

8 (b) **[Purported acceptance ineffective.]** A purported or apparent acceptance of
9 collateral under this section is ineffective unless:

10 (1) the secured party consents to the acceptance in ~~an authenticated~~ a signed
11 record or sends a proposal to the debtor; and

12 * * *

13 (c) **[Debtor's consent.]** For purposes of this section:

14 (1) a debtor consents to an acceptance of collateral in partial satisfaction of the
15 obligation it secures only if the debtor agrees to the terms of the acceptance in a record
16 ~~authenticated~~ signed after default; and

17 (2) a debtor consents to an acceptance of collateral in full satisfaction of the
18 obligation it secures only if the debtor agrees to the terms of the acceptance in a record
19 ~~authenticated~~ signed after default or the secured party:

20 (A) sends to the debtor after default a proposal that is unconditional or
21 subject only to a condition that collateral not in the possession of the secured party be preserved
22 or maintained;

23 (B) in the proposal, proposes to accept collateral in full satisfaction of the

1 obligation it secures; and

2 (C) does not receive a notification of objection ~~authenticated~~ signed by the
3 debtor within 20 days after the proposal is sent.

4 * * *

5 (f) [**Compliance with mandatory disposition requirement.**] To comply with
6 subsection (e), the secured party shall dispose of the collateral:

7 * * *

8 (2) within any longer period to which the debtor and all secondary obligors have
9 agreed in an agreement to that effect entered into and ~~authenticated~~ signed after default.

10 * * *

11 **Section 9-621. Notification Of Proposal to Accept Collateral.**

12 (a) [**Persons to which proposal to be sent.**] A secured party that desires to accept
13 collateral in full or partial satisfaction of the obligation it secures shall send its proposal to:

14 (1) any person from which the secured party has received, before the debtor
15 consented to the acceptance, ~~an authenticated~~ a signed notification of a claim of an interest in the
16 collateral;

17 * * *

18 **Section 9-624. Waiver.**

19 (a) [**Waiver of disposition notification.**] A debtor or secondary obligor may waive the
20 right to notification of disposition of collateral under Section 9-611 only by an agreement to that
21 effect entered into and ~~authenticated~~ signed after default.

22 (b) [**Waiver of mandatory disposition.**] A debtor may waive the right to require
23 disposition of collateral under Section 9-620(e) only by an agreement to that effect entered into

1 and ~~authenticated~~ signed after default.

2 (c) **[Waiver of redemption right.]** Except in a consumer-goods transaction, a debtor or
3 secondary obligor may waive the right to redeem collateral under Section 9-623 only by an
4 agreement to that effect entered into and ~~authenticated~~ signed after default.

5 **Section 9-628. Nonliability and Limitation on Liability of Secured Party;**
6 **Liability of Secondary Obligor.**

7 (a) **[Limitation of liability of secured party for noncompliance with article.]** ~~Unless~~
8 Subject to subsection (f), unless a secured party knows that a person is a debtor or obligor,
9 knows the identity of the person, and knows how to communicate with the person:

10 * * *

11 (b) **[Limitation of liability based on status as secured party.]** ~~A~~ Subject to subsection
12 (f), a secured party is not liable because of its status as secured party:

13 * * *

14 **(f) [Exception: Limitation of liability under subsections (a) and (b) does not apply.]**

15 Subsections (a) and (b) do not apply to limit the liability of a secured party to a person if, at the
16 time the secured party obtains control of collateral that is a controllable account, controllable
17 electronic record, or controllable payment intangible or at the time the security interest attaches
18 to the collateral, whichever is later:

19 _____ (1) the person is a debtor or obligor; and

20 _____ (2) the secured party knows that the information specified in subsection (b)(1)(A),

21 (B), or (C) relating to the person is not provided by the collateral, a record attached to or

22 logically associated with the collateral, or the system in which the collateral is recorded.

23 **ARTICLE 12**

1 **(b) [Definitions in Article 9.]** The definitions in Article 9 of “account debtor”,
2 “controllable account”, “controllable payment intangible”, “chattel paper”, “deposit account”,
3 “electronic money”, and “investment property” apply to this article.

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

6 *Legislative Note: It is the intent of this act to incorporate future amendments to the federal law*
7 *cited in subsection (a)(3)(A). A state in which the constitution or other law does not permit*
8 *incorporation of future amendments when a federal statute is incorporated into state law should*
9 *omit the phrase “[as amended]”. A state in which, in the absence of a legislative declaration,*
10 *future amendments are incorporated into state law also should omit the phrase.*

11
12 *In subsection (a)(3)(B), the state should cite to the state’s version of the Uniform Electronic*
13 *Transactions Act Section 16(a) or comparable state law.*

14
15 **Section 12-103. Relation to Article 9 and Consumer Laws.**

16 **(a) [Article 9 governs in case of conflict.]** If there is conflict between this article and
17 Article 9, Article 9 governs.

18 **(b) [Applicable consumer law and other laws.]** A transaction subject to this article is
19 subject to any applicable rule of law that establishes a different rule for consumers and [insert
20 reference to (i) any other statute or regulation that regulates the rates, charges, agreements, and
21 practices for loans, credit sales, or other extensions of credit and (ii) any consumer-protection
22 statute or regulation].

23 **Section 12-104. Rights in Controllable Account, Controllable Electronic Record,**
24 **and Controllable Payment Intangible.**

25 **(a) [Applicability of section to controllable account and controllable payment**
26 **intangible.]** This section applies to the acquisition and purchase of rights in a controllable
27 account or controllable payment intangible, including the rights and benefits under subsections
28 (c), (d), (e), (g), and (h) of a purchaser and qualifying purchaser, in the same manner this section

1 applies to a controllable electronic record.

2 (b) [Control of controllable account and controllable payment intangible.] To

3 determine whether a purchaser of a controllable account or a controllable payment intangible is a
4 qualifying purchaser, the purchaser obtains control of the account or payment intangible if it
5 obtains control of the controllable electronic record that evidences the account or payment
6 intangible.

7 (c) [Applicability of other law to acquisition of rights.] Except as provided in this

8 section, law other than this article determines whether a person acquires a right in a controllable
9 electronic record and the right the person acquires.

10 (d) [Shelter principle and purchase of limited interest.] A purchaser of a controllable

11 electronic record acquires all rights in the controllable electronic record that the transferor had or
12 had power to transfer, except that a purchaser of a limited interest in a controllable electronic
13 record acquires rights only to the extent of the interest purchased.

14 (e) [Rights of qualifying purchaser.] A qualifying purchaser acquires its rights in the

15 controllable electronic record free of a claim of a property right in the controllable electronic
16 record.

17 (f) [Limitation of rights of qualifying purchaser in other property.] Except as

18 provided in subsections (a) and (e) for a controllable account and a controllable payment
19 intangible or law other than this article, a qualifying purchaser takes a right to payment, right to
20 performance, or other interest in property evidenced by the controllable electronic record subject
21 to a claim of a property right in the right to payment, right to performance, or other interest in
22 property.

23 (g) [No-action protection for qualifying purchaser.] An action may not be asserted

1 against a qualifying purchaser based on both a purchase by the qualifying purchaser of a
2 controllable electronic record and a claim of a property right in another controllable electronic
3 record, whether the action is framed in conversion, replevin, constructive trust, equitable lien, or
4 other theory.

5 (h) [Filing not notice.] Filing of a financing statement under Article 9 is not notice of a
6 claim of a property right in a controllable electronic record.

7 **Section 12-105. Control of Controllable Electronic Record.**

8 (a) [General rule: control of controllable electronic record.] A person has control of a
9 controllable electronic record if the electronic record, a record attached to or logically associated
10 with the electronic record, or a system in which the electronic record is recorded:

11 (1) gives the person:

12 (A) power to avail itself of substantially all the benefit from the electronic
13 record; and

14 (B) exclusive power, subject to subsection (b), to:

15 (i) prevent others from availing themselves of substantially all the
16 benefit from the electronic record; and

17 (ii) transfer control of the electronic record to another person or
18 cause another person to obtain control of another controllable electronic record as a result of the
19 transfer of the electronic record; and

20 (2) enables the person readily to identify itself in any way, including by name,
21 identifying number, cryptographic key, office, or account number, as having the powers
22 specified in paragraph (1).

23 (b) [Meaning of exclusive.] Subject to subsection (c), a power is exclusive under

1 subsection (a)(1)(B)(i) and (ii) even if:

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

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

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

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

11 (2) the other person:

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

13 (B) is the transferor to the person of an interest in the controllable

14 electronic record or a controllable account or controllable payment intangible evidenced by the
15 controllable electronic record.

16 (d) [Presumption of exclusivity of certain powers.] If a person has the powers specified
17 in subsection (a)(1)(B)(i) and (ii), the powers are presumed to be exclusive.

18 (e) [Control through another person.] A person has control of a controllable electronic
19 record if another person, other than the transferor to the person of an interest in the controllable
20 electronic record or a controllable account or controllable payment intangible evidenced by the
21 controllable electronic record:

22 (1) has control of the electronic record and acknowledges that it has control on
23 behalf of the person; or

1 (2) obtains control of the electronic record after having acknowledged that it will
2 obtain control of the electronic record on behalf of the person.

3 (f) [No requirement to acknowledge.] A person that has control under this section is not
4 required to acknowledge that it has control on behalf of another person.

5 (g) [No duties or confirmation.] If a person acknowledges that it has or will obtain
6 control on behalf of another person, unless the person otherwise agrees or law other than this
7 article or Article 9 otherwise provides, the person does not owe any duty to the other person and
8 is not required to confirm the acknowledgment to any other person.

9 **Section 12-106. Discharge of Account Debtor on Controllable Account or**
10 **Controllable Payment Intangible.**

11 (a) [Discharge of account debtor.] An account debtor on a controllable account or
12 controllable payment intangible may discharge its obligation by paying:

13 (1) the person having control of the controllable electronic record that evidences
14 the controllable account or controllable payment intangible; or

15 (2) except as provided in subsection (b), a person that formerly had control of the
16 controllable electronic record.

17 (b) [Content and effect of notification.] Subject to subsection (d), the account debtor
18 may not discharge its obligation by paying a person that formerly had control of the controllable
19 electronic record if the account debtor receives a notification that:

20 (1) is signed by a person that formerly had control or the person to which control
21 was transferred;

22 (2) reasonably identifies the controllable account or controllable payment
23 intangible;

1 (3) notifies the account debtor that control of the controllable electronic record
2 that evidences the controllable account or controllable payment intangible was transferred;

3 (4) identifies the transferee, in any reasonable way, including by name,
4 identifying number, cryptographic key, office, or account number; and

5 (5) provides a commercially reasonable method by which the account debtor is to
6 pay the transferee.

7 (c) [Discharge following effective notification.] After receipt of a notification that
8 complies with subsection (b), the account debtor may discharge its obligation by paying in
9 accordance with the notification and may not discharge the obligation by paying a person that
10 formerly had control.

11 (d) [When notification ineffective.] Subject to subsection (h), notification is ineffective
12 under subsection (b):

13 (1) unless, before the notification is sent, the account debtor and the person that,
14 at that time, had control of the controllable electronic record that evidences the controllable
15 account or controllable payment intangible agree in a signed record to a commercially reasonable
16 method by which a person may furnish reasonable proof that control has been transferred;

17 (2) to the extent an agreement between the account debtor and seller of a payment
18 intangible limits the account debtor's duty to pay a person other than the seller and the limitation
19 is effective under law other than this article; or

20 (3) at the option of the account debtor, if the notification notifies the account
21 debtor to:

22 (A) divide a payment;

23 (B) make less than the full amount of an installment or other periodic

1 payment; or

2 (C) pay any part of a payment by more than one method or to more than
3 one person.

4 (e) [Proof of transfer of control.] Subject to subsection (h), if requested by the account
5 debtor, the person giving the notification under subsection (b) seasonably shall furnish
6 reasonable proof, using the method in the agreement referred to in subsection (d)(1), that control
7 of the controllable electronic record has been transferred. Unless the person complies with the
8 request, the account debtor may discharge its obligation by paying a person that formerly had
9 control, even if the account debtor has received a notification under subsection (b).

10 (f) [What constitutes reasonable proof.] A person furnishes reasonable proof under
11 subsection (e) that control has been transferred if the person demonstrates, using the method in
12 the agreement referred to in subsection (d)(1), that the transferee has the power to:

13 (1) avail itself of substantially all the benefit from the controllable electronic
14 record;

15 (2) prevent others from availing themselves of substantially all the benefit from
16 the controllable electronic record; and

17 (3) transfer the powers specified in paragraphs (1) and (2) to another person.

18 (g) [Rights not waivable.] Subject to subsection (h), an account debtor may not waive or
19 vary its rights under subsections (d)(1) and (e) or its option under subsection (d)(3).

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

23 **Section 12-107. Governing Law.**

1 (a) [Governing law: general rule.] Except as provided in subsection (b), the local law of
2 a controllable electronic record’s jurisdiction governs a matter covered by this article.

3 (b) [Governing law: Section 12-106.] For a controllable electronic record that evidences
4 a controllable account or controllable payment intangible, the local law of the controllable
5 electronic record’s jurisdiction governs a matter covered by Section 12-106 unless an effective
6 agreement determines that the local law of another jurisdiction governs.

7 (c) [Controllable electronic record’s jurisdiction.] The following rules determine a
8 controllable electronic record’s jurisdiction under this section:

9 (1) If the controllable electronic record, or a record attached to or logically
10 associated with the controllable electronic record and readily available for review, expressly
11 provides that a particular jurisdiction is the controllable electronic record’s jurisdiction for
12 purposes of this article or [the Uniform Commercial Code], that jurisdiction is the controllable
13 electronic record’s jurisdiction.

14 (2) If paragraph (1) does not apply and the rules of the system in which the
15 controllable electronic record is recorded are readily available for review and expressly provide
16 that a particular jurisdiction is the controllable electronic record’s jurisdiction for purposes of
17 this article or [the Uniform Commercial Code], that jurisdiction is the controllable electronic
18 record’s jurisdiction.

19 (3) If paragraphs (1) and (2) do not apply and the controllable electronic record,
20 or a record attached to or logically associated with the controllable electronic record and readily
21 available for review, expressly provides that the controllable electronic record is governed by the
22 law of a particular jurisdiction, that jurisdiction is the controllable electronic record’s
23 jurisdiction.

1 **PART 1**

2 **GENERAL PROVISIONS AND DEFINITIONS**

3 **Section A-101. Title.**

4 This annex may be cited as Transitional Provisions for Uniform Commercial Code
5 Amendments (2022).

6 **Section A-102. Definitions.**

7 **(a) [Annex A Definitions.] In this annex:**

8 (1) “Adjustment date” means the later of July 1, 2025, or the date that is one year
9 after [the effective date of this [act]].

10 (2) “Article 12” means Article 12 of [the Uniform Commercial Code].

11 (3) “Article 12 property” means a controllable account, controllable electronic
12 record, or controllable payment intangible.

13 **(b) [Definitions in other articles.] The following definitions in other articles of [the**
14 **Uniform Commercial Code] apply to this annex.**

15 “Controllable account”. Section 9-102.

16 “Controllable electronic record”. Section 12-102.

17 “Controllable payment intangible”. Section 9-102.

18 “Electronic money”. Section 9-102.

19 “Financing statement”. Section 9-102.

20 **(c) [Article 1 definitions and principles.] Article 1 contains general definitions and**
21 **principles of construction and interpretation applicable throughout this annex.**

22 **PART 2**

23 **GENERAL TRANSITIONAL PROVISION**

1 **Section A-201. Saving Clause.**

2 Except as provided in Part 3, a transaction validly entered into before [the effective date
3 of this [act]] and the rights, duties, and interests flowing from the transaction remain valid
4 thereafter and may be terminated, completed, consummated, or enforced as required or permitted
5 by law other than [the Uniform Commercial Code] or, if applicable, [the Uniform Commercial
6 Code], as though this [act] had not taken effect.

7 **PART 3**

8 **TRANSITIONAL PROVISIONS FOR ARTICLES 9 AND 12**

9 **Section A-301. Saving Clause.**

10 (a) [Pre-effective-date transaction, lien, or interest.] Except as provided in this part,
11 Article 9 as amended by this [act] and Article 12 apply to a transaction, lien, or other interest in
12 property, even if the transaction, lien, or interest was entered into, created, or acquired before
13 [the effective date of this [act]].

14 (b) [Continuing validity.] Except as provided in subsection (c) and Sections A-302
15 through A-306:

16 (1) a transaction, lien, or interest in property that was validly entered into, created,
17 or transferred before [the effective date of this [act]] and was not governed by [the Uniform
18 Commercial Code], but would be subject to Article 9 as amended by this [act] or Article 12 if it
19 had been entered into, created, or transferred on or after [the effective date of this [act]],
20 including the rights, duties, and interests flowing from the transaction, lien, or interest, remains
21 valid on and after [the effective date of this [act]]; and

22 (2) the transaction, lien, or interest may be terminated, completed, consummated,
23 and enforced as required or permitted by this [act] or by the law that would apply if this [act] had

1 not taken effect.

2 (c) [Pre-effective-date proceeding.] This [act] does not affect an action, case, or
3 proceeding commenced before [the effective date of this [act]].

4 **Section A-302. Security Interest Perfected Before Effective Date.**

5 (a) [Continuing perfection: perfection requirements satisfied.] A security interest that
6 is enforceable and perfected immediately before [the effective date of this [act]] is a perfected
7 security interest under this [act] if, on [the effective date of this [act]], the requirements for
8 enforceability and perfection under this [act] are satisfied without further action.

9 **(b) [Continuing perfection: enforceability or perfection requirements not satisfied.]**

10 If a security interest is enforceable and perfected immediately before [the effective date of this
11 [act]], but the requirements for enforceability or perfection under this [act] are not satisfied on
12 [the effective date of this [act]], the security interest:

13 (1) is a perfected security interest until the earlier of the time perfection would
14 have ceased under the law in effect immediately before [the effective date of this [act]] or the
15 adjustment date;

16 (2) remains enforceable thereafter only if the security interest satisfies the
17 requirements for enforceability under Section 9-203 of this [act] before the adjustment date; and

18 (3) remains perfected thereafter only if the requirements for perfection under this
19 [act] are satisfied before the **time specified in paragraph (1).**

20 **Section A-303. Security Interest Unperfected Before Effective Date.**

21 A security interest that is enforceable immediately before [the effective date of this
22 [act]] but is unperfected at that time:

23 (1) remains an enforceable security interest until the adjustment date;

1 (2) remains enforceable thereafter if the security interest becomes enforceable
2 under Section 9-203 of this [act] on [the effective date of this [act]] or before the adjustment
3 date; and

4 (3) becomes perfected:

5 (A) without further action, on [the effective date of this [act]] if the
6 requirements for perfection under this [act] are satisfied before or at that time; or

7 (B) when the requirements for perfection are satisfied if the requirements
8 are satisfied after that time.

9 **Section A-304. Effectiveness of Actions Taken Before Effective Date.**

10 (a) [Pre-effective-date action; attachment and perfection before adjustment date.] If
11 action, other than the filing of a financing statement, is taken before [the effective date of this
12 [act]] and the action would have resulted in perfection of the security interest had the security
13 interest become enforceable before [the effective date of this [act]], the action is effective to
14 perfect a security interest that attaches under this [act] before the adjustment date. An attached
15 security interest becomes unperfected on the adjustment date unless the security interest becomes
16 a perfected security interest under this [act] before the adjustment date.

17 (b) [Pre-effective-date filing.] The filing of a financing statement before [the effective
18 date of this [act]] is effective to perfect a security interest on [the effective date of this [act]] to
19 the extent the filing would satisfy the requirements for perfection under this [act].

20 (c) [Pre-effective-date enforceability action.] The taking of an action before [the
21 effective date of this [act]] is sufficient for the enforceability of a security interest on [the
22 effective date of this [act]] if the action would satisfy the requirements for enforceability under
23 this [act].

1 **Section A-305. Priority.**

2 **(a) [Determination of priority.]** Subject to subsections (b) and (c), this [act] determines
3 the priority of conflicting claims to collateral.

4 **(b) [Established priorities.]** Subject to subsection (c), if the priorities of claims to
5 collateral were established before [the effective date of this [act]], Article 9 as in effect before
6 **[the effective date of this [act]]** determines priority.

7 **(c) [Determination of certain priorities on adjustment date.]** On the adjustment date,
8 to the extent the priorities determined by Article 9 as amended by this [act] modify the priorities
9 established before [the effective date of this [act]], the priorities of claims to Article 12 property
10 and electronic money established before [the effective date of this [act]] cease to apply.

11 **Section A-306. Priority of Claims When Priority Rules of Article 9 Do Not**
12 **Apply.**

13 **(a) [Determination of priority.]** Subject to subsections (b) and (c), Article 12 determines
14 the priority of conflicting claims to Article 12 property when the priority rules of Article 9 as
15 amended by this [act] do not apply.

16 **(b) [Established priorities.]** Subject to subsection (c), when the priority rules of Article
17 9 as amended by this [act] do not apply and the priorities of claims to Article 12 property were
18 established before [the effective date of this [act]], law other than Article 12 determines
19 priority.

20 **(c) [Determination of certain priorities on adjustment date.]** When the priority rules
21 of Article 9 as amended by this [act] do not apply, to the extent the priorities determined by this
22 [act] modify the priorities established before [the effective date of this [act]], the priorities of
23 claims to Article 12 property established before [the effective date of this [act]] cease to apply

1 on the adjustment date.

2 **PART 4**

3 **EFFECTIVE DATE**

4 **Section A-401. Effective Date.**

5 This [act] takes effect on . . .